



## Developing a Model for Customer Retention Through Value Co-creation in Service Projects: A Study of Relationships and Interactions Between Iranian Firms and Their Clients

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### ABSTRACT

Customer retention is considered one of the firms' main concerns. Clients can leave a certain firm or brand without committing to it and select the most preferred one from various alternatives. Therefore, it is essential to implement a strategy to retain customers, notably by value co-creation. In this study, we used the mixed-method design. In the qualitative section, we interviewed the targeted sampling of 15 marketing and sales managers and their clients in the services field. The analysis of this section was performed by Nvivo12. In the quantitative section, we surveyed 384 managers of service firms using a simple random sampling questionnaire. This section tested the developed model using the structural equation model and SmartPLS3 software. In this research, the inputs required by the firm and the client for value co-creation were identified. Testing the hypotheses revealed that client satisfaction and non-monetary values for the firm positively impacted customer retention.

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## 1. Introduction

Customer Retention (CR) is considered one of the firms' main concerns (Simanjuntak et al., 2020). On the other hand, a project is one of the key elements in most service firms' business development activities. Project continuity means acquiring new customers. As a result, many studies have sought to elaborate on the notions of project value and value creation (Martinsuo et al., 2019). Currently, although CR is exceptionally challenging for businesses, marketers should realize that ensuring the client does not switch to competitors is more cost-effective; consequently, they must implement CR strategies (Kyei Augustine & Bayoh, 2017). Value co-creation plays a significant role in small and medium-sized enterprises (SMEs) operating in the service industry (Schwetschke & Durugbo, 2018; Gustafsson et al., 2012) and enables them to take advantage of the resources, knowledge, customers' competencies, and assets as well as other stakeholders for value creation and delivery (Khajeheian & Ebrahimi, 2020). Because value co-creation with clients requires alignment and planning, implementation, and control of large-scale measures at different levels of the organization and clients, it is deemed a strategic issue (Venkatesan, 2017).

Accordingly, this study is organized as follows. First, the two project stakeholders determine the perceived value (PV). Second, the service project mechanism defines a separate sphere for each stakeholder; the firm may be unable to collaborate with the client due to these differences. Third, co-creation as a mechanism is simultaneously implemented by both parties (firm and client). Fourth, the senior executives' role is defined under the policies of the firm and its managers; many factors affect their interactions with clients. Thus, this study examines the effect of a two-way relationship with different inputs, the same interaction, and different outputs.

From a service-dominant logic perspective, value-in-use (VIU) is the focal point in understanding value co-creation and is, as such, supplemented by the term *value-in-context* (Hansen, 2020, p77). VIU is the client's empirical assessment of a product or service beyond its functional requirements and, according to the client's motivation, distinct attributes and outcomes such as repeated purchase and service function (Rubio et al., 2019). Consequently, value is not only based on the client's experiences with elements created by the service provider but can also appear beyond the sphere of the service provider in the client world (Heinonen et al., 2019). Marketing also seeks to ensure customer satisfaction to establish profitable relationships with the client (Szarucki & Menet, 2018) so that purchase and consumption practices lead to post-purchase behavior, including repeated purchases, change of attitude, or brand loyalty (Vega-Vazquez et al., 2013). This study aims to propose a model for CR through value co-creation in service projects by linking the inputs, process, and output of value co-creation and its outcomes. Given the lack of a globally accepted definition of value co-creation, it is emphasized that value co-creation is a "function of interaction" that results in creating value for both the firm and its clients, leading to CR. This study seeks to answer the following questions:

1. What are the main inputs for the firms and clients to initiate interaction through value co-creation in service projects?
2. What is the role of value co-creation of the firm and the client in value perception?
3. How does the firm's and clients' PV in service projects lead to CR?

The research logic aligns with the input-process-output-outcome (IPOO) model, an analytical widely-used model to examine the effect of the independent variable (input) on the dependent variable (outcome) through intermediate processes that convert inputs into outputs and outcomes. Therefore, the IPOO model was utilized as an analytical lens to incorporate key findings from the reviewed literature. This study addresses value co-creation for firms which leads to client satisfaction and the permanent firm-customer relationship. The following section will review the previous studies on CR, value co-creation, and service projects. Then, the relevant research on CR through value co-creation in service projects will be reviewed. The concluding sections consider key findings, implications, and future research.

## 2. Theoretical background

### 2.1 Customer retention

CR is defined as the continuation of a client's business relationship with the firm. The firms need to focus more on CR strategies because customers who have previously experienced satisfaction and trust are not necessarily loyal to the same firm (Simanjuntak et al., 2020). CR refers to the number of

clients who purchase from a firm at the end of a fiscal year and is typically expressed as a percentage of clients who were active at the beginning of the year (Buttle, 2004). For service firms to achieve customer satisfaction, which breeds customer loyalty, they must focus on enhancing both the quality of their services and their image (Nguyen et al., 2018). The firm must be able to establish and maintain a long-term relationship with the clients by satisfying their different needs and demands and motivating them to cooperate with the organization (LaBarbera & Mazursky, 1983). Profits also increase as the client-firm relationship develops (Yilmaz & Ferman, 2017).

## **2.2 Value co-creation**

Value co-creation is a dynamic, continuous, and interactive process realized through the exchange of services between actors. This process also focuses on the users' service experience and the complete service. Therefore, investigating value co-creation by the firm and clients in the process is essential. This is of great significance because it may lead to customer satisfaction and loyalty, reduce the customer churn rate, and thus increase competition (Oyner & Korelina, 2016; Thiruvattal, 2017; Tu et al., 2018). Value co-creation enables firms and their stakeholders, particularly clients, to cooperate to generate reciprocal value (Frempong et al., 2020). Value co-creation refers to the organization's and clients' participatory actions and requirements in developing solutions to satisfy customer needs and create value (Skalen et al., 2015). This strategy can reduce research and development costs, customize products and functions, and expand the firm's market reach (Dick et al., 2015). Value co-creation as an advantage promotes the well-being of clients or firms (Ketonen-oksi et al., 2016).

