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Value co-creation in the beverage and food industry

Introduction

The notion of “value” has become central for organizations across industries, and its theoretical and practical importance has been rising along with the incessant hyper-competition and customer focus that characterizes contemporary business environments globally (Bresciani *et al.*, 2013; Chebbi *et al.*, 2013). More recently, the concept of value has been shifted from something created by the firm and transferred to the customer to a joint value creation process that occurs between the customer and firm (Agrawal and Rahman, 2015; Festa *et al.*, 2015). Kambil, Ginsberg and Bloch (1996) initially coined the term “value co-creation”; however, the term was popularized and disseminated by Prahalad and Ramaswamy (2000, 2004a), who conceptualized value co-creation as the “*co-creation of personalized experiences with the customers.*” Grönroos defines value creation itself as “*a process through which the user becomes better off in some respect or which increases the customer’s well-being*” (Grönroos, 2011, p. 282).

In recent years there has been increasing attention in the literature to the role of consumers in the creation of value, a concept particularly stressed by Vargo and Lush (2004), who recognize customers as the sole creators of value while restricting the role of enterprises to delivery of value propositions. Recent developments in marketing highlight the blurring of boundaries between firms and customers. Customers’ involvement may influence the firms, due to their behaviours beyond transactions – a concept that is in its embryonic phase. Particular importance is attached to the roles of customers as “co-producers” and “co-creators” of enhanced performance and customer value (Auh *et al.*, 2007; Prahalad and Ramaswamy, 2004). Many other forms of co-creation such as co-innovation, co-development, co-ideation and experience creation can be deduced from the co-creation literature. However, few studies actually exist to engage customers in value co-creation (Fernandes and Remelhe, 2016; Agrawal and Rahman, 2015; Jelonek and Wyslocka, 2015; Gustaffson *et al.*, 2012) and many of them do not have any application to specific industries or cases.

Value co-creation can be very interesting to both scholars and practitioners of the food and beverage (F&B) industry, which constitutes a very significant sub-sector of the manufacturing sector in Italy – a paradigm of such economies (Thrassou, 2016). In Piedmont particularly, food and beverages are the main “country-of-origin” product categories and involve a great number of operators while holding a distinct and most important economic, but also cultural position in the area. Almost the totality of this area’s F&B industry is composed of small to medium sized enterprises (SMEs) (Fassio, 2012) that often have fewer resources to spend on innovation than larger firms (Healy *et al.*, 2014) and are thus pressured to strengthen their relationship with customers and involve them in different phases of value creation.

Despite these contemporary competitive conditions (Rossi *et al.*, 2014), only a few firms actually choose to share ideas and develop their strategy with external people. Even this minority, nonetheless, establishes a pioneering group that sets out a path for industries such as the F&B one. In order to overcome the obstacles presented by the scarcity and primitiveness of resources available for innovation studies, these SMEs in F&B industries are thus offered viable practicable alternative avenues through open innovation (Vrontis *et al.*, 2016; Lefebvre *et al.*, 2015) and value co-creation (Yu *et al.*, 2009; Martinez, 2013).

In this context, this research offers, for the first time, an exploratory analysis of the different roles assumed by consumers in the value co-creation process of the F&B industry, providing at the same time practical implementation prescriptions, through a multiple case study methodology. Structurally, the paper first undertakes an extensive literature review on the roles assumed by customers in the value co-creation process. Subsequently, these roles are investigated with reference to three rich descriptive cases of the Piedmont F&B sector. Finally, results obtained and discussed to reach important theoretical conclusions and managerial implications.

2. Literature review

Chesbrough (2006) defined Open Innovation as the use of purposive inflows and outflows of knowledge to accelerate internal innovation and expand the markets for external use of innovation, respectively, that means company cooperate in innovation to pursue an aim, either reducing costs or sharing business risks or extending skills, competences and creativity (Huang *et al.*, 2009; Belderbos *et al.*, 2004). Innovation has always been seen as a process growing up from the boundaries of a company (Bigliardi *et al.*, 2010), but in the past few years it has become seen as an open process. Chesbrough (2003) views “Open Innovation” as firms’ cooperation with others actors like customers, rivals, academics and firms for the same aim: to create innovative products or processes. In these terms a company is called upon to also perfectly identify the customers’ needs, producing exactly what they want; and thanks to co-creation a firm can involve customers in the production, thus reducing waste of time and money (Piller, 2006).

