

## THE COPRODUCTION BETWEEN PRODUCER AND CONSUMER AS PART OF THE EXPERIENCE ECONOMY

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*Traditional economic literature is based on the model that separate producer of consumer, considering that, while the producer creates the value, the consumer damage it during the use. There is, however, a new trend that I approach, too, in this work, which perceives consumer in another aspect, that of co-producer. The main purpose of the paper is to examine if, via co-production with the consumer, the companies register costs' decreases and thereby increases in sales volume. For this, I compared the estimated expenditure of a specific agricultural firm moving to coproduction with the consumer, on the one hand, and data that reflects the results of the company if it does not engages in co-production, on the other hand. I also brought up the case of Swedish company Ikea, which represents a proof that the consumers' interest grows if he participate in certain stages of production. Based on these data, I surprised the idea that by the effect of prices' decrease, the co-production between producer and consumer leads to increasing the sales volume of the company and also its performance. The co-production between producer and consumer is a phrase which seeks yet for an identity. The growth and diversity of consumption is closely linked of certain favorable conditions, such as the development of the New Economy and the unprecedented gain in the informational means of communication. Developed in the 90's, the World Wide Web technology, the e-mail and the social networks have led to significant exchanges of information, impressions and feedback from consumers. At the same time they have created, for producers, the opportunity to make themselves known in a quick and economical way, to make known their products, to sell goods or services, no matter where in the world. In less than a minute, one can see the goods offered by a company and as fast, can purchase an item or make a financial transaction. Electronic commerce is based on processing and electronic transmission of data, including text, sound and video and can occur at many levels: between classical B2B (business to business), B2C (business to consumer), C2B (consumer to business) or C2C (consumer to consumer). It involves many types of activities, from sale, electronic transmission of digital data, electronic funds transfers, collaborative projects, after-sales service. This impressive global network of producers and consumers is interconnected via the Internet and requires both categories of people to learn to communicate and collaborate.*

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**Classification JEL:** A10, A13, D11, D22, M54.

### 1. Introduction and the background of the study

There are many areas in which the consumer has become an active partner of the producer, in one or more phases of production. In looking for the best solution for combining factors of production, economists show that this resource, which is the consumer, is unquestionably important and cannot be ignored. In the services sector this is highlighted by requiring the permanent presence of the customer, the production and consumption taking place at the same time. The industrial and agricultural sectors firms are resorting more and more to solutions that allow consumers to participate, either by "outsourcing" certain parts of the production process (e.g. assembly furniture by the client, while receiving all instructions) either by absorbing their work, like ideas to innovate or "labor" to use (e.g. the farmers who use the "pick-your-own" or "cut-or-choose-your-own" systems).

If Labor Productivity = Total Output / Number of Workers, by keeping the produced quantity with fewer workers, the labor productivity increases.

This study indicates that the method of combining the resource represented by consumer, on the one hand, and the business needs, on the other hand, can participate in increasing the efficiency of the organization. Searching for the optimum between the two parties we have to take account of the factors which determine consumer reactions and decisions, and to choose the conveniently range. Following investigations I made, these questions want to find their answer:

- (i) In what way, consumer's skills can become a resource for the producer?
- (ii) The producers who use co-production with the consumer, record sales volume increases?

The main contributions of this study are:

1. the development of the new approach regarding the consumer's role in the production process;
2. the indication of how this new approach, by the effect of prices' decrease, can be applied to improve the performance of the producer.

The co-production between the producer and the consumer or end user is not a new practice, but in view of the great economists, new is the approach that takes into account the values and characteristics that converge to incorporate consumer among the factors of production of a firm (as stated Fuchs, in 1965, "the consumer is a resource for producers"- Ramirez).

Co-production developed in the sphere of producer – producer relationship, but then extended and changed the appearance ratio of producer - consumer. If in the service sector, co-production between producer and consumer is undoubtedly present, in the goods sector also occurs the implementation of the idea of plus value-added by using the consumer workforce.

