

Master Thesis

# Value co-creation: The perspective of Securitas Direct



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Author,  
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## List of Figures

Figure 1. Research structure	7
Figure 2: The co-creation space	17
Figure 3: Conceptual framework for value co-creation	20
Figure 4. Research Conceptual Framework	24
Figure 5 - Four Paradigm Model of Social Theory	25
Figure 6 - Securitas Direct Annual Sales per segment	31
Figure 7 - Securitas Direct in the world	32

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## List of Tables

Table 1: G-D logic vs. S-D logic on value creation	10
Table 2: The transformation of the value creation process	15
Table 3: DART Model	19
Table 4: Comparison between positivist and interpretative studies.	26
Table 5: Validity and reliability of case studies	29
Table 6: The private security sector in Portugal	33
Table 7. Securitas Direct from the Conceptual Framework perspective	39
Table 8. Findings side-by-side with the Literature Review from the conceptual framework supplier and encounters processes perspective.	45

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## Table of Contents

<b>1. Introduction</b>	5
<b>2. Literature Review</b>	8
2.1. Marketing - From GDL to SDL	8
2.2. Value	12
2.2.1. Customer Value	13
2.2.2. Value Creation	13
2.3. Co-creation of Value	15
2.3.1. Value Co-creation conceptual frameworks	18
2.3.1.1. Dart Model (Blocks of Interaction)	18
2.3.1.2. Conceptual framework for value co-creation	20
2.4. Conceptualization	22
<b>3. Methodology</b>	25
3.1. Ontology	25
3.2. Epistemology	27
3.3. Methods	28
3.3 Data Collection	30
<b>4. Case Study</b>	31
4.1 Securitas Direct	31
4.2. Business Description	32
<b>5. Data Analysis</b>	34
5.1. The company	34
5.2. Change in the market	34
5.3. Value and Value Creation	35
5.4. Co-creating value	35
5.5. Co-creation Encounters	37
5.5. Conceptual Framework Data Analysis	39
<b>6. Data Discussion</b>	42
6.1. Changes in the market	42
6.2. Value and value creation	42
6.3. Co-creating value	42
<b>7. Conclusion</b>	49
<b>8. Limitations</b>	50
<b>9. Managerial Implications</b>	50
<b>10. Suggestion for future research</b>	51
<b>9. Literature References</b>	52

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## 1. Introduction

The market environment has changed significantly in the last years with a wide offer of similar products between competitors, determining to the organizations the need to explore new approaches for the creation of value (Prahalad and Ramaswamy, 2004). In this context, a new type of consumer emerges, with more information, network communication, a sense of power and a broader range of product choices (Prahalad & Ramaswamy, 2004). The literature reveals that consumer roles and expectations have changed over the last 70 years. In Marketing, consumers rarely were seen as “*owners of organizational knowledge that may be of interest to the management and strategizing of the company*” (Cova et al. (2007).

The Service-Dominant Logic presented by Vargo and Lusch (2004), brought a new vision about the concept and mechanisms of value creation, directly associated with the interaction between consumer and company. For authors, value is generated by the consumer, from their interactions with the company and its products (goods and services). In this way, the process of value creation is shared, involving the consumer as a co-creator, in an interactive way with the organization, being an active and endogenous agent, with internal performance (Vargo & Lusch, 2006). In the Service-dominant logic, the customer is always a co-creator of value (Vargo & Lusch, 2004). From the perspective of the Service-dominant logic, all participants contribute to the creation of value, for themselves and for others.

For Prahalad and Ramaswamy (2004), co-creation occurs when there is the involvement of the consumer in the process of providing services or in the personalization of a product. According to these authors, this occurs when there is interactive dialogue (communication), access to information and experiences, transparency and symmetry in the exchange of information and evaluation of risks arising from the process (not only benefits). The co-creation of value can be seen as an interactive process of learning together, between company and consumers among stakeholders, through interaction and dialogue (Prahalad 2004; Payne et al, 2008) as well as the participation of consumers, together with producers, in creating value in the market. Zwass (2010) says that the co-creation experience is developed aiming “*to provide an idea, share knowledge, or participate in the development of a product or service that can be of value for other customers*”.

Concluding and following the thought of (Prahalad & Ramaswamy, 2000; 2004; Vargo & Lusch 2006; 2007; 2008a, c; Ramaswamy 2010; 2011; 2014; Witell et al., 2011; Cruz, 2016), value co-creation aims to bring the customer closer, to provide the opportunity to interact with the company on a co-creation space, it is seen as a key activity the involvement of consumers in the development of new products / processes. In the same sense, it seems to be oriented to interactivity / connectivity in dynamic relations. “*In value co-creation, the market is an interactive environment, placing the consumer at the heart of economic activities and through it one must identify the business opportunities*” (Cruz, 2016).

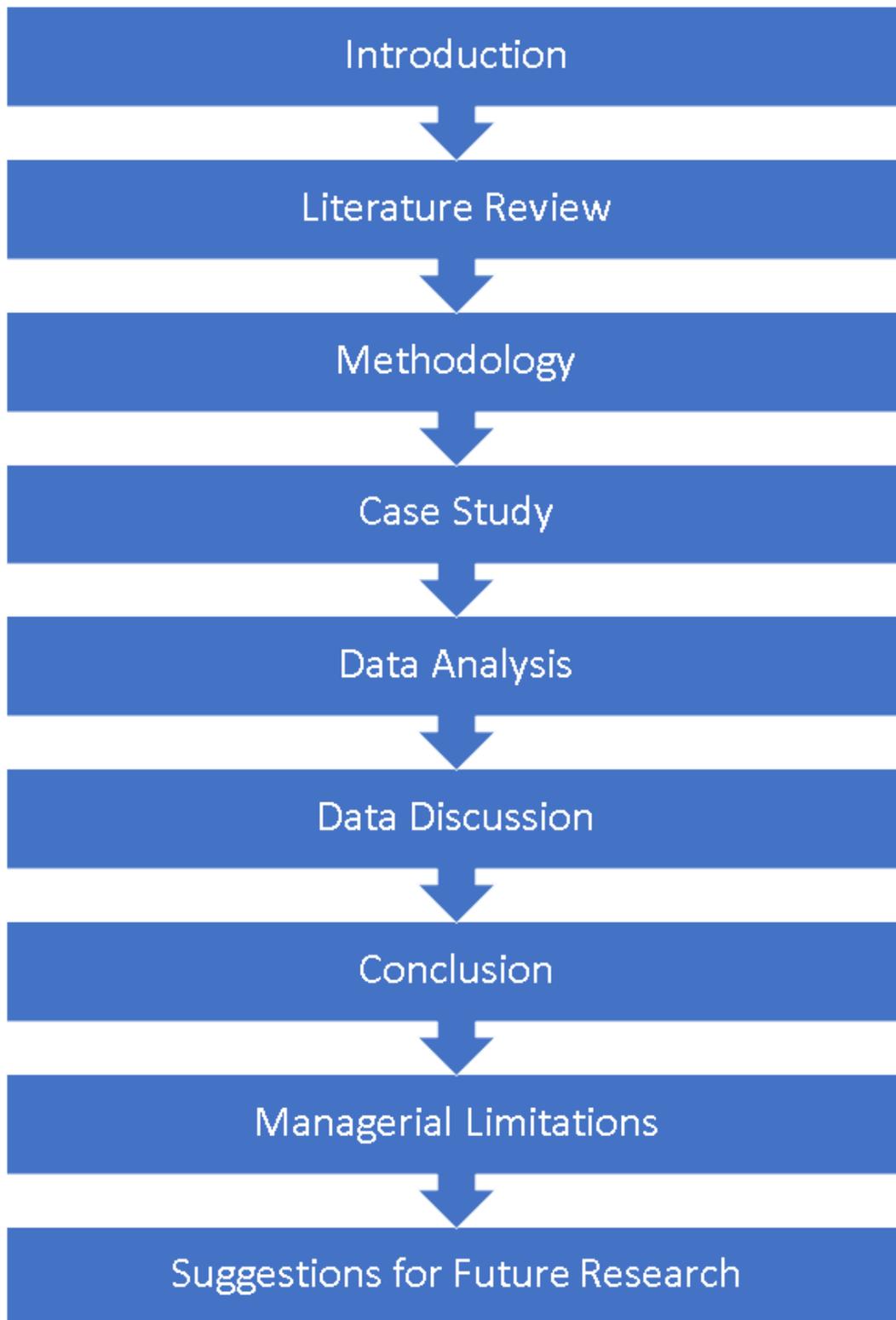
However, the literature states that it is relatively little known how customers engage in co-creation (Woodruff & Flint, 2006; Payne, Storbacka and Frow, 2008). Current approaches do not elucidate the relative importance of firms and customers, it is not explicit when they are considered co-creators of value, what are their roles in the global process, or what are the actual processes of value creation or co-creation of value, how the co-creation processes are to be managed from the company perspective (Grönroos & Ravald, 2011; Grönroos & Voima, 2012). Xie (2016) underlines the importance of single-case research design “*to reach a deeper understanding of contingencies in which co-creation of value occurs*”. This brings us to our research question:

*“How does the process of co-creation of value in the context of the supplier occur?”*

A conceptual framework was developed to help answer the research problem and consequent answers the broader question: “*How does the process of co-creation of value in the context of the supplier occur?*”. There is also the need to understand, how is this process done, what platforms / activities / processes can be used, who participates in the process of co-creation, what is his role in the process, how does the company measure this interaction, what benefits are perceived by the company, what business opportunities arise from co-creation and finally, how and what does the company learn from the interaction with the customer?

A single-case study was used as a research method and semi-structured in-depth interviews as data collection method. The study is guided by the interest of the researcher in business in Portugal, being the focus of interest in the relationship that companies have with customers. The selected company for the case study is a multinational, market leader, Consumer Choice in Portugal for the second consecutive year, being this award considered of high importance in the private security sector in Portugal. The importance of value co-creation has been studied and developed among many authors and seems to fit to the times in which we live. The research question is “*How does the process of co-creation of value in the context of the supplier occur?*”. To conduct the research, the thesis will provide a literature review on the topic of value, value creation, co-creation of value. Followed by the methodology used, data analysis & discussion, a conclusion on the research and limitations and potential future research. The structure of the thesis follows.

**Figure 1. Research structure**



**Source:** Own creation

## 2. Literature Review

Having this study aimed to analyse the co-creation of value from the point of view of the company, this chapter aims to deepen the main concepts underlying this research. The literature review will start with the concept of marketing, making a brief historical context. Next, the topic of value will be approached, especially in its relational form, with the objective of identifying the fundamental topics related to the creation of value generated through the interactions between suppliers and customers (co-creation of value).

### 2.1. Marketing - From GDL to SDL

The concept of marketing has gone through different conceptualizations over time. According to some authors (Kotler, 1967, 1972; Webster, 1992, 1997), the origins of the marketing concept are closely linked to the study of distribution channels, particularly for agricultural products, with special emphasis on techniques from the economy.

While in the pre-war period the competition paid more attention to creating the same product at lower costs, with the improvement of the economic and social conditions of post-war competition is based on making the same product with better quality, or to produce new products that meet the needs of consumers. In December 1957, at a conference of the American Marketing Association, J.B. McKitterick, presented an article entitled "*What is the Marketing Management Concept?*". In his view, the main task of marketing was not for the ability to get the consumer to correspond to the organization's efforts, but for the ability to adapt the company's activity to the interests of its customers. McKitterick (1957) considers that it was this orientation towards what is more advantageous for the customer, instead of what is simply cheaper, that led to the spread of the use of the concept of marketing, through which it is intended to describe the triumph of innovation over productive capacity. Therefore, the concept of marketing was redirected - at the time - to a perspective in which the market and, consequently, the customer assume greater prominence (McKitterick, 1957).

In January 1960, Keith (1960) went further, daring to speak of a marketing revolution. According to his opinion, the revolution was induced by the dynamics of the economy of that time, where consumers were at the very heart of the business universe. Organizations gravitated around customers, not vice-versa. Keith believed that the focus had shifted from problems related to the productive activity to the difficulties caused by marketing. Marketing went from the product that was possible to do, for the good desired by the customers. And, in the last case, it had passed from the company, in itself, to the market. Companies can no longer be seen as mere producers, and are considered as entities that create products that someone wants to buy (Levitt, 1960). Marketing starts to include diverse activities, since the discovery of the needs to the delivery of the final product to the customer, rather than simply being connected to the distribution.

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In his 1967 work, *Marketing Management: Analysis, Planning and Control*, Kotler characterizes marketing as a decision-making activity aimed at consumer satisfaction, intended to profit, based on the definition of a target market and the optimization of Marketing mix decisions (concept explored, in 1960, by Jerome McCarthy). This definition serves as the basis for another one, presented three years later, where Kotler and Levy (1970) considers that the marketing management aims at determining the decision variables by the managers of a company, in order to be able to maximize the results, in light of the expected behaviour of the uncontrolled demand variables.

In the early 1980s, a set of new formulations emerged, far removed from the microeconomic paradigm that has prevailed to date, and from models strictly linked to marketing-mix (4 P's). Integrated in this group, concepts such as relational marketing, quality management, market orientation, value chain, resource management and networking appeared. However, the one that had the greatest preponderance during the subsequent decades was the marketing of services.

For the first time, researchers focused on this type of issue, conceived of service marketing as an independent object of product marketing (Shostack, 1977), stating the need to consider a new discipline. Services, which have been largely neglected, begin to gain importance for business, and are no longer seen as secondary parts of commercial transactions (Grönroos, 2006; Zeithaml, 2008). According to some authors (Kotler, 1999; Lovelock & Wirtz, 2004; Grönroos, 2006), the growing importance of services has led to the development of multiple investigations that highlight the need for an innovative marketing perspective. This question became more widely discussed after the publication of the article "*Evolving to a new dominant logic for marketing*" by Vargo and Lusch in 2004 in the *Journal of Marketing*.

In that article, Vargo and Lusch consider that marketing has a strong heritage from Economy, and rely on the works of Adam Smith (1977) to argue that marketing is based on a goods-dominant logic, which is based on the production and distribution of products (inventoriable, standardized and saleable), which have a higher value than competitive offers. There is an emphasis on tangible resources, the intrinsic value of products, and transactions (Smith 1977; Vargo & Lusch 2004). The purpose of marketing (i.e of economic activity) is to profit, emphasizing production efficiency, through standardization and inventory creation and management, to manage supply and demand (Vargo & Lusch, 2004). Vargo & Lusch, 2004 argue that a new marketing logic is emerging, which the provision of services, rather than products, is fundamental in the economic activity. In the authors' article (2004), an evolution to marketing was proposed and ignited the broad international discussion on the possibility of moving from the traditional view, in which the goods were primordial, to the Service-dominant logic, a service-based marketing (Grönroos, 2008).