A very useful two-dimensional framework was designed by Lazzarotti *et al.* (2014) to understand the depth of the intensify of collaboration in a System. Collaboration breadth defines the number of external sources of knowledge and technology in a F&B company, while collaboration depth ranking defines the surface of external partners. The two dimensions together represent the openness of the firm to innovation.

With regards to the relationship between Supplier, Manufacturer and Customer, a study at the University of Parma found that open innovation strategies are very dependent on the supply chain player considered; i.e., innovation can provide important benefits for all players investigated even if the partnership between Manufacturer and Customer has a limited role at the moment (Bigliardi *et al.*, 2010). Another important element is the World Wide Web (Jelonek *et al.*, 2015), which is able to give customers different experience from the same product. The Web can be a very useful channel in co-creation with customers, especially young ones, as was shown by a survey of the Faculty of Management of Czestochowa University of Technology (Jelonek *et al.*, 2015). The results of the research verify that young people can get involved in the co-creation of value thanks to social media such as Facebook or Twitter. In fact, social media are not only a technological curiosity, but a natural channel of information. Therefore, Web 2.0 is a favorable instrument for cooperation and co-creation even if it is not fully utilized by companies for co-creating value with client. For this reason, companies will need to be more flexible and creative in their interaction with customers, and also focus on the role of employee engagement in innovation.

In defining what open innovation is in the F&B industry, one possibility is that it might involve linking this concept with the customer’s role in the co-creation process. Studying the relationship between customer and value, Prahalad *et al.*’s research defined value as the “*capacity of goods, services or activity to satisfy a need or provide a benefit to a person or legal entity*” (Agrawal *et al.*, 2015, p.145). This meaning assumes a very deep importance when we use the term co-creation. In the literature, the main definition of this word denotes a product development approach, where customers are actively involved in the design of a product. That means customers have a personalized experience with the firm, as Prahalad *et al.*’s (2004) studies suggest. The customer is the most important and active stakeholder in value co-creation, so he or she can assume many roles in the process (Agrawal *et al.*, 2015), such the ones below:

Co-producer: early form of co-creation which sees the customer involved in the production process.

Co-distributor: even though in 1985 Porter spoke about value addition as a linear process in the supply chain, today recent dynamic perspectives on networks and services suggest that his thinking was an oversimplification. In fact, nowadays there is a very deep integration between them, in their interaction, connection and capacity to learn from each other (Gummesson *et al.*, 2004). Technology has played a major role in connecting customers with producers in the distribution process, with the Internet, especially, having a huge impact on the supply chain, offering differentiated value propositions to customers.

Co-promoter: bombarded by marketing communications (promotions), customers are turning themselves into brand protagonists to break up the bigger and bigger confusion they have in their mind.

Co-manufacturer: thanks to the World Wide Web, customers have the possibility to share news ideas, blogs, and home videos with the world; with the firm acting as a facilitator.

Co-consumer: here consumers share their experience of a product, helping a large number of people in their purchase process.

Customer as experience creator: the most interesting contribution was given by Vargo (2008) and Vargo *et al.* (2004), who emphasized two types of values: value-in-exchange (as the exchange between goods and money), and value-in-use (as the experience gained through consumption).

Co-innovator: the consumer is able to understand and perceive a new market or a new product/service and place it into a business context. Co-innovation has been further developed into the five “Co-s” model, which includes co-ideation, co-valuation, co-design, co-testing and co-launch, explained below.

Co-ideator: thanks to new technology and the social network sites (SNS revolution), firms invite customers to present innovative ideas to run a new business.

