

ASSESSING E-COMMERCE APPLICATION USING CO-CREATION OF  
VALUE

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I dedicate this dissertation to my respected and beloved family, thank you for the moral and financial support you have provided me with throughout my academic life, and thank you for being there for me. To my supervisor, Assoc. Prof. Dr Azizah bt Abdul Rahman, thank you for all your help, patience and guidance with this project

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## **ABSTRACT**

This study is focused on assessing e-commerce applications in using co-creation of value. To achieve this aim, the author investigates the co-creation of value concepts which are implemented in successful e-commerce applications. A co-creation model is constructed in term of the DART building block principle. The value co-creation concepts of this model are implemented in a local e-commerce application and a prototype website is developed. Then a questionnaire is carried out to compare the new prototype website with the website of the local e-commerce company. Based on the results of the questionnaire, it is observed that the value co-creation applications are better applied in the prototype and the prototype is viewed much more positively. Through the prototype and questionnaire, the author shows that co-creation concepts can improve a local e-commerce website

## **ABSTRAK**

Kajian ini tertumpu kepada penilaian aplikasi e-dagang menggunakan nilai penciptaan kerjasama. Untuk mencapai matlamat ini, penulis menyiasat konsep nilai penciptaan kerjasama yang berjaya dilaksanakan dalam aplikasi e-dagang. Model penciptaan kerjasama dibina berpandukan kepada segi prinsip blok bangunan DART. Konsep nilai penciptaan kerjasama bagi model ini dilaksanakan dalam aplikasi e-dagang tempatan dan laman web prototaip yang dibangunkan. Kemudian soal selidik dijalankan bagi membandingkan prototaip laman web baru dengan laman web syarikat e-dagang tempatan. Berdasarkan daripada hasil soal selidik ini, dapat dilihat bahawa aplikasi nilai penciptaan kerjasama adalah lebih baik digunakan dalam prototaip dan prototaip ini dianggap lebih positif. Melalui prototaip dan soal selidik, penulis menunjukkan bahawa konsep penciptaan kerjasama dapat meningkatkan laman web e-dagang tempatan.

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## **CHAPTER 1**

### **INTRODUCTION**

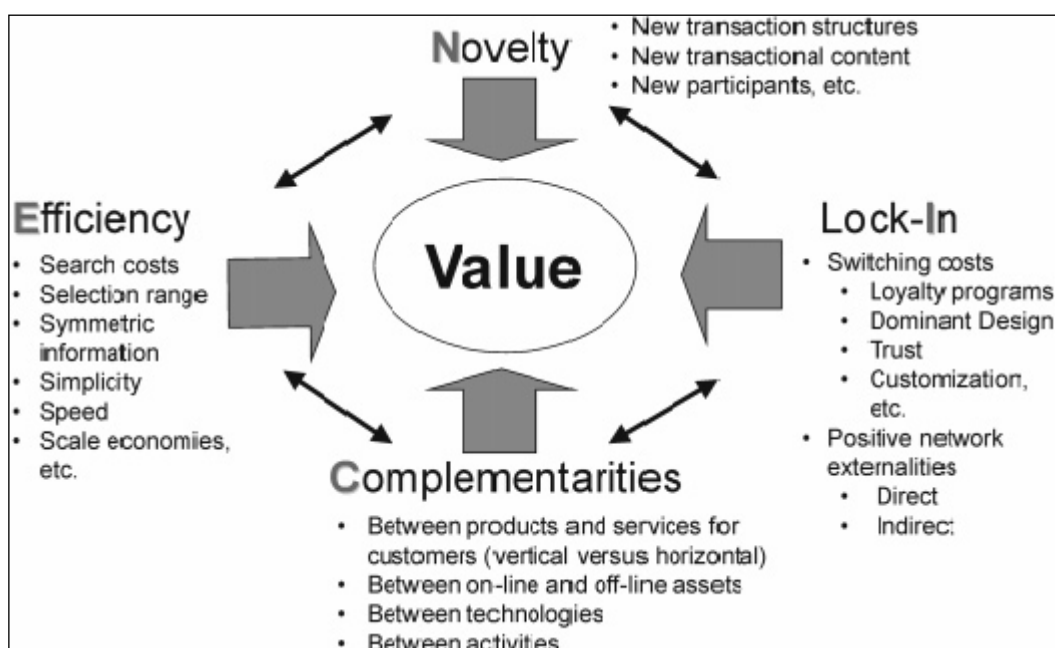
#### **1.1 Introduction**

Historically the process of value creation or co-creation has often been carried out through the actions of commerce. A major change in commerce came about with the advent of the World Wide Web; much new opportunities to enhance commerce were created. To be able to assess the role of e-commerce in the process of value creation (or co-creation), therefore it is important to have some knowledge on e-commerce, its history and some of its current applications.

E-commerce is known as exchanging products and services through internet by using electronic devices. By improving the facilities for using internet, the using of e-commerce become increase. Ecommerce applications consist of IT (hardware and software) facilitate business by using electronic medium.

