

# **The application of value co-creation in advancing solutions to sustainable consumption**

Ginny Britt Verran

29613273

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

10 November 2010

## Abstract

The environmental sustainability challenges faced by society represent a discontinuity that requires new systemic ways of thinking and approaching problems. For business and consumers this entails finding new ways of creating value. In this respect, this study argues that an important source of value lies in efficient service co-creation between business and consumers in the consumption process. To this end, this study set out to explore the potential of business-to-consumer co-creation to advance solutions to sustainable consumption in the grocery retail setting.

Exploratory qualitative research was conducted with grocery retailers and environmentally conscious consumers to gain insights into the types of initiatives that are important with respect to sustainable consumption. The willingness of business and consumers to work together to co-create solutions was gauged, and potential processes and mechanisms for co-creation were explored.

The research found that both grocery retailers and consumers recognise sustainability as a systemic issue and welcomed the notion of co-creating solutions. However, the overarching narrative of the research findings with respect to the *how* of co-creation is that the market may not yet be ready. Retailers are driving sustainability initiatives across the supply chain, with consumers occupying a relatively passive role. This study argues that co-creation represents a fundamentally new paradigm that poses the challenge of a new orientation for the business-to-consumer relationship.



## **Keywords**

Green marketing

Knowledge-attitude-practice gap

Service-dominant logic

Sustainable consumption

Value co-creation

## Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

---

Ginny Verran

10 November 2010

## Acknowledgements

As MBA students we are constantly eager to learn and grow, which entails stepping out of comfort zones and into new challenges. The research journey has provided the opportunity to challenge my thinking in new ways; this has been a privileged opportunity and I wish to thank GIBS for the high standards to which we aspire.

In particular, I wish to thank my research supervisor, Kerry Chipp, for your inspiration and valuable guidance in this journey. Thank you for sharing your deep knowledge and insights with respect to my research and the discipline of academic research. Your sincere interest and commitment to my progress are tremendously appreciated.

To Donald Gibson and the Transnet Programme in Sustainable Development, thank you for your most generous support and contribution which has been instrumental in enabling me to conduct my research.

The sustainability imperatives that society faces today represent a discontinuity that challenges us to explore new ways of coming up with solutions. It is these imperatives that have motivated and inspired me to do research in this field. Thank you to each of the individuals who kindly made time available to participate in my research.

Thank you to my family and friends for your interest in my research and your unwavering support along the way. The ability to share my research interest and thoughts with you has been an invaluable help. To my fellow MBA compatriots, it has been an incredible experience to share this journey with you.

*“For where your treasure is, there your heart will be also” (Matthew 6:21)*

## Table of Contents

<b>Chapter 1 – Introduction to the research problem .....</b>	<b>1</b>
1.1 Introduction.....	1
1.2 Sustainable consumption as a business and consumer imperative .....	2
1.3 Purpose of the research .....	4
1.4 Research objectives.....	5
1.5 Scope of the research .....	5
1.6 The case for co-creation towards sustainable consumption.....	6
1.7 Conclusion .....	7
<b>Chapter 2 – Literature review .....</b>	<b>8</b>
2.1 Introduction.....	8
2.2 An evolving role for green marketing.....	10
2.3 Defining consumer value.....	12
2.4 Rethinking industry structures .....	13
2.5 The service-dominant marketing logic underpinning co-creation .....	15
2.5.1 Aligning the service-dominant logic to sustainable consumption .....	16
2.6 An introduction to value co-creation .....	18
2.7 Creating readiness for business-to-consumer co-creation.....	21
2.7.1 Exploring models for value co-creation.....	23
2.8 Towards a framework for the co-creation of solutions to sustainable consumption.....	26
2.9 Conclusion .....	32
<b>Chapter 3 – The research questions .....</b>	<b>34</b>
<b>Chapter 4 – Research methodology and design.....</b>	<b>36</b>
4.1 Methodology followed .....	36
4.2 Population .....	38
4.3 Sample size and sampling method.....	40
4.4 Unit of analysis.....	41
4.5 Data collection .....	41

4.6	<i>Data analysis</i> .....	44
4.7	<i>Limitations of the research</i> .....	46
<b>Chapter 5 – Research results</b> .....		<b>48</b>
5.1	<i>Description of the sample</i> .....	49
5.2	<i>Introduction - A systemic perspective on sustainability</i> .....	51
5.3	<i>A business or consumer responsibility?</i> .....	52
5.4	<i>The predominance of retailer-led sustainability initiatives</i> .....	53
5.4.1	Retail operations .....	53
5.4.2	Consumer advocacy rather than action .....	54
5.4.3	The role of marketing .....	56
5.4.4	Bottom up education?.....	59
5.4.5	The need to incentivise consumers.....	60
5.5	<i>Consumer activism – oppositional rather than collaborative</i> .....	61
5.6	<i>The price sensitivity of market segments</i> .....	62
5.7	<i>A knowledge-attitude-practice gap</i> .....	64
5.8	<i>Emerging opportunities for co-creation</i> .....	66
5.8.1	The reduction of packaging .....	67
5.8.2	Recycling .....	68
5.8.3	Web 2.0 .....	69
5.8.4	Additional areas suggested for collaboration .....	71
5.9	<i>Defining value in the customer experience</i> .....	73
5.10	<i>Additional findings</i> .....	75
5.10.1	An upstream approach to sustainability: business-to-business co-creation	75
5.10.2	Business-to-civil society co-creation .....	77
5.10.3	Industry co-creation .....	78
5.11	<i>Key findings summarised according to the research questions</i> .....	79
<b>Chapter 6 – Discussion of the results</b> .....		<b>82</b>
6.1	<i>Introduction</i> .....	82
6.2	<i>Research question 1: What types of sustainability initiatives are important to a) grocery retailers and b) consumers in the grocery retail sector? - Does alignment exist between the two?</i> .....	83
6.2.1	Sustainability requires a systemic approach .....	83
6.2.2	Who is taking responsibility?.....	85
6.2.3	Approaches to sustainability in the grocery retail sector .....	87

6.3	<i>Research question 2: Does willingness exist on the part of a) grocery retailers and b) consumers to participate in co-creation activities?</i> .....	93
6.3.1	In support of systemic solutions.....	93
6.3.2	Beyond traditional marketing .....	94
6.3.3	Necessary conditions in the customer experience .....	95
6.3.4	The benefit to business .....	96
6.3.5	Understanding consumer passivity .....	96
6.3.6	The role of consumer influence.....	98
6.4	<i>Research question 3: What would be the essential processes and mechanisms involved in business-to-consumer value co-creation towards sustainable consumption in the grocery retail sector?</i> .....	98
6.4.1	Grappling with the how .....	99
6.4.2	Necessary elements for co-creation.....	100
6.4.3	Exploring tools for value co-creation .....	101
6.4.4	Considering the process-based value co-creation framework of Payne, Storbacka and Frow (2008) .....	103
6.4.5	In summary .....	109
<b>Chapter 7</b>	<b>– Conclusions .....</b>	<b>111</b>
7.1	<i>Aim of the research</i> .....	111
7.2	<i>Key findings</i> .....	111
7.3	<i>Managerial implications</i> .....	113
7.4	<i>Research limitations restated</i> .....	115
7.5	<i>Future research</i> .....	115
7.6	<i>In summary</i> .....	116
<b>References</b> .....		<b>I</b>
<b>Appendices</b> .....		<b>VII</b>
	<i>Appendix A: Focus group recruitment questionnaire</i> .....	VII
	<i>Appendix B: Interview guide</i> .....	X
	<i>Appendix C: Informed consent letter for interviews</i> .....	XIII
	<i>Appendix D: Focus group discussion guide</i> .....	XIV
	<i>Appendix E: Informed consent letter for focus groups</i> .....	XVIII
	<i>Appendix F: An overview of grocery retailers’ approaches towards sustainability</i> ...	XIX
	<i>Appendix G: Sustainability initiatives in the grocery retail sector in operations and distribution</i> .....	XX

## Figures

Figure 1: Service-dominant exchange logic based on a triangulation of value-creating activities (Ballantyne & Varey, 2006).....	25
Figure 2: A conceptual framework for value co-creation (Payne, Storbacka & Frow, 2008) .....	28

## Chapter 1 – Introduction to the research problem

### 1.1 Introduction

The twenty first century economy can be described by twin paradoxes – consumers are more demanding and have more choices that yield less satisfaction; management has more strategic options that yield less value (Prahalad & Ramaswamy, 2004). This emerging reality is forcing a re-examination of traditional company-centric value creation, with Prahalad and Ramaswamy (2004) proposing instead a new frame of reference centred on co-creation of value between companies and consumers. By continuously interacting with consumers through engagement platforms, particularly those centred on customer experiences, Ramaswamy (2009) argues that companies can build strategic capital as a source of new competitive advantage.

At the same time, society has started to awaken to the realities of sustainability imperatives. Given the challenges related to the shortage of resources, water scarcity, climate change and loss of biodiversity, it is becoming apparent that efficiency gains and technological advances alone are not sufficient to bring global consumption to a sustainable level; changes in consumer lifestyles are also required, including the ways in which consumers choose and use products (World Business Council for Sustainable Development - WBCSD, 2008). It is critical for business to rise to the challenge of sustainable consumption, meaning that business must create value for consumers by harnessing new ways to develop more sustainable products and services to meet their functional and emotional needs (WBCSD, 2008).

This study recognises that a critical source of value lies in finding long term systemic solutions to sustainable consumption. It is argued that the success of such efforts depends on collaborative action between business and consumers, with retailers as the link. Traditional product-centred approaches alone are unlikely to promote sufficient change, given that customer experiences form the new basis for value creation (Ramaswamy, 2009). This aligns with the service-dominant logic (Vargo & Lusch, 2004) in that the focus of sustainable consumption needs to shift away from the product to the value of the services that flow from it during its lifecycle (Lovins, Lovins & Hawken, 2007).

This study therefore set out to propose co-creation between retailers and consumers as means of initiating creative, informed and sensitive interventions in the sustainable consumption process. In this way, Marchand and Walker (2008) claim that the diverse interests and cumulative knowledge of business and consumers can be taken into account in the development of alternative solutions that are ecologically responsible, socially relevant, aesthetically pleasing, economically viable, technologically appropriate and that provide individually satisfying consumption experiences.

## **1.2 Sustainable consumption as a business and consumer imperative**

Sustainable consumption is about consuming in a way as to protect the environment, use natural resources wisely and promote quality of life now, while not spoiling the lives of future consumers (Yates, 2008). The finitude of resources on our planet therefore calls for new forms of production, distribution and consumption (Laszlo and Laszlo, 2002), and for new ways of learning, living and enjoying life.

While consumers are arguably becoming more mindful of their consumption patterns, executives have started to recognise the policy and business implications, whether they believe in the science of climate change or not (Enkvist, Naucler & Oppenheim, 2008). A growing number of companies are looking to recognise the role of sustainability as an integral component of their business strategy. Contributing factors to this include the need to comply with an increasing volume of environmental and social legislation and regulation; concerns about the cost and scarcity of natural resources; the growing media coverage of the activities of a wide range of anti-corporate pressure groups; and more general changes in social attitudes and values within modern capitalist societies (Jones, Clark-Hill, Comfort & Hiller, 2008). In South Africa the King III corporate governance code calls on businesses to focus on more than just the economic value of their activities, asking them also to take into account their social and environmental performance, signifying a new role for business in society (Institute of Directors, 2009).

The European Roundtable on Sustainable Consumption (2004) entitled “Meeting Consumer Demand for Sustainable Products” points to increased consumer interest in sustainable products and new lifestyles, as well as to the presence of a growing ‘creative society’ that is moving towards sustainability by initiating sustainable alternatives. However, Yates (2008) argues that with respect to consumers’ desires to act in the interest of the environment, there is often a value-action gap, in other words, a gap between people’s attitudes and their every day behaviours. Hertwich (2005) argues that people’s freedom to make changes in their lifestyles and product

choices has been constrained by the infrastructure and industry structures within which life needs to be organised and by the range of products made available to them.

The pursuit of sustainable consumption is arguably both a business and consumer responsibility (Peattie, 2001). An opportunity has therefore been identified to align business and consumer interests and responsibilities through the co-creation paradigm so that sustainable consumption becomes a mutually reinforcing and rewarding process.

### **1.3 Purpose of the research**

With respect to the sustainability imperatives of today, this study proposes that solutions towards sustainable consumption can be co-created between business and consumers, thereby enabling these stakeholders to take better ownership of their respective ecological footprints. While customer co-creation processes have become increasingly popular in recent years (Vargo & Lusch, 2004), there is, however, a lack of a firm theoretical foundation on which to base an understanding of the practical processes and mechanisms which are required for success during co-creation (Kristensson, Matthing & Johansson, 2008).

With grocery retailers as key enablers in the sustainable consumption process, the purpose of this study has therefore been to understand consumer and business interests and values with respect to sustainable consumption and to explore their alignment through the value co-creation process. The challenge for grocery retailers, therefore, is not just to confront consumption as a sustainability issue, but to

transform the structures and the nature of the relationships that sustain it (Muldoon, 2006) in order to advance co-creation as a new way of effectively enabling consumers to make ethical consumption choices. To this end, since the tools of co-creation have not been well established in literature, the research seeks to explore the potential processes and mechanisms to align sustainability imperatives within the value co-creation paradigm.

#### **1.4 Research objectives**

The research is exploratory in nature in that it aims to discover the potential of value co-creation in advancing solutions towards sustainable consumption. In particular, the research objectives are to:

- Understand the types of sustainable consumption initiatives that are important to business and consumers in the grocery retail sector.
- Explore the alignment between the respective interests and values of business and consumers within the co-creation paradigm.
- Investigate potential processes and mechanisms for the co-creation of solutions to sustainable consumption.

#### **1.5 Scope of the research**

The focus of this study is on both grocery retailers and consumers, with retailers being the link between producers and consumers and therefore having an important role to play in driving sustainable consumption initiatives across the supply chain. Both populations were identified based on a predisposition towards the interests of the environment.

## **1.6 The case for co-creation towards sustainable consumption**

With marketing being about selling more while sustainability is about consuming less, there is an assumption that these two tenets are set for a head on collision (UK Chartered Institute of Marketing, 2007). Despite this contention, there is growing interest in the relationship between marketing and sustainability (Jones et al., 2008). These authors argue that the increasing complexity of marketplaces as a result of sustainability imperatives requires all businesses to make better use of their marketing competences to promote sustainable consumption.

It can be argued that by going beyond the traditional green marketing means to the co-creation of value in the consumption process, new possibilities for the evolution of supply and demand for sustainable products and services could emerge, leading to higher levels of sustainable consumption, as well as to long term competitive advantage for the firm.

Indeed, the changing organisational environment as a result of business having to deal with complexities such as sustainability imperatives has driven interest in organisational learning and knowledge management, with Bennet and Gabriel (1999) asserting that customer knowledge is one of the most important knowledge bases for an organisation. Accordingly, there is increasing interest in the potential of value co-creation to enhance innovation and business performance, whereby market intelligence is embedded in dynamic co-creation processes that involve customers as partners rather than subjects (Rowley, Kupiec-Teahan & Leeming, 2007). This study

recognises the potential of this relationship in developing solutions towards sustainability, where both parties have a vested interest in the outcomes.

## **1.7 Conclusion**

In support of the case that has been put forward in this study for co-creation towards sustainable consumption, the WBCSD (2008) believes that the leading global companies of the future will be those that provide goods and services and reach new customers in ways that address major sustainability challenges. They claim that the contribution of business to society should be through strategies aligned to its core businesses, rather than through philanthropic programmes. As they look for opportunities, progressive businesses will gain competitive advantage by responding to societal as well as market interests and signals (WBCSD, 2008).

With grocery retailing being one of the most diverse and dynamic sectors, offering an ever increasing range of goods and services to consumers, it is argued that a good sustainability strategy needs to be designed and executed impeccably in order to play a role in promoting sustainable consumption while satisfying consumer needs (Jones, Comfort, Hiller & Eastwood, 2005). A lot of brands fall down because they don't have a sound strategic base, and efforts imposed unilaterally can lead to a 'greenwash' label (Pascaud, 2009). It can be argued that differentiating the brand, with an emphasis on value co-creation within the customer relationship, can be critical to successfully leveraging a responsible commitment.

## Chapter 2 – Literature review

### 2.1 Introduction

Since marketing is frequently blamed as a key force in driving unsustainable overconsumption, it has often found itself at the forefront of the debates around the greening of business (Peattie, 2001); this is not necessarily a comfortable position. Despite the concept of ‘Green Marketing’ being viewed by some as an oxymoron (Peattie, 2001), attempts have been made to address the ‘green challenge’ from the marketing perspective. This study presents a further attempt – proposing the co-creation of solutions towards sustainable consumption.

This study argues that tackling the sustainability challenge in the grocery retail sector can be suitably approached using the service-dominant marketing logic; at its core is the notion that value can only be created with and determined by the user in the consumption process and through what is referred to as *value-in-use* (Lusch & Vargo, 2006). In other words, the creation of value resides not in the object of consumption but rather in the customer experience (Frow & Payne, 2007). This puts less emphasis on the material consumption since value occurs at the intersection of the offerer and the customer in the form of service co-creation, either in direct interaction or mediated by a good. The customer experience, according to Pine and Gilmore (1999) is therefore critical to understanding the foundation for the co-creation process.

The proposed co-creation of sustainable consumption experiences can be likened to a solutions-based business approach to sustainability (Lovins et al., 2007), whereby value is delivered as a flow of services. This ties in with the service-dominant logic in that it entails a new perception of value which emphasises product dematerialisation and is measured through the benefits derived from product use rather than product ownership (Lovins et al., 2007). In the same way, a co-creation relationship around sustainable consumption can align the interests of business and consumers in ways that reward them for contributing towards greater resource productivity and efficiency. This is based on the claim that consumers value positive consumption experiences that transcend the core benefits of the products or services (Frow & Payne, 2007).

This study therefore argues that the success of green marketing efforts depends on such collaborative action between business and consumers, with retailers playing a pivotal role as the enabling link between these two stakeholder groups. The key question is *how* to create a system for value co-creation.

Research into *how* firms and their customers can work together to co-create product or service innovations and/or consumption experiences is largely lacking in literature, as are insights into the nature and levels of critical success factors in value co-creation contexts (Bolton, 2006; Hollebeek & Brodie, 2009). This is particularly the case in mass market, business-to-consumer settings characterised by frequent, short-term interactions, such as retailing (Sogn-Grundvag, Ranes, Gronhaug & Gray, 2009). Case studies on co-creation have focused primarily on the technology, design and services

industries, with little evidence of value co-creation in the retail sector, and in particular with respect to the drive towards sustainable consumption.

This study therefore explores the concepts of green marketing and value co-creation, seeking to understand and align the interests and values of grocery retailers and consumers with respect to sustainable consumption and to identify the processes and mechanisms that would be required in the co-creation of solutions.

## **2.2 An evolving role for green marketing**

As highlighted, marketing has been cast as both a villain for its role in stimulating unsustainable levels of demand and consumption, and also as a potential saviour through the application of market mechanisms to tackle environmental problems (Peattie, 2001). The idea of 'Green Marketing' emerged in the late 1980s and was defined by Peattie (1995, p. 129) as "The holistic management process responsible for identifying, anticipating and satisfying the needs of consumers and society, in a profitable and sustainable way". The term has been used to describe marketing activities which attempt to reduce the negative impact of products and services on the environment, and arguably, it arose in response to the rapid increase in 'Green Consumerism' which heralded an inevitable shift in consumption behaviour towards greener products (Peattie & Crane, 2005).

Peattie and Crane (2005) have argued that progress towards sustainability has been constrained by the focus of green marketing activities on production, selling, costs, legislation and public relations, while the consumer has often been of marginal

interest. While much attention in literature is focused on the top-down role of green marketing in understanding and changing consumer behaviours and more generally in influencing attitudes and beliefs (Jones et al., 2008; Yates, 2008), it is suggested that in recognising the role of consumers as decision makers, they should be involved as active participants in corporate moves towards sustainability (Yates, 2008). As Polonsky (1995) has claimed, the relevance of environmental concerns to both business and consumers justifies a stakeholder approach.

In order to realise the true potential of the green market, it is argued that business needs to play a role as facilitator in enabling would-be green consumers to turn their green intentions into actions by creating collaborative platforms for the joint development of solutions to more sustainable consumption. This requires an understanding of what it is that consumers value in the sustainable consumption process.

This is in support of the assertion by Grubler (2006) that minimising the environmental impact of consumption requires the blending of good engineering with good economics as well as consumer preferences. He claimed that the marketing discipline has long argued that business innovation must consider an intimate understanding of the customer, and supports the notion that green products must be positioned on consumer value.

### **2.3 Defining consumer value**

Holbrook (1996) has claimed that consumer value is an interactive relativistic preference experience, arguing that experience defines what is valuable to a consumer. This is supported by Pine and Gilmore (1999), who have argued that consumers value positive experiences most, and that all products and services involve consumption experiences. Holbrook and Hirschman (1982) have taken the notion of the consumer experience a step further, claiming that experiences go beyond core benefits of products or services, and include the well-being and personal value and alignment that flow from consumption. In the context of this study, it is argued that this includes the desire to be a more sustainable consumer.

There is a growing loyalty to the principles of sustaining the earth, its resources and its biodiversity for future generations (Isaak, 2002). Thus, as consumer concern for the environment is increasingly translating into a demand for more sustainable product options, and with business being a people-to-people exchange of goods and services, the growing influence of consumers is an important resource to be tapped into in order to enhance the environmental performance of product and service offerings (Isaak, 2002). To this end it can be argued that business needs to work closely with consumers to redefine the value that is offered to them, aligning corporate strategy with a vision of a sustainable future.

Ottman, Stafford and Harting (2006) have arguably expanded on this by claiming that in order to exploit the economic opportunities arising out of sustainability imperatives, green products and services must fulfill consumer needs and interests beyond just

what is good for the environment. This entails turning product features into advantages that resonate with other consumer values too, such as convenience, ease-of-use, health and safety, status, and cost effectiveness (Ottman et al., 2006).