For the analysis of the decisive factors of coproduction between producer and consumer, we have to consider all the situations that may occur in behavioral linking for the two sides. In general, it is considered that the producer is involving in co-production, the uncertainty coming only from the consumers' choice. Therefore, the focus on field studies is to identify triggers and determinants of coproduction availability behavior at the consumers.

Professor John Alford says there are two factors that contribute to the consumer's decision to invest time and effort in co-production. One of these factors is the willingness to co-produce, which is influenced by motivational elements like sanctions, material rewards and immaterial rewards. The other factor is the ability to co-produce, which depends, in principle, on the complexity of the task performed and the own capabilities of the person which co-produce.

Many economists were concerned about capturing the essential of what "co-production between producers and consumers" means. In this regard, we have taken some of the existing definitions to identify the common denominator. As a conclusion, the co-production between producer and consumer means their cooperation in order to achieve more efficiently, the goals of both sides.

The co-production enables more accurate the good or service, depending on personal tastes and desires of each consumer. There was a tendency for customers to increasingly involve more in co-production of goods and services, on the one hand due to lower costs, and secondly due to the desire for customization. (Michael Etgar)

Ordanini and Pasini says: "The co-production means using customer knowledge to maximize the benefits of trade in services." (Ramirez R.)

Jacob and Rettinger describe coproduction as "interaction between buyer and seller to create a new product."

Vargo and Lusch defined coproduction as "participation in the creation of the very core of the offer."

After Grönroos, co-production is "customer involvement in the production process belonging to the supplier, which takes place only at the stage of consumption."

"The co-production deals with the degree of overlap between the sphere of conventional producer and the sphere of conventional consumer." (Brudney and England, 1983)

The central idea of co-production is that people who use the goods and services or end users, are hidden resources, so any system that ignores them, may not be effective. The idea of looking people mere consumers is currently exceeded. People are more than that, they enter into interaction with each other and with professionals, being a continuous source of ideas, so a source of innovation. The co-production is essential, as it encourages the idea of "commitment" from the end user of the good or service. The basic principle of co-production is an equal partnership that turns the corresponding relationship between "them" as professionals and "we" as mere consumers. The co-production refers not only to efficiency, to compare the effects of an action, with its production effort, especially in mobilizing significant resources, represented by people. When talking about people, there must be taken into account the factors related to the limited nature of resources as: free time, attention, memory, emotions and tastes. The variety of consumption must be the starting focus point in the attempt to explain the phenomenon of co-production between producer and consumer. The producer must provide to consumers an enough range line of products, in order to satisfy their demands, given the fact that best understanding of customer expectations and the success of the company in the market are interconnected: if the level of consumers' satisfaction increases, will increase the company's success, and vice versa. Currently, the price reflects more and more the increasingly personal and situational value.

## **2. The producer and the consumer, as actors in the Experience Economy**

As noted above, economic theory has passed the stage in which regarded the producer as leading and the consumer as a follower of what the first offered. The current economic environment, being very competitive, even aggressive sometimes, if taken into account all the challenges, requires a new vision of the relationship between supply and demand. The relationship between producer and consumer is currently played by certain scenarios. Reaching a certain level of coproduction indicate specifies both rational behavior on the part of decision makers, and informations exchange, experiences and even transformations. Expectations that consumers have today in the context of all