Co-evaluator: after the evaluation of a closed management cycle, the idea is evaluated by customers, who vote through active posting of comments, creating solutions based on their previous experiences.

Co-designer: here there is customization of a product with the help of customers, who give a lot of physical, social and cultural contributions to create a fitter and cheaper product.

Co-tester: customers are involved in the testing of new products, which are prepared for their imminent launch. They give important feedback to the firm, which is thus able to make improvements and adaptations.

As shown, customers have an active role in the creation of value with the firm, and it is clear from the research that this involvement is irreversibly and inescapably increasing (Agrawal *et al.*, 2015); in terms of quantity, quality and spectrum. The next sections present the methodology and findings of our empirical study.

Methodology

This paper intends to examine the contribution that customers can provide in the creation of new products in the F&B industry. Given that in this field studies are limited, a case study methodology (Yin, 2014) has been chosen as the research model. In particular, in this paper the multiple case study design has been utilized with the objective of capturing and defining three rich descriptive realities in the F&B sector, and descriptively identifying and prescriptively defining the theoretical and practical patterns stemming from the findings.

This approach appears well suited to the exploratory nature of this investigation because, on one hand, it allows a deep exploration of the phenomenon of interest, and on the other it enables the collection of comparative data, thus providing a more accurate and robust contribution to theory than single cases (Eisenhardt and Graebner, 2007; Yin, 1994). Furthermore, it permits a replication logic in which cases are treated as experiments, with each serving to confirm or disconfirm inferences drawn from the others (Yin, 1994). This work is exploratory in nature, and involves a qualitative approach concerning the analysis of co-creation of value by consumers within three SMEs in the F&B industry: Lurisia, Baladin and Galfrè, all located in Piedmont. The choice of Piedmont is justified primarily by the importance of this industry in this area. In particular, food is the main manufacturing sector in Piedmont for about 13% of manufacturing firms (Cominu *et al.*, 2015). It is, furthermore, an international hub of innovative and productive retailing. Similarly, beverage production is at the heart of the Piedmont economy and culture. With its 43 DOC and 17 DOCG wines (FederDoc-Confederazione Nazionale dei Consorzi Volontari per la Tutela delle Denominazioni dei Vini Italiani, 2016), Piedmont is an ambassador of quality wine to the world. It is also a producer of excellent artisanal beer, considered by some experts as the best beer in the world (along with that from Lombardy). Additionally, Piedmont is a leader in mineral water products of excellence, with some historical water sources representing beverage excellence (e.g. Acqua Sant'anna – Fonti di Vinadio, Lurisia and Lauretania). The three firms constituting the case studies have thus been chosen for their ability to innovate and their attention to customers within the three aforementioned product categories.

All the interviews conducted for the research were carried out in January 2017 and involved the CEOs or Marketing Directors of the respective firms. They were structured into two main parts: the first one investigated the nature of the firm (size, ownership, history, culture); the second one analyzed how customers are involved in the creation of value in the different roles of co-producer, co-distributor, co-promoter, co-manufacturer, co-consumer, consumer as innovator, co-evaluator, co-designer, co-ideator and

co-tester. Data were recorded and subsequently transcribed. The survey involves 3 firms (Lurisia, Baladin and Galfrè) and collected 72 face-to-face answers, which were divided into 16 macro questions. The analysis was carried out using an interpretative method, to allow a more complete and in depth understanding of the data. The cases were analyzed by evaluating the importance attributed by firms to customer involvement in the process of value co-creation and the role customers play as co-creators. With regard to this last aspect each role has been analyzed by evaluating items able to describe it using a 5-point Likert scale.

Later missing details and complementary data were collected through e-mails and phone calls. Then the cross-case analysis took place, identifying similar constructs and themes between the cases (Eisenhardt and Graebner, 2007). Thanks to this methodology, the study collected qualitative and quantitative data from three interviews that, suitably integrated with the literature review, internet sources and extensive archives, allowed the researchers to answer the research question, providing important managerial implications along the way.