Peattie (2001) has supported the focus on creating consumer value as the priority, explaining that many green purchases often involve some form of compromise or trade-off that needs to be outweighed by confidence in the environmental and other benefits of green products. Such compromises, he argued, can include paying a green premium - whether it is imposed by economic necessity or by marketing strategy, accepting a lower level of technical performance in exchange for improved eco-performance, and travelling to non-standard distribution outlets.

It appears that green marketing must satisfy two objectives: improved environmental quality and customer satisfaction. It is a common pitfall for companies to manage products rather than meeting customer needs (Ottman et al., 2006), and it can be argued that the success of a company's efforts to promote green products and services is thus dependent to a large extent on offering both 'green' and 'non-green' consumer value, such as convenience, cost saving and performance.

#### **2.4 Rethinking industry structures**

Over time, green marketing has evolved from focusing on the physical consequences of business as economic systems, to viewing business as a total physical system (Peattie, 2001). This means considering the business not simply as a value chain, but as

a closed-loop system with non-market outputs in the form of pollution and waste that need to be taken responsibility for.

Peattie (2001) has suggested that there are elements of *markets* that need to be changed in order to allow products and their production and consumption to become more sustainable. The conventional view of industry structures is of relatively linear supply chains in which raw materials are extracted, then passed from suppliers onto manufacturers, whose goods pass through distribution channels to reach consumers, and are eventually disposed of as waste (Peattie, 2001). Company solutions to greening have primarily involved familiar 'end-of-pipe' technologies, with innovation being viewed very narrowly in terms of product and production system technologies (Peattie & Crane, 2005). With more sustainable economies requiring much greater use of supply loops in which products and packaging materials are reused or recycled, Peattie and Crane (2005) have proposed that consumer wants and needs can be effectively met in ways that create environmental improvements by innovations in market structures and supporting services. With sustainability imperatives becoming important to environmentally-conscious consumers in the consumption process and not just in the final product purchased, it can be argued that this involves moving from a goods-dominant logic to a service-dominant logic (Vargo & Lusch, 2004) whereby the value resides not in the products themselves but in the service they provide. This brings significant changes to business-to-consumer relationships.

This notion is supported by Möller, Rajala and Westerlund (2008) who have claimed that the most successful companies will not be those who focus exclusively on their

own capabilities and competitive advantages or on their customers' current needs. Quite the contrary, they claim that those that adopt a systemic approach and incorporate customers' experiences and capabilities into service co-creation in a mutually reinforcing way will be leading companies of the future.

## **2.5 The service-dominant marketing logic underpinning co-creation**

The service-dominant marketing logic of Vargo and Lusch (2004) seeks to show that service is the undeniable core of every marketing interaction. While the conventional goods-dominant logic views value as something that is added to products in the production process and at the point of exchange is captured in value-in-exchange, the service-dominant logic suggests that value can only be created with and determined by the user in the consumption process through *use*. Vargo and Lusch (2004) have argued that goods become valuable to consumers as *service appliances*, as distribution mechanisms for a service, so that the service value is determined at the time of its use, as *value-in-use*. They posited the core activity of marketers to be interaction *with* customers, which generates a primary form of service experience, in contrast to the conventional view of firms marketing *to* customers. Central to service-dominant logic is therefore the interactive concept of *co-creation of value* (Lusch & Vargo, 2006), which necessarily implies an open, collaborative effort between the marketer and the consumer.

It can be argued that the relational perspective of marketing, between business and consumers, is then clearly important when striving to provide consumer value. The simple exchange of money for goods will need to be replaced by a more dynamic

relationship, which, according to Ballantyne and Varey (2006), includes communicative interaction with customers, the utilisation of intangible knowledge resources, and the concept of *value-in-use*. This poses a challenge to the traditional view of the market which, according to Kotler (2002), played no part in the value creation process since the market was defined as an aggregation of consumers – a target for the company's offerings, and its role was simply one of value exchange and extraction.

### **2.5.1 *Aligning the service-dominant logic to sustainable consumption***

Vargo and Lusch (2004) have argued that the service-dominant logic is pro-environmental because it shifts the focus from selling tangible products to selling the service flows derived from them. In this way, marketing has the power to facilitate the efficient alignment of production and consumption through its resource integration role between business and the consumer, from which consumers derive value because they are the arbiters of that value (Vargo & Lusch, 2004). According to Ballantyne and Varey (2006), this explanation of economic activity puts much less emphasis on the consumption (destruction) of material goods since value is obtained through efficient service 'co-creation'.

This study therefore proposes that the service-dominant logic aligns well with the notion of sustainable consumption, with the consumption experience transcending the mere product offering (Prahalad & Ramaswamy, 2009). The argument is that value is derived not from the product itself, but rather it is co-created between business and the consumer in the form of a service experience around a product during its life cycle.

This necessarily entails the ability to ‘dematerialise’ the consumption process through means such as reducing packaging and recycling.

Lovins et al. (2007) have suggested, in their writing on *Natural Capitalism*, that a more sustainable business model requires commerce to shift from the ‘sale of goods’ to the ‘sale of services’ in order to strive towards greater ‘product dematerialisation’. This model can be illustrated, even if unintentionally by Apple’s iPod, which gives consumers the convenience to download, store and play thousands of songs without the environmental impact of manufacturing and distributing CDs, jewel cases and packaging (Ottman et al. 2006).

It can be argued that the success of dematerialised and more sustainable products and services will depend upon credibly creating and delivering consumer desired value in the marketplace. The green purchase decision, even if unintentional as illustrated in the case of Apple’s iPod, thereby becomes the marketing focus rather than the green consumer who is often prepared to put the environmental performance of the product above all else (Ottman et al., 2006). It can therefore be argued that the inconsistency of consumer preferences regarding the environmentally superior qualities of products becomes a relatively less important consideration for marketers when creating consumer value becomes the priority. To this end, Peattie and Crane (2005) have argued that green marketing clearly needs to evolve from a product orientation to a service orientation.

The service-dominant logic, according to Ballantyne and Varey (2006), takes the view that consumer value judgments are linked to the time and place of the service experience, furthermore, they understand *service* to mean the kind of social interaction which aims to improve the situation of a person, and as such is a valued route to improving the quality of life. In this sense, they claim that value is ultimately a social judgment of what is in the interests of the community, which includes protecting the natural environment.

Evolving to a form of marketing logic that is capable of facilitating solutions to sustainable consumption would therefore require a set of societal values that see beyond ownership of material possessions to the underlying net value of service experiences that are derived from them and to the interactions played out in making reciprocal value propositions and choices (Ballantyne & Varey, 2006). Against a backdrop of service-dominant logic, it is thus proposed that in developing solutions to more sustainable consumption, co-creation of service experiences around retail purchases becomes important in enabling consumers to be more involved in meeting societal objectives of environmental sustainability.

## **2.6 An introduction to value co-creation**

The concept of co-creation has been discussed in marketing literature because of its perceived importance as a tool for increasing customer satisfaction and the success of products and services in the market (Pini, 2009). Thus, co-creation interactions have been emerging as a strategy for value creation, with Prahalad and Ramaswamy (2000) suggesting that companies need to learn how to harness consumer competences. As

has been argued (Pine & Gilmore, 1999; Holbrook & Hirschman, 1982), an important aspect of this will be the engagement of consumers in co-creating personal experiences, since consumer value is placed on the experience around a product, rather than the product itself.

Prahalad and Ramaswamy (2004) supported the argument that the meaning of value and the process of value creation are shifting from a product- and firm-centric view to personalised consumer experiences (Lovins et al., 2007; Vargo & Lusch, 2006; Ballantyne & Varey, 2006; Prahalad & Ramaswamy, 2009; and Peattie & Crane, 2005). Prahalad and Ramaswamy (2004) have spoken of an 'experience environment' referring to a space where dialogue can take place between the company and the consumer as a knowledge worker. In the context of this study, the dual challenge for business is to create an environment to encourage creative consumer engagement around sustainability imperatives and to capture the ensuing creativity in appropriable ways that provide value to both business and the consumer.

As far back as 1985 Zaichkowsky suggested that informed, networked, empowered and active consumers are increasingly co-creating value with the firm, with their involvement being a direct result of the degree of personal relevance of a product or service, brand or purchase, in terms of the individual's values, goals and self concept. With respect to the sustainability imperatives of today, this study proposes that consumers need to be provided with opportunities to engage in the consumption process in order to take ownership of their ecological footprint and to co-create value with business by consuming in a way that meets their personal desires to reduce their

impact on the environment. Importantly, the value that customers want to receive in the consumption process has to be determined by them. Pini (2009) has argued that understanding and applying the process of co-creation with customers' is therefore an essential step in order to cope with the new era of product and service innovations and demands around sustainable consumption across entire supply chains or product lifecycles.

Green marketing has to address both the purchasing component of the consumption process as well as the non-purchase behaviour of consumers such as product use, sharing, maintenance, disposal and take-back (Peattie & Crane, 2005). In line with the service-dominant logic (Vargo & Lusch, 2004), it is argued that these non-purchase components of the consumption process are service-related functions, and that in a co-creation relationship, this implicitly entails creating an environment in which the focus is on the value of services that flow from the product, thereby providing value to the consumer in the way that co-creation can contribute to dematerialising the consumption process.

The body of work on co-creation has grown in recent years. Kristensson, Gustafsson and Archer (2004) have examined the benefits of involving users in suggesting new product ideas, finding that ordinary users create significantly more original and valuable ideas than professional developers. Hsieh and Chen (2005) showed that new product development can be enhanced by interacting with users, and capitalising on user-knowledge management competencies, supporting the assertion by Bennet and Gabriel (1999) of the importance of customer knowledge for an organisation.

Matthing, Sanden and Edvardsson (2004) suggest that the value of customer involvement in new service development resides in the opportunity to facilitate proactive learning about the customer, and to understand and anticipate latent customer needs.

While much of the previous research in this field focuses on the benefits of co-creation, as argued, the *how* of successful co-creation has not been well-established in theory. It is therefore the purpose of this study to explore proposed models for co-creation and to elaborate on the practical elements that would be required for a co-creation framework in a retail setting with respect to developing solutions to sustainable consumption.

## **2.7 Creating readiness for business-to-consumer co-creation**

In an attempt to help to differentiate themselves from their competitors and to enhance their corporate brand and reputation, a growing numbers of companies are looking to emphasise their commitment to sustainability (Jones et al., 2008). In pursuing such a strategy, it is arguably high time to recognise the limitations of a firm-centric perspective on how to engage with customers, and to see what opportunities there are as co-creators of value (Prahalad & Ramaswamy, 2004).

Given the increasingly important need for business to respond to the experience-driven consumer, as well as to the imperative to dematerialise the consumption process, Prahalad and Ramaswamy (2003) suggest a scenario in which the locus of co-creation shifts from products to 'experience environments'. In building a system for

the co-creation of value, companies therefore need to take account of all the relational and experiential contact points between the business and the consumer in order to find out what kind of experiences people want. Since no-one can predict the experience a consumer will have at any point in time, the task of the firm is one of creating a robust experience environment that enables a diversity of co-creation experiences (Prahalad & Ramaswamy, 2003).

According to Prahalad and Ramaswamy (2004), high quality interactions that enable an individual customer to co-create unique experiences with a company, that cannot be commoditised, are the key to unlocking new sources of competitive advantage. As value shifts to experiences, Zwick, Bonsu and Darmody (2008) have claimed that the market is becoming a platform for participation in a culture of exchange, conversations and interactions between consumers, consumer communities and firms. In the grocery retail sector, it can be argued that co-creation would enable products and the experiences around them to evolve to users' changing needs and desires, such as the way consumers wish to purchase, use and dispose of both products and their packaging.

The increasing consumer preoccupation with sustainability therefore presents an opportunity for business to assume a leadership role in promoting the co-creation of solutions, leveraging the growing desire for more environmentally responsible products and services for innovation and growth (Pascaud, 2009). While Moller et al. (2008) have argued that this would be most effectively achieved if there is strategic congruence between the respective value creating perspectives of the company and

the customer, under the spectre of co-creation it is argued that even ideological resistance becomes creative collaboration that is then often seamlessly incorporated into the product or service itself (Zwick et al., 2008). It is thus argued that environmentally conscious consumers can play a pivotal role in co-creation towards sustainability.

### **2.7.1 Exploring models for value co-creation**

In co-creation, Prahalad and Ramaswamy (2004) have claimed that firms must learn as much as possible about the consumer through rich dialogue that evolves with their sophistication. They suggest that information infrastructure must be centred on the consumer and encourage active participation in all aspects of the co-creation process; for sustainable consumption this could entail reconfiguration of products and packaging to local sourcing options and disposal and recycling solutions.

According to Prahalad and Ramaswamy (2004), the process of co-creation can be understood through its key building blocks, which enable companies to better engage their customers as collaborators and to create new and important capabilities:

**Dialogue** – Shared learning and communication between two equal problem-solvers that enhances experience and maintains a loyal community.

**Access** – This begins with information and tools. Technology-based networking tools can provide a powerful vehicle to facilitate a bottom-up approach to the generation of ideas.

**Risk assessment** – Through continuous dialogue, a company can reduce uncertainty in capital commitments and even spot and eliminate sources of environmental risk.

Consumers also need to be informed about personal and societal risks associated with products and services.

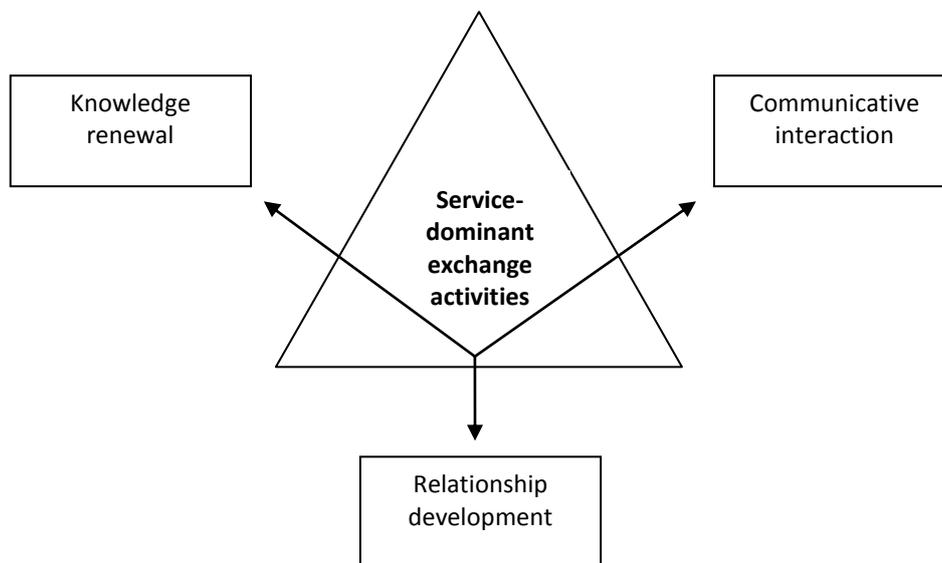
**Transparency** – Information asymmetry between the firm and the consumer is rapidly disappearing and increasing levels of transparency is desirable and empowering as information becomes more accessible.

This is known as the **DART model** of value co-creation. While it details important elements of the co-creation process, this study argues that it does not specifically propose the mechanisms for how business and consumers can embark on co-creation activities.

Similarly, Ballantyne and Varey (2006) have offered a triangulated view of value-creating activities as an elaboration of the service-dominant logic. They have explained that in a co-creation relationship, creating value entails collaborative, dialogical interactions between business and the consumer where putting things together achieves something new and unique in the process of learning together and renewing knowledge. Taking a triangulated view of value-creating activities provides more scope for communication in a variety of modalities and for developing relationships to support mutual learning and knowledge renewal (Ballantyne & Varey, 2006). They have argued that if both parties trust each other in dialogue and offer reciprocal value propositions, the co-creation of knowledge can generate value in new ways, such as finding solutions to consuming more sustainably and protecting the environment, as well as cost efficiencies and other benefits, which are of value to both business and the consumer.

As illustrated in Figure 1, the model put forward by Ballantyne and Varey (2006) includes strands of value-creating activities that are not located uniquely with the firm or even exclusively within the customer domain, but *between* the customer and the firm – as *connections for productive exchange* and as *enablers* of the service experience.

**Figure 1: Service-dominant exchange logic based on a triangulation of value-creating activities (Ballantyne & Varey, 2006)**



The proposed model of value-creating activities arguably overlaps with the DART model (Prahalad & Ramaswamy, 2004) in that it emphasises open communicative interaction to promote shared learning and knowledge renewal. Since dialogue is inherently relational, it entails constructing a framework in which to access and facilitate the generation of ideas in a discovery-oriented, value-creating way (Ballantyne & Varey, 2006), as well as to manage the quality of reciprocal relationships

over time and help to reduce risks for both parties. This is necessarily a transparent process and is driven by common interests, such as concern for the environment. Such relationships provide the structural support for sustaining value-creating activities and anticipating and responding to service needs on an ongoing basis (Ballantyne & Varey, 2006).

Again however, this study argues that this model is still too abstract as it offers a schema of the elements and the interconnections required in a co-creative relationship, but it does not elaborate on the tools that are required in order for business to practically enable co-creation activities with consumers.

## **2.8 Towards a framework for the co-creation of solutions to sustainable consumption**

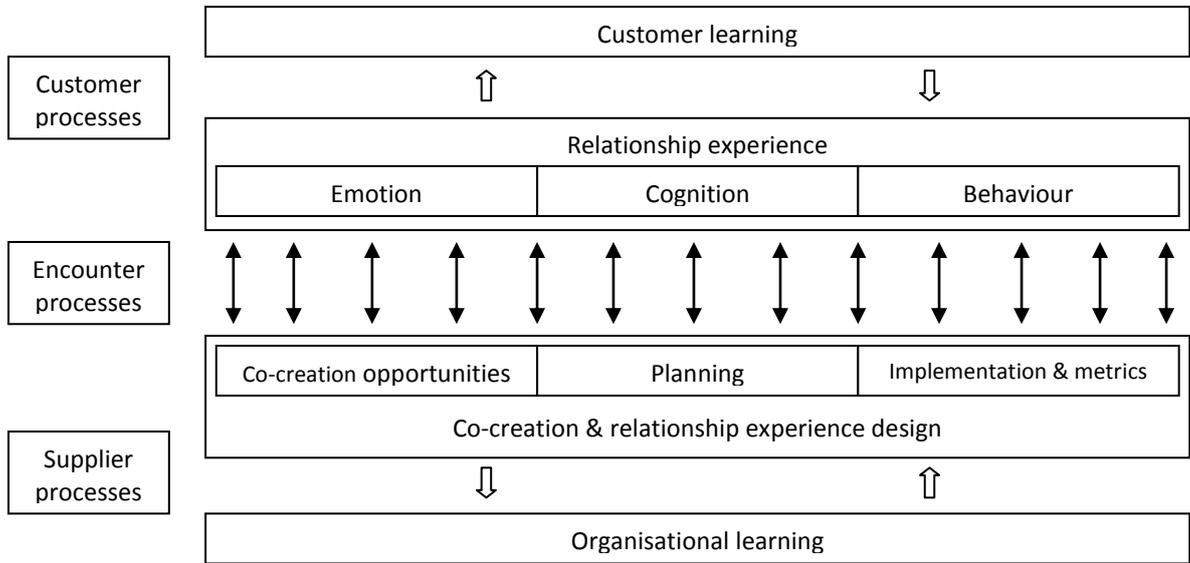
It has been clearly established that relatively little is known about *how* consumers engage in value co-creation, with Prahalad and Ramaswamy's (2004) DART model and Ballantyne and Varey's (2006) service-dominant exchange model focusing on *what* needs to be addressed in the co-creation process, rather than *how* this process should be undertaken. In the context of service-dominant logic, Bolton (2006) has pointed to the need for theoretical approaches that help identify *tools* for co-creation and business best practice. According to Vargo and Lusch (2004), the service-dominant logic suggests that marketing should be viewed as a set of processes and resources with which the company seeks to create value propositions, including the procedures, tasks, mechanisms, activities and interactions which support the co-creation of value. They have suggested that this process view emphasises the need to view the

relationship between the company and the consumer as a dynamic, interactive set of experiences and activities performed by the company and the consumer within a context, using *tools* and *practices* that are partly overt and deliberate, and partly based on *routine and unconscious behaviour*.

Payne, Storbacka and Frow (2008) have proposed a conceptual framework for understanding and improving value co-creation. This integrates several streams of work within the context of service-dominant logic, including the customer as a co-creator of value; marketing as a ‘structurer’ of relationships, encounters and dialogue; and knowledge as a fundamental source of competitive advantage (Payne et al., 2008). Arguably, this aligns with the work of Ballantyne and Varey (2006) and Prahalad and Ramaswamy (2004) which has emphasised elements of value-creating activities including open interaction and dialogue as well as shared learning and knowledge renewal within a structured relationship.

Given the acknowledged gap in theory with respect to *how* co-creation should be undertaken, this study argues that the process-based value co-creation framework proposed by Payne et al. (2008), illustrated in Figure 2, provides valuable insights into the interactive processes involved in co-creation, but arguably it still does not elaborate on the mechanisms or tools that can be practically employed in the process.

**Figure 2: A conceptual framework for value co-creation (Payne, Storbacka & Frow, 2008)**



Payne et al. (2008) have clarified the structure of their framework and the processes involved as follows:

***Customer value-creating processes***

*The relationship experience* – In the experiential view of consumption (Holbrook and Hirschman, 1982), value is considered to reside in the experience of consumption, rather than in the object. Three elements of the relationship experience are therefore considered: *cognition* including both memory-based activities as well as more sub-conscious processes; *emotion* including reinforcing attitudes and preferences as well as affect-based personality characteristics such as moods and feelings; and *behaviour* including the actions that stem from and result in experiences.

*Customer learning* – The relational experience leads to customer learning which respectively involves thinking, feeling and doing as an integral part of their role in value co-creation. The supplier’s role entails providing experiential interactions and encounters which customers perceive as enabling them to utilise their resources, such as their knowledge, and the result of the customer learning process can be seen in changes in their attitudes and preferences.

### ***Supplier value-creating processes***

Supplier processes assist co-creation through the *design and delivery of relevant customer experiences* and the facilitation of *organizational learning*. This involves assessing *co-creation opportunities*, such as those arising from technology developments, changes in industry logics and changes in consumer preferences and lifestyles; *planning*, testing and prototyping value co-creation opportunities with customers; *implementing* customer solutions and managing customer encounters; and developing *metrics* to assess whether the company is making relevant value propositions. This involves an iterative process of learning and knowledge management.