## **2.3 Service projects**

A service project refers to a set of activities that occur over a certain period to create a unique product, service, or result. Value creation in projects and extensive firm-client interactions requires cooperation and formal and informal communication (Chih et al., 2019). The value of service projects may manifest itself in various economic, social, and environmental dimensions (Martinsuo & Killen, 2014). Providing clients with VIU is at the service project's core (Zwikael & Smyrk, 2012). Interactions allow clients to cooperate with the firms, define project objectives and requirements, and use customized services (Karpen et al., 2012; Smyth et al., 2018). Given the unique characteristics of each project, the value of different projects may be differently defined in financial terms, organizational, and social aspects (Green & Sergeeva, 2019; Martinsuo & Killen, 2014).

## **2.4 Customer retention through value co-creation**

Morgan and Hunt's (1994) theory of trust and commitment has been utilized in the vast majority of prior research on CR. Simanjuntak et al. (2020) contend that customer satisfaction improves CR. Chi et al. (2019) examined the increase in value co-creation in professional service projects. Their findings showed two types of value for the company: monetary and non-monetary. Marcos-Cuevas et al. (2016) offer a comprehensive value-added model called "Sustainable Targeted Interaction" that connects organizational capabilities, functions, and resources among actors. Their model is based on the idea that the capabilities of organizations lead to joint actions between them. Dick et al. (2015) examined value creation with stakeholders in an applied research study for a nonprofit. The aforementioned studies examine various facets of value creation; nonetheless, they all tend to emphasize the long-term success factors of a project that will lead to CR as a common theme.

# **3. Research methodology and results**

## **3.1 Research overview**

Two studies were performed to achieve the objectives of the present study. In the first study, interviews with the marketing and sales managers of service firms and their clients were conducted to propose the appropriate model and identify the factors involved in CR through value co-creation. Generally, CR allows scholars and marketing managers to contrast different theories and principles (Simanjuntak et al., 2020). Qualitative research investigates the observations in different contexts and provides an opportunity to consider experiences and their progress (Hirsjarvi & Hurme, 2000). In the second study, survey data were collected using a questionnaire to test the theoretical predictions from the first study empirically and to ensure that the research findings were generalized. Service projects

were considered as the unit of analysis in both studies. Regarding the importance of CR, the present study does not focus on specific projects, but it considers all service projects and provides more theoretical and empirical research. For these reasons, this study is considered as an exploratory and confirmatory research. Consequently, the mixed methods research design, combining qualitative (first study) and quantitative (second study) approaches were used.

### 3.2 First study: Qualitative interviews

#### 3.2.1 Samples and population

In the first study, a convenience sampling method (Kerlinger, 1986) was used to collect data from 15 marketing and sales managers (8 males and 7 females) and their clients (11 males and 4 females) with an average of over 17 years old of experience in providing services in Iran. The variety of service projects enabled the researchers to identify new relevant issues. Marketing and sales managers were asked to suggest the client's name and provide the contact details of the appropriate participants. To achieve an unbiased selection of clients, no research impact was applied to managers who had to choose clients. Each question had different purposes, such as openness, confrontation, and curiosity (Kvale & Brinkmann, 2009) (Table 1).

**Table 1.** Characteristics of sample size in the qualitative part of the research

No	Manager's name	Sex	position	Education	Experience (year)	Client's name	Sex
1	M 1	M	Sales Manager	BA	9	C 1	F
2	M 2	M	Marketing Manager	BA	25	C 2	F
3	M 3	F	Sales Manager	MA	12	C 3	M
4	M 4	F	Marketing Manager	MA	20	C 4	F
5	M 5	M	Sales Manager	BA	21	C 5	M
6	M 6	M	Sales Manager	BA	25	C 6	M
7	M 7	F	Marketing Manager	MA	9	C 7	M
8	M 8	F	Marketing Manager	MA	20	C 8	F
9	M 9	F	Marketing Manager	BA	17	C 9	M
10	M 10	M	Sales Manager	BA	30	C10	M
11	M 11	F	Marketing Manager	BA	15	C 11	M
12	M 12	M	Sales Manager	BA	15	C 12	M
13	M 13	M	Sales Manager	BA	17	C 13	M
14	M 14	M	Marketing Manager	MA	14	C 14	M
15	M 15	F	Sales Manager	MA	10	C 15	M

#### 3.2.2 Data collection and analysis

In the first study, data were collected through semi-structured interviews. Sample questions for the managers included "How do you interact and communicate with the clients?" and "In terms of client interaction, how is value co-creation occurring, and how can it be implemented?." To keep the managers' attention on the project, they were instructed to consider their client's project when answering questions. In interviews with clients, the managers were asked to answer identical questions. Each interview lasted approximately 30 minutes. Interview protocols were used to ensure the information's reliability, and all interviews were recorded for data analysis. The findings of the qualitative part of the research were analyzed by both researchers and Nvivo12 software. The first study analyzed data after an iterative process (Miles & Huberman, 1994).

We analyzed the data to identify emerging structures and concepts related to the research questions. When analyzing the interview data, we categorized corporate responses as belonging to the firm and client responses as belonging to the client sphere, and we grouped questions within the same sphere into a single class. This article aims to provide a model for CR through value co-creation in service projects. It must be determined where and which activities will produce CR to achieve this objective. First, influential variables become apparent in this interaction by identifying the creation of the "where" value in value-creating actors' environments. In the second stage, the "what" actors do is identified, and effective inputs for value co-creation in both the firm and the client are determined. In this stage, open coding was used to identify semantic entities, and then content analysis was used to compact the existing meanings. Third, the process of value creation in the interaction between the firm and the client to receive services in a project was identified as steps and the process of creating value

to attain a result. The data encoding method follows the grounded theory. We used multiple grounded theories, which attempt to combine certain aspects of the inductive and deductive methods. Fourth, based on the outputs and the achievement of value for the two actors in the project, the desired conditions were defined, the result of which can be cooperation with CR. After extracting the categories, we examined the similarities of the discovered sub-categories; thus, the function of this process was to integrate and combine these categories.