Vargo and Lusch (2004) present the Service-dominant logic (hereafter referred to as SDL) as a holistic proposal for marketing, opposed to the goods-dominant logic (hereafter referred to as

GDL). The aim is to end the distinction between products and services, between B2B and B2C and between suppliers and customers, and to find a sufficiently abstract and comprehensive conceptualization that allows to re-found the whole theory of marketing into a single one, applicable to all cases and disciplines (Vargo & Lusch, 2011). To the authors (2011), SDL envisions a service as an ongoing process of using each party's resources in the transaction for the benefit of all parties involved. The traditional distinction between goods and services (the latter as alternative forms of products) is rejected, and the relationship between them is considered fundamental. In this logic, any transaction is based on services, the products being mere tools to justify these services, allowing co-creation of value through the interactions of companies with their employees, customers, suppliers and shareholders.

The use of the word "service" instead of "services" is intentional, and is the main distinction between the GDL and the SDL in service design. GDL talks about "services", but considers them as sub-categories of products (output units), while SDL uses "service" and considers it as a continuous process in action – do something for the other party Vargo & Lusch, 2008a; Vargo et al. 2008). Therefore, in SDL the service is defined as the application of resources (knowledge and skills) for the benefit of another party (Vargo & Lusch 2011). The founding distinction between operand resources - natural resources, equipment and products - and operant resources, - knowledge, skills – (Vargo & Lusch, 2004) will allow a new definition of products and services. Later, relationship and interaction are included in the operant resources (Vargo et al., 2008). For Vargo and Lusch (2004, 2008a, b), SDL proposes that the provision of services, rather than products, is fundamental in the economic activity. With marketing focusing more on intangible resources, on co-creation of value, and on the fundamental interaction and relationship between supplier and consumer, there is equality between both actors in the search for better solutions. (Vargo & Lusch, 2004, 2008a, 2011).

In the table below, a distinction by between the GDL and SDL on value creation is presented.

**Table 1:** G-D logic vs. S-D logic on value creation

	<b>G-D Logic</b>	<b>S-D Logic</b>
<b>Value driver</b>	Value-in-exchange	Value-in-use or value-in-context
<b>Creator of value</b>	Firm, often with input from firms in a supply chain	Firm, network partners, and customers
<b>Process of value creation</b>	Firms embed value in “goods” or “services”, value is ‘added’ by enhancing or increasing attributes	Firms propose value through market offerings, customers continue value-creation process through use.

<b>Purpose of value</b>	Increase wealth for the firm	Increase adaptability, survivability, and system well-being through service (applied knowledge and skills) of others
<b>Measurement of value</b>	The amount of nominal value, price received in exchange	The adaptability and survivability of the beneficiary system
<b>Resources used</b>	Primarily operand resources	Primarily operant resources, sometimes transferred by embedding them in operand resources-goods
<b>Role of firm</b>	Produce and distribute value	Propose and co-create value, provide service
<b>Role of good</b>	Units of output, operand resources that are embedded with value	Vehicle for operant resources, enables access to benefits of firm competences
<b>Role of consumers</b>	To 'use up' or 'destroy' value created by the firm	Co-create value through the integration of firm provided resources with other private and public resources

*Source:* Vargo et al., 2008

The dominant service logic is a theoretical option in the understanding of marketing, configuring an opportunity for the development of the general theory. On the other hand, network participants should be considered as customers / consumers and producers / service providers and the integration of each can be crucial, but very inaccurate (Cruz, 2016).

The application of SD logic has several relevant consequences for this study (Gummesson, 2002; Grönroos, 2006; Vargo & Lusch 2004, 2008a; Cruz, 2016):

- Consumers are considered co-producers of a service and co-generators of value, and not merely mere instruments of the marketing process.
- Marketing is seen as a set of continuous interactions, instead of occasional exchanges between the parties, with particular attention being paid to the relational aspect between them.
- The competencies of all parties involved in the transactions are considered to be fundamental for the creation of value and for the maintenance of the relationship, so the development of these competences is of particular importance.

- Marketing is no longer the exclusive function of a department of an organization and can be executed by elements of the organization whose interactions with the outside world are fundamental to creating and maintaining relationships.

Since the co-creation of value are fundamental concepts for the SD logic, *value* will be developed in the following point, followed by *co-creation*.

## 2.2. Value

Reichheld (1996) emphasize that profit should not be the primary goal of an organization, but rather the creation of value. Value creation leads to loyalty, which in turn generates growth, profit and more value, making the creation of consumer value a true measure of a company's success (Reichheld, 1996). Lindgreen and Wynstra (2005) state that the marketing's role is to assist the customer in creating value, and that value derives from a particular benefit of an entity (producer or supplier) and can be linked to social values, esteem, use, exchange and cost (Lindgreen & Wynstra, 2005).

The concept of value is one of the most used in recent marketing literature, and the creation of value is currently considered as central concept in marketing and recognized as a fundamental basis for all activities (Holbrook, 1994, 1999, Ulaga & Eggert, 2001; Lindgreen and Wynstra, 2005). In 1985, Porter defined value as: “*the amount buyers are willing to pay for what a firm provides them.*”, that is, the establishment of the value of the product or service, compared to the investment made by the client, focusing only on the customer's perspective and monetary aspects. However, the concept of value is not recent and has been the subject of multiple definitions, which include diverse perspectives and consider distinct aspects.

For Prahalad and Ramaswamy (2004), value is associated with experiences by considering that services facilitate individual experiences. Vargo et al. (2008), point out that the first conceptualizations go back to the time of Aristotle, and proposed the identification of two types of value: "exchange value" and "use value". While the value of use refers to the specific and utilitarian characteristics associated by an individual with a particular object, the exchange value represents the difference between the benefits acquired and the monetary and non-monetary sacrifices expended for such acquisition. These two notions explain perhaps the connotations of value as something subjective (value-in-use depends on individual to individual), and on value as a monetary measure (emphasis on value-in-exchange). However, customer value is claimed to be the source of all other value (Khalifa, 2004). The term value for the customer has many meanings (Woodall, 2003), but two are dominant - value for the customer (customer value) and value for the firm. The topic that will be analysed in the present study is the customer value.

### 2.2.1. Customer Value

The foundation of customer value theory was launched decades ago. Perhaps the broader conceptualization in the literature is the one developed by Zeithaml (1988), where the consumer evaluates the value of a product based on his personal values. There is a *trade-off*, assessing whether the expectation created by prior knowledge and what was expected of a product is consistent with what has been received.

One of the definitions that calls attention to is the definition of Woodruff (1997): “*Customer value is a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations*”. The products, which are the means by which consumers can achieve their objectives, this is, the products are not a mean in itself, its value is in the use or possession thereof; another important element of this definition is that value creation occurs through the consequences of the consumption or possessions of the products, not because of their intrinsic characteristics; and finally, the perception of value made by the consumer is strongly influenced by the specific characteristics of their use. That is, the consumption context of the product can influence, and even modify, over time, the perspective of value that the consumer has in relation to the product (Woodruff & Gardial, 1996; Woodruff, 1997).

