

**VALUE CO-CREATION AND PRODUCT DIFFERENTIATION IN THE
CREATIVE ECONOMY: INSIGHTS FOR GAINING COMPETITIVE
ADVANTAGE – A COMPREHENSIVE REVIEW**

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ABSTRACT

The purpose of this study is to determine the value in business, how competitive advantage through differentiated products, and competitive advantage can affect the value creation process. This research uses literature review method. The results showed that value co-creation has a positive impact on competitive advantage, as well as differentiation which has a positive effect on competitive advantage because it is necessary to diversify products in accordance with customer tastes and current consumer needs. This research extends existing thinking about value networks and value creation. The novelty of this study lies in the development and empirical testing of Prahalad's (2004) five activities to provide a comprehensive set of activities that represent value creation, i.e. Joint reflection and joint recovery are proposed for the first time to capture various dimensions of value creation. The findings support the positive impact of partner engagement, joint reflection, and joint problem solving after a service failure. This research provides guidance for management practices in creative industries that want to develop their capabilities and deliver superior value. It is expected that craftsmen are able to increase awareness of creating new ideas by changing or implementing existing ideas in new ways. Competitive advantage is the extent to which creative industry players can obtain and maintain a position of advantage over their competitors through the creation of value for their customers.

Keywords: Value Co-Creation, Product Differentiation, Competitive Advantage

ABSTRAK

Tujuan penelitian ini untuk mengetahui nilai dalam bisnis, bagaimana keunggulan kompetitif melalui produk yang berbeda, dan keunggulan kompetitif dapat mempengaruhi proses penciptaan nilai. Penelitian ini menggunakan metoda literature review. Hasil penelitian menunjukkan Penciptaan Nilai Bersama berdampak positif terhadap keunggulan bersaing, begitu juga dengan diferensiasi yang berpengaruh positif terhadap keunggulan bersaing karena perlu adanya diversifikasi produk yang sesuai dengan selera pelanggan dan kebutuhan konsumen saat ini. Penelitian ini memperluas pemikiran yang sudah ada tentang jaringan nilai dan penciptaan nilai. Kebaruan dari penelitian ini terletak pada pengembangan dan pengujian empiris dari lima kegiatan Prahalad (2004) untuk memberikan serangkaian kegiatan yang komprehensif yang mewakili penciptaan nilai, yaitu Refleksi bersama dan pemulihan bersama diusulkan untuk pertama kalinya untuk menangkap berbagai dimensi penciptaan nilai. Temuan ini mendukung dampak positif dari keterlibatan mitra, refleksi bersama, dan pemecahan masalah bersama setelah kegagalan layanan. Penelitian ini memberikan panduan bagi praktik manajemen pada industri kreatif

yang ingin mengembangkan kapabilitasnya dan memberikan nilai yang unggul. Diharapkan para pengrajin mampu meningkatkan kesadaran untuk menciptakan ide-ide baru dengan mengubah atau mengimplementasikan ide-ide yang sudah ada dengan cara-cara baru. Keunggulan bersaing adalah sejauh mana pelaku industri kreatif dapat memperoleh dan mempertahankan posisi keunggulan atas para pesaingnya melalui penciptaan nilai bagi para pelanggannya.

Kata kunci: Penciptaan Nilai Bersama, Diferensiasi Produk, Keunggulan Kompetitif

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I. INTRODUCTION

The 4th Industrial Revolution is impacting the creative industry, characterized by digitalization and changing consumer behavior. Business innovation is the process of generating and applying creative ideas in a commercial context, and even traditional creative activities are being transformed by technology (unctad, 2022). Creativity and innovation are essential factors that affect competitive advantage in the creative industry. Innovation is indispensable as an effort for entrepreneurs to gain a competitive advantage. (Rodhiyah and Hidayah 2021), (Negulescu, 2017) Value co-creation and product differentiation are significant factors that enhance competitive advantage and performance in the creative industry. Creative performance is the primary source of encouraging innovation, increasing competitiveness, and gaining a competitive advantage in the creative industry. (Unctad, 2022), (Anjaningrum and Rudamaga, 2019), (Sahi et al, 2022) To gain a competitive advantage, businesses need to implement a strategic product differentiation strategy that recognizes changing consumer demands. Highly qualified standards and product creativity are core competencies that contribute to sustainable competitive advantages in the creative industry. Rodhiyah and Hidayah (2021), Sahi, et al. (2022) Creativity has become a necessary skill for organizations to stand out from the crowd and generate new competitive

advantages. Creative practices such as design thinking and human-centered design put a strong emphasis on problem-solving through innovative ideas, generating a memorable customer journey, and developing products and services that solve a specific problem and create real meaning (Negulescu, 2017).

The best way to co-create value is to focus on the experiences of all stakeholders, including customers, employees, suppliers, and other stakeholders. Successful co-creators explicitly focus on providing rewarding experiences for all stakeholders, which changes the way companies think about operations and strategy. Value co-creation not only leads to consumers' need for differentiated products, but also results in competitive advantage. Value co-creation is an open innovation that integrates knowledge, information, and related skills in different institutional environments, and promotes multi-agent participation, which is an important basis for enterprises to obtain sustainable competitive advantages.

Value co-creation is a process where firms and consumers become equal and active partners in creating value, doing

so sustainably and independent of ownership. The actual value resides not in the good, service, or information resulting from the applied knowledge but depends on what the other actor makes of it based on its knowledge.

Product differentiation is an important strategy for creative industries to win SMEs advantage. The differentiation strategies that can be used in the development of the two sectors are product differentiation, service differentiation, people differentiation, and image differentiation. Creative performance and product differentiation are significant factors that enhance competitive advantage and performance in the creative industry.

This paper attempts to answer these questions and a new theoretical perspective on how firms can achieve competitive advantage and superior performance and how customers can and superior performance, and how customers can maximise their profits:

Q1. What is value in business?

Q2. How competitive advantage is perceived through differentiated products

Q3. How can competitive advantage influence the value creation process?

In essence, we are addressing classic strategic management questions, but we are building on the literature and propose an original and meaningful way to examine competitive strategy. competitive strategy.

Literature Review

In order to extend the ideal article, we try to explore theoretical designs, the introduction of archetypes or relationships and useful characteristics that are prioritised. More specifically, the different approximations of our way of unfolding the point of view of understanding and seeing how completeness is related. However, we wade further due to the comparative reasoning that leads to get some suggestions for an attractive extension in order to extend the analysis in

the future period and the contradiction between the various approximations. In order to achieve our goal, we have sample reading materials taken from references on value creation, product differentiation and competitive advantage.