Based on the above process, 25 categories related to three spheres were inferred (See Table 2). This research used a three-step method of preparation, organization, and reporting. In both approaches, the preparation stage was common and went back to selecting the research topic and the analysis unit. The subsequent step entailed organizing the combined information. After analyzing the interviews and categorizing and counting the categories, we used Cohen’s kappa coefficient, stability index, and repeatability index to determine the validity of the findings obtained from this stage. In the repeatability method, the validity obtained from this method included 84 similarities between the categories of the two lists. We coded fasting. Through the number of agreements and non-agreement available, in the two coding stages, the stability index is equal to 94, which shows that 94% of the codes are similar in two-time intervals. Cohen coefficient in this study was 0.761, considered a good agreement between the two evaluators. Then, these findings were tested to develop a research framework and hypotheses.

**Table 2.** Frequency percentage of subcategories related to three spheres

Findings	Class	Categories main	Sub-categories	Total	
				Frequency	Percentage
Firm inputs	Capabilities	Market measurement	Management of key customers	24	3.29
			Continuity and persuasion of the customer	6	0.82
			Creativity and innovation	4	0.55
			Market measurement	5	0.69
			Having a plan and strategy	7	0.96
		Expert marketers	Expert marketing team	9	1.23
			Expert marketers	9	1.23
			Relationship marketing	10	1.37
			Customer training	6	0.82
			Increase in income and profit	8	1.10
	Objectives	More distinction	Better position than competitors	15	22.06
			Growth of the position of the company	7	0.96
			More distinction	5	0.69
			Becoming a superior brand	7	0.96
			Improving client insight	7	0.96
	Resources	Expertise and skill	Improving client insight	7	0.96
			Changing the customer's behavior	6	0.82
			Expertise and skill	4	0.55
			Reputation	6	0.82
			Honesty and transparency	8	1.10
		Awareness and knowledge	Environment and facilities	6	0.82
			Strong background	5	0.69
			Awareness and knowledge	12	1.65
			Up-to-date	2	0.27
			Establishing a long-term relationship	1	0.14
Motivations	Development continuity	Development continuity	2	0.27	
		Partnering with customers	6	0.82	
		Calmness and self-confidence	3	0.41	
		High quality services	20	2.74	
	High quality services	Doing more project	2	0.27	
		Professionalization	12	1.65	
		Cost reduction for the customer	9	1.23	
Client inputs	Capabilities	Personal traits	4	0.60	
		Tolerance and patience	5	0.75	
		Mouth advertising	5	0.75	

Table 2.

Findings	Class	Categories main	Sub-categories	Total	
				Frequency	Percentage
			Controlling and monitoring	14	2.09
			Response	8	1.19
		Controlling and monitoring	Enough time	6	0.90
			More relationships	6	0.90
			Helping	9	1.34
			Preparation for co-creation	1	0.15
			More success	10	1.49
		Customization	Confidence to win	4	0.60
			Customization	31	4.63
			Better result	11	1.64
	Objectives		Increasing the level of awareness	6	0.90
		Learning	Learning	13	1.94
			Avoiding problems	9	1.34
			More offers	5	0.75
		Experience and awareness	Experience and awareness	8	1.94
			Better payments	6	0.90
			Integrity	8	1.19
	Resources		Common understanding	6	0.90
		Information and knowledge	Information and knowledge	2	0.30
			Conversation and consultation	6	0.90
		Financial and non-financial	Financial and non-financial	5	0.75
			More discounts	1	0.15
			Achieving the goals	4	0.60
	Motivations		Closer and friendly communication	25	3.73
		Pleasure	Altruism	3	0.45
			Pleasure	6	0.90
			Fun and entertainment	2	0.30
			Diversity	6	0.90
			Joint action	13	0.93
			Two-way interaction	9	0.64
			Bilateral agreement	25	1.79
		Cooperation	Attention and explanation to the customer	16	1.14
			Harmony and empathy	18	1.29
			Synchronization	13	0.93
			Cooperation	72	5.15
			Trust building	42	3.00
			Willingness to continue	41	2.93
		Willingness to continue	Commitment	12	0.86
			Sense of satisfaction	8	0.57
			Equal role	10	0.71
			Notice to both parties	5	0.36
			Increase of powers	5	0.36
		Exit from co-creation	Exit from co-creation	22	1.57
		Value –in –use	Value–in–use	25	1.79
			Perceived value	17	1.22
			Desirable value	13	0.93
		Perceived value	Expected value	20	1.43
			Sense of winning	16	1.14
			Good value	6	0.43
		Monetary value	Monetary value	22	3.02
	Firm outputs	Value for the firm	Non-monetary value	7	0.96
			CRM	9	1.23
			Customer support	11	1.51
			Satisfaction	24	3.58
	Client outputs	Value for the client	Customer loyalty	6	0.90
			Dissatisfaction	5	0.75

### 3.2.3 Research findings and hypotheses conceptualization

The findings of the first study are shown in Fig. 1.