economic and social changes, are no longer directed towards external things, but towards the customer himself and to what he wants to become. Buying experience is now linked to the transformation of the individual as a consumer and thus the producers got a new role as a guide in recognizing and then in materializing the transforming experiences desired by the consumers. The co-production between producer and consumer means a change in the vision of value creation. As shown Ramirez, value creation is not sequential, unilateral and transitive, described by value chains, but synchronous, interactive, described by the constellations of value. Also, some values can not be measured, managed and monitored, unlike the situation in the industrial era, when all measured values could be managed. In co-production, the value is interactiveley co-invented and established, so the interactions are units of analysis. Empirical research on the co-production took place in public and private sector. Perhaps the most conclusive analysis is that of the american political scientist Elinor Ostrom, who played observations from visits to schools and health clinics in four regions of Nigeria. It was noted that schools where the co-production is higher, are in better condition and provide better conditions of study for their students. But, how is coproduction manifesting here? First, parents inoculated in their children the idea of continue going to school. Then, parents perceive school as "theirs", so they feel responsible for how it looks and they cooperate to improve the conditions.

Pine and Gilmore have noted with great finesse, that what characterizes the social and economic world today is that people want to live new experiences. Beyond every option to purchase there is a desire for conversion and the coproduction is the most effective means by which this can be achieved. The co-production allows, more than anything, customizing the experience, and this entails changing. Services now include the goods sold, include the staging of experiences and, increasingly, include transformation. Therefore, the current supply may be called "transformational offer". Arnould said in 2005 that people purchase goods not only to meet the fundamental economic needs, but also "to realize a variety of projects for which they deploy their own economic, social and ideological resources." (Arnould, 2005, 2006).

For example, in the business of restaurants, they do not only provide food, but are trying to produce a transformation refined consumer tastes. Dishes and related services causes experiences that, in turn, transform the type of measurable improvements in cholesterol and health.

Another example is the Swedish company Ikea. Beyond that is one of the world's largest furniture retailer, Ikea is able to use in his favor, the available resources of the consumers. Starting from selling "packaged" furniture, together with mounting instructions, until the appeal to ideas, are all part of the marketing strategy of the company ... At the end of last year, the company IKEA invited children from around the world to draw the dreaming plush toy. After being entered in competition thousands of highly successful and creative designs, the onces of ten children aged between 4 and 10 years were chosen by the public and IKEA designers to be transformed into plush toys. Ikea Group had open at the end of the financial year 2014, 315 stores in 27 markets around the world. The data indicate the next evolution of the sales volume of the company in the years 1999-2014 (Fig. no. 1):

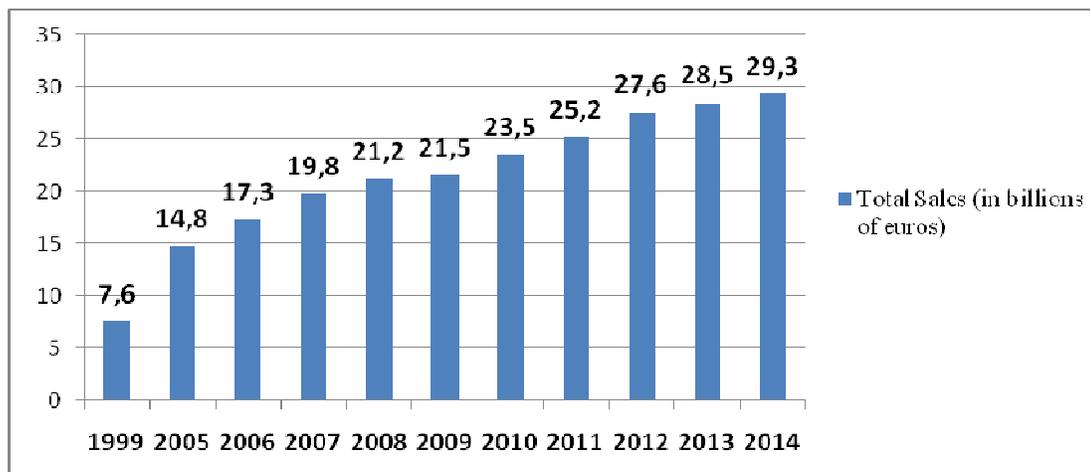


Fig. no.1 Total sales of Ikea Group/Years  
Reference Source: [www.ikea.com](http://www.ikea.com)

Along with annual growth of stores number, the increase of consumers engagement, collaboration between them and the company, led to an upward trend in sales for the group Ikea.