The concept of customer value finds definitions that involve diverse scopes such as price, cost, experience, benefits, functionality, quality, and so on. These scopes, which participate in the product / customer relationship, thus allowing each author or theorist to follow a different reasoning, a logic created according to their point of view, experience and expertise. There is a vast number of researchers that argue that not only the determination of value, but also that the creation of value is controlled by the customer (Voima et al. 2010; Grönroos, 2011; Grönroos & Ravald 2011; Grönroos & Voima, 2012).

### 2.2.2. Value Creation

Kotler (2000) suggests that in order to create and deliver value to the customer, the company must go through the following sequence: (1) select the value; (2) provide the value; and (3) communicate the value. Value selection, the first stage of creation, consists of segmenting the market, selecting the appropriate target market and developing the positioning of the value of the offer. In the second stage the tangible specifications of the product and the service occur, a target price is established, and the ways of distribution are defined. In the third stage, value must be communicated through the use of sales force, sales promotion, advertising and any tool that informs the market about the product (Kotler, 2000). For Payne and Holt (2001) value creation should not be viewed as part of an individual customer transaction, for these authors, value will be created over time and will be subject to the influences of internal and external stakeholders. Gummesson (1999) argues that creating mutual value will become the central focus of both customers and suppliers and other stakeholders in the relationship that value is collectively created among all parties involved in a

relationship.

Lindgreen & Wynstra (2005) state that value creation assumed relevance for marketing in the mid-twentieth century, in particular with Miles's studies (1961). From a revolutionary perspective for the time, Miles claims that the term value can have a distinct meaning for both the producer and the consumer. The aim, from a management perspective, is to identify ways of responding to this divergence, making consumers more satisfied and ensuring their loyalty to the company.

However, in Mile's work (1961) value creation is only related to the manufacture and the acquisition of products. Currently, some authors (e.g. Vargo & Lusch, 2008a; Grönroos, 2011) defend the existence of a concept of value attributed to services, called *service value*, noting that the focus of value production is no longer product-centric. With customer-centric marketing, the value is defined by the context of customer use (i.e. by their processes of benefit extraction) (Lindgreen & Wynstra, 2005), having the supplier the role to make value propositions (Gummesson, 2007; Vargo & Lusch, 2004). In addition, Lepak et al. (2007) point out that value is something that can be desired, needed, produced and marketed for profit. The concept of value creation happens when companies start to have differentials and start to gain prominence in the perception of customers, either by attributes of products or services, by the experiences of relationship or by their image and reputation (Porter, 1990; Kaplan, 1997; Prahalad & Ramaswamy, 2004). According to Prahalad and Ramaswamy (2004), companies can no longer create value without customer interaction

The Services literature soon recognizes the role of the co-producer of value, considering the interaction between the supplier and the supplier (Grönroos, 2011). This trend seems to expand as the value chain model (value as exchange) is abandoned and a value constellation perspective is adopted (value as co-production between supplier and customer, in the context of customer use), in which products and services combine to produce an offer, whose benefits must be extracted by the customer, with the help of his competences and skills (Normann & Ramirez, 1993). Hence arise the notion of co-creation of value (Vargo & Lusch, 2007) and the proposal to end the distinction between supplier and customer, and the introduction to the terms actors (Vargo & Lusch, 2011), or prosumers (Gummesson, 2007). In the following chapter, a deeper understanding on the topic of co-creation is developed.

### 2.3. Co-creation of Value

Grönroos (2000) says that value is not created by the supplier, but rather in the processes of value creation that involves the customer. Taking into account the increase of discussions on new forms of value creation, and with a new vision coming from the evolutionary theory of economic change, Prahalad and Ramaswamy (2004) explain that the future of competition is being shaped by changes in the meaning of value, in the roles of consumers and companies, and especially in the nature of their interactions. Consumers are increasingly informed, interconnected, active and empowered (Prahalad & Ramaswamy, 2004). These changes inherent to consumers have altered the way in which value is generated. Prahalad and Ramaswamy (2004) emphasize that instead of "value" being included in the products and services offered by companies, it is now focused on the experiences of consumers. That is, value is co-created by the interaction between consumers and businesses. For a better understanding, Table 2 summarizes these changes in perspectives in value creation.

**Table 2:** The transformation of the value creation process

	<b>Company and Product-Centric <i>Value Creation</i></b>	<b>Individual and Experience-Centric <i>Co-Creation Of Value</i></b>
<b>View of value</b>	Value is associated with a company's offerings. The competitive space is oriented around the firm's products and services.	Value is associated with experiences; products and services facilitate individual and community-mediated experiences. The competitive space is oriented around consumer experiences.
<b>Role of company</b>	To define and create value for the consumer.	To engage the individual consumer in defining and co-creating unique value.
<b>Role of consumer</b>	Passive pocket of demand for company-defined offerings and solutions.	Consumer as active player in seeking, creating, and extracting value.
<b>View of value creation</b>	Value is created by the firm; consumers have choice - the variety offered by the firm.	The consumer co-creates value with the firm and other consumers.

**Source:** Prahalad & Ramaswamy (2004)

Within this vision, a new strategic capital arises that consists of questioning the traditional approach to competition and the creation of value. Bringing new ways of thinking about opportunities, access to skills, leverage and reconfiguration of resources, engagement of the entire organization, and competition to co-create value based on experiences (Prahalad & Ramaswamy,

2008) assuming that consumers are equally important joint problem solvers (Prahalad & Ramaswamy 2004). The authors state that Individuals are in the centre of value creation and companies can no longer unilaterally design products and services.

Cova et al. (2007) allege that rarely in marketing, consumers were seen as “*owners of organizational knowledge that may be of interest to the management and strategizing of the company*”, however, in 1985, Porter stated that any individual in any function of the company can potentially contribute to the creation of value for the consumer. This is still applicable nowadays, having in consideration that the co-creation concept has as its main focus the development of a company where consumers can get involved at every stage, from design development to product delivery. This form of dialogue can be seen as an interactive process of learning together, between company and consumers (Prahalad, 2004; Payne et al, 2008) among stakeholders, through interaction and dialogue (Prahalad 2004; Payne et al, 2008). Kristensson, Matthing and Johansson (2008) define co-creation as the high level of consumer participation in the customization of a product or service, for example, engaging users as co-creators during the new product development process can bring ideas that are more creative, more highly valued by customers, and more easily implemented. Which requires collaboration with the consumer for the purpose of innovation. Co-creation can be initiated by the producing companies or by the consumers themselves. According to Zwass (2010) it is developed aiming “*to provide an idea, share knowledge, or participate in the development of a product or service that can be of value for other customers*”. However, for Kristensson, Matthing, and Johansson (2008) there is a research gap on the theory and practice of user involvement (as a form of co-creation) both during the development of new products and services.

Ind et al. (2013) developed a definition for co-creation based on Roser et al., Ramaswamy and Gouillart, Witell et al. definitions:

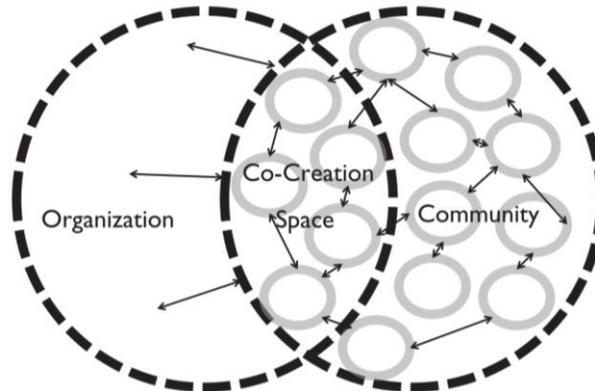
- Roser et al. (2009) define co-creation as an “*active, creative and social process.*”
- Witell et al. (2011) describes co-creation as something that “*aims to provide an idea, share knowledge, or participate in the development of a product or service that can be of value for other customers.*”
- Ramaswamy and Gouillart (2010) recommendation that interactions should be structured to deliver desired outcomes for both the organization and the customer.