In the context of an ever-changing creative economy, the complex interplay between value creation and competitive advantage, as well as the importance of product differentiation, takes centre stage. The importance of this research is highlighted by the alignment of consumer preferences with contemporary expectations, achieved through the provision of multiple product offerings. The existence of evidential support highlights the favourable influence of shared value creation on competitive advantage, which is comparable to the significance of established product differentiation. To maintain competitive advantage, it is imperative to implement a strategic product differentiation strategy that recognises changing consumer demands. This research highlights the importance of effective management practices in creative industries to strengthen capabilities and ultimately provide added value to consumers. Furthermore, the research states that individuals engaged in creative professions have the potential to enhance their capabilities by generating new ideas, modifying pre-existing ideas to foster greater awareness, and achieve a more favourable competitive position.

In conclusion, the combination of value creation and strategic product differentiation provides strong evidence for the emergence of creative enterprises. This enables them to effectively manage competition and build their importance in the face of changing consumer environments and continuous innovation.

Value Co-Creation

Value co-creation research defines co-creation as the joint actions of a customer

and a service provider through direct interactions. Recent value co-creation studies by marketing scholars have focused on exploring the processes of value co-creation between firms and customers, with role change, resource integration and value identification remaining key discussion points.

Value co-creation involves interaction between the service provider and the customer (Payne et al, 2008). The interaction between the service provider and the is always referred to as the 'moment of truth' (Solomon, 1985). However, based on the S-D logic, this interaction involves a collaboration of resources in which the supplier creates value together with his customer where the author refers to this interaction or service encounter as 'the moment of value co-creation'. During this moment of value co-creation, the firm and the customer can engage in a number of activities that constitute a value co-creation process. These activities of the value co-creation process are developed on the basis of Prahalad (2004), Dong, Evans and Zou (2008) and Tomico and Garcia (2011) to develop a comprehensive value co-creation process. It is worth noting that Prahalad (2004) proposed five activities of value co-creation, which are further used by Gebauer et al., (2010). However, in an attempt to propose a comprehensive model of value co-creation, the current research developed these five activities by extending the customer experience activity to include sharing experiences, information and feelings; achieving common understanding; and relationship building, thus formulating the 'co-reflection' activity. In addition, a new activity (namely 'co-recovery') is introduced to close the loop of the value co-creation process by considering complaint process by considering the complaint handling that might be required in the event of a service failure. failure. These five activities are explained below:

- Customer engagement: Inviting the customer to participate in value creation through advertising and promotion is the first step in the value co-creation process (Prahalad, 2004). The service provider tries to involve the customer emotionally and/or physically (Prahalad, 2004).
- Self-service: Rapid advances in technology have made self-service a viable part of the co-creation of value. For example, new technologies such as the Internet, the iPad and mobile phones (Meuter et al. ,2000), (Peppard & Rylander 2006). Rylander (2006) Make it easier to complete an order by simplifying the tasks of purchasing, shipping with minimal interaction between the service provider and the customer (Meuter et al., 2000). For example, Microsoft uses an online support support website, which is supported by a knowledge-based database and provides customers with and chat facilities to its customers. Accordingly, the Microsoft case demonstrates the value of of self-service, where the company has successfully reduced its call volume by 15.4with savings of around 30% per call (Atoji, 2007).

The concept of CCV suggests that the value of a product or service is not or service is not created by the manufacturer or supplier, but is co-created with the with the consumer (Prahalad and Ramaswamy, 2004). CCV is based on the on the premise that consumers can use their skills and knowledge to ideas about the products or services they would be interested in products or services (Vargo et al., 2008). They can also create value by actively participating in the development process of a product or service (Ranjan and Read, 2016), (Pappas et al., 2017). The process of creating customer experience, customer behaviour, business processes and relationship behaviour, business processes and relationship marketing, and customers

need to be involved in the process and learn more about the firm in order to co-create value (Payne et al. together (Payne et al., 2008). Co-creating value through the co-creation of a product co-creation essentially requires the consumer and the firm to be in with each other, as it involves the company's willingness to empower the consumer, who in turn contributes to the development of the product (Ranjan and Read, 2016).

Value co-creation can be interpreted as a mutually beneficial management response to a managerial response to a dynamically changing environment, while delivering strategic advantages. We argue that value co-creation has a complex management nature in that it can be seen as It can be seen as a tool and a collaborative process. It can be used as a management tool to ensure the adaptation or development of a company's value propositions to the dynamic markets of the dynamic markets of the 21st century. As a collaborative process, value co-creation aims to Achieving a mutual understanding of the needs and requirements of the various stakeholders involved in the process (Kleber and Juusola, 2021)

The academic concept of value co-creation originates from the work of Vargo and Lusch [2004 & 2008], who argue that all customers can be considered value co-creators. Grönroos (2012) redefined this perspective and interpreted customers' activities as value-creating actions. activities, whereas value co-creation requires more than one actor. Leclercq et al., (2016)(p. 30) gave a more specific definition, describing value co-creation as "a joint process in which value is created in which value is reciprocally created for each actor ... by interacting and exchanging their resources with each other".resources with each other". Value co-creation thus inherently sees the process as one that involves as one in which multiple actors exchange resources,

such as intellectual resources or Knowledge factors considered important for value creation.

This definition is also supported by other researchers (Truong et al., 2012). It is stated that each actor the role of a value creator during value co-creation. Consequently, value is created reciprocally. It is also argued that interactions between different stakeholders, such as competitors, suppliers, business partners and public organisations, can be a source of value co-creation (Prahalad and Ramaswamy, 2004]. Accordingly, value co-creation can be seen as a joint initiative in which in which beneficiaries and providers jointly create value (Prahalad and Ramaswamy, 2004). While such a joint initiative perspective is seen as beneficial, maintaining a strong customer perspective in the process is crucial. is crucial (Gronroos,2012) and (Holbrook , 2006). For example, Holbrook (2006) (p. 212) sees value as an "interactive, relativistic preference experience". However, it can be argued that the emphasis on the role of of one particular economic actor within the value co-creation process could limit its potential and thus the benefits of value creation for all stakeholders.

Co-creation is a collective activity between a firm and its consumers to promote value creation (Prahalad and Ramaswamy, 2004). Companies should strategically create value for consumers (Zeithaml et al., 2020). Researchers and practitioners are increasingly turning to Value Co-Creation (VCC) to meet this strategic requirement (Kamboj et al., 2018), (Ravazzani and Haz'ee, 2022). Companies that engage in co-creation empower consumers to identify their distinctive distinctive value proposition, rather than trying to anticipate the consumers' unfulfilled desires and expectations (Ranjan and Read, 2016) and pave the way for brand success (France et al., 2015).