### ***Encounter processes***

These processes involve a series of two way interactions and transactions occurring between the customer and supplier that consider the cognitive, emotional and behavioural aspects of the customer experience. Contacts can take place either on the initiative of the supplier or the customer in order to take advantage of the value co-creation opportunities. As indicated, such opportunities can be provided by changes in

consumer preferences and lifestyles, such as the desire to be a more sustainable consumer. Payne et al. (2008) suggest three broad forms of encounter that facilitate value co-creation: *communication encounters*, *service encounters* and *usage encounters*.

Importantly, these forms of encounter processes are perceived by this study to be the start of understanding the *how* of value co-creation in that they allude to the different kinds of 'touch points' where co-creation could take place. Such 'touch points', according to Payne et al. (2008) can help to highlight opportunities, identify failure points, improve service enhancement, re-engineer processes, and support differentiation. It is suggested that these kinds of touch points are therefore particularly relevant with respect to co-creating solutions to the sustainability challenges faced by retailers since they imply an integrated consumption experience between business and the consumer, rather than merely the purchase of a product.

Managing value co-creation therefore entails determining the appropriate channels to use and mapping the types of encounters that will provide valuable customer experiences. Importantly, successful value co-creation requires the ability to manage expectations, communications and promises between both parties throughout the value co-creation process (Payne et al., 2008).

In summary, the conceptual framework for value co-creation (Payne et al., 2008) can have a number of implications that are of particular relevance in managing co-creation towards sustainable consumption. Firstly, the interactive and interdependent nature of

value co-creation processes challenges traditional management practices in that it requires an ability to engage ‘the extended enterprise’ including customers (Payne et al., 2008) at every stage of product or service development. This is in line with adopting a systemic approach to sustainability that includes the entire supply chain. Secondly, goods and services should be viewed from a flexible process perspective rather than as static entities (Payne et al., 2008). Hence product design, development and consumption activities should consider intangible (customer experience) as well as tangible (product feature) elements. The service-dominant marketing logic (Vargo & Lusch, 2004) can thus be interpreted to mean that co-creation around sustainable consumption experiences shifts the focus from the product to the value of the services that flow from it, thereby dematerialising the consumption process (Lovins et al., 2007). Thirdly, organisations need to take a long-term view of customer relationships, given that customer encounters at every step of product or service development make a cumulative contribution to co-created value (Payne et al., 2008). In order to have a long-term impact on sustainability, an intimate knowledge of customers needs and desires should be matched with the organisation’s own ideas and innovations through various touch points in the process of co-creating systemic solutions towards more sustainable offerings and experiences (Marchand & Walker, 2008), thereby also contributing to customer lifetime value. Finally, communication and dialogue is critical in co-creation (Payne et al., 2008). Communications need to be focused on all relevant touch points, with careful thought as to which types of encounters support cognition, emotion and action-based learning with them. Communications therefore need to focus on consumer needs and interests with respect to the environment, such as around reduced packaging and recycling, as well as resonating with consumer values –

convenience, ease-of-use, and cost saving (Ottman et al., 2006), thereby empowering the consumer in the value-co-creation experience.

These management implications support the arguments made in the review of the literature regarding the necessary elements of co-creation, however, this study argues that the conceptual framework still does not elaborate on the practical steps or tools of co-creation. It is therefore the purpose of this study to explore potential tools for co-creation.

## **2.9 Conclusion**

Companies need to create the right habitat in which sustainable consumption can thrive. Instead of acting as hunters, aggressively trying to benefit from the emergence of green consumers by targeting them, they could act more like gamekeepers who nurture and facilitate growth in the population of green consumers (Peattie, 2001), and build collaborative relationships to jointly develop solutions for a more sustainable planet.

Arguably, the concept of value co-creation fits this logic well, with Ballantyne and Varey (2006) having emphasised that co-creation requires that marketers view service interactions relationally. They claim that relationships are emergent by nature, a consequence of producers, suppliers and consumers learning together over time. With companies and individuals alike becoming more cognisant of the need to produce and consume more sustainably, a co-creation relationship can involve an iterative process of learning together and finding new solutions to these challenges.

It is evident in the literature that competing successfully in the retail setting means to innovate rapidly around consumption (Zwick et al., 2008), and consumers play a pivotal role in co-creative labour as they manufacture social relations and emotional involvement around a product, and when this affective and collective work forms the basis for economic value (Arvidsson, 2005). This has important managerial implications, in that instead of thinking about relationships, communication, and knowledge renewal as a consequence of managerial *action*, as is common in hierarchical organisations, Ballantyne and Varey (2006) have argued that the appropriate management model becomes one of *interaction*; marketing's role as a relationship facilitator and co-creator of the sustainable consumption experience with the consumer becomes the focus.

Given the synergies identified between the service dominant logic (Vargo & Lusch, 2004), that is behind the co-creation of consumer experiences, and notion of dematerialising the consumption process (Lovins et al., 2007), which shifts the focus from the product to the value of the services that flow from it, it can be argued that the co-creation of consumer value can be an important tool in striving towards more sustainable consumption. However, while the theme of co-creation has been identified as important in literature (Rowley et al., 2007), there remains considerable scope for elaborating on the mechanisms and processes through which organisations can engage customers in co-creation.

### Chapter 3 – The research questions

In the literature review an increasing sense of accountability for sustainable consumption has been identified amongst business and consumers, as well as the role of marketing in enabling consumers to make green consumption choices that meet their functional and emotional needs.

The service-dominant marketing logic of Vargo and Lusch (2004) underpins the proposal that sustainable consumption experiences can be co-created between business and consumers. With grocery retailers as key enablers in the sustainable consumption process, it has been argued that an important opportunity exists in understanding and aligning business and consumer interests and values through the co-creation process. Furthermore, since the *how* of value co-creation has not been well-established in the literature, potential processes and mechanisms to align sustainability imperatives within the value co-creation paradigm need to be explored.

A number of research questions were formulated as follows and subsequent research undertaken in an attempt to answer these questions:

**Research question 1:** What types of sustainable consumption initiatives are important to a) grocery retailers and b) consumers in the grocery retail sector? - Does alignment exist between the two?

**Research question 2:** Does willingness exist on the part of a) grocery retailers and b) consumers to participate in co-creation activities?

**Research question 3:** What would be the essential *processes* and *mechanisms* involved in business-to-consumer value co-creation towards sustainable consumption?

## Chapter 4 – Research methodology and design

### 4.1 Methodology followed

The research design of this study was of an exploratory nature. This form of qualitative research, which provides greater understanding of a concept or helps to crystallise a problem (Zikmund, 2003), was chosen given that the literature findings revealed that there was indeed a lack of theory and empirical work regarding the processes and mechanisms required for successful business-to-consumer value co-creation, particularly within the grocery retail sector with respect to the drive towards sustainable consumption. The main aim of this study was therefore to assess the types of initiatives that are important to grocery retailers and consumers with respect to advancing sustainable consumption, to gauge whether both parties would be willing to work together to co-create solutions to sustainable consumption, and to explore the potential processes and mechanisms required for value co-creation in this context. This latter part of the research was guided, in part, by the process-based value co-creation framework proposed by Payne et al. (2008).

Cooper and Schindler (1998) have indicated that exploratory research is often associated with subjectivity, non-representativeness and non-systematic design. However, they note that exploration should not be slighted because it covers areas that may be so new or vague that a researcher needs to do an exploration to learn something about the issues being researched and uncovers future research tasks. This was indeed the case in this study, with co-creation being a relatively new concept with

little understanding around *how* to embark on co-creation processes. Furthermore, there is a lack of evidence of co-creation being applied within the context of finding solutions to sustainable consumption.

Qualitative techniques are often used for evaluation research since it can be valuable in exploring an issue or the proposed relevance of constructs, and it can answer certain important questions more effectively than quantitative approaches (Corbin & Strauss, 1994) in terms of understanding why certain opinions have been stated and issues put forward by respondents. This study has argued that a qualitative approach is therefore most appropriate in order to conduct in-depth exploration of the potential of co-creation as a means for promoting sustainable consumption. Qualitative approaches have the advantage of allowing for more diversity in responses as well as the capacity to adapt to new developments or issues during the research process itself as the topic unfolds. This was particularly the case in an emergent process of exploring a new issue such as co-creation and uncovering its constituents as they pertain to a sustainable consumption experience in the grocery retail context.

Since the emphasis of exploratory research is on obtaining deep, insightful information (Zikmund, 2003), it was considered that the undertaking of exploratory research was most likely to yield the necessary information to answer the research questions, as well as to diagnose potential areas for further research.

The research process was carried out in three parts, consisting of:

### ***Part I***

Secondary data collection - The respective companies' websites, annual reports, sustainability reports and other relevant public information were studied in order to ascertain the companies' approaches towards sustainability.

### ***Part II***

In-depth semi-structured interviews were conducted with managers representing their companies on sustainability issues within the grocery retail sector.

### ***Part III***

Three focus groups were conducted with environmentally conscious consumers.

## **4.2 Population**

There were two populations of relevance pertaining to the research:

***Part II*** - Grocery retailers who recognise the role of environmental sustainability in their business.

This population was determined based on whether the company produces an annual sustainability report, either as part of its annual report or as a separate document.

Within this population, a sub-population was identified comprising of the heads, or delegated representatives, of the following functions considered to be important due to the respective roles they play in advancing sustainable consumption:

- *Marketing* – Since marketing plays a key role in creating value for customers and the business, this function was deemed to be central in promoting

sustainable consumption and conceiving of co-creation activities in the consumption experience.

- *Operations* – The management of a company’s supply chain and the practices employed play an essential role in determining the sustainability of the company and its offerings.
- *Sustainability* – The line function accountable for sustainability is responsible for strategies and initiatives developed, and practices adopted, with respect to promoting sustainable consumption.

**Part III** - Environmentally-conscious consumers.

In order to define this population, the environmental measure of the South African Advertising Research Foundation’s (SAARF’s) All Media and Products (AMPS) 2009 market research was used to identify the population of consumers who score above the measure of 3 with respect to identifying with the following statements:

- *Not enough is being done to take care of the environment*
- *I would rather be outdoors than indoors*
- *People who make an effort to buy products that don’t pollute the environment*

This research produced a weighted count of 11.6 million consumers in South Africa who are environmentally conscious according to the above criteria. It was considered that there may be an element of response bias around the environmental questions, thus more rigorous criteria was applied to the results. The Z-scores of the respondents were filtered to extract the consumers who scored above one standard deviation from the mean on the environmental measure, which resulted in a population of 5.8 million consumers.

The criteria of both populations having a predisposition towards sustainability imperatives was set because of the knowledge they will have and the likelihood of them being eager to explore new ways of developing solutions to sustainable consumption.

### **4.3 Sample size and sampling method**

Based on the above populations, the research samples were selected as follows:

**Part II** – The *primary sampling unit* comprised of four grocery retailers selected from the defined population.

The identified *secondary sampling unit* comprised of the heads of the relevant functional departments.

**Part III** – Three focus groups comprising eight individuals each were assembled. A recruitment questionnaire was used (Appendix A) to recruit participants who represented LSM (Living Standards Measure) levels 8-10 and based on the criteria of scoring above one standard deviation from the mean on the SAARF's AMPS 2009 environmental measure, as defined in the population. Two of the focus groups represented the age group 25-34 and one group represented the age group 35-49.

This sample selection in Part I and Part II was judgmental in nature (Zikmund, 2003) in order to ensure that all the respondents were predisposed to advancing solutions to sustainable consumption. This was a precondition to ensure that there was a level of

interest to engage deeply in the topic and to explore new ideas such as co-creation. Where necessary, guidance in terms of sample selection was obtained from within the sample companies.

#### **4.4 Unit of analysis**

The unit of analysis was *the sustainable consumption co-creation process*, since this was the major entity that this study undertook to analyse. Since the co-creation process takes place between business and the consumer, the unit of analysis could not be defined in either the business or consumer domain, but in the process itself.

#### **4.5 Data collection**

##### ***Part I***

The secondary data collection entailed studying the respective companies' websites, annual reports, sustainability reports and other relevant public information in order to understand the companies' approaches towards sustainability. This background information was used as input to Part II of the research and helped to contextualise the questions in the interview process. It was also used in conjunction with the primary research data in the analysis of the results.

##### ***Part II***

Semi-structured interviews were conducted one-on-one with the heads of the relevant functions within the selected grocery retailers. The research instrument took the form of an interview guide (Appendix B) which helped to ensure consistency and interviewer neutrality, thereby improving the overall quality of the research process (Denzin &

Lincoln, 2003). The interview guide was piloted prior to conducting the interviews to ensure clarity, logic and relevance of the questions. While the interview guide contained a sequence of themes to be covered as well as some prepared questions, it is important that in the context of a semi-structured interview there is also openness to changes of sequence and question forms in order to follow up the answers given by the interviewees (Kvale, 2007).

Gillham (2005) cites the following benefits of semi-structured interviews, which made this data collection method appropriate to the exploratory research:

- The same questions are asked to all interviewees, which ensures topic focus and equal coverage, such that a standard matrix could be applied to the results of the research process.
- Interviewees can be prompted with supplementary questions. In this case, further probing was necessary to enable a deeper investigation into the respondents' thoughts about the relatively new concept of co-creation in the sustainable consumption context.
- Open-ended questions coupled with structured questions can be asked to introduce flexibility into the interviewing process and ensure richness of the data. Such questions were found to be very beneficial as they helped to elicit insights from the respondents that may not have otherwise been gained. Zikmund (2003) argues that open-ended questions are most useful in conducting exploratory research, particularly if the range of responses is not known. It is believed that this approach enabled in-depth probing of opinions and an understanding of the individuals' and/or companies' approaches and

aspirations regarding sustainable consumption, the possibilities for value co-creation in this context, and the potential processes and mechanisms that would be required.

- An element of discovery is enabled whilst the structured focus allows for analysis of commonalities. In exploring the potential of co-creating solutions to sustainable consumption, it was useful to be guided by a framework to identify key themes, but also to allow new aspects to be uncovered in the process.

Consent was obtained to conduct each interview (Appendix C).

### ***Part III***

Focus groups were identified as the most appropriate exploratory method to collect data from consumers. Three unstructured, free-flowing interviews (Zikmund, 2003) encouraged discussion amongst each focus group on their views on sustainable consumption, co-creation, and what they considered to be important in constructing value co-creation experiences around sustainable consumption.

Zikmund (2003) identifies a number of important benefits of focus groups that were important to this study:

- *Synergy* – The combined effort of the group produces more insights and ideas than separately gathered responses. The group focus was also found to enhance the understanding and elaboration of co-creation within the sustainable consumption context.

- *Snowballing* – A comment made by one individual can spur a range of responses from the other participants.
- *Stimulation* – Participants are eager to express their opinions and ideas as excitement, and arguably further insights, are generated on the topic.
- *Structure* – The moderator is able to control the topics discussed and the depth in which they are covered. To this end, the moderator was able to probe the group for deeper insights into elements of the co-creation process.

The research instrument took the form of a focus group discussion guide, which the moderator used to guide the discussions (Appendix D). As in the semi-structured interviews with representatives from grocery retailers, open ended questions were used to enable free answers and probing for further information and insights (Zikmund, 2003).

Prior to the commencement of the focus groups, consent was obtained from the participants (Appendix E).

The data and recordings from the interviews and focus group sessions respectively were transcribed for analysis.

#### **4.6 Data analysis**

Denzin and Lincoln (2005) argue that the analysis of qualitative data can often result in a subjective interpretation by the researcher as the process is highly intuitive, and findings can be ambiguous (Zikmund, 2003). It was therefore important that the data

was studied and analysed a number of times in order to allow the key themes and the narrative to emerge.

The following analysis techniques were deemed to be the most appropriate for both the interviews and the focus groups in order to provide the most insightful interpretation of the data:

- **Content analysis** – Zikmund (2003) indicates that the use of content analysis ensures that an objective and systematic description of the data takes place, which assists in the identification and analysis of specific information and themes. An analysis grid approach was used to organise the data according to the main categories of information that emerged as themes in the research. This helped to identify frequently raised issues and key substantive points and quotes in the responses and discussions (Gillham, 2000).
- **Comparative analysis** – According to Gillham (2005), comparative analysis enables the findings of the interviews to be compared. This was useful in highlighting areas of commonality and difference and helping to improve the consistency of the findings.
- **Narrative inquiry** – According to Clandinin and Connelly (2000) narrative enquiry is able to capture personal and human experiences and dimensions that cannot be quantified into numerical data, and to search for hidden meanings behind the words. In depth insights were obtained through the openness and anonymity of the data collection processes which enabled respondents to express themselves and relate personal experiences and

stories. In this way, underlying narrative and themes in the data were able to emerge.

Deductive and inductive reasoning was applied in the analysis of the results of the interviews and focus groups. Deductive reasoning, defined as the process of deriving a conclusion about a specific instance based on a known general premise (Zikmund, 2003) was used to understand the dynamics in the business-to-consumer relationship in pursuit of sustainable consumption. Inductive reasoning, which Zikmund (2003) describes as the process of establishing a general proposition on the basis of observation of particular facts, helped to explore the market readiness for co-creation within this context. Opportunities for further research were also identified in this process.

#### **4.7 Limitations of the research**

Limitations based on the intended scope and research design were acknowledged as follows:

- Given the qualitative nature of the research, caution is advised regarding wider application of the results. The findings are tentative and need to be confirmed in other contexts, including quantitative studies.
- The small sample of firms within the retail setting, including the use of judgment sampling, may also limit the validity and ability to generalise the research findings to other retailers or mass market settings.
- The use of judgment sampling in the consumer focus groups also means that it is unlikely to be representative because the sample has not been selected on a

probability basis (Zikmund, 2003) and therefore the findings are limited in terms of projectibility.

- Researcher bias may result due to the subjective nature of exploratory research (Cooper & Schindler, 1998), however, the interview and focus group guides helped to mitigate this and ensure a consistent approach with respect to the primary research.

## Chapter 5 – Research results

A two-pronged approach was followed in the current study. Interviews were conducted with grocery retailers and consumer focus groups in order to gain an in-depth understanding of what business and consumers consider to be important with respect to advancing sustainable consumption. The potential of co-creating solutions was gauged, and processes and mechanisms that could facilitate the co-creation of solutions towards sustainable consumption were explored.

A list of guiding questions was used in the interviews with follow up questions (please see Appendices B and D), which served to prompt interviewees for additional information. This ensured that the key points were covered and that the most relevant themes could emerge from the interview process. The interview responses were analysed using content analysis to identify and group the key substantive issues into themes (Gillham, 2000). This approach was useful as it enabled the most pervasive and frequently raised issues to be identified and the underlying themes to emerge. Comparative analysis was used to highlight areas of commonality and difference in the responses from the company interviews and focus group interviews (Gillham, 2000). Narrative inquiry proved to be useful in capturing in-depth insights and finding meanings in personal experiences and sentiments expressed, particularly with respect to focus group respondents (Clandinin & Connelly, 2000).

## 5.1 Description of the sample

### *Part I*

Secondary data was collected from company websites, annual reports, sustainability reports and other relevant public sources to gain an understanding of the companies' approaches towards environmental sustainability. This information was insightful as preparation for, and input to, Part II of the research.

### *Part II*

Four interviews were conducted with individuals from four grocery retailers identified in the research population. Results are reported for three companies since one company withheld permission. This sample included the individual designated to represent each company on sustainability issues, which was either the head of sustainability or the head of the line function accountable for sustainability. While the original intention was to interview the respective heads of sustainability, marketing and operations within each company in order to triangulate the interview responses from the different functional perspectives, it was found that companies tended to appoint a designated person to represent them on sustainability issues. Thus, the approach differed from what was originally planned.

**Table 1: Grocery retailers - particulars of the interview sample**

	<b>Company A</b>	<b>Company B</b>	<b>Company C</b>
<b>Functions interviewed</b>	Sustainability	Corporate Affairs	Sustainability

### **Part III**

Three focus groups were conducted with environmentally conscious consumers in order to explore views and gain insights from the consumer perspective. A focus group ideally comprises eight participants, however a dropout rate can be expected.

**Table 2: Focus groups - particulars of the interview sample**

	<b>Focus group A</b>	<b>Focus group B</b>	<b>Focus group C</b>
<b>Number of participants</b>	8	4	6
<b>Age group</b>	25 - 34	35 - 49	25 - 34

For the purposes of confidentiality the identity of the companies and individuals have not been disclosed in the research findings, as per the University of Pretoria's standard ethics practice. A coding system has been used for the representatives in the study. The assurance of confidentiality and anonymity enabled open discussions with the interviewees. In this way the quality and the in-depth content of the research findings has been preserved.

Presentation of the research findings is in accordance with the key themes that emerged from the interviews. Where applicable, the research results have been triangulated with the secondary data sourced in Part I of the data collection, including company sustainability reports and other relevant public information.

## 5.2 Introduction - A systemic perspective on sustainability

Grocery retailers are the link between producers and consumers. Given that environmental impacts occur at every stage of the product lifecycle, solutions to advancing more sustainable consumption need to be implemented along the entire supply chain. Indeed, sustainability is perceived as a systemic issue in the grocery retail sector. All the grocery retailers interviewed have expressed their commitment to sustainability and the promotion of sustainable lifestyles, with company sustainability strategies extending across suppliers, distribution, storage, retail, consumption and disposal. In pursuing sustainability objectives, companies emphasised the importance of serving the interests of all stakeholders, including shareholders, customers, suppliers, employees and communities. Encouraging responsible behaviour both up and down the supply chain by engaging with suppliers and consumers forms an integral part of sustainability initiatives. Companies highlighted the importance of linking sustainability to business strategy and being able to measure and manage performance in key focus areas where they can achieve impact.

(Please refer to Appendix F for an overview of grocery retailers' approaches to sustainability)

From a consumer perspective, a long term systemic view was also expressed: *"living a greener life needs to become a way of life"* (Focus group C – respondent 4). Sustainable consumption is about

*"...making sure everything is around tomorrow again, that we are not using up all the resources today and forgetting about tomorrow, because tomorrow is our future, it is our children's future and we are just lucky with what we have now, but we need to set the ball rolling for tomorrow"* (Focus group C – respondent 2).