The developed definition of co-creation is: “an active, creative and social process based on collaboration between organizations and participants that generates benefits for all and creates value for stakeholders” (Ind et al., 2013). This implies a transparent relationship between the company and the customer in order to lead to better value creation (Magala, 2009).

Having in consideration the previous definitions, one can understand that co-creation is a process

of development (or innovation) for a company, where consumers and stakeholders agree to provide benefits to the contributors (such as fulfilment, socialization) and the organization (creation of ideas or innovation). For a better visual representation, the Co-creation space developed by Ind, et. al is presented in the figure below.

**Figure 2: The co-creation space**



**Source:** Ind et al. (2013)

Ind, Iglesias and Schultz (2013) state that co-creation occurs in a shared space (as described in Figure 2 as the *co-creation space*) where an organization and individuals of a community interact. Problems, ideas or other company related topics can be discussed and developed by the participants, this interaction happens on engagement platforms (based on experiences) either physical, such as a meeting or a store, or virtual, such as a website (Ramaswamy, 2009). In 2014, Ramaswamy and Ozcan say that this engagement platforms, when developed online (based on advanced technology), allows co-creation processes within the company to flourish faster, in a more reciprocal and interdependent way. Ramaswamy (2013) state that these engagement platforms can be designed to be operated anywhere in a company for the purpose of:

- Develop new business networks, from community-based platforms
- Develop new community based platform business networks
- Leverage collective ideas and insights
- Expanding the stakeholder ecosystem and the potential for value creation
- Improve collaboration, coordination and cooperation
- Encourage entrepreneurship and smarter decision-making
- Enabling better design
- Facilitate better training and sale of offers

Although there is an active participation from some individuals, the benefits of this interaction are not limited to the participants. As seen in Figure 2, people who participate in the co-creation of value also have contact with other people in the same community - who did not interact with the

brand. These individuals may still benefit from products, services or ideas developed by the participant ones. The company, in the other hand, have the possibility to learn from the co-creation space, but only if the knowledge developed with consumers is shared inside the organization (Ind, Iglesias and Schultz, 2013). Prahalad and Ramaswamy (2004) also suggest that co-creation of value through the creation of personalized experiences allows companies to boost their market share, productivity and profitability.

The term co-creation can be mistaken with other similar concepts, Ind, Iglesias and Schultz (2013), give a general distinction. The authors state that co-creation is not the same as mass collaboration, since in co-creation there is a two-way interaction among company and the participant. It is different from crowdsourcing (e.g. competitions, polls) considering it might involve creative participation in the process, or mass customization, because unlike mass customization, co-creation devises value not only for participants, but also others that might use the product / service. Lusch, Vargo e O'Brien (2007) indicate that co-creation is a more comprehensive term in which co-production is included.

### **2.3.1. Value Co-creation conceptual frameworks**

As discussed earlier, when talking about co-creation of value is usually thought directly, in the relationship / interaction between company and customer, focusing on how to produce new and better products or services that meet the needs of that consumer and target audience, sharing ideas, solving mutual problems, or the sense of brand community (with the focus on the community) and that this somehow manages a positive experience and eventually results in a sense of trust if not loyalty. For Prahalad & Ramaswamy (2004) and Ramaswamy & Ozcan (2014) to build a value co-creation system, first, it is important to start with the "blocks" of interaction that facilitate co-creation experiences between the company and the consumers, this model will be presented next.

#### **2.3.1.1. Dart Model (Blocks of Interaction)**

In a co-creation system, the elements are actors who make their own decisions within a given environment to achieve a particular purpose and solution. With this interaction emerges a new competitive space, where consumers, companies and the environment interact with a single objective: co-create value. This consumer-business-environment interaction as the locus of value creation needs to focus on the total experience of co-creation, as well as on the process of co-creation, through some basic elements. According to Prahalad and Ramaswamy (2004), these basic elements are Dialogue, Access, Risk Assessment and Transparency, as described on the table below, referred to by the DART acronym (Dialogue, Access, Risk and Transparency).

**Table 3: DART Model**

<b>Terms</b>	<b>Definition</b>	<b>Managerial Implication</b>
<i><b>Dialogue</b></i>	Interaction between customer	Two-way connection instead of one-way selling strategy
<i><b>Access</b></i>	Allow customer to access the data	Create value with customer; beyond traditional value chain process
<i><b>Risk Assessment</b></i>	To monitor risk and gaps between customer and firm	Share the risk of product development with guest through communication
<i><b>Transparency</b></i>	Information among business is accessible	Information barriers should be eliminated to certain degree in order to gain trust from guest

*Source:* Prahalad & Ramaswamy, 2004

**Dialogue** – It means interactivity, deep involvement and propensity to act (on both sides). The authors emphasize that dialogue is more than listening to the client. It is to generate empathic understanding resulting from the experimentation of consumer experience and to promote recognition of the emotional, social, and cultural context of each experience. It involves the sharing of what has been learned, and the communication between two parties on equal terms, seeking to solve problems. Dialogue creates and sustains a faithful community.

**Access** – The traditional focus of the company and its value chain were oriented to the creation of products and the transfer of their property to consumers. Access is about gaining information about others' experiences, contextual data, tools, expertise, skills, and the creativity of other agents (Ramaswamy, 2013). Increasingly, the goal of consumers is access to desirable experiences not necessarily ownership of the product (Spotify is a good example). Consumers do not need to own something to access an experience. Access provides the consumers with a guide to their own experiences, this is possible thanks to new technologies allow individuals to jointly create experiences of value (Ramaswamy, 2013).

**Risk-Benefit Assessment** – How to support customers and the company to understand and balance the risk-return relationship of the interactions and thus generate benefits for both? This binomial is based on the investment risk for the adjustments demanded by the clients, which must be analysed from a cost-benefit perspective for both parties. Risk, in this context, refers to the probability of damage by the consumer.

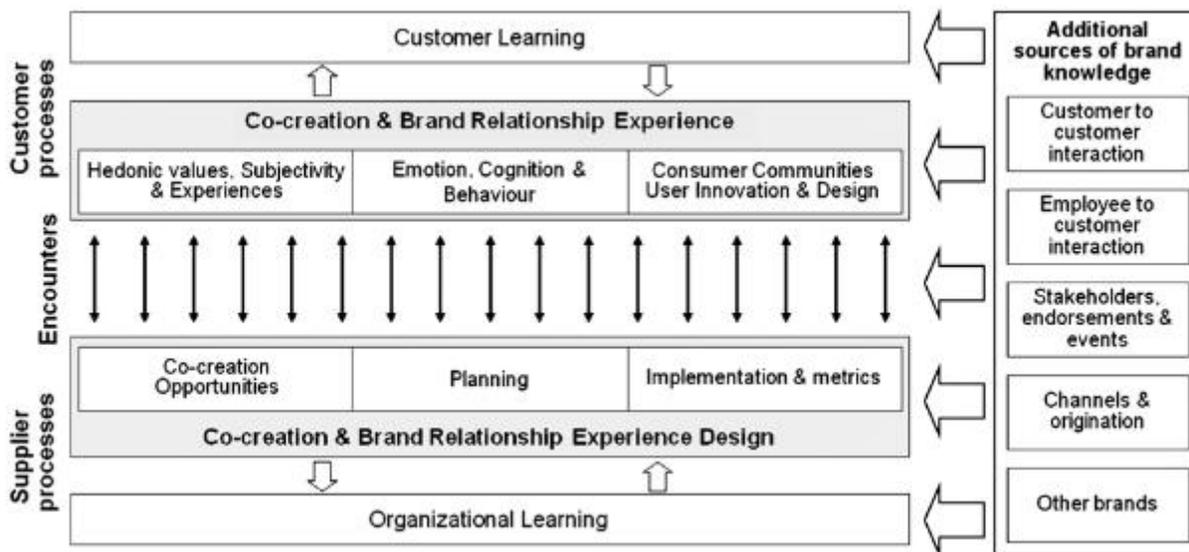
**Transparency** – Transparency of information is necessary to create a sense of “openness” and to promote trust and loyalty between businesses and individuals.