Analysis and discussion of results

Background to the companies

Baladin was born in 1986 based on an idea of Teo Musso, who decided to open a pub at a period when production of beer had not been conceived by the company. Initially Baladin was devoted only to the sale of beer. In 1996 it opened micro breweries in Italy and Brew Pub Baladin was created, which produces and sells beer directly. Baladin's growth is very healthy and high-paced and today it is a complex company, headed in production with a legal form of simple agricultural society. Group Baladin includes also a company called "Selezione Baladin", devoted to the commercialization of Baladin's beer and some other products. In Italy it has 13 Baladin's stores (that represent an extension of the original Brew Pub), with sales of 25-26 million euros and about 50 employees (250 if one also counts the people working in the different Baladin's places). It produces about 27,000 hl a year. The main product is beer, but Baladin also produces other drinks (i.e., Cedrata, Spuma Nera, Ginger and Cola), distillates and cider, and also sells pasta, rice and pasta sauces. The characteristic of this brewery is its artisanal nature and its ability to produce beers that are culturally expressive at the collective and individual levels. There are "message beers" such as the "Nazionale," the first beer completely produced with Italian raw materials, that shows that it is possible to have a complete industry in Italy, and beers considered to be extensions of the "soul" of the producer, such as Wayan beer, that Teo Musso created for his daughter's birth. *Baladin* is very close to the market through its own distribution company and a network of agents (more than 120) able to capture market preferences. Its points-of-sale (pubs) provide suitable ground for launching and testing products, and for receiving customers'/consumers' feedback. The role of the entrepreneur, however, remains fundamental to the process, and any product is tested and evaluated according to its creator's taste.

Galfrè is an old family firm that joined the Chamber of Commerce in 1901. *Galfrè antipasti d'Italia* was born in the Province of Cuneo, a territory rich with mushrooms, and it has specialized in the production of typical Piedmont starters based on this delicacy, such as its main product: mushrooms in oil, enriched and dressed with legumes of the Cuneo area, natural aromas and Liguria rosemary. In the 1960s the company changed its original structure, because of changing philosophies, creating *Galfrè Giacomo*. The real secret of its products is the sauce based on Italian tomatoes with aromatic vinegar aged at least one year in durmast barrels. The recipe is a secret and starters are prepared using century-old techniques. *Galfrè* has about 20 employees, originally selected from among local inhabitants. Today, given the depopulation of local land and climate change, mushrooms are purchased from Spain, Portugal, Finland, Russia and other East European Countries. Annual sales have reached about 3 million euros. The company continues to create and develop uncommon, innovative and hardly imitable products through repeated attempts and proofs. The entrepreneur plays a very important role in the creation of these new products, which when developed, are presented to consumers during exhibitions. On these occasions, the company collects feedback on the quality and attributes of existing products, as well as ideas towards new ones.

Lurisa – Acque Minerali srl- was born in 1940 thanks to a Genoan building firm owner's entrepreneurial vision. He was enthralled by the water of Lurisia, a small village in the Province of Cuneo, and its properties,

and decided to open a spa, thus conceptualizing water as a source of health and at the heart of Lurisia's identity. This unique attention to product value motivated the firm to follow strategies of valorization of the water instead of strategies based on price or volume. In 1950, thanks to the spa, the bottling plant started to grow, but when the thermal sector began to be increasingly bound by conventions within the national health system, Lurisia focused mainly on its bottling activities rather than on its thermal activities. After several ownership changes Lurisia was purchased by the Invernizzi family, who, through a good restructuring plan, decided to relaunch Lurisia in the Piedmont market in 1996. In 2004 Lurisia became a firm with dual ownership: 50% owned by the Invernizzi family and 50% by Eataly. More recently Lurisia introduced new products like Chinotto and Gazzosa Lurisa, with the bottle designed by Ettore Sottsass, winner of the award of "the best bottle in the world" in 2009, and Aranciata and Acqua Tonic, a line of beers and a fruit juice. On January 9th 2017, the Italian-founded "Taste of Italy" purchased 33% of Lurisia and this increased the firm's available resources and potential for growth. It is now a Limited Liability Company with about 40 employees and it exports to more than 40 countries across all continents. Given the dynamism of the water market they are forced to work on two important business values: constant improvement and evolution. The company has no specific R&D section but it involves all its collaborators in transparent discussions. The current trend consists of finding a meeting point between what customers wish and entrepreneur know how, in order to expand and better define the product line. Chinotto Lurisia is thus called "Nostro Chinotto" (Our Chinotto) because it is the result of the meeting and active dialogue between customer needs and the innovation competences of the firm. The aim is to give a higher identity to products than to the firm.