Despite the systemic nature of environmental sustainability, the research has found that the overarching narrative in the grocery retail sector is that the onus is on the retailers to drive sustainable consumption, with consumers occupying a fairly dependent role in the process.

### **5.3 A business or consumer responsibility?**

While both grocery retailers and consumers have expressed a commitment to sustainable consumption, grocery retailers are taking the lead in this responsibility. Consumers suggested *“they should be doing what is right for the environment so consumers can make choices about doing the right thing”* (Focus group C – respondent 2). Focus group C – respondent 6 reiterated

*“It is better for retailers to do it sooner rather than later or else they are going to be left in the dust and have to play catch up to where everyone else is. People want to go back to basics and simplify the way we consume”.*

The research found that grocery retailers largely act as the definers and consumers as the dependents in addressing sustainability imperatives in the grocery retail sector. As focus group A – respondent 4 highlighted *“Retailers need to be aware of consumers’ preferences and provide options in order to enable us to consume sustainably”.* Company B stated *“We recognise that we have a responsibility to minimise our own impacts on the environment and to provide consumers with responsible merchandise choices that limit their impacts”.* Company C supported this statement *“We know that our customers play a vital role in helping us to make a difference to our planet and our world and we need to give them as much information and assistance as possible”.*

## **5.4 The predominance of retailer-led sustainability initiatives**

The research findings highlighted the internal and external initiatives that are important to grocery retailers and consumers in addressing the direct and indirect risks and opportunities associated with environmental sustainability along the supply chain. These findings revealed a largely passive role for the consumer in the sustainable consumption process, with the grocery retailer as the driver and initiator.

### **5.4.1 Retail operations**

Internally, initiatives being taken by companies to minimize their environmental impacts in their distribution, storage and retail operations primarily relate to steps to reduce the carbon footprint of operations through energy management, the reduction of transport emissions and improving efficiencies, as well as prioritising the reduction of packaging, waste minimisation and recycling. Identifying opportunities for cost saving, resourcefulness and improving operational efficiencies have been cited as critical aspects of overall business sustainability. In this respect, company A, B and C are implementing initiatives to reduce energy consumption through the introduction of energy-efficient technologies, to reduce the use of transit packaging material during distribution, to reduce transport emissions by sourcing locally, and to reduce waste to landfill and to increase recycling programmes. Company B indicated *“the introduction of environmental legislation, such as the National Waste Management Bill, moves environmental management costs to producers and retailers”*. This reinforces the role of responsibility that the retailers play.

Consumers expressed a desire to be more informed on what initiatives companies are taking within their operations to minimise environmental impacts, suggesting that this could increase customer loyalty. Again the sentiment is that the onus is on the company to take the lead in initiatives. *“Knowing how companies operate behind the scenes is important, it says a lot about the company, but the only way to know this is if you do some research and read their reports”* (Focus group 1 – respondent 6). Focus group A – respondent 3 commented that *“...knowing what the company is doing in other areas is important because it actually means that they are doing something more than what we can see and that gives you real confidence in the brand”*. It was also highlighted that companies should be ahead of legislation and compliance regulations with respect to implementing sustainable consumption initiatives. *“Companies do not want to be under pressure and have to play catch up. If they want to be ahead of the trend they have to start doing these things before it is mandatory”* (Focus group A – respondent 5).

(Please refer to Appendix G for a summary of grocery retailers’ sustainability initiatives with respect to operations and distribution)

#### **5.4.2 Consumer advocacy rather than action**

The external sustainability initiatives of grocery retailers have a strong focus on consumer advocacy. Grocery retailers indicated that consumer awareness of sustainability issues and the environmental impacts of consumption in the market segments they serve is generally low. Company B indicated that *“The results of our customer surveys reveal that awareness of environmentally responsible consumerism is generally low, so we’re developing promotional material to place these considerations*

*top of mind*". A key role that a number of companies are increasingly playing as part of their sustainability initiatives is to educate consumers about how products are made and what is required to get them onto the shelves, as well as to engage with them to create an understanding of environmental impacts and to inform them about what they can do to make a difference. Company A indicated *"80 percent of the company's communication campaigns centre on educating the customer about what they can do"*. Company B prioritises building consumer awareness about responsible merchandise choices, and Company C highlighted the importance of engaging the customer in order to understand their needs and preferences as well as to highlight sustainability initiatives and encourage them to give their support. Mobilising customers to make low-carbon choices in their lifestyles is cited as the most ambitious part of the company C's carbon strategy. The company stated *"We know that our customers play a vital role in helping us to make a difference to our planet and our world and we need to give them as much information and assistance as possible"*.

Consumers reiterated the low levels around sustainable consumption imperatives in South Africa and expressed the responsibility of retailers in this regard. Focus group A – respondent 6 stated

*"I think South Africans are ill-informed and way behind. In Europe for many years now they have been recycling and you have three or four bins in your house for the different items. They don't collect your trash if you haven't separated it"*.

Focus group A – respondent 5 supported this assertion *"There is a lack of information in South Africa for sure"*. Focus group C – respondent 6 emphasised *"Education is key."*

*We should be more informed by retailers about environmental issues around consumption*". Focus group C – respondent 5 commented

*"I think we all have consciences but sometimes we are not educated about products and the effects they can have on our health, for instance that reusing certain plastic bottles is bad for us. We need to know what to use and how to use it"*.

Despite the commitment to sustainability imperatives expressed by consumers that have defined themselves as environmentally conscious, there is an expectation that the onus is on the grocery retailers to inform and educate consumers about what they can do to play their part in the sustainable consumption process. The research revealed that grocery retailers are largely driving consumer education and awareness. From the consumer perspective, this appeared to be a precondition for any potential co-creation efforts.

#### **5.4.3 The role of marketing**

With respect to the marketing function, the research findings reiterated the passive role for consumers in advancing solutions to sustainable consumption, with the onus placed on the retailer. Consumers emphasised the role that marketing can play in creating awareness and positioning sustainable consumption in the minds of consumers as an imperative. This implies a one-way relationship with the consumer in a relatively passive role, rather than a collaborative mindset of working together to advance solutions to sustainable consumption in a co-creative manner. Focus group A – respondent 8 suggested

*"Retailers could do more to promote green products and initiatives they are taking to show that they care about the environment, that they are trying to*

*make a difference in their production and supply chain so on, and putting the awareness out there to try to get consumers to play their part”.*

It was proposed that consumers need to be held accountable. Focus group A – respondent 1 suggested *“Perhaps retailers should be saying through their messaging ‘This is what we’re doing for the environment, how about you?’ or ‘What have you done for the environment today?’”*. However, the rhetoric of consumer involvement seems more apparent than actual consumer initiative or the suggestion of tangible areas in which business and consumers can work together to find solutions to sustainable consumption.

The business-driven relationship with consumers is supported predominantly by conventional above and below the line marketing techniques as methods for communicating with consumers to encourage sustainable consumption practices. Company C cited electronic and personal engagement as important mechanisms, including in-store ticketing, labelling and packaging, customer surveys, mystery shopping surveys, focus groups and discussions, marketing communication, advertising and direct customer mail and call centres. Raising the profile of key sustainability issues through the media is also an integral part of Company C’s sustainability strategy to generate awareness and influence consumer perceptions regarding their responsibilities towards the environment. According to Company B *“Marketing plays a strategic role in capturing the attention of consumers to highlight environmentally responsible choices and spell out the benefits of supporting these products”*.

#### **5.4.3.1 Arousing the consumer conscience**

In addition to consumer education, techniques that were cited to be effective, again on the part of the retailer, in arousing consumer conscience and motivating them to play their part in the sustainable consumption process include engaging them in a way that helps them to identify with the cause in a personal capacity. Story telling through various media was provided as an example of creating a positive attitude and hope, depicting that people as individuals can contribute towards making a difference. Such techniques again represent elements of a one-way approach to advancing sustainable consumption, with little evidence supporting how active consumer involvement takes place.

Company A emphasised that engagement with customers needs to focus on what can be done in a personal capacity, *“how individuals can make a difference”*, rather than showcasing the negative consequences of the environmental impacts of consumption, which can leave people feeling hopeless. Company C advocates personal testimonials by individuals, which people can aspire to. Consumers suggested that in-store storyboards could be powerful ways of encouraging consumers to subscribe to a certain lifestyle. As Focus group A – respondent 4 suggested *“Some stores have big banners or boards that are very visual with pictures that are appealing and that make you want to buy the goods”*. Focus group B – respondent 3 pointed out

*“The example that was covered in the media about the couple that built a home off the carbon grid just outside Johannesburg plays on your conscience about the smaller things we can be doing at an individual level to make a difference”*.

Focus group B respondents also agreed that such stories can help to encourage conversations and ideas about what can be done and serve to make individuals feel

accountable. Respondent 2 commented *“Visual media depicting what is happening to the environment strikes a chord that makes you think maybe I should be doing something, it is a responsibility”*.

#### **5.4.4 Bottom up education?**

With grocery retailers and consumers pointing out the low levels of awareness around environmental sustainability, school level education was cited as an important part of sustainable consumption campaigns. Targeting awareness on environmental sustainability at this level is seen to be an effective way of encouraging responsible consumption behaviour amongst children and integrating it into family life. With sustainability imperatives being essential to the development of future generations, company A highlighted that school-level education on sustainability forms an important part of the company’s strategy. It is believed that learners can also play an important role in influencing the consumption choices of their parents. As part of its environmental campaign, company B promotes a range of stationery made from recycled products which carry messages about the life-cycle of the product and the importance of reusing resources. In addition to children learning about sustainability in schools, such products connect it to their purchasing choices too and help to stimulate consumers’ interests in going green.

Focus group A – respondent 4 suggested that *“Kids get more caught up in things like this than adults do, so teaching the kids helps it to become a way of life and could help to play an important role in influencing the adults too”*. Focus group B – respondent 2 emphasised this point: *“An educational campaign targeted at pre-primary school level*

*would make a difference because children can impact the parents”.* Focus group C – respondent 4 reiterated the concept that children can help to change the attitudes and behaviours of adults: *“Initiatives could be run with schools, for recycling for instance. If the little ones are educated and motivated about sustainable consumption, the parents are going to become responsible adults”.*

This notion represents both a top-down and a bottom-up approach to educating consumers. The retailer is taking responsibility for the education provision and the children are educating the adult consumers, who are passive in this process of becoming informed. These noble efforts and ideas tend to paint a picture of consumers who are not fully engaged in the drive towards sustainable consumption in the grocery retail context, and consequently have no conception of co-creation in this field.

#### **5.4.5 The need to incentivise consumers**

Consumers suggested incentivisation as a mechanism that could work to engage consumers and to motivate people to consume in more sustainable ways. Despite a number of ideas coming from consumers to promote sustainable consumption, there is a sentiment that they need to be incentivised to take action and that the responsibility lies with the retailer. Such business-led, top-down initiatives, such as with competitions, represent a conventional marketing approach to engaging the consumer, rather than a collaborative approach to addressing a systemic issue.

As part of promoting a partnership with customers, company A advocates competitions as a way of getting customers involved in developing solutions to sustainable consumption. Company B noted *“online competitions have worked remarkably well and can have a great impact with customers”*. The company notes that they customers can play an important role in helping to identify sustainability issues of top concern.

Focus group A – respondent 5 indicated that *“Some companies have done fantastically well by aligning themselves with the environment and pushing to become carbon neutral, but at the same time I’m not going to go out of my way to switch service providers because of that unless there is some incentive”*. Focus group A – respondent 7 agreed that *“People need to be motivated to make the effort to consume more sustainably, like a reward scheme, but how would you manage that?”*. Focus group B – respondent 3 suggested that *“Competitions could also work well to raise awareness and get people on board, such as designing a logo or slogan”*. Focus group C – respondent 2 reiterated that *“People need incentives to get involved, so companies could have a draw once a month, for example for people who post comments on their website”*.

### **5.5 Consumer activism – oppositional rather than collaborative**

Focus group respondents commented that as environmentally conscious consumers they feel that they have a role to play in influencing the practices of grocery retailers - as activists in holding business accountable to sustainability practices. The approach is oppositional rather than seeking to advance a working partnership with business. From

a company perspective, it was noted that customer feedback is important and appreciated. Company A commented *“transparency in communications between business and consumers is important for a constructive relationship”*. The company needs to know what people are saying, even if it is critical, in order to be more attuned to customer needs. This would optimally be in a relationship whereby solutions to a mutual goal were sought in partnership, rather than through resistance. It was also intimated that South African consumers are not very proactive with regard to engaging retailers.

Focus group C – respondent 5 proposed *“Consumers need to put pressure on the stores to disclose all the information on products in order to give us a choice, then they will stop stocking the products that we stop buying”*. Focus group A – respondent 5 suggested *“If you can get to a point where if a company doesn’t abide by the minimum requirement, enough people may be willing to boycott them, which may help to promote sustainability practices”*. Focus group B – respondent 4 reiterated that people can apply *“non-buying pressure”*. Focus group B – respondent 3 suggested circulating petitions to get companies to become more sustainable. Focus group A – respondent 1 highlighted apathy amongst consumers: *“But South Africans generally accept, we don’t question enough because it takes too much time and effort, that’s where the problem comes in”*.

## **5.6 The price sensitivity of market segments**

It was noted by focus group respondents that an interest in consuming more sustainably depends on the market segment which the consumer occupies and that

this would have an impact on the consumer's willingness to engage with the grocery retailer in this regard. However, it was also pointed out that being in a higher LSM market segment does not necessarily mean that consumers are taking responsibility for their environmental impacts. Focus Group A – respondent 5 noted

*“People that are educated, aware of their impact and can actually spend time thinking about the environment are in the top segment of the market, the lower segments of the market are not going to think about it as they have bigger problems than whether they should recycle”.*

Focus Group B – respondent 1 highlighted

*“In South Africa there is a very low awareness of global warming and the environment and it is often seen as a long-term issue to deal with, whereas we actually have to start now; the debates are relatively new here and we have other immediate issues to deal with, people who don't have homes or food to eat, so the environmental issues go on the back burner”.*

Focus group C – respondent 5 pointed out *“We are still not educated, just because we can pay more for a product does not mean we know how to care for the environment”.*

This sentiment was reiterated by grocery retailers, that it is a big challenge to implement sustainability initiatives alongside keeping prices low for customers, particularly during tough economic times. It thus appears that the challenge lies with the retailer to manage these conflicting priorities.

Company B highlighted *“Respondents to a Unisa consumer survey revealed that they consider environmental choices when shopping but are not prepared to pay more for environmentally friendly products”.* Company C noted that it is a challenge to position

sustainable consumption with customers with respect to their willingness to pay a premium for products, such as organic.

### **5.7 A knowledge-attitude-practice gap**

The overall sentiments expressed by both grocery retailers and consumers towards the proposal of co-creating solutions to sustainable consumption in the grocery retail context were positive, implying a willingness to work together in the interests of the environment. However, the nature of a two way co-creative relationship implies a paradigm shift, including a new role for marketing and a shift towards a more proactive consumer in order for co-creation to take place. This shift is not yet evident in the grocery retail context according to the research findings.

As highlighted, focus group respondents expressed that as consumers who purchase goods and services, they are eager to participate in making the consumption process more sustainable, however, they do not always feel that they receive enough information or have the opportunity to engage with companies and consume in a way that empowers them to act in the interests of the environment. Again, this places the responsibility with the retailer to create the platforms for engagement and the infrastructure for consuming more sustainably; it implies an input role for consumers rather than discovering a new playing field to develop solutions together as partners.

General comments and positive sentiments from grocery retailers and consumers on the proposal of business-consumer co-creation of solutions to sustainable consumption are highlighted below:

Company A indicated that they are always looking for innovative ways of doing things better. The more ideas they can tap into the better, and they believe that people want to feel like part of positive change initiatives: *“Partnerships with customers are important in order to empower them and find solutions together”*. Company B highlighted that the process of developing solutions to sustainability lends itself to involving consumers. *“It is important to create awareness and to incentivise consumers to come up with solutions”*. The company believes that customers can play an important role, for example in helping to identify the top products or issues that should receive attention regarding sustainability. The company is exploring how to leverage relationships in a way that would have a massive impact. Company C indicated *“customer engagement supports ongoing product development and innovation and helps to refine the business focus on key issues that are important to the customer”*.

Focus group A – respondent 5 commented *“Collaboration between business and consumers can add competitive advantage to a company as it goes beyond just regulatory compliance, it is more of a strategic approach, so in this way a company’s sustainability itself can be ensured”*.

Focus group C – respondent 2 suggested

*“Having a customer come in with fresh eyes could help because when you are in a situation you get used to it. So you need people to come up with ideas, with a new perspective, because the pool is much larger”*.

Focus group B - respondent 4 indicated

*“The retailers can influence their customers by turning grocery shopping into some sort of experience where you are part of the process of taking*

*responsibility for the environment, you are personally doing something. I really believe such things work in terms of changing mindsets”.*

Focus group B – respondent 3 added *“You become more aware when you are involved”*. Focus group C – respondent 3 proposed *“To help in decision making I think they should involve us consumers because at the end of the day we are the users”*.

Focus group A – respondent 2 highlighted the lack of choice in how consumers can purchase their goods *“We don’t have choices that are easily accessible, like in Europe where they have fresh produce markets everywhere. If I want to buy a bunch of organic coriander without the packaging, this is hard to find”*. Focus group A – respondent 4 reiterated this sentiment

*“A lot of it is you have no option. You can’t go to a store and say ‘I don’t want the food to be packed that way’. Services need to be aware of consumers’ preferences and provide options in order to enable us to consume sustainably”*.

Focus group C – respondent 5 emphasised the importance of personal benefits *“We need to see the benefits and cost savings filtering through in order to motivate us further”*. Focus group C – respondent 2 added *“There needs to be accountability and as a consumer you want to know that you have been heard and that you are being taken seriously. I think more people will get involved if this is the case”*.

## **5.8 Emerging opportunities for co-creation**

From the above findings, it appears that a fundamental shift would need to take place in the business-consumer relationship in order to advance co-creation as a mechanism for the development of solutions to sustainable consumption in the grocery retail sector. Existing collaborative efforts have been found to be limited. Focus group C –

respondent 5's comments could be alluding to the need to find the neutral space for co-creation *"We want to be able to say to the retailers 'Hey listen guys', but we need a channel to these big corporations, I think there is a missing link and we need to find what that link is"*.

A number of potential areas for co-creation have started to emerge. These have been identified as follows:

#### **5.8.1 The reduction of packaging**

From the business perspective, the reduction of packaging has been highlighted as an important area in which the grocery retail sector can minimise its impact on the environment. Company A has indicated *"packaging reduction is desirable from a cost and environmental perspective"*. The company aims to meet customer priorities and expectations in this regard, ensuring that packaging is kept to a minimum to prevent damage to goods. Company C has taken measurable steps to reduce packaging, pointing out that *"...reducing packing has been identified as an important customer concern"*. In the distribution process, company A, B and C are implementing measures to ensure that no excess packaging is required in delivering products to the customer (Please refer to Appendix G for a description of the companies' sustainability measures pertaining to distribution).

From a consumer perspective, it has been expressed that a choice should be provided in stores with respect to the way in which products can be packaged for purchase,

which highlights an opportunity for co-creation in the customer service experience between customers and in-store personnel. Focus group C – respondent 1 pointed out

*“In a fruit and vegetable shop I have asked for my fruit not to be put in a polystyrene punnet as I had my own box but they said ‘no, it’s not allowed’. Eventually I had to talk to the manager and he agreed. Staff are just told what to do, they don’t feel they can take initiative on decisions”.*

Focus group A – respondent 4 suggested *“If you could take your own containers and fill them up, like you can do at some fruit and vegetable stores, you aren’t paying for packaging so it helps to reduce waste and works out cheaper”.* Focus group C – respondent 1 proposed *“In the same way that we are charged for plastic bags, packaging like plastic punnets should be optional and should be charged for”.* Focus group C – respondent 6 suggested that retailer personnel should be equipped to share information and discuss options with customers on the sustainable consumption process, thereby integrating personal, informative interaction into the customer experience. *“It is important to be able to discuss issues that are of concern, but not many people will go and chat to the retailer, it is difficult to access them so they need to have ways of enabling discussion”.*

### **5.8.2 Recycling**

A number of grocery retailers are implementing recycling programmes, which offers another practical mechanism for business and consumers to work together to advance sustainable consumption. Company A indicated that *“In-store recycling units have been introduced for customers which allows for the recycling of ink cartridges, CFLs, batteries and plastic bags”.* Company B offers after-sales environmental advisory service or training and is implementing end-of life merchandise take back and

responsible disposal facilities, including e-waste recycling, finding ways to incentivise consumers to participate. Company C has encouraged customers to save energy by only selling energy saving lightbulbs and providing collection facilities for their safe disposal in some stores, in association with a partner company. The company is committed to rolling out additional recycling programmes, noting *“...there are challenges around customer demand for recycling, collection points and separation of waste, and education required for employees and customers around waste management and recycling”*.

The onus for providing the infrastructure is on the retailer, and the educational and motivational role for the retailer was again emphasised. Focus group A – respondent 5 indicated *“If I walk past a store and see recycling bins I will use them, if I don’t see them I don’t think about it”*. Focus group A – respondent 3 suggested

*“An idea could be to have a point system for recycling and you could earn credits for the amount you recycle which could offset a certain amount of your grocery bill. This would also provide a platform for being informed”*.

### **5.8.3 Web 2.0**

With consumers becoming more technologically oriented, the internet and in particular, social networking tools were seen by both grocery retailers and consumers to provide convenient interactive tools for customer engagement around sustainable consumption. Company A believes that an interactive website can be effective for two-way customer engagement, as well as facebook, twitter and blogs, which can also become important communication and engagement tools whereby customers can post comments and share ideas, for example, *“...this is what I am doing for the*

*environment*". The company emphasised the importance of the focus being on individuals rather than the corporate, on a personal connection rather than a corporate connection, and on the needs in their everyday lives. The way in which companies can manage this interaction needs to be defined, with consumers emphasising *"...companies need to have a response network where consumers get feedback or see their concerns being acted upon"* (Focus group C – respondent 3).