Finally, by combining the four basic elements in different ways, companies will be able to create new and important capabilities and a greater participation of customers as partners in value creation can be achieved (Akhilesh, 2017). A good example was the application of the DART model in the development of the Nike Plus website (Ramaswamy, 2008).

### 2.3.1.2. Conceptual framework for value co-creation

Another model identified in the literature belongs to Payne, Storbacka and Frow (2008) which is built on three components – customer process and the supplier process of co-creation & brand relationship experience, and encounters, the meeting point where the interaction and exchange that occurs in the relationship between client and supplier happens and that needs to be managed in order to successfully develop the opportunities for co-creation (Figure 3).

**Figure 3: Conceptual framework for value co-creation**



**Source:** Payne et al. (2008)

According to Payne et al. (2008), the arrows in the middle of the figure represent different interactions between the customer and the supplier (Encounters), which occur as a result of their respective processes of value creation. These arrows point in both directions, highlighting the interactive nature of the encounters. Payne et al. (2009), exemplifies with “*quality management (e.g., creating user feedback systems and responding to the feedback), and enabling efficient self-service (e.g., creating easy to use interfaces with mobile devices and/or PC's)*”. The arrows between "customer processes" and "customer learning" indicate that the customer engages in a learning process based on the customer's experience during the relationship. This customer

learning, in turn, has an impact on how the customer will engage in future co-creating value activities with the company. Similarly, the arrows between "supplier processes" and "organizational learning" indicate that as the supplier learns more about the customer, more opportunities become available to the provider, further enhancing the design of the relationship experience and improving the co-creation relationship with customers. (Payne et al., 2008)

Within the framework of co-creation in the procedural component of customers, the authors highlight three elements of the relationship experience: cognition, emotion and behaviour. The traditional processing of current information from consumer research emphasizes cognition, affection and behaviour in a strict sense, while the other side contains: opportunity for co-creation, planning and implementation & metrics.

**Co-creation Opportunities** - The types of opportunity available to a supplier are largely contingent on the nature of their industry (Payne et al., 2007). These opportunities are provided by technological breakthroughs, changes in industry logic and changes in customer preferences (Payne et al., 2008). The authors exemplify with: Emotional engagement of the customer; self-service, by engaging the customer in the experience and the use of systems to provide expertise for the customer (Payne et al., 2008).

**Planning** - The aim of planning is to identify and design the various activities involved in building the relationship experience (Payne et al., 2007).

**Implementation and metrics** - Identifying the sequential encounters to determine how experiences can best be co-created. The development of appropriate metrics is a key issue for the supplier. There is a general concern that the metrics which companies use to measure and monitor the performance of their customer relationships are not well developed or well communicated (Payne & Frow, 2005, Payne et al., 2007).

The authors stress the importance of every customer-provider encounter, and together, these meetings make a cumulative contribution to co-create value. This suggests that organizations need a long-term customer relationship vision, which does not fit well with short-term financial goals. It also implies a revision of the traditional planning cycle to take into account different relationships. Communication and value propositions should also be tailored to reflect the size and history of the relationship and the customer needs of different segments. Long-term clients that are familiar to the supplier actions might be more useful to the learning process, while new customers need a totally different type of communication schema. Payne et al. (2008) argue that the interactive and interdependent nature of the process of co-creation of value challenges traditional management practices when managed by means of the provider's value chain processes. According to the author, co-creation of value requires an ability to engage "the whole company" by managing through and within the process of creating value from the customer and the provider.

This model is presented in the form of a process, and this refers to Vargo and Lusch (2004) who say that marketing should be seen as a series of processes that will provide the company with the offer of value to the consumer. In this way, co-creation of value and interaction occur on the basis of a relationship over time, and not in one single moment, thus generating a bond between both parties, resulting in mutual learning.

As stated by Cruz (2016): *“It is clear that the promotion of value with the consumers is done through the co-creation between the organization and consumer, allowing the participation of the same in the co-construction of the service experience and in the joint identification of problems and their solution with a variety of individual experiences and, finally, a co-construction of personalized experiences”*.

## **2.4. Conceptualization**

The literature reveals that consumer roles and expectations have changed over the last 70 years. In Marketing, consumers rarely were seen as *“owners of organizational knowledge that may be of interest to the management and strategizing of the company”* (Cova et al. (2007). Marketing is no longer product-centric and has become consumer-oriented, aiming to meet its needs and desires and discovering that the customer determines the value of products and services. With access to information, customers are given a globalized view of goods and services and no longer traditional information restricted to geographical boundaries. As a result, customers expand their preference patterns beyond traditional boundaries, challenging the most diverse industries, accustomed to restrict their information (Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2007).

The changes in the consumer and the growing importance of services led to the development of multiple investigations that highlight the need for an innovative marketing perspective (Kotler, 1999; Lovelock & Wirtz, 2004; Grönroos, 2006; Zeithaml et al., 2008). This question became more widely discussed after the publication of the article *“Evolving to a new dominant logic for marketing”* by Vargo and Lusch in 2004 in the Journal of Marketing.

The service dominant logic by Vargo and Lusch was designed thinking about the customer as a co-creator of value. From the perspective of the Service-dominant logic, all participants contribute to the creation of value, for themselves and for others.-The co-creation of value can be seen as an interactive process of learning together, between company and consumers among stakeholders, through interaction and dialogue (Prahalad 2004; Payne et al, 2008) as well as the participation of consumers, together with producers, in creating value in the market (Zwass, 2010). According to the author it is developed aiming *“to provide an idea, share knowledge, or participate in the development of a product or service that can be of value for other customers”*.

Concluding and following the thought of (Prahalad & Ramaswamy, 2000; 2004; Vargo & Lusch

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2006; 2007; 2008a; Ramaswamy 2010; 2011; 2014; Witell et al., 2011; Cruz, 2016), value co-creation aims to bring the customer to the frontline of the company interaction platforms, it is seen as a key activity the involvement of consumers in the development of new products / services and in the management of consumers as partners in the process. In the same sense it seems to be oriented to interactivity / connectivity in dynamic relations. *“In value co-creation, the market is an interactive environment, placing the consumer at the heart of economic activities and through it one must identify the business opportunities”* (Cruz, 2016) .