Roles played by customers in the value co-creation process

Considering the important role played by the customer in the co-creation of value, in this section we analyze the findings regarding the nature of this involvement in the process, in the three firms.

Co-producer

With regard to co-production the analysis is focused on three main aspects: active participation in digital communities, the attitude of customers towards creating content on social media, and ways to collect innovative ideas of customers (Agrawal and Rahman, 2015). In particular we evaluate, as for the other roles, the level of involvement for each aspect as follows: levels 1-2 correspond to low involvement, 3 to medium involvement, 4-5 to high involvement. After obtaining these data, we calculated the average value (Table 1).

All three firms consider the involvement of their customers in the creation of new products extremely important.

Baladin affirms that a great deal of attention is devoted to listening to the customers, in particular by inviting them to come to the brewery, organizing guided tours, informing them of the history and listening to the opinions of customers. Customers must know the way of production and understand its philosophy in order to tell it. *Baladin* produces beer both to satisfy consumers and to educate them. *Baladin* is constructing a large park, as a place of aggregation and culture, where customers, using structures provided by the firm, can be served by the *Baladin* staff or cook by themselves. Fabio Mozzone, Marketing Manager of *Baladin* said: "The scope is to tell what we do and transmit our culture." Given that *Baladin* does not have a large budget to devote to communication, customers are involved in the co-production process through active participation in digital communities. While there is great interaction both in term of visualization and communication, the ability of customers to create content by themselves on social media is limited. On Facebook the content has a single direction (from firm to customer) while on Twitter and Instagram customers contribute actively through comments. Collecting innovative proposals by customers as private messages, comments on SNS (Social Networking Sites) and digital platforms is quite limited.

For *Galfrè* the involvement of customers in the creation of new products is realized through the organization of tastings, during which customers are asked for their judgments and opinions, which in turn are the basis for the creation of new products. In this case results show a medium active participation in

digital communities given that the company website includes the main information about their products, but it is not very much used to ask feedback from customers. Customers usually do not create content on social media because they primarily use them to receive information about products or events. A great deal of attention is devoted to the collection of new ideas through direct dialogue with customers during tastings or at the points of sale.

Lurisia is characterized by its rapidity in introducing new products to the market, so it involves its customers not through market studies that requires large amounts of resources and take a long time, but by collecting their feedback especially through its e-mail address. “*Nowadays customers are aware they are able to express judgments, especially negative ones, directly by e-mail or through social media*” – Alessandro Invernizzi, CEO *Lurisia*. *Lurisia* limits customers’ participation in the digital community and, given that *Lurisia* does not advertise, they are acquainted with the product through personal taste/experience. If the customer finds a different level of satisfaction by other customers from his own on the Internet, he may be disappointed. *Lurisia* considers the creation of content on social media by customers that happens through effective control, and the collection of ideas or proposals directly by customers, to be very important.

Co-distributor

The main tools used to involve customers in distribution are self-service (used also to cut down costs), the use of technology in order to connect customers with producers in the distribution process (sales by internet, and an e-commerce website) (Rahman, 2003) and the adoption of safe channels of payment (Agrawal and Rahman, 2015).

Baladin shows a dishomogeneous situation with regard to the aspects above. While it is not organized along self-service retail channels, it has an e-commerce page that works very well and adopts only Paypal for payments.