In-store technology applications were also considered to serve as potential mechanisms for co-creation. Focus group C – respondent 5 suggested that *"Retailers could have interactive screens for consumers to provide comments while they are waiting for their goods to be rung up at the till"*. Focus group A – respondent 5 proposed

*"We don't like standing in queues, there could be monitors with DVDs and touch screens along the queues displaying sustainability initiatives that the store is doing to raise awareness and engaging us on activities that we as consumers could do and suggestions we may wish to make"*.

Such mechanisms could provide an opportunity for customers to engage with the store and share ideas, as well as for the store to capture useful data on what initiatives consumers deem as important. Company A envisages in-store screens at check-out lines, with short, simple and concise messaging and interaction opportunities. The emphasis on capturing the attention of customers during idle time in check-out queues alludes to reluctance on the part of the consumer to go out of their way. Again, the processes involved in such potentially collaborative efforts would need to be elaborated.

#### **5.8.4 Additional areas suggested for collaboration**

Additional potential areas for co-creation were suggested, but it is argued that these primarily entail a passive role for the consumer, highlighting that the concept of business-consumer co-creation with regard to sustainable consumption is not yet apparent in the grocery retail sector. The role of conventional one-way marketing tends to prevail, with consumers opting for a reactive rather than proactive role in the process. Focus group B – respondent 1 emphasised the role that every day media can play

*“...to educate people through marketing through using print media and television advertising which can be really funky to make people aware so that when they go to do their shopping they are informed about which products are environmentally friendly, how to recycle etc., so that these objectives can be achieved”.*

Focus group B – respondent 4 proposed *“The retailers could place staff to make customers more aware and provide information about products”*. This respondent also suggested that in-store promotions could work such as providing tastings from organic cooking demonstrations, for example, which you experience firsthand. *“A voucher could be given to the customer to buy the ingredients to try it out for themselves; this could be a good marketing strategy”*.

Again, the suggestion of campaigns and competitions represent retailer-led marketing initiatives. While consumers expressed the importance of becoming more involved and active as consumers, the *how* of potential consumer-driven initiatives was not forthcoming, and the expectation of consumers is that retailers need to spearhead such campaigns.

Focus group A – respondent 6 highlighted

*“It does bother me that nobody is leading by example. It is actually up to us to take initiative and act on a personal level. There are national campaigns going on regarding being a responsible citizen, crime etc.; the environment should be a major focus of such campaigns”.*

Focus group A – respondent 1 reiterated *“Why can’t we go green and push it from everywhere and companies could have competitions and everyone just goes nuts for the environment”.*

Focus group A – respondent 3 suggested

*“A perfect example is a soccer or rugby match where they have such things like a world record for the most flags, why can’t we aim for a world record for the most sustainable sports event with recycling campaigns for all the rubbish these events generate. It would make us proud as a nation”.*

In-store experiences such as a ‘green aisle’, showcasing and demonstrating products, as well as sustainable consumption concept cafes were suggested by focus group respondents as tangible ways to engage the customer. These mechanisms were seen to have potential to raise awareness, encourage knowledge sharing amongst consumers, and provide ‘green’ lifestyle ideas and tips, however, again the responsibility and expense is the onus of the retailer. Focus group B – respondent 3 suggested

*“Retailers could have an entire aisle that sells green products, a ‘green aisle’, which would save customers from having to go through all the aisles and reading the labelling on packaging to find out whether it’s a sustainable product or not”.*

Focus group B – respondent 2 commented

*“This will actually speed up your shopping process and alleviate some of the marketing costs involved. You will also know that you have something in*

*common with other people shopping in that aisle so you could easily have a conversation with them about environmental issues”.*

Focus group B – respondent 1 proposed *“I think they should put informed personnel on these aisles to advise customers and demonstrate products, like an expert”.*

Focus group B – respondent 2 suggested

*“With the in-store cafes and restaurants they could introduce a whole new concept and have organic food, furniture from reclaimed wood and recycled crockery and serviettes, for example. The entire place could be environmentally friendly and organic to showcase what this is all about to customers”.*

The notion of empowering consumers to make a difference clearly appears to be allotted as a business responsibility. A proactive role for the consumer appears to be limited, with the prevalence of a traditional top down role for marketing.

## **5.9 Defining value in the customer experience**

The customer experience was recognised as an essential component of consumer participation in initiatives to drive sustainable consumption. People want to consume in ways that make them feel good; they want to be able to attach value to their efforts to consume more sustainably. Focus group A – respondent 1 suggested

*“It is about feeling like I am doing something positive through my choices, so I would like to be able to choose products that look as natural as possible and wrapped in recycled paper or something, that will look amazing”.*

Focus group A – respondent 6 suggested that presenting products in a way that is more desirable to consumers could help to promote the brand too *“Its appealing, imagine walking into a store that there’s fresh produce displayed openly, it’s all natural*

*and down to earth and you just feel healthy and want to buy, rather than seeing packaged produce”.*

Convenience, efficiency and cost savings were cited by both grocery retailers and consumers as important factors as part of the customer experience in the drive to become more environmentally sustainable. While some consumers are willing to go out of their way to consume in more sustainable ways, focus group B – respondent 2 commented *“Even if it was a few rand more expensive I would definitely take the green product”*, it appears that the delivery of both green and non-green benefits are, on the whole, important in the drive towards sustainable consumption. This sentiment reiterates the responsibility on the retailer to drive sustainable consumption with the consumer’s willingness to participate being largely at their convenience.

Focus group B – respondent 2 suggested that *“People want to know that they are getting value for their money and effort, they want to know that they are going to benefit too, that’s just how people work as consumers”*. Focus group C – respondent 5 highlighted that *“We need to see the benefits and cost savings filtering through in order to motivate us further”*. Focus group C – respondent 4 indicated *“I would like to see what the company is doing with the savings from reducing their electricity bills etc., whether it is it being fed back to the customer or if it perhaps being donated to a charity”*.

Furthermore, focus group respondents emphasised that, despite the desire to be more informed consumers and to be able to have a say in how they consume, they do not

want to have to spend too much time engaging, therefore the process needs to be convenient in order to add value to the customer experience. It also needs to be consistent and *“in your face”* (Focus group B – respondent 1), implying again a passive role for the consumer. Thus, repetitive communication was cited to work well. *“Educating people is very important and another important thing is repeating the message over and over again”* (Focus group A – respondent 5).

Company C indicated *“customer response to sustainability initiatives has been strongest with respect to the most convenient solutions”*, such as providing recycling bins at certain points.

## **5.10 Additional findings**

### ***5.10.1 An upstream approach to sustainability: business-to-business co-creation***

Suppliers form a key focus of the sustainability initiatives of grocery retailers. While business to consumer relationships in the grocery retail sector tend to be one way with a primary focus on driving consumer education and behaviour change in the consumption process, the business-to-business relationships in the supply chain tend to be two way working relationships, with companies taking initiatives to partner with their suppliers to ensure that codes of good practice and regulatory compliance along the supply chain are achieved. This is particularly the case with private label suppliers under the direct influence of retailers.

A number of grocery retailers emphasise upstream solutions to sustainable consumption. This involves working with suppliers to address environmental concerns at source and ensuring that the products they stock are environmentally sustainable.

In this way, sustainability becomes inherent in a product and in the consumption process, whether consumers are environmentally conscious or not. This makes sustainable consumption easy for the consumer as they are able to play a passive role in the process. As focus group A – respondent 3 indicated *“If companies ensure that their suppliers implement environmental practices, as a consumer you do not have to think about the environmental consequences of the things you buy, it is very convenient, you don’t have to make the effort”*.

Company B highlighted that the problem needs to be addressed at source. *“When people don’t have to change their consumption patterns to choose environmentally responsible brands, it turns making the right choice into something that is easy to do”*.

The company is learning how to target their advocacy and is engaging their suppliers with a strong consumer angle regarding environmental issues of concern such as recycling. Company B emphasises the importance of utilising every opportunity available to engage with stakeholders through one-on-one conversations, group discussions, public meetings and civic forums. Workshops are being run with interested suppliers, as there are enough suppliers who want to do something about environmental sustainability. Company C has a strong focus on improving the broader impacts of their supply chain. Long-lasting relationships with their suppliers are important in order to work together to ensure exacting quality standards and conformance to a supplier code of business principles that ensures social and environmental responsibility across the supply chain.

Importantly, an upstream approach to sustainable consumption brings significant benefits to enterprise development and sustainable local development. A key focus of company A's sustainability strategy is consolidating supplier initiatives to encourage more active sustainability commitment. Enterprise development is an important way to advance sustainable development across the supply chain; this approach informs company A's business model. It is also a source of product innovation. Efforts in this regard focus on assisting small-scale entrepreneurs to become sustainable suppliers to the retail industry. Company C indicated that sustainability initiatives such as introducing recyclable shopping bags and store equipment, as well as encouraging greater local sourcing, have created opportunities for enterprise development. In this way sustainability initiatives can have a multiplier effect on society.

#### ***5.10.2 Business-to-civil society co-creation***

In addition to engaging suppliers, it is common to most companies to engage with civil society organisations that have an environmental focus. Given the role they play as environmental advocates, these organisations are recognised for their expertise which can assist grocery retailers in their own advocacy programmes and sustainability strategies. The collaborative aspect of sustainable consumption initiatives is again highlighted, as with suppliers. Business-to-business collaboration along the supply chain as well as with non-governmental organisations (NGOs) represents co-creation at these levels in the grocery retail sector, however the platforms for business to consumer co-creation are not as apparent.

Company A is playing a role in helping government to address conservation challenges by joining forces with NGOs to work on projects. Company B highlighted that the company “...engages proactively with NGOs with respect to developing supplier advocacy programmes”. This is with respect to making sustainability changes at source, such as the reduction of packaging, in order to bring more sustainable offerings to consumers. Company B also believes an opportunity could exist to support NGO-based responsible consumerism initiatives at point of sale and it is mindful of the role it can play in providing support to NGO initiatives that deal with post-consumer impacts. Company C forms partnerships with a broad range of non-profit organisations across a variety of environmental issues, noting that this helps to “advance education and capacity building in key areas”, as well as to inform ongoing product development and strategy.

From a consumer’s point of view, it was highlighted that partnerships can help to raise the credibility of company initiatives, as focus group C – respondent 6 indicated “Initiatives need to be believable and partnerships with NGOs that we trust, like the World Wildlife Fund, would help”. This comment alludes to the sentiment that the onus is on the retailer to drive sustainable consumption in the grocery retail sector.

### **5.10.3 Industry co-creation**

Due to the global nature of the sustainable consumption imperatives, it was suggested that the players in the grocery retail industry could benefit from adopting a collective mindset with regard to working together to make a difference. It was found that this is starting to occur, with two of the grocery retailers collaborating with respect to

recycling. Company B suggested that companies are doing too much on their own to advance sustainable consumption. Given the systemic nature of sustainability, the company suggested that they should be collaborating as an industry with respect to sustainability initiatives:

*“Sustainability is not an area in which to compete against one another and can be demarcated from competitive initiatives. A once off investment could be made by each retailer to jointly fund and develop industry-wide solutions, rather than each retailer duplicating the efforts and research and development costs. This is where the big wins will be made for sustainability”.*

### **5.11 Key findings summarised according to the research questions**

**Research question 1:** What types of sustainable consumption initiatives are important to a) grocery retailers and b) consumers in the grocery retail sector? - Does alignment exist between the two?

Both grocery retailers and consumers recognise sustainability as a systemic issue and the need to address imperatives along the entire supply chain. Grocery retailers prioritise initiatives both internally and externally, addressing sustainability issues in their operations and with an important focus both upstream with suppliers and downstream with consumers. A conventional marketing approach tends to prevail in the grocery retail sector, marketing sustainability initiatives *to* consumers rather than promoting interaction *with* consumers. Consumers, in turn, play a fairly passive role in this context, with an expectation that it is the responsibility of grocery retailers to educate them and motivate them to play their part. Thus, it is argued that while broad alignment may have been identified in the *types* of initiatives that are important to

both parties within the grocery retail context, alignment does not exist with respect to *how* such sustainability initiatives could be jointly developed.

**Research question 2:** Does willingness exist on the part of a) grocery retailers and b) consumers to participate in co-creation activities?

The research findings revealed positive sentiments amongst grocery retailers and consumers regarding the proposal to work together to develop solutions to sustainable consumption. It is believed that customers can bring fresh perspectives and a larger pool of ideas to existing business approaches. However, the consumer does not always feel they are empowered with information or opportunities for engagement. Convenience and cost savings, alongside the achievement of environmental benefits, have been cited as important factors as part of the customer experience.

**Research question 3:** What would be the essential *processes* and *mechanisms* involved in business-to-consumer value co-creation towards sustainable consumption in the grocery retail sector?

Given that the research highlighted the prevalence of a traditional top down approach to marketing and a fairly passive role for the consumer in the grocery retail context, it is argued that the paradigm shift required in order to enable a more collaborative approach between business and consumers is not yet evident. However, potential

areas for business-to-consumer co-creation are starting to emerge with respect to advancing solutions to sustainable consumption. These include the reduction of packaging, recycling and Web 2.0 tools. Additional areas that have been suggested largely entail a passive role for the consumer, intimating that the concept of co-creation with regard to sustainable consumption in the grocery retail sector may be premature, and indeed, would require a new orientation for the business-to-consumer relationship.

## Chapter 6 – Discussion of the results

### 6.1 Introduction

With respect to the sustainability imperatives faced by society today, this study proposes that solutions towards sustainable consumption could be co-created between business and consumers, thereby enabling each stakeholder to take better ownership of their respective ecological footprints. This could include, for example, co-creating the way in which consumers wish to purchase, use and dispose of products and packaging.

With grocery retailers as the link between producers and consumers, they arguably have a pivotal role to play in the supply chain as enablers of sustainable consumption. The literature has established a relationship between the service-dominant logic of Vargo and Lusch (2004) and sustainability, since it is argued that value lies in efficient service co-creation in the consumption process, rather than in the tangible products. This study has therefore suggested that an important opportunity exists in understanding the environmental sustainability interests and values of grocery retailers and consumers and exploring their alignment in the co-creation process.

The sample of grocery retailers and consumers interviewed and the information obtained has enabled each of the research questions to be addressed and has thus satisfied the research objectives of this study. Insights into the research findings in

terms of the literature review and the context of the study are provided in the discussion below, presented according to each research question.

**6.2 Research question 1: What types of sustainability initiatives are important to a) grocery retailers and b) consumers in the grocery retail sector? - Does alignment exist between the two?**

In assessing the potential for co-creation of solutions to sustainable consumption in the grocery retail sector, the purpose of this first question was to understand each company's approach to addressing environmental sustainability imperatives as well as the types of sustainable consumption initiatives that are important to consumers as part of their shopping experience.

**6.2.1 *Sustainability requires a systemic approach***

This study recognised that a critical source of value lies in finding long term systemic solutions to sustainable consumption. Pursuant to the King III corporate governance code (Institute of Directors, 2009), the role of South African grocery retailers is evolving and the research found that they are increasingly taking on greater responsibility for both social and environmental sustainability imperatives in their spheres of business, with an emphasis on the entire supply chain including consumers and suppliers. As Peattie (2001) has argued in the context of green marketing, business is viewed as a total physical system rather than just an economic system with physical consequences. The focus of this study was limited to environmental sustainability. All the grocery retailers interviewed are implementing initiatives to minimise their

environmental impacts and promote sustainable livelihoods, with the integral nature of sustainability to business strategy and performance emphasised by each company.

While business is playing an extended role in society in this respect, the research has made it apparent that in order for systemic solutions to be found to discontinuities such as climate change and environmental degradation, new collective approaches to solving these problems will have to be found by all stakeholders. Polonsky (2005) emphasised that since environmental concerns are relevant to both business and consumers, this justifies a collaborative or stakeholder approach. This is in line with Yates (2008), who claims that the success of sustainable consumption will depend on how well we approach these issues, both individually and collectively. This arguably requires a paradigm shift from the current perspectives of both business and consumers. Peattie (2001) claims that the challenge for green marketing is to move towards radical changes in the way we live, market and consume. This notion is in support of the suggestion by the WBCSD (2008) that in rising to the challenge of sustainable consumption, business needs to harness new ways to develop more sustainable products and services that meet the functional and emotional needs of consumers. Furthermore, Laszlo and Laszlo (2002) highlight that new forms of production, distribution and consumption need to be found, with Isaak (2002) arguing that the growing influence of consumers is an important resource to be tapped into with respect to solutions to sustainability, and that business needs to work closely with them to redefine the value that is offered to them.

This study has argued for business-to-consumer co-creation as a new approach to finding solutions to sustainable consumption in the grocery retail sector. The research findings highlighted that despite a shared commitment towards environmental sustainability, the existing business-to-consumer relationship represents a predominantly retailer-driven approach with little two-way collaboration. This is in line with the proposal by Prahalad and Ramaswamy (2004) that traditional company-centric value creation needs to be re-examined and a new frame of reference centred on co-creation of value between companies and consumers needs to be considered.

According to Yates (2008), recommendations from the UK National Consumer Council and the Sustainable Development Commission go beyond the usual approaches of top-down education, awareness raising and simple mass marketing approaches to focus on consumers as active participants in change in a co-ordinated effort with both business and government. The common theme is collaborative action.

### **6.2.2 *Who is taking responsibility?***

Peattie's (2001) argument that sustainable consumption is both a business and consumer responsibility was undisputed by grocery retailers and consumers. While this study has argued for a greater role for consumers in advancing solutions to sustainable consumption through business-to-consumer co-creation, the research findings have indicated that the status quo is that grocery retailers are clearly taking the lead in the responsibility towards the environment and in driving awareness regarding how consumers can play their part. Consumers demonstrated very little awareness of their full co-responsibility in the process. The typical knowledge-attitude-practice gap that is

discussed in much of the social and environmental marketing literature (Alcalay & Bell, 2000), is very much in evidence. Co-creation thus, arguably, poses a challenge to existing paradigms in the retail sector.

Consumers expressed a desire to become more empowered in the sustainable consumption process, however they assume a more passive role, dependent on the retailers to facilitate their participation and to take the lead in initiatives. While business may play a role in providing the platforms for participation, the finding regarding the expectation of business to take the lead is in line with the focus in literature on the traditional top-down role of green marketing in influencing consumer behaviours, attitudes and beliefs (Jones et al., 2008; Yates, 2008). The traditional marketing approach relates to the four P's of the marketing mix (McCarthy and Perreault, 2002), including product, price, place and promotion, which represent the sellers' view of the marketing tools available for influencing buyers (Kotler & Keller, 2009). Rex and Baumann (2007) argue that both green and conventional marketing use the marketing mix, which includes the tactical marketing tools that a company can control and use to influence the demand for their products.

Consumers reiterated the important role that marketing can play in promoting sustainable consumption, opening the channels for communication between business and consumers around sustainability in the grocery retail sector and enabling consumers to play their part. This finding supports the assertion by Yates (2008) that business needs to play a role as facilitator in enabling consumers to turn their green intentions into actions, however it alludes to the notion that existing relationship

paradigms in the retail sector may not be supportive of a co-creative approach. Arguably, this would require the role of green marketing to evolve.

### **6.2.3 Approaches to sustainability in the grocery retail sector**

Grocery retailers highlighted the achievement of efficiencies, improved resourcefulness and cost savings as part of overall business sustainability. The integral nature of sustainability to business strategy that has been pointed out by all the grocery retailers is in line with the assertion by the WBCSD (2006) that the contribution of business should be through strategies in its core business, rather than through philanthropic programmes. In addition to convenience and cost saving benefits, consumers were concerned that the pursuit of sustainability imperatives in the grocery retail sector is not only compliance driven, but rather motivated by values of a sustainable future for generations to come. This sentiment supports the claim by Isaak (2002) that there is a growing loyalty to the principles of sustaining the earth, its resources and its biodiversity for generations to come.

It was found that the approach of grocery retailers to addressing sustainability imperatives supports the assertion by Peattie (2001) that the role of business is evolving from focusing on the physical consequences of business to viewing business as a total physical system with market and non-market outputs that need to be taken responsibility for. As highlighted, this study has argued for a systemic approach to sustainability - that since environmental impacts occur at every stage of the product lifecycle, solutions to sustainable consumption consequently need to involve the entire supply chain.

To this end, Peattie and Crane (2005) suggested that sustainable economies require greater use of supply loops, and that there are elements of markets that need to be changed in order to allow products and their production and consumption to become more sustainable. Indeed, grocery retailers are increasingly implementing environmental measures within their distribution, storage and retail operations to decrease their carbon footprint and reduce their impacts on the environment, as well as working with suppliers and rolling out consumer advocacy programmes. This is in line with the assertion by the WBCSD (2006) that efficiency gains and technological advances alone are not sufficient to bring global consumption to a sustainable level, changes in the way in which consumers choose and use products are also required.

Peattie and Crane (2005) went on to suggest that environmentally conscious consumers' wants and needs can be effectively met through such innovations in the supply chain that create environmental improvements. The research revealed that environmentally conscious consumers wishing to play their part in the sustainable consumption process are becoming more interested in both the direct and indirect impacts, including knowing the source of products, disposing of products and packaging appropriately, and understanding business initiatives across the entire supply chain. With sustainability imperatives becoming important to consumers in the consumption process and not just in the final product purchased, Vargo and Lusch (2004) have argued that this signifies a shift for business, and marketing in particular, from a goods-dominant logic to a service-dominant logic, whereby the value resides not in the product itself but in the flow of services during the lifecycle of a product. In

this way, it is argued that the consumption process becomes a service experience. The current study found that such a shift was still nascent and real change remains distant.

The emphasis by both grocery retailers and consumers on dematerialising the consumption process (Lovins et al., 2007) by reducing packaging, waste minimisation and recycling, was found to be present among both retailers and consumers, consequently the argument of Ramaswamy (2009) is supported, namely that traditional product-centric approaches alone are unlikely to promote sufficient change.

#### ***6.2.3.1 Consumer advocacy rather than action***

With this study recognising a role for consumers as decision makers and participants in corporate responses towards sustainability imperatives (Yates, 2008), the notion of consumer empowerment was emphasised by both grocery retailers and consumers. Consumers expressed a desire to be more informed with regard to what they can do for the environment, to be in a better position to make sustainable consumption choices and to have their voices heard in the consumption process in order to take greater responsibility for their environmental impacts.