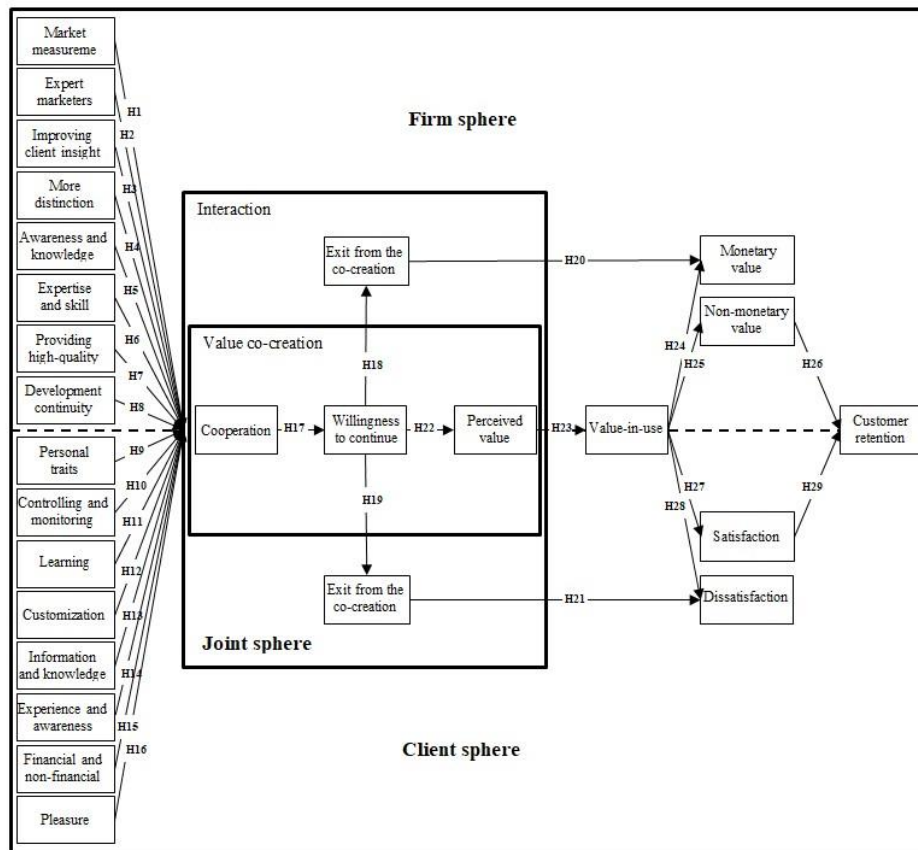


Figure 1. CR model through value co-creation in service projects

#### 3.2.3.1 Firm inputs for interaction with the client

The research findings revealed that both the firm and the client must own a set of data to initiate the value co-creation, called CORM, in the present study. Capability is defined as a set of skills and resources that enable a firm to achieve higher performance (Harmsen & Jensen, 2004). Therefore, co-creation is manifested by the capabilities. This was noted by a manager from a service project: *“The firm should be able to analyze market conditions specifically and should have a very strong marketing team in communication.”* Results also showed the positive impact of market measurement and expert marketers on customer engagement. According to the findings and literature review, it was suggested that:

- H1.** There is a positive relationship between market measurement by the firm for value co-creation and cooperation.
- H2.** There is a positive relationship between firm expert marketers for value co-creation and cooperation.

The firms pursue their certain objectives; accordingly, the objectives may be effective in initiating a co-creation interaction. Those organizations which seek to co-create with the clients must take actions to satisfy the client’s objectives in order to engage in value co-creation (Frempong et al., 2020). This was illustrated by a manager: *“Being unique compared to competing companies, improving the customer's mindset, and providing services to best meet the customer's needs are among our objectives.”* Concerning the firm’s objectives, more distinction and improving client insight were selected by the majority of managers. Therefore, it was suggested that:

**H3.** There is a positive relationship between improving client insight by the firm for value co-creation and cooperation.

**H4.** There is a positive relationship between more distinction by the firm for value co-creation and cooperation.

Firms must first create the internal environment and necessary tools to manage exciting new ideas, many of which are obtained through different sources. Vargo and Lusch (2004) introduced two types of resources in their fundamental logic: operant and operand, arguing that a solid dominant traditional logic draws on the logic of exchange, where goods are produced in the form of the value resources through exchanges (Edvardsson, 2011). Interestingly, all managers in the study emphasized that a firm's knowledge and skills are essential for client interaction. It was therefore suggested that:

**H5.** There is a positive relationship between the firm's awareness and knowledge of value co-creation and cooperation.

**H6.** There is a positive relationship between the firm's expertise and skill for value co-creation and cooperation.

Project value co-creation is a functional and interactive process to enhance the outcomes of customer value as an end objective (Gronroos, 2017). When clients engage in the development of a new service, they achieve a sense of belonging to the firm, thus increasing their satisfaction and loyalty level (Griseemann & Stokburger-Sauer, 2012). This was noted by managers who stated, "*The more we pay attention to our clients, the higher the quality of our work will be. By providing the best service and the lowest cost, we create value for our clients and get their satisfaction so that the client does not feel uncomfortable.*" Concerning the firm's motivations, it was suggested that:

**H7.** There is a positive relationship between providing high-quality services for value co-creation and cooperation.

**H8.** There is a positive relationship between the development continuity by the firm for value co-creation and cooperation.

### 3.2.3.2 Client inputs for interaction with the firm

Kumar et al. (2018) clients' capacity to perform value co-creation activities is influenced by personal factors such as clients' capabilities. This was noted by the client: "*I am always aware of the quality and precise principles of my work because I am present in the entire process of my work, and I am relieved that my work will not run into any problems.*" our findings confirm that personality traits and clients' controlling and monitoring positively impacted interactions with firms. Therefore, it was suggested that:

**H9.** There is a positive relationship between the client's personality traits for value co-creation and cooperation.

**H10.** There is a positive relationship between the client's controlling and monitoring for value co-creation and cooperation.

Interactive actions and joint activities between parties are other effective requirements for value co-creation (Marcos-Cuevas et al., 2016). This was noted by a client who stated, "*I wanted to receive services that correspond to what I want this is exactly what we want, that is, the employee of our company will do this project with the help of the company and learn what to do to solve the problem in the future.*" Along with the client's objectives, based on clients' responses, client learning and customization is one of the clients' objectives for cooperating in value co-creation with the firm. Thus, it was suggested that:

**H11.** There is a positive relationship between client learning for value co-creation and cooperation.



**H12.** There is a positive relationship between client service customization for value co-creation and cooperation.

As firms have resources, clients also have resources (Arnould et al., 2006). Knowledge, which is considered an intangible resource for the firm, affects the motivation of clients or actors for collaborations, as it is a resource that is shared during value creation; this was illustrated by a client: “*My technical knowledge and information worked very well in the project process.*” Concerning the client’s experience and knowledge of interacting with the firms and the obtained data, it was suggested that:

**H13.** There is a positive relationship between the client’s information and knowledge for value co-creation and cooperation.

**H14.** There is a positive relationship between the client’s experience and awareness of value co-creation and cooperation.

Keeping the customer motivated to participation is very vital and it is a challenge for any of the value co-creating activities for firms (Agrawal & Rahman, 2015). This was noted by a client who stated, “*For us, financial incentives were more important, because in this way we could monitor expenses more closely. Before this, I had received projects that were all implemented one-way and I only received that work, but now that I participated and collaborated in this project, I enjoyed it.*” Findings demonstrated the positive effect of financial and non-financial motivation and interaction satisfaction with the firm. Thus, it was suggested that:

**H15.** There is a positive relationship between clients’ financial and non-financial motivations for value co-creation and cooperation.

