Value creation, co-production and co-creation in NGO-operated clothing industry

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Abstract

The objective of this study is to conceptualize value creation, co-production and co-creation in non-government organization (NGO)-operated clothing industry. Secondly, we design value creation, co-production, and co-creation model for NGO-operated clothing industry. Thirdly, we demonstrate the model by taking the cases from Grameen UNIQLO and Aarong (two fast clothing companies in Bangladesh). Furthermore, we also conducted two interviews from Grameen UNIQLO. Finally, we give future directions for developing a unified model of value creation, co-production, and co-creation for clothing industry that will be utilized to other sectors.

In this paper we define value creation as a unidirectional process that flows from producers to customers to create value in the form of products. In traditional clothing industry, producers produce cloths for customers. We denote value co-production as a joint participation of customers and producers in the process of manufacturing and developing products and/or services. For NGO-operated clothing industry, customers design, process/arrange, and produce products/services by working together with producers and designers in clothing companies. Finally, we also define value co-creation as a bidirectional process that flows for a joint creation of value between customers and producers. In case of NGO-operated clothing industry, producers develop or create new products or services jointly with customers. Here, customers participate in the production process, advertising process, and selling process. That means customers play co-role as producers and customers.

Results from cases show that Grameen UNIQLO is engaged in community-oriented but Aarong engaged in market-oriented value creation, co-production, and co-creation.

Keywords: Value creation, Value co-production, Value co-creation, Service-dominant logic, Goods-dominant logic, NGO-operated clothing industry.

1 Introduction

Service-dominant Logic (SDL) is an alternative perspective to the traditional, Goods-dominant Logic (GDL) paradigm, which has been recognized as a potential theoretical foundation of service science [1]. GDL is the conventionally dominant logic of marketing and market which suggests that the purpose of economic activity is to make and distribute units of output (goods) which are embedded with utility (value) during production. On the other hand, SDL is a reoriented paradigmatic perspective on marketing and market which implies that service is the basis of all economic and social exchange; all businesses are service businesses and all economies are service economies. According to Vargo and Lusch [2, 3] service is the application of competences (knowledge and skills) by one entity for the benefit of another. In SDL, goods are a distribution mechanism for service provision.

In this study, first of all we review the literature for conceptualization of value creation, co-production, and co-creation in NGO-operated clothing industry. Secondly, we design value creation, co-production, and co-creation model for NGO-operated clothing companies. Thirdly, we demonstrate the model by taking the cases from Grameen UNIQLO and Aarong (two fast fashion companies in Bangladesh). Furthermore,
we also conducted two interviews from Grameen UNIQLO. Finally, we give future directions for designing a unified model for value creation, co-production, and co-creation in NGO-operated clothing industry, which will be utilized to other sectors.

2 Literature review

2.1 Value creation

Value creation is the central concept in service marketing. Different persons define value creation in various ways. Table 1 describes the definition of value creation.

Table 1. Definition of value creation

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definition of value creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prahalad and Ramaswamy [4]</td>
<td>Value creation is the process in which companies and customers play a distinct role of producer and consumer. It is a one way process that flows from firm to consumer, and controlled by firms only.</td>
</tr>
<tr>
<td>Ueda, Takenaka and Fujita [5]</td>
<td>It is an act of creativity in which the value for producer and consumer can be determined separately.</td>
</tr>
<tr>
<td>Gronroos and Voima [6]</td>
<td>It is an ongoing process that explains the customers’ ability to extract value from products and other resources in use.</td>
</tr>
<tr>
<td>Hakanen and Jaakkola [7]</td>
<td>Benefit received from a combination of potential resources is value creation.</td>
</tr>
</tbody>
</table>

In this study, we define value creation as a unidirectional process that flows from producers to customers to create value in the form of products. In case of traditional clothing industry, producers produce cloths for customers.

2.2 Value co-production

In our review, the number of literatures on co-production was not so many. Table 2 denotes the definition of value co-production.