The research found that grocery retailers identified consumer awareness levels around sustainability to be relatively low in the market segments they serve, hence the concerted focus on consumer advocacy to create an understanding of the risks and opportunities around environmental impacts and to inform consumers about what they can do to make a difference. This finding is in contradiction with market research conducted by AMPS (2009) which revealed that 75 percent of South African consumers

said that they agreed or strongly agreed with the statement ‘not enough is being done to take care of the environment’.

Despite this statistic, the research findings highlighted that green consumerism is not a significant driver of sustainability initiatives in the retail sector. Rather, the research found that grocery retailers are playing the lead role in sustainable consumption initiatives and raising awareness, with an expectation among consumers that the onus is on the grocery retailers to inform them about what they can do for the environment and how they can do it. The research found that by and large, consumers play a passive role in the sustainable consumption process, remaining fairly dependent on grocery retailers to empower them in the choices they make.

Consumers indicated that they often feel constrained in their ability to consume in environmentally sustainable ways due to a lack of choice and product information regarding source, health attributes and disposal as well as insufficient recycling facilities. This could be, as Hertwich (2005) asserted, that the ability of consumers to make choices can be constrained by infrastructure, industry structures and the range of products available. This alludes to the notion of ‘behavioural lock-in’ that Yates (2008) claims can occur when sustainable consumption choices become difficult due to a lack of services and facilities, such as recycling.

### ***6.2.3.2 Value defined in the customer experience***

Frow and Payne (2007) have argued that the creation of value resides not in the object of consumption but rather in the customer experience. The research findings

highlighted convenience and cost effectiveness, alongside environmental benefits, as being important to the environmentally conscious consumer. Thus, the assertion that green products and services must fulfill consumer needs and interests beyond what is good for the environment (Ottman et al., 2006) is supported. These green and non-green benefits were cited by both grocery retailers and consumers as important factors as part of the customer experience in the drive to become more environmentally sustainable.

In this sense, the research findings supported the fact that consumers, on the whole, expect the sustainable consumption process to be as convenient and effortless for them as possible.

### ***6.2.3.3 The price sensitivity of markets***

Both grocery retailers and consumers noted that an interest in consuming more sustainably can be linked to the market segment which the consumer occupies. Retailers highlighted the challenge of keeping prices low alongside implementing sustainability initiatives. This could impact on the willingness of the consumer to engage with the grocery retailer on sustainable consumption initiatives. Yates (2008) has suggested that that behavioural 'lock-in' to unsustainable consumption patterns can be a result of economic constraints.

This argument can also be linked to the assertion by Ottman et al. (2006) that the success of sustainability efforts depends upon creating and delivering consumer desired value in the marketplace that consists of both green and non-green benefits. In

other words, the focus should be on the purchase decision, rather than on the green consumer. The green consumer, who is often prepared to compromise on 'non-green' aspects such as convenience and cost saving for the sake of the 'green' or environmental benefits – found in the current study's consumers, appears quite unwilling to sacrifice. The findings have highlighted the importance of the green purchase decision, where consumer value encompasses more than the environmental performance of products.

#### ***6.2.3.4 Guarding against 'greenwash' labels***

It is argued that companies are increasingly looking for ways to differentiate themselves and enhance their corporate brand and reputation. As argued by Jones et al. (2008) a commitment to sustainability can be an important differentiator that influences buyer preferences. Indeed, the research found that from the corporate perspective the ability to offer products and services that meet sustainability criteria can be a differentiator in the mass retail market. Consumers agreed that it can provide confidence in the brand. However, Pascaud (2009) has warned that efforts imposed unilaterally can lead to a 'greenwash' label. In this sense, this study argues that a more collaborative effort between business and consumers can be a key differentiator to leverage a company's commitment to sustainability.

In summary, it can be argued that broad alignment has been identified in the *types* of sustainability initiatives that are important to business and consumers in the grocery retail sector. These include initiatives which contribute towards greater resource

productivity and efficiency through the dematerialisation of the consumption process, such as the reduction of packaging, waste minimisation and recycling. However, in the context of this study which advocates collaborative platforms for co-creation of solutions to sustainable consumption, it can be argued that alignment does not exist between business and consumers with respect to *how* such sustainability initiatives can be jointly developed, with a knowledge-attitude-practice gap (Alcalay & Bell, 2000) evident among consumers in the context of existing paradigms.

### **6.3 Research question 2: Does willingness exist on the part of a) grocery retailers and b) consumers to participate in co-creation activities?**

A key objective of the research was to gauge the potential of grocery retailers and consumers working together to co-create solutions to sustainable consumption. The research identified positive sentiments on the part of both business and consumers towards the proposal of co-creation. Indeed, Moller et al. (2008) claim that co-creation is most effectively achieved if there is congruence between the respective value creating perspectives of business and the consumer. However, this study suggests that co-creation requires a fundamental shift in business-to-consumer relationships. According to the research findings, and as discussed under *research question 1*, this shift is not yet evident in the grocery retail context.

#### **6.3.1 In support of systemic solutions**

Pini (2009) argues that understanding and applying the process of co-creation with customers is an essential step in order to cope with the new era of product and service innovations and demands around sustainable consumption across entire supply chains

or product lifecycles. To this end, the research findings highlight the beliefs held by business and consumers that people want to feel like part of positive change initiatives and that partnerships between business and their customers are an important way of finding solutions together, with customers able to bring a new source of innovation and a larger pool of ideas to existing business approaches. Such systemic solutions to sustainability support the work of Marchand and Walker (2008) that the diverse interests and cumulative knowledge of business and consumers can support the development of responsible and viable solutions that provide satisfying consumption solutions. Furthermore, Isaak (2002) argues that the growing influence of consumers is an important resource to be tapped into to redefine the value that is offered to them.

### **6.3.2 *Beyond traditional marketing***

This study proposes that the co-creation of value in the sustainable consumption process goes beyond the traditional role of green marketing in influencing customers, described by Jones et al. (2008) and Yates (2008), which the research has witnessed in the grocery retail sector. Vargo and Lusch (2004) in corollary find that the core activity of marketers should be interaction *with* customers, which generates a primary form of service experience, in contrast to the traditional view of marketing *to* customers. This challenges conventional practices in the grocery retail sector and implies the necessity of a paradigm shift. As Muldoon (2006) argues, in order to advance co-creation as a new way of effectively enabling consumers to be active participants in the sustainable consumption process, the challenge for business is not only to confront consumption as a sustainability issue, but to transform the structures and the nature of the relationships that sustain it. Nevertheless, the current study has found that consumers

and retailers remain embedded in their traditional relationship, which forms almost Manichean binary relations, whereby one is passive, the other active, one has power, the other submits; the one is responsible and the other is vulnerable. Therefore to move the market beyond traditional marketing is what lies before the marketer.

### ***6.3.3 Necessary conditions in the customer experience***

The research findings highlighted that a positive customer experience is an important element in the process of taking responsibility for the environment; this can help to change mindsets, influence behaviours and motivate consumers. The research found that consumers want to consume in ways in which they can attach environmental as well as economic and personal value to their efforts. Incentives were also cited to be a key aspect of a positive customer experience in the drive towards sustainable consumption. Again, this supports the assertion that green products and services must offer both green and non-green consumer value, including environmental performance as well as convenience, cost savings and other personal benefits (Ottman et al., 2006). This is arguably in line with the service-dominant logic of Vargo & Lusch (2004), in that the value that consumers are seeking in the sustainable consumption process is not merely captured in the exchange transaction of products, but is derived from a form of service experience. This study argues that this service experience is ideally a co-creation effort between the marketing function of the business and the consumer in which consumers who are willing to work with business are able to redefine the value that is offered to them.

#### **6.3.4 *The benefit to business***

Consumers expressed that collaboration as a strategic approach between business and consumers can add competitive advantage. Ramaswamy (2009) argues that by continuously interacting with consumers through engagement platforms, particularly those centred on customer experiences, companies can build strategic capital as a source of new competitive advantage. Prahalad and Ramaswamy (2004) reiterated that high quality interactions that enable an individual customer to co-create unique experiences with a company that cannot be commoditised are key to unlocking new sources of competitive advantage. The current results demonstrated that the retailer retains the power of setting such an approach; it will not come from consumers.

#### **6.3.5 *Understanding consumer passivity***

It is clear from the findings highlighted under research question 1, heading 6.2.3.1. that grocery retailers believe they have a role to play in influencing the consumption behaviour of consumers and that consumers wish to be empowered and motivated to play their part. However, as indicated, the research found that although consumers expressed an eagerness to participate in making the consumption process more sustainable, they also expressed that they do not always feel that they receive enough information or have the opportunity to engage with companies and consume in a way that empowers them to act in the interests of the environment. Again, this supports the argument by Hertwich (2005) that the ability of consumers to make sustainable choices can be constrained by the infrastructure and choices available to them.

In order to better understand and consider the dynamics underlying the passive role of the consumer in the sustainable consumption process, that has been witnessed in the research findings, a study conducted by the UK National Consumer Council (Yates, 2008) revealed four consumer dimensions that need to be taken into account when considering collaborative action initiatives. The findings of this UK study are arguably applicable to the research findings in the current study. These dimensions have been discussed under research question 1, heading 6.2.3.1.:

1. **Behavioural lock-in** – This occurs through economic constraints, institutional barriers or inequalities in access to services that encourage unsustainable behaviours.
2. **The value-action gap** – The gap between people’s attitudes, which are often pro-environmental, and their everyday behaviours.
3. **Information** – Information alone, even if simple, focused, well-presented and action-oriented, is insufficient by itself to product the shift towards sustainable consumption patterns. The benefits of such decisions need to be demonstrated or quantified.
4. **Understanding sustainable consumption** – Awareness by consumers of the impact of their daily lives on the environment, and understanding of issues such as climate change.

According to Yates (2008) the UK study also revealed support for the notion of **choice editing** – retailers being a positive catalyst for change by ensuring the environmental standards of their products and taking damaging products off their shelves, thereby making greener choices for consumers easier, a finding replicated amongst the current

study's consumers. The notion of choice editing is supported in the research findings by retailers' adoption of an upstream approach to sustainable consumption, whereby retailers partner with suppliers and NGOs to address sustainability issues at source, thereby ensuring that the products they stock on their shelves are environmentally sustainable. In this way, sustainable consumption becomes inherent in a product and in the consumption process, making it easy and effortless for the consumer.

### ***6.3.6 The role of consumer influence***

The research found that consumers believe they have a role to play in influencing the sustainability practices of grocery retailers through consumer activism to hold business accountable to the principles of sustainability. While this study proposes a constructive working partnership between business and consumers rather than an oppositional approach that was expressed in the research findings, at the same time Zwick et al. (2008) argue that even ideological resistance can become creative collaboration.

### **6.4 Research question 3: What would be the essential processes and mechanisms involved in business-to-consumer value co-creation towards sustainable consumption in the grocery retail sector?**

This study has argued that the increasing complexity of marketplaces as a result of sustainability imperatives requires all businesses to make better use of their marketing competencies to promote sustainable consumption, creating collaborative platforms for the joint development of solutions. Pursuant to Prahalad and Ramaswamy (2000), this entails learning how to harness consumer competencies.

In the context of this study that proposes co-creation as a new way for business and consumers to collaborate in order to bring about the required systemic change in consumption, the challenge for business is to create an environment in which to encourage creative consumer engagement around sustainability imperatives and, as per Prahalad and Ramaswamy (2004), to capture the ensuing creativity in structured, appropriate ways that provides value to both business and the consumer.

#### **6.4.1 *Grappling with the how***

Kristensson et al. (2008) have argued that there is a lack of a firm theoretical foundation on which to base an understanding of the practical processes and mechanisms which are required for success during co-creation. While the necessary elements and interconnections, as well as the benefits of co-creation, have been highlighted in the literature (Kristensson et al., 2004; Matthing et al., 2004, Prahalad & Ramaswamy, 2004; and Ballantyne & Varey, 2006), this study set out to explore potential tools that would be required in order for business to practically enable co-creation with consumers. The research found that the *how* of co-creation also remains elusive in the context of developing solutions to sustainable consumption in the grocery retail sector. A number of potential areas for co-creation have emerged, including the use of electronic communication platforms such as social networking tools, as well as service- and usage-related opportunities with respect to packaging reduction and recycling.

It is argued that the difficulty in identifying the *how* of co-creation poses a challenge to the existing business-to-consumer relationship paradigm in the retail sector. As

Prahalad and Ramaswamy (2004) argue, co-creation requires a new frame of reference for business and consumers.

#### ***6.4.2 Necessary elements for co-creation***

Prahalad and Ramaswamy (2003) claim that in building a system for the co-creation of value, companies need to take account of all the relational and experiential contact points that are important to the experience-driven consumer. In the context of this study this includes aspects relating to sustainability imperatives and what constitutes consumer value in their shopping experience. Thus, it can be argued that co-creation processes and mechanisms need to meet the dual objectives of increasing customer satisfaction and advancing environmental sustainability.

##### ***6.4.2.1 Addressing the purchase and non-purchase components of the consumption process***

The research findings highlight steps to reduce carbon emissions, the reduction of packaging, waste minimisation and recycling, as well as initiatives to reduce carbon emissions, as priorities to minimise environmental impacts in the grocery retail sector. Arguably, these priorities form part of the non-purchase component of the consumption process, which Peattie and Crane (2005) argue needs to be addressed alongside the purchase component. In line with the service-dominant logic of Vargo and Lusch (2004), this study argues that these non-purchase components are service related functions, the value of which forms the focus of a co-creation relationship.

##### ***6.4.2.2 The customer experience***

According to Pine and Gilmore (1999), the customer experience is critical to understanding the foundation for the co-creation process. The value that consumers wish to derive from the sustainable consumption process, as highlighted in the research findings, relate to both green and non-green benefits, including personal fulfillment associated with being empowered to make sustainable consumption choices, alongside other benefits such as convenience and cost savings. Similarly, Holbrook and Hirschman (1982) define the customer experience to include the well-being and personal value and alignment that flow from consumption.

#### ***6.4.3 Exploring tools for value co-creation***

It has been argued that the essence of co-creation is captured by Vargo and Lusch (2004), who assert that marketing should be viewed as a set of processes and resources which support the co-creation of value. They have suggested that this process view emphasises the need to view the relationship between the company and the consumer as a dynamic, interactive set of experiences and activities performed by the company and the consumer within a context, using tools and practices that are partly overt and deliberate, and partly based on routine and unconscious behaviour. However, based on the research findings, this study has argued that in order for co-creative practices to become 'business as usual', the argument is again made for a shift towards a more collaborative marketing approach. The problem that the current study revealed is that often marketing delivery systems, such as staff imperatives around company practices (such as packaging) allow for very little flexibility. As a consequence, consumer interactions and attempts at co-creation are stymied by rigid company practice and limited staff empowerment.

As has been argued in the literature and evidenced in the research findings, business needs to create a conducive environment for co-creation. Prahalad and Ramaswamy (2003) have suggested that the challenge for business is to create a robust experience environment that enables a diversity of co-creation experiences and, as Muldoon (2006) has argued, to transform the structures and the nature of the relationships that sustain consumption. The research findings highlighted positive sentiments towards a more collaborative partnership between business and consumers, however, consumers expressed that they do not always feel they receive enough information or have the opportunity to engage with companies. Moreover, staff may not have the authority to change company practices and respond appropriately. This supports the notion that co-creation represents a new paradigm, requiring a new orientation for the marketing and a shift in the business-to-consumer relationship towards more collaborative approaches.

The DART model of Prahalad and Ramaswamy (2004) and Ballantyne and Varey's (2006) triangulated view of value-creating activities have placed emphasis on open interaction, dialogue, shared learning and knowledge renewal within a structured relationship. This implies creating collaborative platforms for these activities and an evolution in the role of green marketing (Peattie, 2001). The research findings highlighted the importance placed on a constructive partnership between business and consumers, but reveal a prevalence of traditional top down relationships, in support of Jones et al. (2008), in facilitating customer awareness and engagement. In this respect, finding the best ways of engaging has been cited as a challenge, with consumers

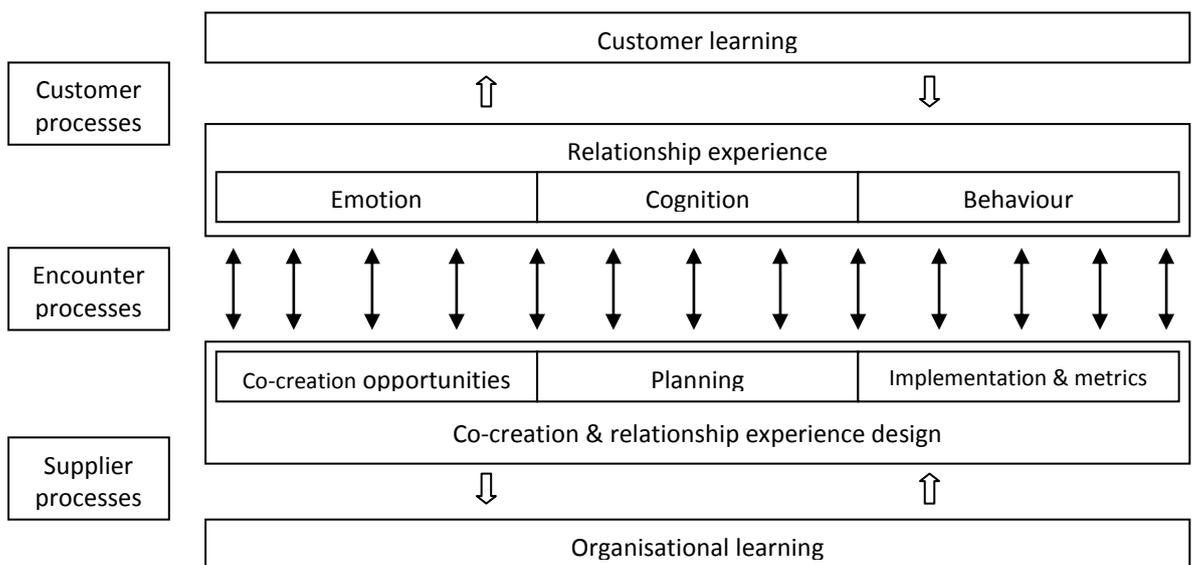
indicating that access to the retailers is often difficult but, in general, that it needs to be as convenient as possible for consumers. This suggests that consumers may be displaying the value-action gap highlighted by Yates (2008). In other words, they may not be following through on their expressed commitment to the process of environmental preservation, which entails a behavioural shift that requires people to go out of their way. Moreover, this speaks to the well known knowledge-attitude-practice gap (Alcalay and Bell, 2000), where many consumers over time have demonstrated both pro-environmental or pro-social knowledge and attitudes, but a gap remains between such information and attitudes and the practice thereof. It is possible therefore that further solutions used by green and social marketing be employed to change the orientation in consumers.

#### ***6.4.4 Considering the process-based value co-creation framework of Payne, Storbacka and Frow (2008)***

Payne, Storbacka and Frow (2008) have arguably advanced the most practical approach to value co-creation thus far, with their process-based value co-creation framework. The authors have claimed that with co-creation involving a series of two-way interactions or 'touch points' between the company and the consumer, managing value co-creation entails determining the appropriate types of encounter *processes* and the channels or *mechanisms* that constitute these touch points and provide valuable customer experiences. The research thus set out to explore potential co-creation processes and mechanisms that would be relevant in developing solutions to sustainable consumption within the grocery retail setting. In considering these tools, however, it is argued that a foundation for a collaborative relationship firstly needs to

be laid in order for co-creation efforts to be realised. In the context of the current study, the research has found that this would require a paradigm shift in the existing business-to-consumer relationship.

**Figure 2: A conceptual framework for value co-creation (Payne, Storbacka & Frow, 2008)**



***Customer value-creating processes***

With thinking, feeling and doing being integral to the role of consumers in value co-creation, the research tested the relevance within the sustainable consumption process of the three elements of the *relational experience* identified by Payne et al. (2008), including *cognition, emotion and behaviour*. The research found the following:

- **Cognition** – Information and education were cited to be important to consumers with respect to the risks and opportunities of environmental aspects and how consumers can play their part in the sustainable consumption process. Communication on the initiatives that grocery retailers are

implementing and encouraging customers to give their support were also highlighted as important.

- **Emotion** – Techniques that were cited to be effective in arousing consumer conscience and motivating them to play their part in the sustainable consumption process include storytelling and engaging consumers in a way that helps them to identify with the issue in a personal capacity and feel accountable. Visual media, such as television advertisements and in-store storyboards depicting what ordinary people are doing, were considered to help in motivating people to subscribe to a sustainable lifestyle. Public campaigns were cited as helpful in mobilising people to get involved.
- **Behaviour** – Information on sustainable product choices and demonstrations on product and packaging disposal and recycling, as well as incentives, were cited as important experiential aspects in helping consumers to change their behaviour.

Payne et al. (2008) have argued that by understanding the customer cognition, emotion and behaviour in the context of the customer experience, the supplier can shift the focus of marketing communications from marketing *to* customers to dialogue *with* customers in support of their experiences and learning processes. Accordingly, the consumer needs to respond to the supplier's value proposition and engage in new types of behaviour in terms of how the value proposition relates to their lives. The overarching narrative of the research findings, however, is that the consumer is relatively passive within existing business-to-consumer relationships, seeking convenience and incentivisation to participate in collaborative efforts. Again, this

argument highlights the need for a new orientation for the marketing function and a paradigm shift in the nature of the business-to-consumer relationship to one reflecting a collaborative mindset. A level playing field needs to be created on which business and consumers can engage as equally yoked partners in addressing sustainability imperatives.

### ***Supplier value-creating processes***

In establishing a conducive environment for the co-creation of solutions to sustainable consumption, grocery retailers need to design and deliver relevant customer experiences and facilitate organisational learning. Payne et al. (2008) claim that this is an iterative process of learning and knowledge management.