**H16.** There is a positive relationship between the client’s pleasure for value co-creation and cooperation.

### **3.2.3.3 Value co-creation between firm and client**

In a co-creation process, clients actively cooperate in the initiative’s early stages and share their experiences, compelling the firm to change its products and services portfolio (Kristensson et al., 2008). Value co-creation is an interactive process in which value is created by the collaboration of two or more actors (Rabetino, 2015). Thus, the collaboration of both parties simultaneously and equally is required for co-creation, leading to mediation between the firm and the client (Sarmah, 2018). Along with the findings of the present study, Roser et al. (2013), who define cooperation as an interactive, creative, and social process initiated by the firm in the early stages of co-creation, it was suggested that:

**H17.** There is a positive relationship between cooperation through value co-creation in the firm-client interaction and willingness to continue the collaboration.

Client’s willingness for co-creation is formed in a variety of ways based on their different needs which will be satisfied by the firms (Sampson & Spring, 2012). Consequently, they have different willingness for co-creation in interactions. Clients and firms will continue collaboration only if they anticipate the benefits of this relationship. Hence, it was suggested that:

**H18.** There is a positive relationship between the willingness to continue collaboration in the firm-client interaction and the firm’s exit from value co-creation.

**H19.** There is a positive relationship between the willingness to continue collaboration in the firm-client interaction and by client’s exit from the value co-creation.

Heidenreich et al. (2013) argue that the clients are willing to collaborate in the co-creation only if their interests are met. This is the basis for creating the perceivable value for both parties. The proper value perception and explanation for clarifying the main reciprocal aspects of value co-creation are required in order to utilize value co-creation (Lee et al., 2015). In this study, clients stated that they would exit if they had no willingness. Thus, it was suggested that:

**H20.** There is a positive relationship between firms' exit from the value co-creation in the firm-client interaction and acquiring the firm's monetary value.

**H21.** There is a positive relationship between the client's exit from the value co-creation in the firm-client interaction and client dissatisfaction.

PV can play a major role in a firm's ability to achieve a competitive advantage (Sampson, 2015). PV is an overall assessment exploiting the perceptions of what is received and what is provided (Zeithaml, 1988).

**H22.** There is a positive relationship between the willingness to continue collaboration through value co-creation in the firm-client interaction with the perceived value.

It is essential to consider how the firm creates value for the client.

Woodruff (1997) asserts that this value is a perception evaluated by examining the product's attributes, function, and application of outcomes as a variable. Our findings also show that the value in use for both client and firm can be related to their perception of value, this was noted by a client who stated, "I see the value of a service in the events that will happen to me in life." Thus, it was suggested that:

**H23.** There is a positive relationship between perceived value through value co-creation in the firm-client interaction and VIU.

#### 3.2.3.4 Firm outputs and value achievement

The term *value* has two different meanings. It sometimes refers to the usefulness of a particular object and sometimes denotes the purchasing power of other commodities or object ownership, called *VIU* (Baltova & Baltov, 2017). Firm-client value co-creation is important in terms of VIU and the role of the users as the value co-creators in the marketing literature (Galvagno et al., 2014). According to Chih et al. (2019), there is a relationship between VIU and the firm's monetary and non-monetary values and this is consistent with the results of the present study. Therefore, it was suggested that:

**H24.** There is a positive relationship between VIU and the firm's monetary value.

**H25.** There is a positive relationship between VIU and the firm's non-monetary value.

Results showed that the outcome of the non-monetary values could lead to CR. This was noted by managers: "Non-monetary values and long-term cooperation with the client mean reducing our work stress to attract new customers and retain clients for the firm." Therefore, it was suggested that:

**H26.** There is a positive relationship between the firm's non-monetary values and CR.

#### 3.2.3.5 Client outputs and value achievement

Gronroos and Ravald (2011) emphasize that customer perception of VIU may appear in both the objective and subjective co-creation, and therefore, they believe that value creation is essentially empirical. Consequently, clients share their experiences, and the value creation relates to an additional broader social context that is perceived as the social experiences and customer practices (Rihova et al., 2013, p. 555). According to the findings, it was suggested that:

**H27.** There is a positive relationship between VIU and client satisfaction.

**H28.** There is a positive relationship between VIU and client dissatisfaction.

Additionally, the outcome of client satisfaction can lead to customer relationship continuity with the firm. This was noted by the client: "I will use this firm again for my services because I was satisfied with the outcome of the work." Thus, it was suggested that:

**H29.** There is a positive relationship between client satisfaction and CR.

### 3.3 Second study: Quantitative study

#### 3.3.1 Samples and steps

Data for the second study were collected from marketing and sales managers of service firms in Iran. Initially, 390 questionnaires were distributed among the research sample, and after review, incomplete questionnaires were excluded, and only 384 valid questionnaires were used. Among the respondents, 279 were male, 105 were female, of whom 199 were married, and 185 were single. Moreover, 53 held a diploma, 82 held a master’s degree, 134 held a bachelor’s degree, and 115 people held a master’s degree and a doctorate. Results showed that 27.34% were aged 18-24, 32.55% were 25-39, 36.20% were 40-59, and 3.91% were over 60. In addition, 35.94% had below 10, 41.41% had 11 to 20, and 21.65% had more than 20 years of work experience.

#### 3.3.2 Variable measurement

The questionnaire consisted of 81 closed items based on a five-point Likert scale ranging from “Strongly Agree” to “Strongly Disagree.” The final multiple-choice questions were used to measure demographic variables. Testing research hypotheses required variable measurement. A questionnaire was employed to measure the variables in the present study. Consequently, initial verification of the questionnaire’s dependability was required. Thus, confirmatory factor analysis was performed. Since the model proposed in the research is complex, the variance-based method (Partial Least Squares or PLS) was used. In the PLS method, as shown in Table 3, Cronbach’s alpha, homogeneity reliability coefficient (H value), composite reliability, and convergent validity indices were employed. To this end, the results showed that all our variables had acceptable reliability.