The literature states that it is relatively little known how customers engage in co-creation (Woodruff & Flint, 2006; Payne, Storbacka and Frow, 2008). Current approaches do not elucidate the relative importance of firms and customers, what are their roles in the global process, or what are the actual processes of value creation or co-creation of value (Grönroos & Ravald, 2011; Grönroos & Voima, 2012). Xie (2016) highlights that *“the single-case setting would allow the findings to be reported as compelling narratives”*. Within this broader context in which the company, the consumer, the community, the company and the co-creation of value, the problem of research of this study follows:

*“How does the process of co-creation of value in the context of the supplier occur?”*

The study is guided by the interest of the researcher in business in Portugal, being the focus of interest in the relationship that companies have with customers. The selected company for the case study is a multinational, market leader, Consumer Choice in Portugal for the second consecutive year, being considered of high importance in the private security sector in Portugal. The importance of value co-creation has been studied and developed among many authors and seems to fit to the times in which we live. To help answer this question, a single-case study will be used as a research method, and semi-structured in-depth interviews conducted as a method of data collection. The analysis of the interview, along with the whole research, will follow an interpretative approach, the data collected was put into a transcript and translated, as well as analysed, interpreted and discussed according to the literature review and the conceptual model provided - further ahead - followed by the conclusion, limitations and suggested future research.

Having this thesis focus to explore the co-creation of value from the supplier perspective, a conceptual framework has been developed in order to understand the theories and concepts adopted for the thesis. The foundations are the supplier processes and encounters of the *conceptual framework for value co-creation* of Payne, Storbacka and Frow (2008). The data will be analysed according to the conceptual framework to help answer the research question.

**Figure 4. Research Conceptual Framework**



**Source:** Own creation, adaptation from the *conceptual framework for value co-creation* by Payne, Storbacka and Frow (2007)

This conceptual model was developed to help answer the research problem and consequent answers the broader question: “How does the process of co-creation of value in the context of the supplier occur?”. There is also the need to understand what platforms / activities / processes can be used, who participates in the process of co-creation, what is his role in the process, how does the company measure this interaction, what benefits are perceived by the company, what business opportunities arise from co-creation and finally, how and what does the company learn from the interaction with the customer.

### 3. Methodology

#### 3.1. Ontology

First, it is necessary to reflect on the ontology considered by the researcher. Ontology refers to the question of being, to the researcher understanding of how things are. How the researcher views the world and the assumptions that he makes about the nature of the world and of reality. An ontology serves as the basis for the delimitation of a research problem, as well as helps to define the epistemology and, consequently, the method of investigation to be adopted. The ontological position that is adopted defines the way in which the researcher perceives the world and the phenomena (physical or social) to be investigated.

The researcher considers that social reality is the product of the negotiation and sharing of meanings between people, that is, it results from a social construction (this is the ontology adopted by the interpretative paradigm). Therefore, and according to Matias-Pereira (2016), reality is neither considered as something totally external and independent of the (objective) human mind, nor as the fruit of individual perception alone (subjective), but reality is perceived and "created" in a collective instance - the perceptions of the world we share in society -, therefore, reality is intersubjective. It can be considered that social reality is the product of the negotiation and sharing of meanings between people, that is, it results from a social construction. Thus, reality is neither considered as something totally external and independent of the (objective) human mind, nor as the fruit of individual perception alone (subjective). Kuada presents Burrell and Morgan's four paradigms: The Radical humanist, the Radical Structuralist, the Interpretive and the Functionalist. (presented on the following figure)

**Figure 5 - Four Paradigm Model of Social Theory**

*The Sociology of Radical Change*

<i>Subjective</i>	<i>Radical humanist</i>	<i>Radical Structuralist</i>	<i>Objective</i>
	<i>Interpretive</i>	<i>Functionalist</i>	

*The Sociology of Regulation*

**Source:** *Burrell and Morgan 1979; Kuada, 2010*

The interpretative paradigm that presides over this research work emerges from the "need to understand the meaning of social action in the context of the world of life and from the perspective

of the participants” (Cohen and Manion, 1990). As Burrell and Morgan (1979) explain, since the Interpretative paradigm seeks to understand a social phenomenon from the perspective of its participants, studies occur in the natural environment in the place(s) where the phenomenon of interest occurs. It is not consistent with the interpretative logic a study in the laboratory or in a context distanced from that which is the focus of interest of the research. In an interpretative study, the research process should be flexible, open to the view of the actors surveyed and to the sensitivity of the context in which the research is being carried out. However, even if interpretative research methods are not rigidly structured or meet the same quality criteria as quantitative research, it does not mean that studies within this paradigm do not have several methodological criteria to follow. Although it does not follow the same logic of validity and statistical reliability discussed in relation to the positivist paradigm, an interpretative research is a challenging task, since it requires considerable preparation by the researcher, and a series of principles to be met in order to guarantee its seriousness, depth and robustness. The central criteria to be considered is demonstrated in table 4.

**Table 4: Comparison between positivist and interpretative studies.**

	<b>Positivism (Quantitative)</b>	<b>Interpretivism (Qualitative)</b>
Ontology	Realistic: believes in objective truths, independent of human perception, composed of palpable, tangible and relatively stable structures.	Subject-object interaction: does not consider the existence of a totally objective reality, nor totally subjective, but that there is an interaction between the characteristics of a given object and the understanding that humans create about this object, socially, through intersubjectivity .
Epistemology	Objectivist: presupposes that one arrives at knowledge in an objective way. Only observable and measurable phenomena can constitute truly valid knowledge that can be put to the test. Believes in facts.	Constructivist: all knowledge about reality depends on human practices, being built through the interaction between people and the world in which we live, and being transmitted in a social context. It worries about the interpretation of the facts.
Logic	Hypothetical-deductive.	Inductive
Values (Axiology)	Preaches the researcher's lack of personal values in the research process.	Acknowledges the presence of the researcher's personal values in the research process.

Language	Impersonal (3rd person).	You can use personal language (1st person).
Method	It uses structured search methods, objective instruments that must meet clear criteria of reliability and validity.	The research methods are qualitative, it seeks the flexibility and the consideration of the context in which the phenomenon is being researched. It has specific quality criteria of this paradigm.
Research location	Research can occur both in a real context and away from the phenomena under study or in the laboratory.	Research is always situated, that is, it occurs in the real context and considers its particularities.
Representation of reality	It values the creation of structured models that reflect a certain reality, especially using mathematics.	It makes use of a consistent description of the data collected and the interpretations of the researcher, making them available for consultation and analysis. Models - representations of reality - are based on concepts, not mathematical calculations.
Control	It believes in the relative stability of phenomena and thus in theories, laws and models that can be generalized and used to predict certain phenomena.	It believes that the context and pattern of social conduct constantly changes; Organizations are not static. There is no interest in predicting or controlling events, only understanding them deeply.
Sampling	It values the use of large samples.	It considers the vision of different actors that are related to the phenomenon under study, but, rarely, it adopts the logic of statistical sampling.

**Source:** Matias-Pereira, 2016.

### 3.2. Epistemology

Epistemology describes the nature of knowledge and “*how we know what we know*”, which is what the authors / researchers sees as “truth” (Kuada, 2010). It is closely connected with the ontology and what constitutes reality, the views of the most appropriate ways of enquiring into the nature of the world (Easterby-Smith, Thorpe and Jackson, 2008; Flowers, 2009) and “*what is knowledge and what are the sources and limits of knowledge*” (Eriksson and Kovalainen, 2008). Epistemology relates to the way in which the researcher believes that knowledge is generated. This belief is strongly tied to our ontological assumptions (about how things are). In this sense, according to the different ontological currents verified in the previous section, there are three main

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lines of epistemological thought that stand out: subjectivism, objectivism and constructivism.