- In assessing ***co-creation opportunities***, the research found that grocery retailers and consumers believe that there are substantial gains to be made from closer collaboration with respect to advancing solutions to sustainable consumption. Given the systemic nature of the issue, it is an acknowledged responsibility by business and consumers and impacts every stage of the product lifecycle. Thus, it justifies a collaborative effort.
- In ***planning*** for co-creation, grocery retailers highlighted the importance of understanding customers' needs with respect to sustainable consumption and what they value in the customer experience, including both green and non-green benefits. This entails finding ways to constantly improve methods of interacting with the customer in ways that meet their preferences and enable them to share knowledge and ideas. While business may need to create the

platforms for co-creation, customers, pursuant to the research findings, need to be willing to play a more proactive role.

- In terms of ***implementation and metrics***, the value co-creation potential of the business-to-consumer relationship needs to be assessed in terms of advancing solutions to sustainable consumption and contributing to the relational experience of both parties with respect to the value they seek to derive. Measurable results of co-creation efforts has been emphasised in the research. However, the challenge remains to induce change in the business-to-consumer relationship in order to create readiness for co-creation.

### ***Encounter processes***

According to Payne et al. (2008), encounter processes involve a series of two-way interactions and transactions between the customer and supplier that consider the cognitive, emotional and behavioural aspects of the customer experience. The three broad forms of encounter processes identified by Payne et al. (2008) including *communication*, *service* and *usage* encounters arguably begin to provide a foundation for elaborating the *how* of co-creation - the mechanisms and tools that can be practically employed in the co-creation process.

It is argued that grocery retailers need to determine the appropriate channels and map the types of encounters that will create valuable customer experiences around sustainable consumption. As indicated, on a fundamental level the research highlighted the prevalence of a business-led approach to sustainable consumption and a fairly passive role for the consumer in the grocery retail context. It is again argued

that the business-to-consumer relationship would need to undergo a reorientation in order to enable a more collaborative approach, otherwise efforts to encourage change may remain unrealised.

Notwithstanding the required paradigm shift for co-creation, potential areas for business-to-consumer co-creation are starting to emerge with respect to advancing solutions to sustainable consumption in the grocery retail context. Arguably, these can be elaborated under the three forms of encounter process identified by Payne et al. (2008):

**Communication encounters** – Web 2.0 tools including blogs and social networking tools were cited by both grocery retailers and consumers to provide important and convenient interaction opportunities to share ideas and engage in discussions on sustainable consumption, with an emphasis on a personal connection rather than a business-to-consumer connection. Arguably such tools present true co-creation opportunities where the parties can engage on a shared platform, but require a collaborative mindset in order to engage fruitfully.

**Service encounters** - In-store options with respect to the way in which products can be packaged for purchase has been highlighted as a key opportunity for co-creation. Importantly, as part of the service experience, staff need to be empowered to take initiative and enable customers to make such choices, and company practices need to be accommodating.

**Usage encounters** – Recycling represents a practical way in which business and consumers can work together to advance sustainable consumption. It was highlighted in the research findings that product and packaging information pertaining to recycling

needs to be clear and recycling facilities need to be made available. Again, such efforts to enable sustainable consumption need to be accompanied by a proactive mindset, and underpinned by a collaborative orientation in the business-to-consumer relationship.

Notwithstanding these findings, it is again emphasised that if the existing business-to-consumer paradigm persists, as has been witnessed in the research findings, efforts to create knowledge and positive attitudes are likely to suffer from a lack of realisation into practice.

#### **6.4.5 In summary**

The literature review highlighted that Bolton (2006) and Hollebeek and Brodie (2009) found that research into *how* companies and their customers can work together to co-create products, services or experiences is largely lacking in literature, as are key insights into the nature and levels of critical success factors in value co-creation contexts. This was particularly found to be the case in mass market, business-to-consumer settings characterised by frequent, short-term interactions, such as retailing (Sogn-Grundvag et al., 2009). While the current research identified broad alignment with respect to the *types* of sustainability initiatives that are important to business and consumers, and indeed a willingness to work together to co-create solutions was expressed, the *how* of co-creation remains elusive, as it does in the literature. Although responsibility and commitment towards sustainability has been

acknowledged by both parties, the grocery retailer is driving sustainability, with the consumer occupying a relatively passive role.

The framework offered by Payne et al. (2008) provides key elements that would need to be considered in a co-creation relationship, however, the underlying relational paradigm to create readiness for co-creation needs further attention, and the challenge is to embark on a new orientation in the business-to-consumer relationship.

## Chapter 7 – Conclusions

### 7.1 Aim of the research

This study proposes that the challenges posed to business and consumers alike by discontinuities in society, such as environmental degradation and climate change, require new systemic ways of thinking and approaching problems. This entails finding new forms of value creation. To this end, the research set out to explore the potential of business-to-consumer value co-creation within the grocery retail setting to advance solutions to sustainable consumption.

### 7.2 Key findings

#### *Assessing the potential for co-creation*

Both grocery retailers and consumers recognise sustainability as a systemic issue and the need to address imperatives along the entire supply chain. Grocery retailers prioritise initiatives both internally and externally, addressing sustainability issues within their operations, as well as placing an important focus both upstream with suppliers and downstream with consumers in order to deal with sustainability at every stage of the product lifecycle. It has been recognised that the value derived in the sustainable consumption process lies in both the purchase and non-purchase components of sustainable consumption. In other words, value is created in both the product and the flow of service-related functions that are created in the process, such

as closing the loop on waste. In this respect, co-creation becomes important in generating value for both parties.

Despite positive sentiments amongst grocery retailers and consumers regarding the proposal to work together to develop solutions to sustainable consumption, business is driving initiatives and, by and large, consumers play a passive role in the sustainable consumption process, remaining fairly dependent on grocery retailers to empower them in the choices they make. The knowledge-attitude-practice gap of Alcalay and Bell (2000) is evident in the tension that exists between the expressed commitment by consumers and the extent of their ability to be proactive. It is argued that the nature of the existing business-to-consumer relationship needs to undergo a paradigm shift in order to become one of collaboration in the service experience. Consumers need to become definers, alongside the retailers, rather than dependents in this relationship in addressing the systemic issue of sustainability.

### ***Defining consumer and business value in service co-creation***

Being empowered to consume in more sustainable ways is seen to contribute towards the customer experience that consumers desire in alignment with their personal values as environmentally conscious consumers. It was confirmed that both green and non-green benefits of products and services need to be addressed in order to create value in the customer experience, including convenience and cost savings, alongside the achievement of environmental benefits. This alludes to the fact that a proactive, involved environmentally conscious consumer could be the exception rather than the rule.

For the business, value creation lies in managing overall business sustainability alongside minimising environmental impacts. A commitment to sustainability can be a differentiator, providing consumer confidence in the brand. Given the top down role that green marketing tends to play, it has been argued that one-way efforts can lead to a ‘greenwash’ label. This study thus argues that a more collaborative effort between business and consumers could help to safeguard against this.

### ***Battling with the ‘how’ of co-creation***

While broad alignment may have been identified in the *types* of initiatives that are important to both parties within the grocery retail context, it is argued that alignment does not exist with respect to *how* business and consumers can co-create solutions towards sustainable consumption. In fact, the *how*, or the execution mindset, remains fairly elusive and no clear precedent has been set for it. Just as the literature lacked empirical research into *how* companies and their customers can work together to co-create product or service innovations and/or consumption experiences in the general service setting, so the research battled with the *how* of co-creation in an environmentally aware service setting. Co-creation thus represents a new orientation for the marketing function and a paradigm shift for the business-to-consumer relationship.

### **7.3 Managerial implications**

Co-creation poses a challenge to a ‘business as usual’ approach to green marketing. It is argued that with sustainability being a systemic issue and with grocery retailing

being a people-to-people exchange, a more collective approach is required in finding solutions. As indicated, this would entail a new orientation for marketing and a paradigm shift in the business-to-consumer relationship where both parties collaborate as equally yoked partners in the drive towards sustainable consumption.

Notwithstanding the fundamental paradigm shift required in the business-to-consumer relationship, co-creation presents a potential opportunity to address sustainable consumption imperatives. This would require the creation of collaborative platforms for both business-to-consumer and consumer-to-consumer interaction. Indeed, the nature of this relationship and the new orientation for the marketing function needs to be investigated further. Networks could allow customers easy access to content and tools to participate in the co-creation process, with online communities and blogs being the most apparent communication-related tool for co-creation. In-store service- and usage-related tools and processes with respect to packaging choices and recycling have also been proposed for consideration.

It has been argued that co-creation represents an opportunity for business and consumers to find a new source of value creation in the service experience around sustainable consumption. In advancing solutions, consumption needs to be seen from a process perspective, taking the full lifecycle of products into consideration. The purchase and non-purchase components of the consumption process need to be addressed, the latter including service-related functions that can be co-created in the customer experience. Within the customer experience, both green and non-green benefits are important, including convenience and cost savings alongside

environmental performance. Furthermore, the cognitive, emotive and behavioural aspects of the service interaction are important considerations in identifying touch points in the business-consumer relationship, including the consumer's needs and desires. A balance needs to be found between business and consumer approaches and strategies, and the respective goals and objectives need to be aligned.

In addition to a collaborative mindset, transparency and trust, co-creation necessitates a long term view of business-consumer relationships from both perspectives, coupled with a long term systemic view of consumption in order to make a cumulative contribution to sustainability imperatives as well as to customer lifetime value and business value.

#### **7.4 Research limitations restated**

The potential of researcher bias is acknowledged due to the subjective nature of exploratory qualitative research. Furthermore, the small size of the sample within the grocery retail sector as well as the use of judgement sampling limits the ability of the findings to be representative of a wider population and therefore to be generalised in other grocery retail settings. The use of quantitative studies to further assess the research findings in other contexts is believed to be a valuable approach.

#### **7.5 Future research**

The research has found that co-creation calls for a new orientation in the business-to-consumer relationship towards a more collaborative approach. This implies a new role

for marketing, where the focus is on interaction with customers as partners in co-creating solutions to sustainable consumption. The nature of this new relationship and the appropriate management approaches in creating readiness for value co-creation warrant further attention.

With Web 2.0 being identified as an evident mechanism for co-creation, further research into the most relevant applications could be investigated further with respect to co-creating solutions to sustainable consumption, as well as how these applications could be managed.

Given the emphasis by grocery retailers on an upstream approach to addressing sustainability issues at source, a case study investigation into the nature of this business-to-business form of co-creation could be undertaken.

The alignment of business and NGO interests in the co-creation paradigm to address sustainability imperatives could also be an interesting area for further research. In addition, exploring how business could leverage consumer-to-consumer knowledge sharing in the co-creation paradigm could be investigated.

## **7.6 In summary**

The notion of co-creation has been welcomed from both sides, but the overarching narrative of the research findings is that it is perhaps a premature concept in the market. A tension exists between the acknowledged responsibility towards environmental preservation and the respective roles that business and the consumer

occupy in pursuit of this objective. It is argued that co-creation poses a challenge to marketing with respect to the paradigm shift required in the business-to-consumer relationship. This study suggests that a new orientation in this relationship is fitting in the interests of the societal imperative of environmental sustainability.

## References

- Alcalay, R. & Bell, R.A. (2000). *Promoting nutrition and physical activity through social marketing: Current practices and recommendations*. Retrieved from <http://socialmarketingnutrition.ucdavis.edu/Downloads/ALCALAYBELL.PDF>
- Arvidsson, A. (2005). Brands: A critical perspective. *Journal of Consumer Culture*, 5(2), 235-258. doi: 10.1177/1469540505053093
- Ballantyne, D. & Varey, R.J. (2006). Creating value-in-use through marketing interaction: the exchange logic of relating, communicating and knowing. *Marketing Theory*, 6(3), 335-348. doi: 10.1177/1470593106066795
- Bennet, R. & Gabriel, H.I. (1999). Organisational factors and knowledge management within large marketing departments: an empirical study. *Journal of Knowledge Management*, 3(3), 212-225.
- Bolton, R.N. (2006). Foreword in R.F. Lusch & S.L. Vargo (Eds.) *The service dominant logic of marketing: Dialogue, debate and directions*. New York: M.E. Sharpe, ix-xi.
- Clandinin, D.J. & Connelly, F.M. (2000). *Narrative inquiry: Experience and story in qualitative research*. San Francisco: Jossey Bass Publishers.
- Cooper D.R. & Schindler P.S. (1998.) *Business research methods*. 6<sup>th</sup> ed. Irwin.
- Corbin, J. & Strauss, A.L. (1994). Grounded theory methodology. In *Handbook of Qualitative Research*. Thousand Oaks, CA: Sage, 273-285.
- Creswell, J.W. (1994). *Research design: Qualitative and quantitative approaches*. London: Sage.
- Denzin, N.K. & Lincoln, Y.S. (2003). *The Landscape of qualitative research: Theories and Issues*. 2<sup>nd</sup> ed. California: Sage Publications.

Denzin, N.K. & Lincoln, Y.S. (2005). *The Landscape of qualitative research: Theories and Issues*. 3<sup>rd</sup> ed. California: Sage Publications.

Enkvist, P.A., Naucler, T. & Oppenheim, J.M. (2008). Business strategies for climate change. *The McKinsey Quarterly*, 2008 Number 2.

European Roundtable on Sustainable Consumption Practices (ERSCP) (2004, May 12-14). Meeting consumer demand for sustainable products. Bilbao. Retrieved from <http://www.erscp2004.net>

Frow, P., & Payne, A. (2007). Towards the 'perfect' customer experience. *Journal of Brand Management*, 15(2), 89-101. doi: 10.1057/palgrave.bm.2550120

Gillham, B. (2000). *Real world research: The research interview*. London and New York: Continuum.

Gillham, B. (2005). *Research interviewing: The range of techniques*. New York: Open Up.

Grubler, A. (2006). Doing more with less: Improving the environment through green engineering. *Environment*, 48(2), 22-37.

Hertwich, E.G. (2005). Consumption and Industrial Ecology. *Journal of Industrial Ecology*, 9(1-2), 1-5.

Holbrook, M.B. (1996). Consumer value – a framework for analysis and research. *Advances in Consumer Research*, 23(1), 138-142.

Holbrook, M.B. & Hirschman, E.C. (1982). The experiential aspects of consumption: Consumer fantasies, feelings and fun. *Journal of Consumer Research*, 9(2), 132-140.

Hollebeek, L.D. & Brodie, R.J. (2009). Wine service marketing, value co-creation and involvement: research issues. *International Journal of Wine*, 21(4), 339-353. doi: 10.1108/17511060911004914

Hsieh, L.F. & Chen, S.K. (2005). Incorporating voice of the consumer: does it really work? *Industrial Management and Data Systems*, 105(5/6), 769-785.

Institute of Directors (2009). *King III Code of Governance for South Africa*. Retrieved from <http://www.iodsa.co.za>

Isaak, R. (2002, Summer). The making of the ecopreneur. *GMI*, 38, 81-91.

Jones, P., Comfort, D., Hiller, D. & Eastwood, I. (2005). Sustainable retailing and consumerism. *Management Research News*, 8(10), 34-44.

Jones, P., Clark-Hill, C., Comfort, D. & Hiller, D. (2008). Marketing and sustainability. *Journal of Marketing Intelligence and Planning*, 26(2), 123-130.

Kotler, P. (2002). *Marketing Management*. Englewood Cliffs, New Jersey: Prentice Hall.

Kotler, P. & Keller, K. L. (2009). *A Framework for Marketing Management*. Fourth edition. Upper Saddle River, New Jersey: Pearson Education Inc.

Kristensson, P., Gustafsson, A. & Archer, T. (2004). Harnessing the creative potential among users. *Journal of Product Innovation Management*, 21, 4-14.

Kristensson, P., Matthing, J. & Johansson, N. (2008). Key strategies for the successful involvement of customers in the co-creation of new technology-based services. *International Journal of Service Industry Management*, 19(4) p 474-491. doi: 10.1108/09564230810891914

Kvale, S. (2007). *The Sage qualitative research kit: Doing interviews*. London: Sage Publications.

Laszlo, K.C. & Laszlo, A. (2002). Evolving knowledge for development: The role of knowledge management in a changing world. *Journal of Knowledge Management*, 6(4), 400-412. doi: 10.1108/13673270210440893

Lovins, A.B., Lovins, L.H. & Hawken, P. (2007). A road map for Natural Capitalism. *Harvard Business Review*, July-August 2007, 172-183.

Lusch, R.F. & Vargo, S.L. (2006). Service-dominant logic: reactions, reflections and refinements. *Marketing Theory*, 6(3), 281-288. doi: 10.1177/1470593106066781

Lusch, R.F., Vargo, S.L. & O'Brein, M. (2007). Competing through service: insights from service-dominant logic. *Journal of retailing*, 83(1), 5-18.

McCarthy, E.J. & Perreult, W.D. (2002). *Basic marketing: A global managerial approach* (14<sup>th</sup> ed.) Homewood, Illinois: McGraw-Hill Irwin. In Kotler, P. & Keller, K. L. (2009). *A Framework for Marketing Management*. Fourth edition. Upper Saddle River, New Jersey: Pearson Education Inc.

Marchand, A. & Walker, S. (2008). Product development and responsible consumption: designing alternatives for sustainable lifestyles. *Journal of Cleaner Production*, 16, 1163-1169.

Matthing, J., Sanden, B. & Edvardsson, B. (2004). New service development: learning from and with customers. *International Journal of Service Industry Management*, 15(5), 479-498.

Möller, K., Rajala, R., & Westerlund, M. (2008). Service Innovation Myopia? A new recipe for client-provider value creation. *California Management Review*, 50(3), 31-48.

Muldoon, A. (2006). Where the green is: Examining the paradox of environmentally conscious consumption. *Electronic Green Journal*, 23, 1-17. Retrieved from <http://escholarship.org/uc/item/00/326gx>

Ottman, J.A., Stafford, E.R. & Harting, C.L. (2006). Avoiding green marketing myopia: Ways to improve consumer appeal for environmentally preferable products. *Environment*, 48(5), 23-36.

Pascaud, L. (2009). Sustainable marketing practice: Navigating the best route for brands. *The encyclopaedia of brands and branding in South Africa*. 15<sup>th</sup> ed. Affinity Advertising and Publishing.

Payne, A.F., Storbacka, K. & Frow, P. (2008). Managing the co-creation of value. *Journal of the Academy of Marketing Science*, 36, 83-96. doi: 10.1007/s11747-007-0070-0

Peattie, K. (1995). *Environmental marketing management: Meeting the green challenge*. London: Pitman.

Peattie, K. (2001). Towards sustainability: The third age of green marketing. *The Marketing Review*, 2, 129-146.

Peattie, K. and Crane, A. (2005). Green marketing: legend, myth, farce or prophesy? *Qualitative Market Research: An International Journal*, 8(4), 357-370. doi: 10.1108/13522750510619733

Peattie, K. and Peattie, S. (1995). Sales promotion – a missed opportunity for service marketers? *International Journal of Service Industry Management*, 6(1), 22-39.

Pine, B.J. & Gilmore, J.H. (1999). *The experience economy, work is theatre and every business a stage*. Boston: Harvard Business School Press. Cited in: Binkhorst, E. and Den Dekker, D. (2009). *Journal of Hospitality Marketing and Management*, 18, 311-327. doi: 10.1080/19368620802594193

Pini, F.M. (2009). The role of customers in interactive co-creation practices: The Italian scenario. *Knowledge, Technology and Policy*, 22, 61-69. doi: 10.1007/s12130-009-9068-x

Polonsky, M.J. (1995). A stakeholder theory approach to designing environmental marketing strategy. *Journal of Business and Industrial Marketing*, 10(3), 29-46.

Prahalad, C.K. & Ramaswamy, V. (2000). Co-opting customer competence. *Harvard Business Review*, 78(1), 79-81.

Prahalad, C.K. & Ramaswamy, V. (2003). The new frontier of experience innovation. *MIT Sloan Management Review*, 44(4), 12-18.

Prahalad, C.K. & Ramaswamy, V. (2004). Co-creation experiences: The next practice in value creation. *Journal of Interactive Marketing*, 18(3), 5-14. doi: 10.1002/dir20015

Ramaswamy, V. (2009). Leading the transformation to co-creation of value. *Journal of Strategy and Leadership*, 37(2), 32-37. doi: 10.1108/108785709109412208

Rex, E. & Baumann, H. (2007). Beyond ecolabels: What green marketing can learn from conventional marketing. *Journal of Cleaner Production*, 15, 567-576. doi: 10.1016/j.clepro.2006.05.013

Rowley, J., Kupiec-Teahan, B. & Leeming, E. (2007) Customer community and co-creation: a case study. *Marketing Intelligence and Planning*, 25(2), 136-146. doi: 10.1108/02634500710737924

South African Advertising Research Foundation (2009) All Media and Products (AMPS) 2009B RA Individual Database, Eighty20 FP. Retrieved from: <http://www.eighty20.co.za/databases>

Sogn-Grundvag, G., Raness, S.A., Gronhaug, K. & Gray, B. (2009). Co-creating value in a retail market setting. *Journal of Food Products Marketing*, 15, 1-14. doi: 10.1080/10454440802470532

UK Chartered Institute of Marketing (2007). *Ethics and sustainability*. Retrieved from: [www.cim.co.uk/cim/ser/html](http://www.cim.co.uk/cim/ser/html)

Vargo, S.L. & Lusch, R.F. (2004) Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68(1), 1-48.

World Business Council for Sustainable Development (2008). *Sustainable Consumption Facts and Trends*. Retrieved from <http://www.wbcsd.org>

Yates, L. (2008). Sustainable consumption: the consumer perspective. *Consumer Policy Review*, 18(4), 96-99.

Zaichkowsky, J.L. (1985). Measuring the involvement construct. *Journal of Consumer Research*, 12(3), 341-352.

Zikmund, W.G. (2003). *Business Research Methods* (7<sup>th</sup> ed.) Thomson: Mason.