Value creation in e-commerce through traditional view is the creation of a product by producer, and its purchase and use by the customer. In this view

customers are outside the business and their only role is to use products. They don't have any participation and direct input in products creation. This concept is referred to as a goods dominant (G-D) logic. In this view the firm makes the products, then it send them to the markets and after that customers pay money and purchase them. The value is therefore attached by exchanging object and money. These steps refer to value-in-exchange meaning of value (L. Vargo, P. Maglio, & Akaka, 2008).



**Figure 1.1:** Sources of Value Creation in E-commerce

In Figure 1.1, a number of sources of value creation in e-commerce are shown. These features are novelty, efficiency, lock-in and complementarities. Novelty is referred to innovation of a company and the degree of its uniqueness with respect to other competitors. Efficiency is prepared by facilitating aspects such as reducing the time and cost consumption associated with searching the company's website, having a wide range for selection and increasing the speed of search. Lock-in is associated with trying to prevent customers from moving to competitors, and the firm can do this by providing customization, loyalty programs and trust for its customers. Complementarities are referring to combining products and services, to

facilitate customers' access to products. A good example is customers being able to order products online, and receive them from high street stores. As a whole, these four aspects are value drivers in e-commerce and implementing them will increase customers' motivation.

More recently, customers are much more directly taking part in producing products. They are inside the business; they can give their opinion about the design of products and customized them. These concepts are closely related to service dominant (S-D) logic. In this view both the customers and the producers take part in producing a product, and therefore together co-creating value. Through this view another meaning of value (value-in-use) appears (L. Vargo, P. Maglio, & Akaka, 2008).

Co-creation converts the market into a forum where dialogue among the consumer and the firm occurs, and value is created for both (Prahalad & Ramaswamy, 2004).

## 1.2 Problem Background

The practice of value co-creation has become more prominent in e-commerce. There are still however many challenges associated with this practice. To be able to judge the success or failure in a case of value co-creation in e-commerce application; it is important to understand both the co-creation steps taken and some of the problems faced by these e-commerce practitioners. Only then can the criteria be identified to gauge the level of success or failure, and best practices be highlighted. In the opinion of the author, the main challenge associated with the co-creation of value in e-commerce is related to developing & maintaining relations between parties involved in the co-creation process.

The most well known application to the consumer is probably online retail. The most common practical problem identified with this application includes identity theft and faulty products. Product delivery can also be a potentially difficult issue to deal with. Such problems can arise from lack of communication between the parties involved and can lead to a lack of trust between the firm and its customers, causing an end to their business relationship. By applying the co-creation concept, the author will show in this report that much of these problems could be avoided, and new business opportunities created (R.Petrova, 2002).

However there are challenges facing e-businesses with regard to value co-creation either within B2B or B2C applications. These include issues such as value understanding & definition, and distances, which could hinder management decision making processes. Also within B2C applications, gauging client requirements are not so easy, as often even the customers themselves are unsure of their needs, and specifications provided are often different, depending on the person's lifestyle and culture. This report will focus mainly in the B2C application of value co-creation in e-commerce.

### **1.3 Problem Statement**

The problem statement for this thesis is the following:

“How to assess e-commerce application using co-creation of value?”

In the market today, there is a greater emphasis being placed on understanding the customer. With the current growth in e-commerce, businesses are looking for ways to distinguish their service and products from their competitors.

This thesis will review a number of cases where value co-creation was applied in e-commerce specifically in the case of online retail; where a number of successful cases will be examined. It will investigate the reasons for this success under the co-creation value concepts, and see what best practices can be obtained, these practices will then be tested with a local e-business, to gauge their success.

### **1.4 The Project Objectives**

- To investigate the co-creation of value in e-commerce applications, in the field of online retail.
- To identify the successful practices and the criteria for success in the case of value co-creation in e-commerce application in the field of online retail.
- To propose a model to improve a local e-commerce application from the perspective of co-creation of value.
- To develop a prototype that demonstrates co-creation of value concepts.



## **1.5 Project Scope**

In this project, the author will look in detail at number of successful case studies where the concept of value co-creation was applied in the world of online retail. After understanding the co-creation of value concepts that are effective in company's success, the author is looking for a local e-business to implement the co-creating features and then gauge its success with users. The focus of this study will be in the online retail business sector. For every case in the study, the author will focus on:

- Application of value co-creation in e-commerce.
- The role played by value co-creation to increase the level of success of the particular e-business.
- The utilization of value co-creation in local e-business (www.kamdaronline.com).

## **1.6 The Project Importance**

People who benefit from this study include, upstart e-businesses, current e-businesses who are looking to optimize their business, consumers, client businesses and government departments. The recommendations which are to be proposed can then be applied by interested businesses to improve their level of success. The results of the study and their applications is important because there are now many more options available to the consumer, from the normal 'brick & mortar' high street shops to the large number of choices available on the web. Therefore to stay competitive, businesses have to really understand their customers and the approaches that are to be suggested by this study will hopefully convey this.

The expected outcome is to be able to apply the value co-creation concepts in the website of a local e-business. The author will demonstrate that implementation of co-creation of value concepts can improve the e-business website, and confirm this idea by analyzing responds of questioners from users who have experience with both the original website and with the website created as part of this study. Also the results will be presented to company which owns the e-business in question.

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