Table 2. Definition of value co-production

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definition of value co-production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordanini and Pasini [8]</td>
<td>Value co-production is the enhancement of value by using the resources and competencies of the business and customers.</td>
</tr>
<tr>
<td>Prahalad and Ramaswamy [12]</td>
<td>It is a joint creation of value and experiences by the company and customers having some necessary adjustments.</td>
</tr>
<tr>
<td>Ramaswamy [13]</td>
<td>Value generated from jointly developed products, services and experiences by companies and customers is value co-creation.</td>
</tr>
<tr>
<td>Prahalad and Ramaswamy [4]</td>
<td>It is a two way process that flows from firm to consumers and consumers to firm in return. Consumers have the right to impose their view of choice.</td>
</tr>
<tr>
<td>Ueda, Takenaka and Fujita [5]</td>
<td>It is an act of collective creativity that is experienced jointly by two or more people so the value for producer and consumer cannot be determined separately.</td>
</tr>
<tr>
<td>Vargo, Maglio and Akaka [14]</td>
<td>It is a continuous process of discovering unique resources and efficiencies by the participation</td>
</tr>
</tbody>
</table>

In our study, we denote value co-production as a joint participation of customers and producers in the process of manufacturing and developing products and/or services. In case of NGO-operated clothing industry, customers design, process/arrange, and produce products/services by working together with producers and designers in clothing companies.

2.3 Value co-creation

Value is co-created through the mutual effort of firms, employees, customers, stakeholders, government agencies, and other entities related to any given exchange. Therefore, the customer-manufacturer contact point plays an important role for value co-creation [10]. The SDL notion of value co-creation suggests that “there is no value until an offering is used – experience and perception are essential to value determination” [11]. Different researchers define value co-creation differently. Table 3 shows the definition of value co-creation.
We define value co-creation as a bidirectional process that flows for a joint creation of value between customers and producers. In case of NGO-operated clothing enterprises, producers develop or create new products or services jointly with customers. Here, customers participate in the production process, advertising process, and selling process. That means customers play co-role as producers and customers.

In summary, while value creation occurs independently, value co-creation always accompanies value co-production, though the degree of “accompany” varies case by case.

3 Value creation, co-production, and co-creation model for NGO-operated clothing industry

3.1 Traditional clothing industry

Clothing is one of the very basic human needs. In general, clothing industry is now fully GDL-based. Traditional GDL-based clothing industry produces products for the customers and customers purchase products by the exchange of money. In this sense, value is measured by the products itself and the exchange of money. Figure 1 depicts the traditional GDL-based clothing industry for developed word.

In the next section, we develop a model for NGO-operated clothing industry that connotes value creation, co-production and co-creation. Furthermore, we demonstrate the model by taking cases from two NGO-operated clothing companies and finally, we make comparison between the two cases.

3.2 NGO-operated clothing industry

Grameen UNIQLO [16] and Aarong [17] are two leading clothing companies in Bangladesh. These two companies look like belonging to GDL-based industry, but it produces and sells cloths with the aim of helping to address some of Bangladesh’s most pressing social issues, including problems related to poverty, health sanitation and education. Figure 2 shows just an initial snapshot model for NGO-operated clothing industry in developing countries.

![Figure 2. Initial snapshot model for NGO-operated clothing industry in developing countries](image)

In figure 2, we can see that in NGO-operated clothing industry, there are both special and regular types of customers. The special customers who are the members of Grameen Bank and Brac (Bangladesh Rehabilitation Assistance Committee). Here, social enterpruners work with Grameen Bank and Brac. In both cases, the created values from NGO-operated clothing companies are being re-invested in social entrepreneurship business or social business for the well-being of special customers (the members of Grameen Bank and Brac).

3.3 Value creation, co-production, and co-creation model for Grameen UNIQLO

Firstly, Grameen UNIQLO is reducing poverty specially setting up jobs for Grameen ladies, who
are the special customers and members of Grameen Bank, employing them as sales assistants in the apparel retail industry. The Grameen ladies sell clothing door to door while explaining the key features of the products to customers within the network of eight million borrowers. Here, Grameen ladies are playing an important co-role as a producer as well as a customer and co-creating values. Secondly, it also reduces sanitation by producing and selling sanitary underwear and sweat pants. Finally, Grameen UNIQLO is raising literacy of children in Bangladesh through producing ‘T-shirts with educational paints and electronic study books’. Figure 3 describes value creation, co-production and co-creation model for Grameen UNIQLO in Bangladesh.