Galfrè has self-service retail channels and uses safe channels of payment, although selling via the internet is not widely used.

Lurisia does not involve the customer in the retailing process, delivering products to homes. This firm does not use e-commerce distribution or the Internet in general to sell products; it considers self-service distribution very important. It is developing a project relating to a QR code applied to labels that allows customers to know the raw materials contained in its drinks, and a device to give to their customers door to door that allows them to order automatically through a retailer using *Lurisia* brand.

Co-promoter

The role of customers as co-promoters is very important because it propagates their experience, especially through social media and word of mouth (WOM), influencing the behavior of other customers. It is investigated through the ability of the firms to promote products through SNSS, to adopt specific measures to involve consumers in promotion and/or to prevent negative word of mouth and the importance attributed to the latter (Zwass, 2010).

Given the limited investments in the classical channels of communication, *Baladin* considers the customer to be a fundamental promoter of its products, in particular through word of mouth. By opening the doors of their spaces *Baladin* achieves direct contact. Products are promoted through SNSS by a *Baladin* chef who shows a video-recipe on SNSS matched with one of its products. *Baladin* is transparent and involves customers in promotion, devoting a lot of time to meet them. “*If WOM (word of mouth) is a constructive critic, we try to motivate it.*” *Galfrè* involves customers in the promotion by providing them with major knowledge of their products through the organization of tastings and presentations. All the dimensions considered to evaluate the role of customer as co-promoter got the lowest score apart from word of mouth.

For *Lurisia*, word of mouth is the key to success, because it doesn’t advertise its products in other ways and it doesn’t adopt specific measures to involve consumer in their promotion. Only thanks to mail can the CEO be informed of possible feedback and reply immediately in order to prevent negative word of mouth.

Co-manufacturer

A firm can also involve customers in the co-creation of value by incorporating them as co-manufacturers. This happens when consumers create content such as news, ideas, blogs or home videos, sharing and distributing them through the facilitation of the firm (Agrawal and Rahman, 2015). *Baladin's* customers are not involved in the creation of new software or content, but they are asked to express their judgment on these. There is also a product line called "Open" with the recipe being shared on the website, so customers can provide a variation of it. Experiences shared on the Web are very much taken into consideration by consumers. On the contrary, specific co-manufacturing activities such as competitions through SNS or platforms have not been activated. There has been involvement of this type only for the creation of a label. Also *Galfrè* involves customers through the request of opinions/critique and not towards the creation of new software or content or specific competitions. "The company considers SNS more linked to a young public, while our products are more addressed to a more mature public able to understand edible boletus." *Lurisia* considers the involvement of customers as co-manufacturers through the tools cited above quite important, even if they are not so developed at this moment.

Co-consumer

We tested the role of customer as co-consumer with regard to three different sub stages: pre-use, during-use and post-use (Etgar, 2008). In *Baladin* consumers are involved in the first phase, because they relate their experience and create expectations; in the second phase sometimes they are involved in tasting, while in the post-consumption stage consumers' role consists of discussing how the product has been a part of their lifestyle and providing positive or negative feedback. A very important role is attributed to programs of customer education that allow the creation of consumer culture. SNS allow interactions among customers but they have no suitable tools, like blogs, to favor the creation of debates. In the case of *Galfrè* this kind of involvement is limited to the phase of consumption through suitable surveys, even if customer education initiatives are also considered very important. *Lurisia* involves their customers prevalently in the post-consumption phase because its aim is to introduce new products swiftly to market and asking customers' feedback carefully. It has developed programs of customer education because its products need to be explained, such as sponsoring slow food initiatives and by attending "Salone del Gusto" with their stands where they do educational conferences for customers. Sharing of experiences among customers is encouraged, but not through social media.

Consumer as innovator

This role of customers is investigated with regard to the ability of the firm to incentivize the production of new ideas (Thomke and Hippel, 2002) or to vote for the best one and to give them an active role in order to understand their needs. The first tool is not developed by any of the three firms. Consumers' needs are investigated by *Baladin* by listening to their feedback/reactions on SNS, while the other two companies don't exhort consumers to propose improvements even if they are ready to listen them.