**Table 3.** Reliability indices of the measurement model

Variables	Cronbach’s alpha	rho_A	Composite reliability	Convergent validity
Awareness and knowledge	0.72	0.772	0.757	0.514
High-quality services	0.71	0.782	0.831	0.626
Value-in-use	0.71	0.752	0.755	0.512
Perceived value	0.70	0.726	0.761	0.615
Non-monetary value	0.76	0.700	0.817	0.601
Monetary value	0.71	0.723	0.732	0.586
Information and knowledge	0.72	0.718	0.727	0.586
Expert marketers	0.72	0.790	0.824	0.617
Improving client insight	0.72	0.727	0.730	0.587
Experience and awareness	0.74	0.710	0.742	0.505
Expertise and skill	0.78	0.710	0.813	0.593
Development continuity	0.71	0.722	0.758	0.512
More distinction	0.75	0.771	0.810	0.589
Willingness to continue	0.71	0.509	0.747	0.502
Customer retention	0.75	0.758	0.853	0.571
Client’s exit from co-creation	0.71	0.701	0.727	0.571
Firm’s exit from co-creation	0.77	0.764	0.835	0.630
Personal traits	0.77	0.796	0.776	0.543
Satisfaction	0.72	0.767	0.732	0.577
Market measurement	0.71	0.701	0.727	0.571
Customization	0.70	0.769	0.776	0.543
Dissatisfaction	0.72	0.796	0.735	0.550
Pleasure	0.71	0.732	0.791	0.559
Financial and non-financial	0.71	0.723	0.723	0.589
Cooperation	0.71	0.758	0.715	0.570
Controlling and monitoring	0.76	0.782	0.864	0.681
Learning	0.71	0.793	0.743	0.510

##### 3.3.2.1 Analysis of the goodness of fit of the model

The coefficient of determination ( $R^2$ ) indicates the effect of the exogenous variable on the endogenous variable. This criterion reduces errors in the measurement model, increases the construct variance and indices, and is only controlled in PLS. Values less than 0.10, 0.20, and 0.57 were defined as weak, moderate, and strong relationships, respectively.

**Table 4.** Obtained goodness of fit indices

Variable	R <sup>2</sup>	SRMR
Value-in-use	0.32	
Perceived value	0.13	
Non-monetary value	0.24	
Monetary value	0.33	
Willingness to continue	0.28	
CR	0.58	0.074
Client's exit from co-creation	0.22	
Firm's exit from co-creation	0.19	
Satisfaction	0.28	
Dissatisfaction	0.17	
Cooperation	0.61	

According to the R<sup>2</sup> values in Table 3, the R<sup>2</sup> values of the endogenous variables are acceptable. The SRMR goodness of fit is used after GOF obsolescence, and an optimal value of this index less than 0.1 or 0.08 was deemed acceptable.

### 3.3.3 Data analysis and results

The present study's hypotheses were either confirmed or rejected based on structural equation modeling results. In H1, the regression coefficient between market measurement and cooperation and the related market measurement for these two variables was determined ( $\beta = -0.074$ ;  $t = 0.848$ ). Therefore, H0 was confirmed at 95% CI, and H1 was rejected. In H2, the regression coefficient between expert marketers and cooperation and the relationship between these two variables was obtained ( $\beta = 0.612$ ;  $t = 4.151$ ); therefore, H0 was rejected at 95% CI, and H2 was confirmed. In H3, the regression coefficient between improving client insight and cooperation was obtained ( $\beta = 0.098$ ;  $t = 1.124$ ), and H0 was confirmed at 95% CI; thus, H3 was rejected.

In H4, more distinction was considered between cooperation ( $\beta = 0.201$ ;  $t = 2.215$ ); thus, H0 was rejected at 95% CI, and H4 was confirmed. In H5, the regression coefficient between awareness and knowledge with cooperation was obtained ( $\beta = 0.208$ ;  $t = 21.114$ ), H0 was rejected at 95% CI, and H5 was confirmed. In H6, the regression coefficient between expertise and skill with cooperation was obtained ( $\beta = 0.371$ ;  $t = 19.443$ ); thus, H0 was rejected at 95% CI, and H6 was confirmed. In H7, the regression coefficient between providing high-quality services with cooperation was obtained ( $\beta = 0.127$ ;  $t = 1.140$ ), H0 was confirmed at 95% CI, and H7 was rejected. In H8, the regression coefficient between development continuity with cooperation was obtained ( $\beta = 0.298$ ;  $t = 2.618$ ), H0 was rejected at 95% CI, and H8 was confirmed. In H9, the regression coefficient between personality traits with cooperation was obtained ( $\beta = 0.322$ ;  $t = 2.267$ ), H0 was rejected at 95% CI, and H9 was confirmed.

In H10, a regression coefficient between controlling and monitoring with cooperation was obtained ( $\beta = 0.205$ ;  $t = 1.618$ ), H0 was confirmed at 95% CI, and H10 was rejected. In H11, the regression coefficient between learning with cooperation ( $\beta = 0.013$ ;  $t = 0.186$ ) was obtained, H0 was confirmed at 95% CI, and H11 was rejected. In H12, the regression coefficient between customization with cooperation was obtained ( $\beta = 0.287$ ;  $t = 3.184$ ), H0 was rejected at 95% CI, and H12 was confirmed. In H13, the regression coefficient between information and knowledge with cooperation was obtained ( $\beta = 0.053$ ;  $t = 0.417$ ), and H0 was confirmed at 95% CI; thus, H13 was rejected. In H14, a regression coefficient between experience and awareness with cooperation was obtained ( $\beta = 0.333$ ;  $t = 4.145$ ), H0 was rejected at 95% CI, and H14 was confirmed. In H15, the regression coefficient between financial and non-financial motivations with cooperation was obtained ( $\beta = 0.125$ ;  $t = 1.098$ ), H0 was confirmed at 95% CI, and H15 was rejected.