The co-creation concept emphasises value in use, which considers that value is created when the customer uses the product and the firm can facilitate the creation of such value-in-use by providing resources and helping the customer to and helping the customer to integrate these resources with other private and public resources. As the S-D logic evolves, Vargo and Lusch (2006) discuss a shift in thinking about S-D logic from FP6 ("The customer is always a co-producer") to ("The customer is always a co-creator of value") (Vargo and Lusch, 2008).

As the market becomes increasingly competitive, companies are techniques in every aspect of their business to increase value and competitive and competitive advantage. Customer-centric approaches such as and surveys provide a two-way communication channel for companies. communication channel for companies. However, there is always a chance that the misinterpret the feedback, which can lead to the design of products or products or services with the wrong specifications. To address this issue, companies have adopted a new strategy called co-creation, where customers are also considered stakeholders (Nadeem et al., 2019) (Ramaswamy & Ozcan, 2014). Co creation involves The involvement of customers in business processes, also referred to as co-creating is a new approach that many see as critical to a company's success in today's in today's marketplace (Bhalla, 2010). Co-creation is a strategy that integrates a company's customer-centric efforts through a participatory approach and uses customer-based approach and uses customer-based metrics to measure success (Bhalla, 2010). This approach fully involves customers in the process of of co-creating value. It promotes and encourages the active involvement of customers to create on-demand and customised products or services (Smedlund et al. services

(Smedlund et al., 2018). Co-creation methods involve not only customers, but also stakeholders at all levels of the organisation. Co-creating value fosters customer loyalty by creating a sense of ownership. Because customers are seen as an integral part of the organisation's operations, they are more likely to be associated with the brand, and will do more to make the brand a success.

Co-creation has been defined in terms of the co-creation of value (Prahalad & Ramaswamy 2004), (Vargo & Lusch, 2004). They state that the co-created experience becomes an important basis for value. According to Service Dominant Logic (SDL), customers are always active participants and collaborative partners in the exchange, customers co-create value with the firm (Vargo & Lusch 2008). Value is created in use through the activities and interactions of customers with the service provider and other customers. provider and other customers. Co-creators are those customers who are able to use their competencies in providing the service for the benefit of other customers and themselves. These customers not only co-produce but also co-consume with firms and other customers.

Co-creation is about the joint creation of value by the company and the customer. It is not the company trying to please the customer. It is about the company experiencing the customer in real time. It is an ongoing dialogue about the possibility of co-creating new, innovative, personalised experiences and their co-creation experiences and their environments (see O'Hern et al. (2017), Prahalad and Ramaswamy (2010), Ramaswamy and Ozcan (2014)). Proponents of this concept argue that co-creation processes are characterised by interdisciplinarity, interactivity, iteration, and by looking through the prism of environmental value creation. These actions are not based on the genius of one individual, but on the strength of

individual genius, but on the strength of collaboration and relationships. As a result, co-creation offers a competitive advantage over its current market rivals, but also an opportunity for continuous dynamisation. but also a chance for continuous dynamisation and sustainability of this competitive advantage over an increasingly shorter period of time (see Mahr et al. (2014), Grönroos et al. (2013)). The importance of the concept of co-creation has become with the development of the service logic in marketing (service-dominant logic), one of the main assumptions of which is the which one of the main assumptions is the cooperation between entities leading to the exchange of services that have that carry value (Vargo and Lusch, 2008). The co-creation of value "is then a process in which different entities (market, public and private) voluntarily participate in indirect and direct interactions that result in the parties involved (values) based on the use and exchange of resources. Co-creation of value can take place both in the process of making a purchasing decision, during consumption, and after consumption" (Dziewanowska, 2017).

Co-creation is usually discussed in a positive context, by quoting numerous benefits of applying it. It is definitely less often that the cost incurred by the involved entities is mentioned, and even less common are the mentions of negative effects of co-creation (Plé L and Cáceres, 2010) finally, this is a process that involves entities with different goals, who aim at optimizing their benefits, which naturally makes a conflict of interests, or even intentionally detrimental actions, unavoidable. Such situations are usually referred to in the literature as undesired consumer behaviors, behaviors that are: deviant (Moschis and Cox, 1989), problematic (Bitner et al., 1994), aberrative (Fullerton and Punj, 2004] or dysfunctional (Harris and Reynolds, 2003). Publications from the recent years

increasingly show that the concept of co-creation also has its dark side and quite important disadvantages. Those allegations, or rather observations are not unfounded—this is confirmed by numerous case descriptions [137–140] & (N1, N2).

The above conclude that the “dark side” of co-creation usually:

- Results from poor preparation (no rules or principles specified), poor management (absence or poorly specified goal and expectations, absence or poorly specified required and/or available resources, errors in communication, lack of supervision and/or control, poorly balanced empowerment), or simply ill will from the parties involved;
- Is shown in the form of various pathologies (which are discussed in this article);
- Brings the risk of exposing the brand (party offering the product/service/result) to financial loss and/or reputational damage (ridicule), and sometimes this results in the necessity of suspending work on a project, and sometimes even the inability to commercialize (wasting an idea, time, resources, etc.).

To sum up, it seems to be justified to state that customer participation is always combined with potential risks and there is no guarantee for collaborative behavior (Kausch, 2010). Thus, co-creation, on the one hand, can lead to the creation of value for the brand but, on the other hand, it can also result in destruction (co-destruction).

Co-creation is a mode of innovation where value is created by with the consumer and using customer insights to customer insights to create greater satisfaction (Rowley, 2007). It may involve potential customers or lead users (Prahalad and Ramaswamy, 2004.).

Value co-creation research defines co-creation as the joint actions of between a customer and a service provider through direct interaction (Kleber and Juusola, 2021). Recent value co-creation research by marketing scholars scholars have focused on exploring the processes of value co-creation between between firms and customers , in which Marina Damilano(2018) role switching, resource integration integration of resources and value identification remain key of discussion.

The conceptual framework we develop starts with the recognition of the centrality of processes in co-creation. There is growing recognition of the important role of processes e.g. Webster (2002), S-D logic Vargo and Lusch (2004) emphasises that marketing should be viewed as a set of processes and resources with which the firm to create value propositions. Processes include the procedures, tasks, mechanisms, activities and interactions that support the that support the co-creation of value. This process view emphasises the need to view the relationship between the supplier and the provider-customer relationship as a longitudinal, dynamic, interactive interactive set of experiences and activities carried out by the provider and the customer, within a context, using tools and practices that are and practices that are partly overt and deliberate and partly based on routine and unconscious based on routine and unconscious behaviour.