In agriculture increase the number of producers who use the services of customers, which alone can come and harvest the products they wish to purchase. The consumer now wants to buy an experience. Willingness to participate in co-production is due to his desire to enjoy a memorable event. Furthermore, beyond a memorable experience, the consumer wants transformation, so that he becomes a transformed "product", a person who radically changed his life

experience, health, mentality or career opportunities. The farms of this type may sell such experiences that acquire within families, an important pedagogical value. They also represent the oldest direct marketing model, with the following characteristics listed in the following table (Table No.1, using the following scale: 1-5, where 1 = minimal cost, and 5 = maximum cost):

Table no.1  
The estimated expenditures of a specific agricultural firm with and without coproduction with consumer

Input/Activities in agriculture	Costs / firm that sales on the market	Costs / firm that uses the "pick-your-own" system	The advantages of co production between producers and consumers:
Agricultural machinery	5	5	- Cost decreased due to the elimination of intermediaries costs → favorable price; - Stability of sales due to the "loyalty" of customers; - Construction and development of a producer-customer relationship; - Easy access to consumers via the Internet; - Educational effect for consumers through experiences created.
Fertilizers, Seeds	5	5	
Insurance, banks	4	4	
Maintenance	4	4	
Harvesting	4	<b>1</b>	
Packing	4	<b>1</b>	
Storage	5	<b>1</b>	
Transport	5	<b>1</b>	
Advertisement	<b>4</b>	3	

Along with the advantages, disadvantages for the producers are: the need of an excellent location, the need for consumer's surveillance, with the risk that he will destroy the products, the risk of damage the crops, risk of reduced yield at harvest.

Pine and Gilmore highlighted the features of contemporary economy, the supply side and economic function, focusing on details and stating that "changes are as distinct from experiences such as experiences are distinct from services." The consumer, as an actor of economic transformation, claims changes, whether there are physical, emotional, intellectual or spiritual changes.

The co-production implies involvement of producers and consumers, and philosopher Milton Mayeroff to describe the notion of "implication", use terms like "knowledge", "patience", "honesty", "confidence", to which he added the one of "continuity". One experience or fact that occurs only once, rarely produce a transformational offer. For the offer to become transformational, including producing company employees must engage in a more active way, as people who care. As C.William Pollard said, employees themselves must to serve and not to deliver services.

### 3. Conclusions

After data analysis, resorting conclusion is that consumer participation in the production process tends to be characteristic of the current business model. Participation can occur in various stages of production and will materialize or not, in a physical effort, but signifies, in any case, a minimum contribution from the end user (consumer).

Because of co-production, can be made more precisely the objectives of each of the parties involved: the producer, as offeror and the consumer, as final client. In terms of co-production, the two components's actions are converging to the aim of achieving well-defined goals, such as achieving a good or service as close to the customer expectations in terms of efficiency. This explains the fact that, currently, it is practically impossible to separate the producer to the consumer, the latter becoming resource, input, co-producer.

The positive effects of co-production for both, the individual and the economic society, were highlighted by numerous theoretical and empirical analysis. These proposed to show a causal relationship among co-production between producer and consumer, on the one hand and the increase of performance, on the other hand. Furthermore, to be specific, it improves the welfare of both sides. Research has highlighted, in particular, the relationship between co-production and the quality improve, and between them and the performance increase.

Literature records also that co-productions has effects on customers and maintain the view that this requirement has become, as stated Coyle and Gokey in 2005, "the Holy Grail of the industry."

On the other hand, the results of the undertakings are strongly influenced by everything people, as potential customers, think, hear, speak or know about them. The dissemination and transfer of knowledge are equally important as globalization, innovation and technology transfer. And how else can inform people accurately than participating in creating the essence of the supply?

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