Figure 3. Value creation, co-production, and co-creation model of Grameen UNIQLO

In figure 3, we can see that producers (special customers) are jointly developing new products with customers (rural people) through the sharing of experiences, knowledge, and wisdom that indicate value co-production. Grameen UNIQLO mainly produces clothing for their eight million borrowers. It reinvests its profits for social business, educational program, health program, etc. that denote value co-creation. From figure 3, we also observe that producers (special customers) produce products for regular customers that indicate value creation.

3.4 Interview with Grameen UNIQLO’s managers

We also conducted two interviews from Grameen UNIQLO. Both interviewees confirmed that the borrowers of Grameen Bank work as producers as well as customers. One interviewee reported that rural women (special customers) sell clothes from door to door in rural areas or use their own homes as stores, where they explain product features and sell clothing in a warm and cordial setting. He also added that products are sold on consignment with paid commission based on sales. Another interviewee indicated that profits from the sales of the clothes will be reinvested in other social businesses. He also added that Bangladeshis are developing the business on their own, they have a direct hand in generating job opportunities, improving their lives and encouraging each other to move toward financial independence.

The interviewees reported that “The Value of $1” project is a new social business in which participation is as simple as purchasing an electronic study book for just one dollar. The one dollar spent to purchase an electronic study book of the Bengali language goes to a fund that subsidizes the production of T-shirts with educational prints and study books that will help raise the literacy of children in Bangladesh.

3.5 Value creation, co-production and co-creation model for Aarong

Aarong, is the local Mecca for deshi (local) handicraft. Aarong’s product designs have brought consumer attention back to the products and styles that are indigenous to Bangladesh, its designers blending the traditional with the contemporary in a manner that has won instant consumer appeal, starting a revolution in trends that has now been taken up by countless other boutiques and stores. Sixty five thousand artisans and handicraft producers, as well as twenty five thousand independent cooperative groups and traditional family-based artisans who are the special customers, market their products and crafts through Aarong.

Potters, brass workers, jewellers, jute workers, basket weavers, handloom weavers, silk weavers, wood carvers, leather workers and various artisans with specialized skills from all over the country come to Aarong for marketing and support services. Figure 4 shows value creation, co-production and co-creation model for Aarong in Bangladesh.
In figure 4, we can see that the special customers (rural people who are the members of Brac) along with designers from Aarong are producing products mainly for the regular customers that indicate co-production. Here, special customers who are the borrowers of Brac and the designers from Aarong are taking part in the production process by sharing their knowledge, experiences and wisdom. But, Aarong is mainly producing products for regular customers that denote creation of value. On the other hand, Aarong also re-invests the profits for social entrepreneurship and special customers for their social business that indicate the co-creation value.

3.6 Comparison of Grameen UNIQLO and Aarong cases

These two clothing enterprises of Bangladesh are not only producing and selling cloths, but also they are creating job opportunities for rural women, reducing sanitation, raising literacy, providing health services. The co-created values from these two companies are re-invested to social business, health care, educational programs and empowerment of rural women in Bangladesh.

Through the comparison of two cases, Grameen UNIQLO mainly co-creates values jointly with customers. That means producers and customers are interacting together and producing and developing new products through the sharing of their knowledge, experiences, and wisdom. But in case of Aarong, they also co-create values very nominally. Because, Aarong’s main customers are regular customers. That means Aarong mainly produces products for selling to regular customers and they re-invest their profits for health services, educational programs, as well as poverty eradication and empowerment of rural women.

In short, Grameen UNIQLO is engaged in community-oriented value co-creation and Aarong in market-oriented value co-creation.

4 Conclusion

Values are creating through the joint interaction of producers and customers by sharing their knowledge, experiences, and wisdom. In case of Grameen UNIQLO, special customers are taking part in the production and development of products. But in case of Aarong, producers are the special customers who are producing cloths for regular customers. Finally, the created values from these two companies also re-invest to social entrepreneurship business which includes educational program, health services, and empowerment of rural women.

Value creation, co-production, and co-creation model in NGO-operated clothing industry is unique in nature. In future, we will conduct qualitative research to justify the proposed model. Finally, the new model in NGO-operated clothing industry would be unique in nature that will broaden the dimension of SDL concept, and it will be applicable to other sectors.

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