The literature, our initial research and our subsequent field research confirmed the need for a practical and robust process-based value co-creation framework consisting of three main three main components:

- Customer Value Creation Processes - in a business-to-consumer relationship, the processes, resources and practices that customers use to manage their activities. and practices that customers use to manage their activities. In a

business-to-business relationship, these are the processes that the customer organisation uses to manage its business and its relationships with suppliers.

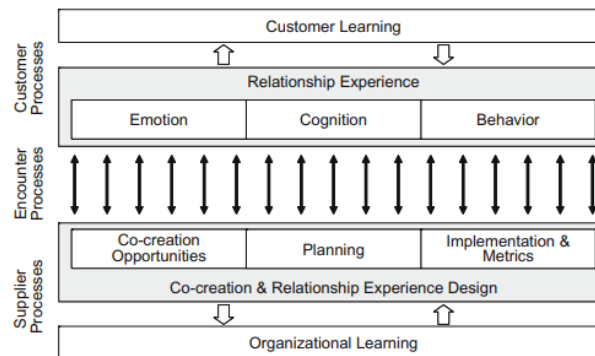
- Supplier Value Creation Processes - the processes, resources and practices resources and practices that the supplier uses to manage its business and its relationships with customers and other and other relevant stakeholders.
- Encounter Processes - the processes and practices of interaction and exchange processes and practices of interaction and exchange that take place within the customer-supplier relationship and which are used to develop successful co-creation opportunities.

These three main processes (customer, supplier, encounter) form the basis of the co-creation framework frameworkshown in Figure 1. We now provide an overview of the structure of the framework and then illustrate the application of its use. This framework illustrates an interrelated set of processes and the recursive nature of co-creation. The arrows in the centre of Figure 1 represent different encounters between the between the customer and the supplier that occur as a result of their as a result of their respective value creation processes. These point in both directions, highlighting the interactive nature of the nature of the encounters. The arrows between customer processes and customer learning indicate that the customer in a learning process based on the experiences the customer has during the experiences during the relationship. This customer learning, in turn, has an impact on how the customer will engage in future engage in future value co-creation activities with the with the supplier. Similarly, the arrows between supplier processes and organisational learning and organisational learning

indicate that the more the supplier learns more about the customer, there are more opportunities for the supplier tofor the supplier to further improve the design of

the relationship experience and the relationship experience and improve co-creation.

Figure 1 A conceptual framework for value co-creation.



Value creation as a relational process in which in which the firm and its customers create value (Priem, 2007). The strategy literature literature, on the other hand, focuses more on the "inward" value creation processes (Lepak et al., 2007), Bowman and Ambrosini (2007). Strategy scholars have recognised value creation as an inter-firm consequence (Dyer and Singh, 1998), they rarely use the perspective of the demand or end-user perspectives.

Product Differentiation

To win the competition, the company can develop a differentiation strategy. This strategy should distinguish its products from those of its competitors. Differentiation is a strategy that products offered by competitors in order to gain a competitive advantage. competitive advantage. Product differentiation affects performance (Harahap, et al., 2017).

Product differentiation is a company's attempt to provide its customers with products to customers better, faster and cheaper than competing products (Deden, 2019). than competing products (Deden, 2019). Product differentiation is an important strategy in addition to price, it is effective when business development requires products that are superior to those of competitors França, A., and Ferreira, J.

(2016)]. The results of the research conducted by Rahman and Suhayani on the impact of product differentiation on purchase on purchasing decisions for Yamaha Mio products in Langsa City show that product differentiation has a positive and significant effect on purchase decisions [11]. Previous research also shows that product differentiation has a positive and positive and significant effect on purchase decisions França, A., and Ferreira, J. (2016), 17].

Differentiation is essentially about position and relational status for the product (and the company) in a uct (and the company) in saturated and consumer-driven consumer-driven marketplaces. In many areas, such a position can be based solely on product-specific specific characteristics - for example, being the only drug available that that cures a particular type of cancer. However, inand creative fields, uniqueness is rare or at best fleeting.fleeting at best. Difference in cultural product categories tends to be a complex mix of factors. Difference can be defined by product-specific and characteristics: such as price, product design, packaging, functionality design, packaging, functionality, performance or technological sophistication. Difference is also on highly subjective and value-based

judgements about immaterial product on intangible product attributes:

- such as product beauty, desirability, ease of use or sophistication
- that consumers, users, fans and products by consumers, users, fans, critics and others.

For cultural products, it is difficult to disentangle the relative importance of these different dimensions. For example, consumer choices music products may be based on product characteristics (such as composition, production quality, price, format, artwork) as well as on how different how different actors (such as fans, radio DJs, critics) perceive and construct the perceive and construct the products' relative value or positionality. value or positionality. What is important, however is that the combined effect is one that distinguishes a cultural product from a cultural product in a crowded marketplace and helps to define a particular (hopefully desirable) position for the product. position for the product. For companies trying to sell cultural products, and for consumers trying to match products to their tastes and lifestyles, differentiation becomes a central differentiation becomes a central motive in cultural product product markets. The aim of differentiation, for both sellers and and buyers, is to develop a position that potential position that is perceived as unique by potential observers. The The goal of differentiation, from the perspective of the firm is to steer consumers towards the proprietary and away from competing substitutes. It is not just about the ability to charge premium prices (Sharp and Dawes prices (Sharp and Dawes 2).

Competitive Advantage

Competitive advantage is assessed by comparing the company's performance with that of with other companies in the same industry or with the industry average.

On the other hand, the company will suffer losses if its performance is lower than competitors in the same industry. Sutapa et al. (2017) found that performance affects competitiveness. Competitiveness is related to well-being.

Sahai and Mamata (2020) explain that well-being is an experience of health, happiness, and achieved by a person, including mental health, contentment and meaningful existence. existence. Studies by Zakaria, et al. (2014) showed that well-being plays an important role in in improving performance. He further stated that well-being includes the physical and psychosocial environment within the organisation. Both aspects of wellbeing lead to individual evaluations, physical health and relationships with others; and the physical and psychosocial community environment. This affects the well-being of employees in particular and the organisation in general. Organisational performance may not be achieved if employee well-being is neglected. welfare is neglected. Jaya, et al. (2020) found that competitiveness has a significant impact on on well-being.

In order to move an organisation from its current state to a new and stronger one, business strategies must be developed, business strategies must be formulated to improve the organisation's competitiveness. (Feurer and Chaharbaghi 1994). Competitiveness is defined as the ability of an organisation to persuade a customer to choose its products or services over those of its competitors. Therefore understand the capabilities and competencies required to achieve a competitive advantage, the organisation needs to be analysed in parts. The organisation must be as a collection of discrete activities that are carried out in accordance with the organisation's with the organisation's business strategies.