In H16, the regression coefficient between pleasure with cooperation was obtained ( $\beta = 0.437$ ;  $t = 4.019$ ), H0 was rejected at 95% CI, and H16 was confirmed. In H17, the regression coefficient between cooperation and willingness to continue collaboration was obtained ( $\beta = 0.533$ ;  $t = 7.321$ ), H0 was rejected at 95% CI, and H17 was confirmed. In H18, the willingness to continue collaboration with the firm's exit from the value co-creation was obtained ( $\beta = 0.437$ ;  $t = 4.709$ ), H0 was rejected at 95% CI, and H18 was confirmed. In H19, the regression coefficient between the willingness to continue collaboration with the client's exit from value co-creation was determined ( $\beta = 0.492$ ;  $t =$

4.004), H0 was rejected at 95% CI, and H19 was confirmed. In H20, the regression coefficient between the firm's exit from value co-creation with monetary value was obtained ( $\beta = 0.325$ ;  $t = 4.390$ ), H0 was rejected at 95% CI, and H20 was confirmed.

In H21, the regression coefficient between the client's exit from the value co-creation with dissatisfaction was obtained ( $\beta = 0.019$ ;  $t = 0.189$ ), H0 was confirmed at 95% CI, and H21 was rejected. In H22, the regression coefficient between the willingness to continue collaboration with the PV was obtained ( $\beta = 0.366$ ;  $t = 3.841$ ), H0 was rejected at 95% CI, and the H22 was confirmed. In H23, the regression coefficient between the perceived value with the VIU was obtained ( $\beta = 0.570$ ;  $t = 10.511$ ), H0 was rejected at 95% CI, and H23 was confirmed. In H24, the regression coefficient between VIU and monetary value was obtained ( $\beta = 0.389$ ;  $t = 5.761$ ), and H0 was rejected at 95% CI; thus, H24 was confirmed. In H25, the regression coefficient between VIU with non-monetary value was obtained ( $\beta = 0.489$ ;  $t = 7.761$ ), H0 was rejected at 95% CI, and H25 was confirmed. In H26, non-monetary values with CR were obtained ( $\beta = 0.230$ ;  $t = 3.482$ ), H0 was rejected at 95% CI, and H26 was confirmed. In H27, VIU with client satisfaction was obtained ( $\beta = 0.529$ ;  $t = 3.455$ ), H0 was rejected at 95% CI, and H27 was confirmed. In H28, VIU with client dissatisfaction was obtained ( $\beta = 0.404$ ;  $t = 4.885$ ), H0 was rejected at 95% CI, and H28 was confirmed. In H29, the regression coefficient between client satisfaction with CR was obtained ( $\beta = 0.634$ ;  $t = 11.095$ ), and H0 was rejected at 95% CI; thus, H29 was also confirmed.

#### **4. Discussion**

This study aimed to satisfy high demands for multidisciplinary empirical research, and the results sought to theorize CR through value co-creation in service projects. Because utilizing such a strategy requires the expertise and resources to understand CR in a highly competitive business setting, it may be necessary to discuss its implementation. In this study, a new theory was used to create insights on how to retain customers by value co-creation in service projects using a mixed-method research design. The findings confirmed the main purpose of CR through value co-creation and showed the dependence on service projects. The results revealed that firm and customer inputs are required for value co-creation. The capabilities, objectives, resources, and motivations of the firm and the client are called CORM inputs in this study.

Considering the results of the t-test and the fact that the statistical value of this test for the relationship between expert marketers, more distinction, awareness and knowledge, expertise and skills, and development continuity by the firm for value co-creation with cooperation was greater than the critical rate of 1.96, a positive and statistically significant relationship was identified between these variables and cooperation. Therefore, to engage in cooperation and gain the client's trust, firms require highly qualified, trustworthy, and communicative marketers. In addition, more distinction of services leads to clients' increased willingness to collaborate with the firm and receive services from said firm compared to competitors. The awareness and knowledge for providing services can adequately satisfy the client's needs. Moreover, the expertise and skill of personnel cause a sense of peace of mind and client satisfaction in receiving services. However, sufficient need and motivation for the companies can be summarized as project continuity and an active workforce, which will be accompanied by only development continuity.

The results demonstrated a positive and significant relationship between personality traits, customization, experience, knowledge, and pleasure for value co-creation and cooperation. Indeed, the client's personality traits are of great importance to cooperation with the firm, and clients are engaged in co-creation to receive a unique and customized service according to their needs. In addition, clients must be reasonably experienced and aware of the areas where they desire to receive services. Ultimately, the client's interest in autonomy and the pleasure of creating new works leads them to cooperate with the firm. Furthermore, the result of H17 showed a positive relationship between cooperation through value co-creation in the firm-client interaction and the willingness to continue the collaboration. In the area of service and collaboration between the firm and the client, it is essential to consider if an issue exists (for example, the client's lack of time or the firm's lack of commitment). Therefore, both parties may lose their willingness to collaborate, which leads to the withdrawal of either party. Additionally, there was a significant positive relationship between willingness to continue collaboration in the firm-client interaction and an exit from value co-creation by both the firm and client.

The result of H20 and the obtained test statistics indicated a positive relationship between the firm's exit from value co-creation in the firm-client interaction and the acquisition of monetary value. Since the firm must complete and deliver orders to the client according to the contract defined at the onset of the project, a financial settlement will be made at the end of the project, which is tied to the monetary values of the firm. There was a positive relationship between willingness to continue collaboration through value co-creation in the firm-client interaction and perceived value. Therefore, the continued collaboration will increase mutual understanding of value co-creation.

The result of H23 also showed a positive relationship between PV through value co-creation in the firm-client interaction and VIU. The perceived value should be tangible and effective in life for it to be understood so that the client and the firm can estimate the value that will result from its use. There was a positive relationship between VIU and monetary and non-monetary value for the firm. Hypotheses 24 and 25 of this study are consistent with hypotheses 8 and 10 of Chi et al. (2019) study on the relationship between a firm's VIU and monetary and non-monetary values. The results of H27 and H28 also showed that according to the t value (over 1.96), there was a positive relationship between the VIU and client satisfaction and client dissatisfaction. Finally, there was a positive and significant relationship between the outcomes of non-monetary values for the firm and client satisfaction and CR. A firm that considers both monetary and non-monetary values (such as reputation) can turn a profit in the long run. In addition, satisfied clients are less likely to purchase from competitors; thus, the outcome of non-monetary value achievement and client satisfaction is observed in CR.