Co-evaluator

Customers' evaluation is very important because it can generate positive free publicity by expressing a positive evaluation or by supporting a particular idea (Füller *et al.*, 2011; Russo-Spena and Mele, 2012). *Baladin* attributes high importance to this role: in their stores it evaluates customers' feedback and through the rapidity of consumption it obtains information about their appreciation for the taste of a particular product. In *Galfrè* consumers are involved in the process of evaluation through verbal surveys and tastings during promotional activities, and the customers' evaluation is considered very important given that it is up to the consumer to decide if a product is market-ready or not. *Lurisia* attributes extreme importance to the evaluation by customers, but it doesn't involve them as evaluators of new ideas/products/design.

Co-designer

The customer can act as a co-designer in different types of co-design environments, such as architecture and software system design (Ulrich, Anderson-Connell and Wu, 2003). For the firm, co-design consists of the customization of products/services with the help of customers (Franke and Piller, 2003 2004; Franke and Schreier 2002; Wikström, 1996). This role of customer as co-designer is not encouraged by any of the three firms, all of which prefer to produce their products' design on their own.

Co-ideator

The role of customer as co-ideator has been tested through the ability to stimulate the creation of new ideas through suitable platforms, SNSS and the development of specific projects. However, this role is not so developed in the three firms due to a lack of resources for this. Only *Baladin* has done a major campaign of crowdfunding with this objective.

Co-tester

Customers' involvement as co-testers for new offerings, ready to be launched in the markets, could help companies to upgrade products. In *Baladin* testing happens through the distribution in their stores to a specific sample of customers all around Italy and asking them their impressions. In *Galfrè* testing happens through tastings and asking for feedback that is seriously considered. In *Lurisia*, products go to the distributor (bar), where firstly barmen give their feedback to the firm after tasting the new product, and finally to consumers.

Table 1. Roles of customers in the three firms

Figure 1. Radar Graph on the roles of customers in the three firms

Concluding remarks

This paper was focused on analyzing three Italian small and medium enterprises (SMEs) in the food and beverage (F&B) sector, in order to understand the role played by customers in the co-creation of value. These case studies are meaningful and valuable for the following reasons: 1) the sector of reference plays a very important role in the manufacturing industry in Italy and, in particular, in Piedmont; 2) restrained size typically for SMEs in the F&B sector. The three firms are Italian SMEs with a high willingness to involve customers in value co-creation, while SMEs usually have limited willingness and capacity to carry out these kinds of innovation (Dadura and Lee, 2011); 3) the focus on particular roles of customers and their complete exclusion from other roles.

We can notice how they largely involve their customer as co-tester, given the importance attributed to their feedback for the upgrade and attribute development of their products. This happens in particular through tasting for *Baladin* and *Galfrè*, while *Lurisia* addresses its testing to the distributor (bar). In the same way, these firms completely un-involve customers in two roles: (1) as co-designer (Ulrich, Anderson-Connell and Wu, 2003) because they prefer to produce their product design themselves; (2) as innovator, because it does not incentive the production of new ideas (Thomke and Hippel, 2002) and also because, in many cases, customers did or could not have the necessary information and competences.

With regard to the other roles, firms show an un-homogeneous situation: While *Baladin* gives extreme importance to the involvement of customers as co-promoters – in particular through word of mouth and SNSS – and co-evaluators, *Galfrè* shows the highest scores with regard to the involvement of customers as co-distributors by using self-service retail channels and the use of safe channels of payment, while it avoids selling via the internet. In contrast, *Lurisia* attributes a very important role to the customer as co-producer, considering as very important the creation of content on social media by customers, even if at this moment this is not developed by this firm.