Competitive advantage is the degree to which a firm is able to gain and maintain a leading position over its

position over its competitors by creating value for its customers (Feng et al, 2010; Porter, 1980). It encompasses capabilities that enable a firm to differentiate itself from its competitors. from its competitors and is the result of strategic management decisions (Tracey, Vonderembse, & Lim, 1999).

Competitive advantage is a step and a tool to achieve, maintain or even increase the company's seven increase the company's competitiveness. It can manifest itself, although it is actually desirable to be identified and used as a tool in all the company's activities, from the most basic to those with a low impact on the activities, from the most basic to those that have little impact on the final result. (Paul, Iuliana 2018).

Competitive advantage, whether singular or multiple, must be a direct reflection of the company's competitiveness. as a direct reflection. In terms of perception, competitive advantage is an excess, an element on the basis of which the element on the basis of which the customer not only decides to buy the product, but actually pays more for it. more for it. In a strong competitive environment, a company's acquisition of a competitive competitive advantage reflects the quality of the company's entrepreneurial activity, the affirmation of its knowledge and talent - and thus becomes a source of profit. (Paul, Iuliana 2018).

The term was introduced into specialist publications by Porter through his works: "Competitive Strategy (1980) and The Competitive Advantage (1985). According to the facts presented in these works, the acquisition of the advantage lies in the company's ability to create a value that is superior to the cost of production. Taking this into account competitive advantage lies in the area of added value, and the economic performance of the product is is maintained through costs that are reflected in prices or through product

differentiation. All All of this leads to this performance being evaluated through the competitiveness of the product. In an update of the classic evaluation based on productivity, which introduces differentiation as a criterion for a criterion for differentiation and winning the desired place in the customer hierarchy. product position.

The exact determination or measurement of the existence of a competitive advantage cannot be by existing instruments. Advantage is a concept that manifests itself through competitors, be they real or potential, so it is obvious that solid reporting is impossible. reporting is impossible. Moreover, the possession of a competitive advantage is not an absolute concept. There is no such thing as a unique competitive advantage, just as there is no such thing as lifelong ownership of one. of it. The very fact that a company has a competitive advantage is a challenge for its competitors. competitors to try to overcome it, to create and offer greater value through their products. products.

According to Porter (1986), competitive advantage is the ability of a firm to generate economic advantage over competitors in the same industry. industry. A company with a competitive advantage can always respond to changes in market structure and effective marketing strategies. The choice of generic strategy depends on analysis of the business environment to identify opportunities and threats. The study conducted by Porter suggests that the approaches to gaining competitive advantage include include offering products or services with their uniqueness rather than competing with them (differentiation) (differentiation) or focusing on a particular segment (focus).

According to Kotler and Armstrong (2014), competitive advantage is an advantage gained over competitors by providing value to consumers, either through lower price or increased benefits

to support higher profits. David (2006) defines competitive advantage as when a company can perform a task that other companies cannot, or when a company has something that competitors want. Grant (1991) stated that Competitive advantage is a condition where two firms compete (for the same market or consumers) and one firm has the or consumers) and one firm has the advantage and the potential to make more profit than the other than the other.

Value Creation and Competitive Advantage

In terms of the existing links between value creation and competitive advantage, the literature suggests that we can identify several factors that are responsible for a company's competitive advantage and its value creation. For example, a high price/book value indicates that the firm has an advantage (Lin and Huang, 2011). Tobin's "q" indicator represents the market value per share package of a company, and it is able to measure the gap between the desired capital and the actual capital held. It is calculated as the market value of the divided by the total cost of its assets (Tobin, 1969). If this indicator is greater than 1, the company has a has a competitive advantage that can lead to a higher return on capital. Return on assets represents the efficiency with which an organisation uses its own resources. If a large proportion of its assets are invested in If a large proportion of assets is invested in intangible assets rather than physical assets, high ROA values indicate less intensive or "business light" assets. A company with an ROA of less than 5% is very sound, while one with an ROA of more than 20% is defined as "asset light" (Lin and Huang, 2011). Another indicator commonly used to measure competitive advantage is the return on advantage is return on equity (ROE), a measure that summarises the return to shareholders. ROIC is also an important measure of the

efficiency of earnings and represents the ability of management to create and sustain shareholder shareholder value. According to Tang and Liou (2010), this measure of profitability is also an indicator of the presence of of competitive advantage in a company.

The possibility of achieving a sustainable competitive advantage over time occurs when the assets, as a result of the strategies implemented by the company, provide a strategies implemented by the company generate a return on invested capital that is higher than the weighted average cost of capital. cost of capital. This spread measures the company's ability to create value. If the ROIC is higher than the WACC, the economic profit per unit of capital employed is positive and the company is creating value. The opposite is true if the ROIC is lower than the WACC (Hawawini et al., 2002).

The firm must have one of the following competitive advantages in order for its ROIC to be greater than its WACC WACC, or in other words, to create value (Ubago Vivas, 2014):

- A higher price for its products than its competitors;
- a lower total unit cost than its competitors; and
- The ability to sell more units per unit of invested capital than its competitors.

The relationship between ROIC and WACC determines the market value of the company's invested capital in the long term. The result allows the future profitability of the company to be estimated. For companies whose ROIC is higher than their WACC, the market value of the invested capital should be higher than its book value (Ubago). than its book value (Ubago Vivas, 2014). In conclusion, we can affirm that shareholder value creation requires requires a sustainable competitive advantage over time, which can be measured by the difference between the ROIC and the WACC.

The antecedents of competitive advantage have been studied extensively (Handfield & Pannesi, 1995), (Tracey et al, 1999). However, previous attempts have mostly looked within the firm, motivated by quality management, reengineering, downsizing and restructuring (Li, Ragu-Nathan, Ragu-Nathan, & Subba Rao, 2006). As Egyptian firms are challenged by the limited availability of resources compared to their Western counterparts, they have a greater need to look outside the firm. Therefore, cooperation and co-creation with suppliers, distributors and customers can play an important role in firms' external knowledge search (Carr & Pearson, 2002), (Feng et al., 2010), (Lundkvist & Yakhlef, 2004), (Nambisan, 2002).

The important role of the firm's partners as external resources for competitive advantage has been established in theory and practice for decades Brown & Eisenhardt (1999), Feng et al. (2010), Nambisan, (2002), Porter (1980), Porter (1980) states that Stakeholders are the drivers of competitiveness in an industry. A firm's resources can be used to support its capabilities so that the firm can gain and maintain competitive advantage (Carr & Pearson, 2002), (Teece, 2007). Resources are defined in terms of physical and human resources, including the knowledge and experience of internal and external and external parties (Feng et al., 2010). The firm's partners (including customers, distributors and suppliers...) also form part of the external workforce. The higher the level of between the firm and its partners, the more valuable the firm's partners are as resources. as resources to the firm. Unique value co-creation activities that are strategically strategically focused on achieving co-creation value, help the firm to maintain its competitive competitive advantage (Feng et al., 2010). Therefore, co-creation value enhances competitive advantage of manufacturing firms.