The results suggest that a collaborative process may be destructive to project accomplishment due to multiple interactions, a finding that contrasts with Karpen et al. (2012). They theoretically suggest that external stakeholders are fully empowered during the value co-creation process. The capabilities of the firm are closely related to the capabilities of the managers because these are the people who create and develop co-creation and cooperation with the client (Karpen et al., 2012). These findings are in line with previous studies that have highlighted the importance of relationship management ability. Marcos-Cuevas et al. (2016) present a comprehensive value co-creation model. They summarize the value of co-creating a production process with functions and capabilities that may be used simultaneously at different stages of the production process. Their model is based on the idea that the capabilities of organizations create joint actions between them. According to their studies, in this study, the inputs of the firm and the client are used in the different stages of cooperation that may create value. Furthermore, while previous project research has examined some types of value outcomes (e.g., Martinsuo & Killen, 2014; Smyth et al., 2018), this study shows how these outcomes may be achieved through co-creation.

Value leads to customer retention, not a plan to enter into an engagement. Previous research on co-creation has been criticized for being conceptual, normative, perspective, and rooted in positive terms (Mele, 2011). In contrast, this research presents the firm and client CORM that may be considered key actions of managers and clients to increase the value of the target in an interaction. Previous studies define that customer value is subjective and constantly changing (Woodruff, 1997) and this dependence of value perception on time and situation was also observed in this study that the efficiency and quality of operations are very important in the operational phase of business that were emphasized by clients. Morgan and Hunt (1994) argue that satisfaction acts as a precursor to commitment, and commitment affects customers' repurchase intentions, which is also confirmed by our studies. Our findings show that customer satisfaction affects CR, consistent with Simanjuntak et al. (2020). It also supports the findings of Nguyen et al. (2018), indicating that customer satisfaction significantly impacts CR.

## **5. Conclusion**

This study developed a comprehensive view of the CR model through value co-creation in service projects using a mixed-method design. The data collected through qualitative interviews and quantitative surveys showed the positive impact of achieving non-monetary values of the firm and client satisfaction on CR. This study also identified various firm, client, and joint spheres. In this study, the inputs required by the firm and the client for value co-creation were introduced as CORM. However, the value is different for the firm and the client, and if client satisfaction is achieved, a client can be expected to continue the relationship with the firm. Also, the firm's achievement of non-

monetary values will require more client satisfaction, leading to CR. Finally, the results of this study can be used for marketing management concerning the impact of CR, especially in service firms.

### **5.1 Theoretical and Practical Implications**

The purpose of this study was not to propose a comprehensive model but to conduct preliminary relevant research. To this end, it presented three important theoretical implications. First, it empirically identified the CORM for initiating value co-creation; although these inputs may change over time, they may be sufficient for certain situations and firm–client interactions, especially when there is no prior relevant knowledge. Second, Previous research on projects assumed that results appear in the long term. This study empirically showed that value co-creation in the firm–client interaction plays a critical role in achieving satisfactory value for both parties, thereby maintaining the firm–client relationship and leading to CR. Third, by fully describing a collaborative process and the implications of value understanding outcomes, this study has made it possible to achieve a CR strategy through value co-creation, thus adding to existing knowledge.

This study also offered practical implications. First, managers should thoroughly recognize their client CORM and increase knowledge of their client’s initial ideas and desires to retain their customers through value co-creation in service projects and understanding their firm’s inputs and CORM. In the marketing and management fields, this study creates a new conceptual understanding of interactive relationships for the study of business management and marketing students. The results of this study provide some guidelines for managers to succeed in customer relationships and profitability through valuation for both clients and their firms. Second, specialized personnel training for communicating with clients and preparing the client to take a stand against bilateral cooperation and value co-creation offers in service delivery should be considered. Additionally, the firm’s personnel in all departments should be prepared to cooperate with the client and consider customer requests because the level of interaction has increased, and other clients will no longer be satisfied with the lowest level of relationships in receiving their services. This research found that the allocation of value outcomes is highly influenced by power asymmetries among relevant actors in the value co-creation process, which in turn may have negative consequences for one party or another. For example, clients follow hidden agendas, which compromise the firm's bottom line. These actors may ultimately decide the fate of value outcomes. Third, managers must regularly monitor the level of service provided by competitors in the market to differentiate their services and to take special measures to increase client satisfaction. The customers’ perception of receiving their services should be tangible and professional so that a lasting, positive mental image of these services is imprinted in the customers’ minds. Furthermore, our results show that unethical behavior is quite common among actors, especially firm managers, who are the main decision-makers. For example, the firm took advantage of the fact that the client did not perform the contract properly. As a result, the firm unethically raises the various prices that were agreed upon in the initial contract. Overall, CR provides the opportunity for academic researchers and marketing managers to challenge various theories and principles.

### **6. Limitations and future research**

This study provides important insights into inputs (firm and client CORM), process (cooperation, willingness to continue the collaboration, perceived value), and outputs (value for the firm and client) in service projects. However, several limitations should be considered in future research. First, this study only examined the effect of two factors on the firm and the client CORM (factors related to the capabilities, objectives, resources, and motivations); second, for theoretical and empirical reasons, this study focused on how the value was achieved by service firms and clients in service projects in Iran. Future studies should be conducted in various cultural contexts to determine value perception in various cultures and how managers in different communities view value co-creation in service projects to retain customers (Keays & Huemann, 2017). Third, future research should address the implications of value co-creation at a higher level of CR, change the path of value co-creation, and map it out differently. Fourth, future research should test the conceptual model in other areas to expand its scope.

Exploring both stakeholders’ outputs and value achievement is essential in CR through value co-creation. Are non-monetary values and satisfaction enough for CR? Is it possible to create a certain value for CR? Will the client be bound to the firm after receiving the services through co-creation?

Finally, in addition to developing the theory, future studies may overcome the methodological limitations of this study by collecting additional data from various sources and using other research designs. Moreover, according to the cross-sectional research design, the results of the present study are positive in terms of the relationship between the two variables and can only show the relationships between the variables. Further quantitative research is required to confirm the study variables' causality and understand the temporary dynamics of these relationships.



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