Zwick, D., Bonsu, S.K., & Darmony, A. (2008). Putting consumers to work: Co-creation and new marketing govern-mentality. *Journal of Consumer Culture*, 8, 163-196. doi: 10.1177/1469540508090089

## Appendices

### Appendix A: Focus group recruitment questionnaire

#### General respondent criteria:

- Johannesburg, venue Qualitative Quarter
- All races
- Males and Females
- Between the ages of 25-34
- No people within Marketing, advertising or research

#### RESPONDENT DETAILS

Respondent's Full Name: \_\_\_\_\_  
 Address: \_\_\_\_\_ Postal Code : \_\_\_\_\_  
 Occupation: \_\_\_\_\_ Industry : \_\_\_\_\_  
 Contact No.: \_\_\_\_\_ (hp/wk) \_\_\_\_\_  
 \*\*Email: \_\_\_\_\_  
 Name of interviewer : \_\_\_\_\_ Recruited on : \_\_\_\_\_  
 Reminder call: \_\_\_\_\_ Date/Time of IDI : \_\_\_\_\_  
 Back-checked: \_\_\_\_\_ (signature of Recruitment Co-ordinator and date)

Good morning/afternoon/evening. My name is \_\_\_\_\_, I am currently doing a research study and would be grateful if you could spare 5-10 minutes of your time to answer a few questions.

Q1	Can you tell me whether you, or anyone (friends/relatives) whom you are in regular contact with, work in one of the following types of companies?	
	A marketing research firm or a market research department .....	CLOSE
	An advertising agency or public relations firm or a retail environment .....	CLOSE

Q2	Have you taken part in any market research within the past 6 months, including focus groups and individual interviews?	
	YES	CLOSE
	NO	CONTINUE

Q3	Gender: Record by Observation	
	Male	CONTINUE
	Female	CONTINUE

#### CHECK QUOTAS

Q4	Record by observation:	
----	------------------------	--

	Black	CONTINUE
	White	CONTINUE
	Indian	CONTINUE
	Coloured	CONTINUE

**CHECK QUOTAS**

Q5	Please may I ask your age?	
	24 years old or younger	CLOSE
	25-34 years old	CONTINUE FOR GROUP 1
	35-44 years old	CONTINUE FOR GROUP 2
	45 years old+	CLOSE

**CHECK QUOTAS**

Q6	Would you consider yourself to be an environmentally friendly person?	
	Yes	CONTINUE
	No	CLOSE

Q7	Are you responsible for the majority of your household shopping?	
	Yes	CONTINUE
	No	CLOSE

Q8	When you shop is it important for you to make environmentally friendly choices?	
	Yes	CONTINUE
	No	CLOSE

Q7	Please tell me which of the following are presently in your household or apply to your household (that is in working order)? Some of the options might sound strange, but we need the information for classification purposes only. Please remember that all information is handled as strictly confidential <b>[READ OUT ALL – PROMPT ANSWER FOR EACH ITEM BELOW]</b>	
----	---	--

	YES	NO
1. Hot running water	2	0
2. Fridge with/without freezer	1	0
3. Microwave oven	1	0
4. Flush toilet in house or on plot	1	0
5. Fulltime domestic worker	0	Minus 3
6. VCR in household	1	0
7. Vacuum cleaner/floor polisher	2	0

8. No cellular phone in household	Minus 2	0
9. Only one cellular phone in household	Minus 1	0
10. Two or more cellular phones in household	0	0
11. A washing machine	2	0
12. A computer/laptop at home	2	0
13. An electric stove	1	0
14. A TV set	1	0
15. A tumble dryer	2	0
16. A Telkom home telephone	1	0
17. Two or more radios (not car radios)	0	Minus 3
18. Hi-fi/music centre	1	0
19. <b>Live in a non-urban area outside of Gauteng or Western Cape</b>	Minus 1	0
20. Built-in kitchen sink	1	0
21. Home security service	1	0
22. A deep freezer (separate from fridge)	1	0
23. Water in home or on stand	1	0
24. M-Net and/or DStv	2	0
25. A dishwashing machine	2	0
26. DVD player	2	0
27. A sewing machine	1	0
28. <b>Live in a metropolitan area</b>	1	0
29. <b>Live in a formal house/cluster/townhouse</b>	1	0
30. One or more motor vehicles	2	0
<b>ADD THE "YES" COLUMN TO GET TOTAL A AND THE "NO" COLUMN TO GET TOTAL B Remember to SUBTRACT those numbers with the word MINUS IN FRONT OF THEM where necessary</b>	<b>A=</b>	<b>B=</b>
<b>TOTAL A + TOTAL B = TOTAL C</b>	<b>C=</b>	
<b>ADD 10 TO TOTAL C</b>	<b>+10</b>	
<b>Grand Total</b>	<b>(32)</b>	

<b>INTERVIEWER, NOTE:</b>	<b>INTERVIEWER, CODE</b>	
If total is 0 or 1, then record as LSM 1	LSM 1	
If total is 2 or 3, then record as LSM 2	LSM 2	
If total is between 4 and 6, then record as LSM 3	LSM 3	
If total is between 7 and 10, then record as LSM 4	LSM 4	
If total is between 11 and 13, then record as LSM 5	LSM 5	
If total is between 14 and 20, then record as LSM 6	LSM 6	
If total is between 21 and 24, then record as LSM 7	LSM 7	Close
If total is between 25 and 27, then record as LSM 8	LSM 8	Continue
If total is between 28 and 32, then record as LSM 9	LSM 9	Continue
If total is 33 or above, then record as LSM 10	LSM 10	Continue

## Appendix B: Interview guide

### INTERVIEW GUIDE

#### 1. Introduction

**Personal introduction:** Ginny Verran, undertaking MBA research with the Gordon Institute of Business Science (GIBS), University of Pretoria.

**Purpose of the research:** The main aim of this research is to develop insights into the types of initiatives that are important to grocery retailers and consumers respect to sustainable consumption, to assess the willingness of both parties to work together to co-create solutions to sustainable consumption, and to explore the processes and mechanisms that would be required for co-creation in this context.

**The interview process:** Indicate that the interview will be transcribed for the researcher's purposes only. Assure the interviewee that anonymity and confidentiality will be maintained. Confirm the envisaged time allocation.

**Interviewee consent:** Obtain the interviewee's consent via the letter of consent.

#### 2. Demographic information

Details of the retailer and manager being interviewed:

**Name:** \_\_\_\_\_

**Company:** \_\_\_\_\_

**Designation:** \_\_\_\_\_

#### 3. Research questions

**3.1. Research question 1:** *What types of sustainable consumption initiatives are important to a) grocery retailers and b) consumers in the grocery retail sector?*

- *Does alignment exist between the two?*

#### Interview questions

- a. Would you like to elaborate on some of the policies and practices that your company has adopted with respect to sustainable consumption?
- b. How do you see your company's role in sustainable consumption evolving in the future?
  - i. What types of initiatives do you see as being important to your company?
  - ii. What types of initiatives do you consider to be important as part of your customers' shopping experience?

**3.2. Research question 2:** *Does willingness exist on the part of a) grocery retailers and b) consumers to participate in co-creation activities?*

**Interview questions**

- a. What do you believe makes a valuable customer experience?
- b. Do you think that your company shares common objectives with your customers around sustainable consumption?
- c. Does your company play a role in influencing your customers' consumption behaviour?
- d. What do you think about sharing ideas with customers?
- e. Do you think that engaging customers around sustainable consumption would
  - a) enhance the customer experience and
  - b) be of value to your company?

**3.3. Research question 3:** *What would be the essential processes and mechanisms involved in business-to-consumer value co-creation towards sustainable consumption?*

**Interview questions**

- a. What type of issues do you think would be useful to engage customers on regarding sustainable consumption?
- b. What do you consider to be the key opportunities or 'touch points' for engagement with your customers on issues such as sustainable consumption?

Do these exist in-store and out-of-store?

  - i. What forms of communication do you find to be most effective?
  - ii. What types of service interactions do you believe are important in the customers' shopping and consumption experience?

- iii. What role do you believe the retailer can play in the consumption process after the customer has purchased their goods?
- c. What would you consider to be the most effective ways of encouraging positive change with respect to sustainable consumption, including:
  - i. How do you think people's opinions and beliefs can be changed? Are awareness campaigns helpful? Do you think posters and pamphlets work? What do you think about on-line forums?
  - ii. What do you think about emotive techniques such as depicting a story about how climate change affects our planet and future generations?
  - iii. Do you think that practical ways of encouraging responsible environmental behaviour work, such as installing recycling bins? What other ways do you think work best for customers?
  - iv. What role do you believe you play in influencing your supply chain?

#### **4. Closure of the interview**

- Ask whether there is anything further the interviewee would like to add or any questions they would like to ask pertaining to the research.
- Enquire whether the interviewee would be happy to be contacted again for any further clarification.
- Offer to share some of the findings of the research without company disclosure.
- Thank the interviewee for their time and personal involvement.

## Appendix C: Informed consent letter for interviews

### INFORMED CONSENT LETTER

To whom it may concern

I am conducting research as part of an MBA with the Gordon Institute of Business Science (GIBS), University of Pretoria, on business-to-consumer value co-creation towards sustainable consumption.

The main aim of this research is to develop insights into the types of initiatives that grocery retailers and consumers would value with respect to sustainable consumption, to assess the potential of both parties working together to co-creation solutions to sustainable consumption, and to identify the processes and mechanisms that would be required for co-creation in this context.

Our interview is expected to last an hour and questions will be posed and discussion initiated around the above issues. The information you provide will be treated as confidential and the particulars around the company will not be disclosed.

Your participation is voluntary and you can withdraw at any time without penalty. Should you have any concerns, please do not hesitate to contact me or my supervisor. Our details are provided below:

Researcher:	Ginny Verran	Supervisor:	Kerry Chipp
E-mail:	ginnyverran@gmail.com	E-mail:	chippk@gibs.co.za
Phone:	082 861 9999	Phone:	011 771 4175

Signature of participant: \_\_\_\_\_ Date: \_\_\_\_\_

Signature of researcher: \_\_\_\_\_ Date: \_\_\_\_\_

## Appendix D: Focus group discussion guide

### FOCUS GROUP DISCUSSION GUIDE

#### 1. Introduction

**Personal introduction:** Ginny Verran, undertaking MBA research with the Gordon Institute of Business Science (GIBS), University of Pretoria.

**Purpose of the research:** The main aim of this research is to develop insights into the types of initiatives that are important to grocery retailers and consumers respect to sustainable consumption, to assess the willingness of both parties to work together to co-create solutions to sustainable consumption, and to explore the processes and mechanisms that would be required for co-creation in this context.

**The focus group method:** Indicate that the focus group session will be recorded and transcribed for the researcher's purposes only. Assure the participants that anonymity and confidentiality will be maintained. Confirm the envisaged time allocation. Highlight that this is a discussion in which participants are encouraged to freely express views and agree or disagree with issues raised.

**Participant consent:** Obtain the participants' consent via the letter of consent.

#### 2. Warm up

Open a brief discussion around the World Cup Football, favourite foods etc. to relax participants.

#### 3. Research questions

**3.1. Research question 1:** *What types of sustainable consumption initiatives are important to a) grocery retailers and b) consumers in the grocery retail sector?*

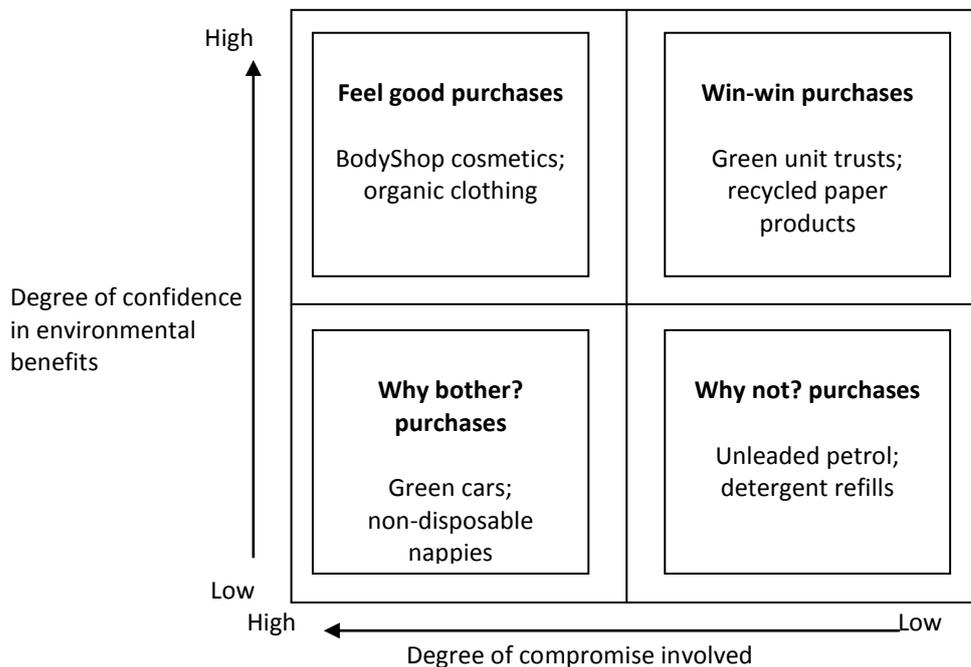
- *Does alignment exist between the two?*

##### Focus group questions

- a. How would you define environmentally sustainable consumption?
- b. How do you see your role with respect to sustainable consumption?
- c. What is your idea of a green consumer?

- d. How do you see the role of grocery retailers in sustainable consumption?
- i. What types of initiatives do you see as being important to the retailer?
  - ii. What types of initiatives do you consider to be important as part of your shopping experience?

**Word sort exercise:** Each participant will receive the four separate quadrants of this matrix and will be asked to organise them according to how important these types of products are to them. The classification of these products according to the green purchase perception matrix will be explained after the exercise.



**Figure 1: The green purchase perception matrix (Peattie, 2001)**

**3.2. Research question 2:** Does willingness exist on the part of a) grocery retailers and b) consumers to participate in co-creation activities?

**Focus group questions**

- a. What do you believe makes a valuable customer experience?
- b. Do you think that you share common objectives with your grocery retailer around sustainable consumption?
- c. Do you think that you play a role in influencing your grocery retailer's practices to promote sustainable consumption?

- d. What do you think about sharing ideas around sustainable consumption with your grocery retailer?
- e. Do you think that engaging your retailer around sustainable consumption would a) enhance your customer experience and b) be of value to the company?

**3.3. Research question 3:** *What would be the essential processes and mechanisms involved in business-to-consumer value co-creation towards sustainable consumption?*

**Focus group questions**

- a. What type of issues do you think would be useful to engage your grocery retailer on regarding sustainable consumption?
- b. What do you consider to be the key opportunities or 'touch points' for engagement with them on issues such as sustainable consumption? Do these exist in-store and out-of-store?
  - i. What forms of communication would you prefer in interacting with your retailer?
  - ii. What types of service interactions do you believe are important in your shopping and consumption experience?
  - iii. What role do you believe the retailer can play in the consumption process after you have purchased your goods?
- c. What would you consider to be the most effective ways of encouraging positive change with respect to sustainable consumption, including:
  - i. How do you think people's opinions and beliefs can be changed? Are awareness campaigns helpful? Do posters and pamphlets work? What do you think about on-line forums?
  - ii. How does it make you feel when you read a story about how climate change affects our planet and future generations?
  - iii. How does it make you feel when you see recycling bins and people reusing shopping bags? Do you think more could be done to cut down on packaging?

**4. Closure of the focus group session**

- Ask whether there is anything further the participants would like to add or any questions they would like to ask pertaining to the research.

- Thank the participants for the time they have taken to participate in this research.

## Appendix E: Informed consent letter for focus groups

### INFORMED CONSENT LETTER

To whom it may concern

I am conducting research as part of an MBA with the Gordon Institute of Business Science (GIBS), University of Pretoria, on business-to-consumer value co-creation towards sustainable consumption.

The main aim of this research is to develop insights into the types of initiatives that grocery retailers and consumers would value with respect to sustainable consumption, to assess the potential of both parties working together to co-creation solutions to sustainable consumption, and to identify the processes and mechanisms that would be required for co-creation in this context.

The focus group session is expected to last about one to two hours and questions will be posed and discussion initiated around the above issues. The focus group session will be recorded, then later analysed. The information you provide will be treated as confidential and your particulars will not be disclosed.

Your participation is voluntary and you can withdraw at any time without penalty. Should you have any concerns, please do not hesitate to contact me or my supervisor. Our details are provided below:

Researcher:	Ginny Verran	Supervisor:	Kerry Chipp
E-mail:	ginnyverran@gmail.com	E-mail:	chippk@gibs.co.za
Phone:	082 861 9999	Phone:	011 771 4175

Signature of participant: \_\_\_\_\_ Date: \_\_\_\_\_

Signature of researcher: \_\_\_\_\_ Date: \_\_\_\_\_

## Appendix F: An overview of grocery retailers' approaches towards sustainability

<b>Grocery retailers' approaches to sustainability</b>
<p><b>Company A</b></p> <ul style="list-style-type: none"> <li>• The company actively promotes sustainable living. Its sustainability strategy is linked with core business through targeted communications and a focus on products (organic, local produce and an enhanced green range). The company establishes quantitative objectives and targets for each commitment area and tracks and communicates performance. Another key focus is consolidating supplier initiatives to encourage more active sustainability commitment and to ensure that the company's sustainability narrative is shared by all managers.</li> <li>• <i>"The ability to offer products and services that meet sustainability criteria is becoming a differentiator in the mass retail market".</i></li> </ul>
<p><b>Company B</b></p> <ul style="list-style-type: none"> <li>• <i>"We recognise that we have a responsibility to minimise our own impacts on the environment and to provide consumers with responsible merchandise choices that limit their impacts".</i> The company expects higher demand for energy efficient, water wise, recyclable and less toxic merchandise. Its environmental sustainability campaign encourages responsible behaviour both up and down the supply chain by engaging with suppliers and consumers. The company's sustainability strategy is continuously evolving. While reporting is important to ensure transparency, managing performance through key indicators is critical in order to set targets and focus on the most impactful issues.</li> <li>• <i>"Our principle objective in the context of our environmental policy is to provide superior returns to our shareholders in an environmentally responsible manner"</i> It is therefore a priority of the company to balance the legitimate interests of all stakeholders and to integrate sustainability practices with business objectives. This challenges the company to find ways of becoming more resourceful and cost efficient that will result in positive outcomes such as lower raw materials consumption, lower energy consumption and less wastage.</li> </ul>
<p><b>Company C</b></p> <ul style="list-style-type: none"> <li>• The company has expressed its commitment to ensuring that the company minimises its impact on the environment. It affirms that it is becoming increasingly obvious to all businesses that sustainable growth can only be achieved through greater attention to the world around us. Through its sustainability strategy, the company seeks to address some of the pressing sustainability challenges and has set targets focusing on organic and free-range products, healthy eating choices, protection of biodiversity, animal welfare, water management, environmentally sound farming practices, waste management, recycling, and the reduction of packaging.</li> <li>• The company sees a strong alignment between its sustainability programme and opportunities for saving costs and identifying operational efficiencies. <i>"New energy, refrigeration and packaging technologies, employee awareness and prioritising recycled content and recycling have reduced our environmental impact, whilst simultaneously saving us considerable amounts of money".</i></li> </ul>

## Appendix G: Sustainability initiatives in the grocery retail sector in operations and distribution

<b>Grocery retailers' sustainability initiatives in operations and distribution</b>
<p><b>Company A</b></p> <ul style="list-style-type: none"> <li>• The company has a climate change response strategy and continues to extend the scope and accuracy of its carbon footprint calculation. It is committed to improving performance and maintaining public disclosure. The reduction of the carbon footprint and waste generation of all retail stores, distribution centres and offices is a priority.</li> <li>• With electricity usage being a major contributor to the company's carbon emissions, proactive energy management is an ongoing focus and a coordinated action plan is being implemented across operations.</li> <li>• New building design emphasises sustainability, in terms of energy management, water management, refrigeration and the physical materials used for the building. The company is also implementing renewable energy projects, with a focus on solar and wind energy.</li> <li>• The company has achieved early wins in reducing the volume and cost of packaging with a focus on environmentally-friendly and recyclable materials – which can be used in the manufacture of store equipment and fittings.</li> <li>• An intelligent approach to waste has been adopted, whereby with some innovation, waste is turned into products and services. The focus of the store waste management plan is on significantly reducing waste to landfill and to increase recycling rates. A number of the company's provincial distribution centres recycle over 35 percent of waste generated and the immediate aim is to increase this to 50 percent. The ultimate goal is to close the loop on waste generation by focusing on the broader system level and fostering dialogue between waste management and product and packaging innovation. An example of this is the company's biodiesel initiative whereby waste oil generated by corporate stores is converted to biodiesel for use in the commercial fleet.</li> </ul>
<p><b>Company B</b></p> <ul style="list-style-type: none"> <li>• The company measures the carbon footprint of its operations and identifies ways to improve performance, as well as the environmental attributes of its operations and stores.</li> <li>• Distribution was cited as a key area to improve efficiencies and environmental performance. The company focuses on minimising air freight and optimising local procurement opportunities, as well as consolidating supplier consignments to minimise store deliveries, using efficient logistics route planning. It is also a priority to reuse logistics containers and pallets. The company is mindful of the environmental benefits of converting their logistics fleet to low emissions vehicles.</li> <li>• Energy</li> </ul>
<p><b>Company C</b></p> <ul style="list-style-type: none"> <li>• The company is committed to reducing its carbon footprint and has set stringent targets in this regard which include reducing transport emissions, electricity usage, sourcing food regionally thereby reducing reliance on long distance road transport, and restricting airfreight of food products.</li> <li>• A range of more environmentally efficient stores is being developed including a trial green store. The company is implementing new technologies and measures, including automated lighting and daylight sensors, solar heating, CO2 refrigeration, natural ventilation, dual flush toilets and the use of recycled and environmentally friendly materials.</li> <li>• The company is increasing the use of recycled materials and equipment in stores and the</li> </ul>

inclusion of recycled material into all product packaging. It has started using recyclable board for store signage and displays and is investigating compostable packaging solutions.

- The distribution centre has been designed from an environmentally sustainable perspective, and corporate offices are also committed to energy reduction and recycling. It is also investigating carbon offsetting opportunities, including tree planting.
- The company aims to make their entire distribution process as environmentally responsible as possible. It is moving towards a target of zero waste-to-landfill from distribution operations and looking at increasing the percentage of recycled cooking oil to the fuel mix of most of its distribution fleet. The company has located its environmentally efficient distribution centre at a centre of gravity in order to enable its truck as well as suppliers to travel the shortest possible distances, and it predominantly uses reusable lugs and recyclable cardboard packaging for the movement of goods.