DeSarbo, et al. (2001) suggested that creating superior value is a strategic concern that attracts the attention of researchers and practitioners because of its positive economic consequences for firms. A strategic move towards value creation was emphasised by Payne and Holt (2001) who pointed out that value creation is an integral part of the strategic process. O'Cass and Ngo (2012) argued that from a strategic perspective, value proposition is a firm's understanding of and responsiveness to customer and responsiveness to customer needs through the delivery of superior performance in its value offering, including co-creation value. O'Cass and Ngo (2012) documented that designing a value proposition that meets customer expectations provides the means to gain a market advantage. Customers can seek co-creation value by working to co-creating the product with their partners (DeSarbo et al., 2001), (Payne et al., 2008), (Prahalad & Ramaswamy, 2004), (Ramírez, 1999). Previous research clearly supports the increasing opportunities for co-creation between the firm and its customers as a means of achieving competitive advantage (e.g. O'Cass & Ngo, 2012), Prahalad & Ramaswamy, 2004). Therefore, co-creation has become a central tenet in marketing.

Customers are seen as a source of competitive advantage (Feng et al; Prahalad & Ramaswamy, 2000). Existing research argues that involving customers in the development of new development of new services and products is highly beneficial for the partners involved. More specifically, previous research argues that customers should be involved in Generating new ideas during the new product development process (Kaulio, 1998), co-creating the new products with the firm, testing the finished products, and continuous product improvement (Nambisan, 2002). Involving customers in the development of new products enables the firm to identify latent

customer needs and to meet customer customers' expectations better than its competitors (Edvardsson et al. (2006), minimises the feedback loop between consumption and production (Lundkvist et al. between consumption and production, Lundkvist & Yakhlef (2004), improves product quality and and enhances the firm's ability to make better decisions, Brown & Eisenhardt (1995), improves the effectiveness of the supply chain and the competitiveness of the firm (Feng et al., 2010) and strengthens the capabilities of the firm (Nambisan, 2002).

Although both S-D logic and network capabilities suggest that customer and firm could affect competitive advantage, there is little empirical evidence to support this view. to support this view (Feng et al., 2010). This study attempts to fill this gap by empirically the impact of co-creation value on competitive advantage. Therefore, the study proposes the following hypothesis:

H2: Co-creation value is positively associated with firm competitive advantage.

Because differentiation is about positioning a product, it product, it involves a number of players: on both the supply and the on both the supply and demand sides. Taking music as an example a variety of actors will help to define the position of a musical act in the of a musical act - its sound, its look, its appeal to certain consumers, its unique aspects their competitors and collaborators. The potential mix of actors involved in a product's market position is position is complicated by the fact that consumer expectations (for expectations (in terms of quality, service, symbolic status, aesthetics status, aesthetics, etc.) are just as likely to be met by actors outside the of the category in question. In the case of cultural cultural products, it is likely that the actors and dynamics in many other areas - with relatively separate industrial and industrial

and innovation systems - are likely to be within particular product categories. Thus trends and expectations in industries as diverse as fashion as diverse as fashion, games, film, literature and literature and art can be just as important to the positional the positionality of musical products as trends and expectations the musical field (Power,2010).

Management theory asserts that brands can gain competitiveness by implementing a differentiation or price strategy (Porter, 1989). strategy (Porter, 1989). Increasingly, real-time engagement and communication contribute to a distinctive, personalised consumer experience and support dynamic dynamic decision making (Chan & Guillet, 2011), (Neuhofer et al., 2012). Brands should improve their responsiveness by constantly listening, learning and and adapting to consumer feedback in real time to optimise outcomes (Sawhney et al., 2005). Brands that are able to develop innovative techniques to manage real-time big data-driven strategies will be able to deliver better value for their stakeholders and increase their competitiveness (Forrester, 2017),(Lieb, 2014),(Tuškej & Podnar, 2018). Figure 2 shows that time and responsiveness in providing instant gratification is emerging as the third source of competitive advantage.

Classic strategic management ensures that competitive advantage through price and product differentiation (Porter, 1989). Real time is increasingly in the process of enhancing the experience by Dynamically understanding the ever-changing consumer needs and striving to exceed expectations through instant satisfaction (Pretzel Crisps, 2017) and (Sullivan, 2011). In the future, brands will only be successful if they have the solution ready for consumers before they even realise they have a problem or need.

Track all contextual information and proactively.alternative arrangements requires agility, interoperability with all

partners and intelligent tourism solutions to dynamically co-create itineraries and support customer needs (Buhalis & Amaranggana, 2015), (Buhalis & Foerste, 2015), (Buhalis & Inversini, 2016). Achieving competitive advantage in real-time services is based on understanding contextual factors before competitors. These factors include: real-time, co-creation, data-driven, consumer-centric, and enhancing the consumer experience. These are catalysts for dynamic, flexible, responsive performance for both brands and consumers. ICTs will be deployed in an agile and intelligent ecosystem, where brands are able to analyse and

dynamically identify the unique needs of each individual, and tailor their service through real-time data mining to deliver mining to create instant, mutually beneficial value. Competitive advantage can be maintained through intangible attributes, innovation and high quality of service by being the fastest service provider (Hunt,2012). Only those who can offer a compelling proposition, and consumers expect organisations to take immediate action, can effectively create a public dialogue with the brand. with the brand, which is often observed by many others, which affects their reputation.

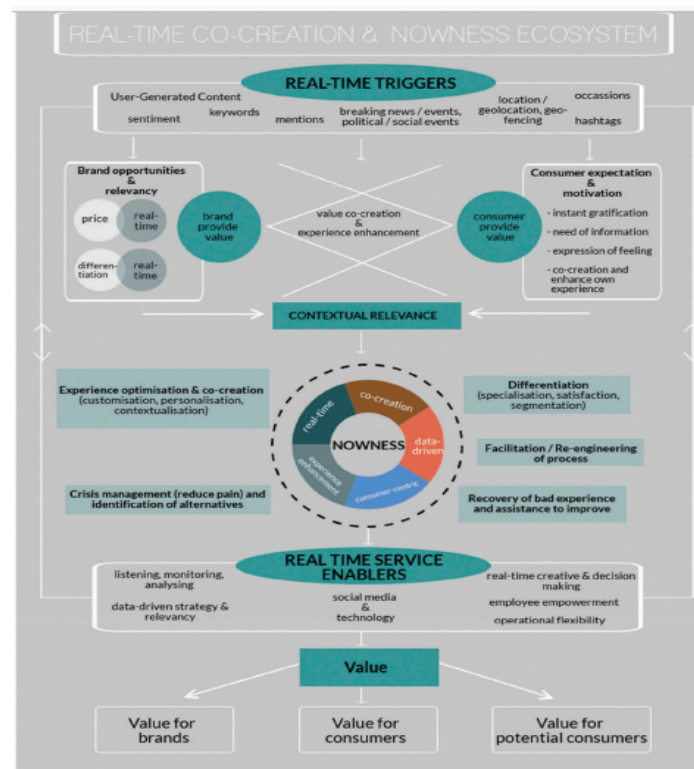


Figure 3. Conceptualisation of real-time co-creation and nowness service ecosystem.