Even considering their differences, in accordance with past studies on the important role of the customer as co-creator of value (Auh *et al.*, 2007; Chan *et al.*, 2010; Prahalad and Ramaswamy 2004), these firms,

despite their small size, attach extreme importance to the involvement of customers and are aware of their role in the firm's performance. Our study shows the extent to which small firms are also able to develop processes of value co-creation with their consumers and how this is particularly focused on the role of co-testing. Despite the limited number of cases analyzed, this implies that there is an increasing awareness of the important role played by customers in value co-creation, but it is limited in these SMEs to specific roles (i.e. co-tester). So, our examination of three examples of firms which involve customers in value co-creation fills a gap in the literature, implementing in this manner a definition of co-creation. This study provides interesting suggestions for firms operating in the sector analyzed, offering examples of SMEs, that are excellent also thanks to the involvement of their customers. Furthermore it should stimulate other excellent firms in this sector to further develop some actually neglected customer roles such as co-designer and co-innovator. An extension of this involvement could be reached in the future through specific programs of customer education, deemed very important in helping customers to understand the unique characteristics of the products that are typical of these Italian firms. This is a significant means to involve customers through every role, and also through SNS or digital platforms. Despite these important results, our research represents only an exploratory study applied to a limited number of firms and lacks generalizability. In the near future, studies could also extend our analysis to other firms to achieve more generalizable results.

On a final note and expanding on the core findings of this research, a number of conclusions are evident. Firstly, SMEs in the F&B sector appear to be increasingly aware of the importance of customers in the creation of value. Secondly, and despite the drive to utilize this realization to their benefit, there is a rather natural limited ability to achieve it primarily due to the age-old problem of limited resources. Thirdly, technology, primarily internet-based, appears to provide SMEs with the avenues needed to reach and involve consumers as value co-creators, with minimal costs, and thus largely compensate for the aforementioned resource limitation. Lastly, direct contact and the "personal touch" appears to still hold a dear place in the efforts of SME to engulf the consumers within their value-creation processes. Overall, SMEs in the F&B sector appear to be progressively approaching their marketing practice along the contemporary notions of the field, 'marrying' the central marketing themes of "customer focus" and "value creation" in much the desired manner, and innovatively and experientially fighting against the lack of resources - and potentially competences - that stifle their venture.

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About the authors

Giuseppe Tardivo, Professor of Business Management-University of Turin; Honorary Professor at the ESCP Europe-London; Director of the Campus of Management and Economics- University of Turin – Cuneo Branch; Director of the University Division of Business Management – University of Turin; President of the Master Degree in Business Management, Marketing and Strategy. Member of the Board of Directors of CIMA (Research Center of Entrepreneurship and Management); Member of the Scientific Committees of academic journals. Member of the Advisory Board of UniCredit Italy. He is author of several books and papers on qualified national and international journals.

Dr. Alkis Thrassou is a Professor at the School of Business, University of Nicosia (Cyprus, EU). He holds a Ph.D. from the University of Leeds (UK) and is also a Fellow Chartered Marketer (FCIM,

UK), a Fellow Chartered Construction Manager (FCIOB, UK), a Chartered Management Consultancy Surveyor (MRICS, UK), and a Senior Fellow of the EuroMed Academy of Business (SFEMAB/EMRBI). He focuses on the fields of strategic marketing, services and customer behaviour; and his work has been published in dozens of internationally esteemed refereed scientific journals and books. He retains strong ties with the industry, acting also as a consultant.

Milena Viassone, ESCP Europe Ph.D., Paris and Ph.D in Business Management-University of Cassino; Associate Professor of Business Management-University of Turin, Cuneo Branch; Member of the Aidea (Italian Academy of Business Administration) Research Group (GSA) on the topic “Management for the sustainability of touristic development and the destinations competitiveness”; Member of the International ESCP Europe Group of Research on “International Development”. Member of the Editorial Board of several international journals and author of numerous books and papers on qualified national and international reviews.

Francesca Serravalle, graduated with Academic Mention in Business Finance and Financial Markets at the School of Management and Economics in Turin with a thesis in Fundraising, where the aim was the creation of an innovative tool, i.e. a mobile app, for the Cancer Organization Lilt of Biella.