The process of building a company's competitive advantage (a company's competitive advantage is its ability to consciously identify, implement, develop, protect and profit from such unique resources and capabilities that are desired and valued in the marketplace, but not to the same extent as its in the marketplace to

the same extent as other competitors) has been the subject of interest for years, not only to academics but but also for practitioners. The sources and concepts of building competitive advantage are analysed and and discussed in general, and further new strategies of exploitation are proposed . Some of them are less and some of them are more precise, which causes

disorientation as to where an organisation's strategic actions should be directed. organisation's strategic actions [88]. The decision is not made easier by increasing dynamics of changes and demands from the market environment, e.g. the age of Industry 4.0, which has been underway for some time now [89]. The accompanying revolution reinforces the unprecedented "fusion" between digital, physical and biological entities for social, economic and environmental progress. This results in pressure from innovators to increasingly and universally embed sensors in traditional machines and industrial products, microprocessors, connectors, antennas and various types of software. This leads to "new paradigms" in both management and production [94], which increase the need for "ever faster and more precise decisions", using new technologies, materials and tools, and implementing various forms of forms of cooperation, both within and between organisation. Such a approach leads to the creation of industrial value that is not only digitised and automated (e.g. as part of individual production automated (e.g. as part of individual production plants), but also networked (through links and relationships between things products and people, e.g. based on the concept of networked cooperation or using the Internet).

This situation uses co-creation in an interesting way [99]. According to their philosophy, in order to effects of their actions, organisations operating in the age of Industry 4.0 should change the standards of their in a way that moves away from a focus on independent (unilateral) value creation for the customer and aims at for the customer and aims to intensify the degree of involvement in the creation of added value that is for the customer. This means that instead of a strategy that consists only of impose strictly defined solutions on the market, they should aim to diversify the entities

interested in cooperation/collaboration. (e.g. customers, business partners, end users, etc.) in the processes of the design, creation and development of new products and services, in order to benefit from their experience. and exchange of ideas. This method of co-creation is an indication of a specific way of that gives the company the opportunity not only to gain a competitive advantage over its competitors, but also a chance to continuously stimulate and maintain this advantage.

Preposition dan Conceptual Model

Customers are "arbiters of value". Value creation involves innovativeness that increases the customer's perception of the benefits of consumption. When value is created, the customer is either willing to pay for a new benefit for something supposed to be better or to receive benefits from a lower cost unit, which often results in a greater volume purchased (Priem, 2007). In this conceptualization of value, the role of perception is especially significant. The customer value recognizes benefits as a perception (e.g. "perceived benefits"), and it assumes that costs are knowable facts (Glavas and Mish, 2015). Competitive advantage can emerge from actors' co-creation interactions and, interestingly, actors can even share competitive advantage (Eloranta and Turunen, 2015). Therefore, the primary pursuit of any business is to recognize customers' value and to create that value for them. While customers are the final arbiter of value, it is the firm's role to explore, interpret and deliver value based on what they believe customers are looking for. Designing value offerings involves the firm's efforts in interpreting and responding to what customers want in a marketplace. By doing this better than competitors, the firm obtains a competitive advantage (O'Cass and Ngo, 2011). This leads to the following research proposition:

P1. Firms oriented to customers' value creation will most likely achieve competitive advantage.

Moderator and Mediator Effects

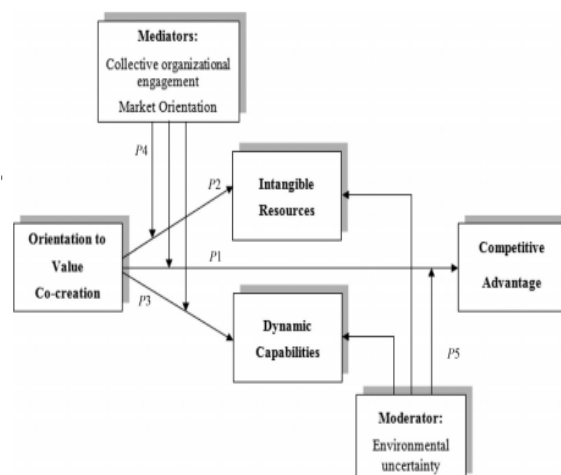
Co-creation value requires a shift to a customer-centric business mindset, through which which can identify customer preferences and tailor solutions. Market-driven companies place the highest priority on creating superior customer value. As such, the unique contribution of market orientation (MO) is that it provides companies with a a rare, valuable and inimitable knowledge base to develop the necessary capabilities; and and resources to connect the firm to its markets and help it create superior value and positional advantage (O'Cass and Ngo 2012).

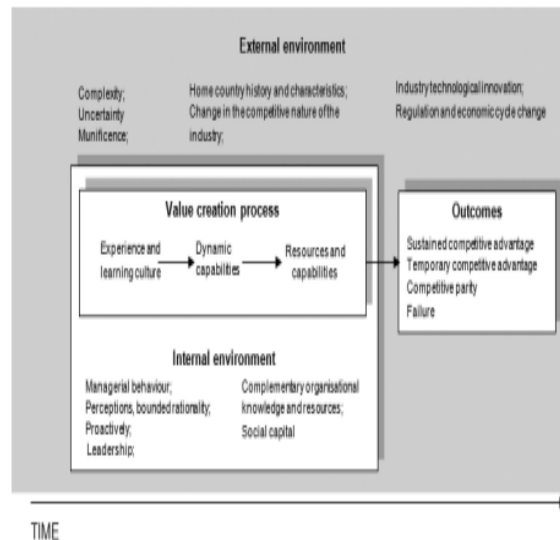
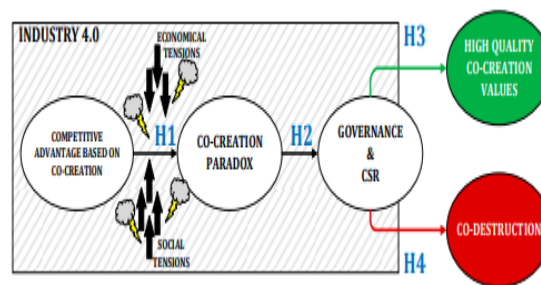
We argue that firms' Market Orientation and collective organisational commitment mediate the relationship between value creation and resources/capabilities. Furthermore, the relatively unique characteristics of firms' offerings require firms to adopt a collective organisational engagement and a market-oriented perspective to secure greater competitive advantage:

P2. Market Orientation and collective organisational commitment mediate the relationships between

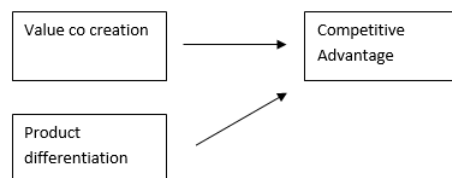
Conceptually, the propositional model based on the above assumptions can be translated into as shown in Figure 3.

Taken together, these value propositions provide companies with a means of achieving competitive advantage. competitive advantage. Indeed, the customer's perspective on value creation can provide a powerful basis for a new theoretical perspective that addresses important issues in strategic management beyond those already mentioned in academia. While investment in in RC will provide companies with the opportunity for better performance, it is more important to develop a process that how customer value is created and how it is likely to change over time. likely to change over time. The ability to differentiate the firm from its competitors depends on whether the firm can develop a value (co)creation process that is valuable, rare, difficult to imitate and adapted to the firm's reality and, ultimately, can sustain the firm's advantage over time value creation and and competitive advantage.





Sources: Adapted from Wang and Ahmed (2007); Newbert (2008); Ambrosini and Bowman (2009)



II. Discussion and Implication

The customer perspective has the potential to link academia and business, and the business world. In addition, this provider-customer value linkage perspective is likely to improve our understanding of the factors that can form the basis of new strategies to that create sustainable competitive advantage and high performance. Work that complements existing theories by integrating a customer perspective on value creation will be a step in this direction.

This conceptual paper attempts to make a contribution to the emerging theory of value creation in business and to the management of value creation from the perspective. We have therefore proposed to extend the knowledge of RBV and DCV by understanding and demonstrating that RCs are required to construct the important and the important and complex process of customer value creation, and that it has implications for competitive advantage and performance.

Furthermore, because all firms may be involved in different types of value-creation strategies and different types of supplier-customer relationships, there is a need for a better understanding of how to effectively manage the value creation portfolio.

Another important focus of value creation research is to examine how Sources of potential tensions between different value creation actors are balanced. Are certain objectives more or less important for value creation? Is there a that must be respected by all actors in order to realise value creation? Can activities survive in the long run? How often do actors need to meet to maximise their value creation? In particular, are all actors willing to engage in value-creating activities? value-creating activities? Another key question is how actors learn from past value efforts and use this knowledge for future decisions about value creation activities? activities? In this context, how do actors structure their future value creation efforts?

Value co-creation has proven to be a strategic step in marketing, which is supported by research showing that the higher the level of consumer involvement in value activities, the higher the perceived quality of the company. of the company. This perceived quality is a form of consumer evaluation in terms of quality. in terms of quality. When a consumer is motivated to participate in value creation, the company can use this opportunity as a step to to strengthen the consumer's perceived intrinsic value. In addition, this value co-creation can also be a trigger for the creation of brand advantages that can be the competitive advantages of a company (Mulyana, Rudyana, Taufiq 2019).

Given the importance of value co-creation for companies to improve their competitive advantage, an attempt was made to examine the impact of value co-

creation on competitive advantage with the aim of developing a framework for the value co-creation process. for the value co-creation process. The main objectives of this study were to develop, for the first time, a comprehensive view of value co-creation activities and to assess their impact in creating value and building competitive advantage. in creating value and building competitive advantage. It has been assumed that competitive advantage can be achieved by companies alone. This is true, of course. But competitive advantage can be enhanced by integrating the resources of the firm with those of its partners. with its partners. A conceptual framework has been proposed and tested to develop value co-creation activities with the aim of achieving cost reduction and product/service differentiation in the market. differentiation in the marketplace.

This study extends existing thinking on value networks and value co-creation. The novelty of this study lies in the development and empirical testing of Prahalad's (2004) five activities in order to to provide a comprehensive set of activities that represent value co-creation, namely Co-reflection and co-recovery are proposed for the first time to capture the multiple dimensions of value co-creation. dimensions of value co-creation. The findings support the positive impact of partner engagement, co-reflection and joint problem solving following a service failure.

For managers of industrial companies, these results draw attention to the importance of industrial service offering, combined with network capabilities that enable value to be created from the service offering. However, according to the results of this study, the positive effects of some value co-creation activities (namely partner engagement, co-reflection and co-recovery), suggesting that managers should invite their business partners to play a role in the development and creation of a comprehensive service

offering and value proposition. and value propositions to deliver co-developed solutions, co-create offerings and co-create customer and co-create the customer experience. Managers should also encourage their partners to participate in problem solving in the event of a service failure. Offer A few loosely defined services, such as installation and repair, may be needed to to respond to competition or to maintain the industrial company's performance; but to generate service business, industrial companies need to offer a broader range of industrial services. range of industrial services. This study provides guidance for management practices in companies seeking to develop their capabilities and deliver superior value. In addition, the The opportunity to collaborate with the customer in managing and resolving service failures opens up opportunities for relationship building. Indeed, the role of value creation appears to be appears to be of increasing importance to managers.

This study supports research from Sutapa et al. (2017) and Bashor & Chamdan (2017). Performance plays a role in increasing competitiveness, related to the aesthetic appearance of the product, the product produced is following specifications, is more creative, more innovative than competing products, has a higher market share, and resources are utilized to produce optimal output. This study supports the research of Jaya et al. (2020). Competitiveness plays a role in improving wellbeing related to competitive product quality, products have a good reputation, companies can create profitable relationships with customers, and faster growth.

In conclusion, the subject of value creation is complex, subjective in nature and has multiple theoretical bases for analysis. In this conceptual paper, we have no doubt that raised more questions than it answered. Nevertheless, we hope that paper will stimulate further debate and

research on the subject. A better understanding of can help academia and the business world to advance and thrive in the global competitive economy of the twenty-first century.

The proposed value co-creation activities can be used as a competitive strategy in a networked economy, where companies in industrial cities can collaborate to co-create. The empirical results presented in this study support three of the six hypotheses and the associated theory regarding customers/partners as a source of firm network capability. This research has contributed to the existing literature by providing both theoretical and managerial implications.

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