The researcher follows the interpretivist / constructivist epistemology, where there is no objective reality waiting to be discovered. Truths and meanings only come into being from our interaction with the world. Meanings are not discovered, but built. However, a meaning is not born purely from a mental construction, but rather is a result of the interaction between mental processes and the characteristics of an object. The creation of meaning presupposes intentionality, that is, a consciousness that turns to an object, and from the interaction between the subject and the object is that a meaning is constructed. Social constructivism presupposes that this construction of meaning occurs through the processes of social interaction and intersubjectivity (meanings created and shared collectively). Easterby-Smith, Thorpe and Jackson (2008) consider of great importance the understanding of what people are thinking and feeling, as well as the communication is done, verbally and non-verbally (Flowers, 2009). And having in consideration the subjective nature of this paradigm, it is associated with qualitative approaches to data gathering (Eriksson and Kovalainen, 2009)

### **3.3. Methods**

The methods used within this paradigm are essentially qualitative, being the most used in the area of Administration: Case Study, Research-Action and Ethnography.

The research method chosen for this dissertation was the case study, which, in terms of sample size, involves the selection of one unit or a small number of units. The case study is a particularly appropriate methodological approach to research when trying to understand, explore or describe complex events and contexts in which various factors are simultaneously involved (Bell, 1989; Yin, 1994) and it is seen a way of finding answers to the questions that are empirically evidenced (Yin, 2009).

Yin (1994) defines a "case study" based on the characteristics of the phenomenon under study and based on a set of characteristics associated with the data collection process and the strategies for analysing them. When the researcher is faced with complex situations, in such a way that it is difficult to identify the variables considered important, when the investigator seeks answers to the "how?" And the "why?", when the researcher seeks to find interactions between relevant factors specific to that entity, when the objective is to describe or observe the phenomenon to which it is directly accessible, in a profound and global way, and / or when the researcher intends to grasp the dynamics of the phenomenon, the program or the process, the researcher is facing situations where the methodology of the case study makes sense. On the other hand, Bell (1989) defines the case study as an umbrella term for a family of research methods, whose main concern is the interaction between factors and events. According to Yin (1994), the depth of case studies and the difficulty in accessing supplier-client networks, poses constraints on the number of case studies that can be

conducted. The author also emphasizes that the generalization of the results, whether obtained from a single or multiple cases, can only be done for theory and not for populations, being the consistency of a theory obtained through the results of several studies.

Having in consideration the nature of the study, it was decided to conduct some semi-structured interviews because they are flexible in nature, and participants have greater freedom to formulate their responses. Even if the researcher elaborates a basic script of questions before the interview, it can modify its form to adapt them to the diverse situations and the characteristics of the interviewees. In this way, informants can be encouraged to express their thoughts freely, because only a few questions are asked to guide the development of the dialog. However, it should be noted that the task of assessing qualitative data is particularly difficult. For this dissertation, the single-case study was used, with the aim of obtain privileged information about the co-creation process of the chosen company.

However, the case study also has some limitations, such as the problems of the investigator's bias, subjectivity and the question of ethics in the researcher's relationship with the subjects (Ryan et al., 2002). It is also added the impossibility of generalizing the results obtained, since these are representative only of the studied reality (Yin, 2004).

**Table 5: Validity and reliability of case studies**

<b>Test</b>	<b>Description</b>	<b>Case study tactics</b>	<b>Stage of research</b>
<b>Construct validity</b>	Establishing correct operational measures for the concepts being studied.	Use of multiple sources of evidence; Key informants review the draft case study.	Data collection; Composition.
<b>Internal validity</b>	Establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from false relationships	Do explanation building Do pattern matching	Data analysis
<b>External validity</b>	Establishing a domain to which the study's finding can be generalised	Use theory on single case studies. Use replication logic on multiple case studies.	Research design
<b>Reliability</b>	Demonstrating that the operations of the study (such as the data collection procedure) can	Use case study protocol; Consistent interview guidelines;	Data collection Data collection

	be repeated, with the same results	Develop case study data base	Data collection
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Source: Yin (2003)

### 3.3 Data Collection

The data was collected through 2 in-depth semi-structured interviews (Annex 2 and Annex 3), and according to Yin (2009) Level 2 Questions are asked, this is, questions for the individual case., made to the company during the month of May. These had an average duration of 45 minutes each, were recorded and transcribed. The interviews were conducted with a marketing executive, in the case of Securitas Direct Portugal (Tiago Delgado), responsible for marketing management in Portugal. The first interview had a more general nature, addressing questions about the interviewee, the company and the state of the security market in Portugal, with the aim of contextualizing, as well as understand the company's positioning, and relational plan with its customers, which processes, and so on. In a second interview, some questions were clarified, and more questions were made to understand the company's position regarding the processes of co-creation of value with the customer such as results, benefits, metrics, and implications. The literature review was used, internal documents about the activities and relationships studied were used to confirm the interview data, as well as exchanged emails and telephone calls after the interviews to clarify information.

In the case study proposed in the dissertation, the sample is a single unit of analysis, Securitas Direct, a multinational company, having been selected for its relevance and importance in the private security market in Portugal. In order to analyse the involvement and participation of consumers in the co-creation of value in the company-client relationship, it was previously determined the choice of a company that works B2C and also B2B. The purpose of this company's profile was to verify possible differences in the use of co-creation in its business practices. After this determination, each of them followed the following selection criteria: Companies that adopt co-creation as a business strategy; A company that allows access to information on the co-creation process and that allow interviews with the professional responsible for the co-creation process (if there is one specified for this purpose). After validation of the selection criteria, the profile of the selected company follows.

## 4. Case Study

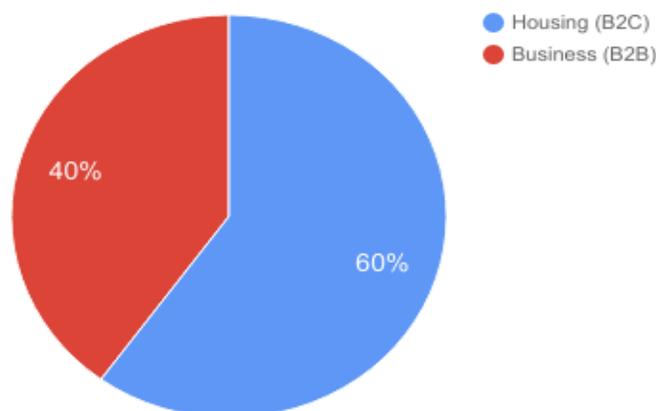
The importance of the case study is guided by the interest of the researcher in business in Portugal, with particular focus of interest in the relationship and interactions/activities that companies have with customers. The selected company is a multinational, market leader, Consumer Choice in Portugal for the second consecutive year, being this award considered of high importance in Portugal.

### 4.1 Securitas Direct

The name Securitas Direct comes from the fact that the company previously belonged to the Securitas Group, a Multinational formed in 1988 in the area of Private Surveillance. Since 2001 both companies are independent of each other even though the Securitas Logo remains a part of the logo of Securitas Direct. At the end of 2011, the Company was sold for about 2.3 Billion Euros to Bain Capital LLC and Hellman & Friedman, which allowed a greater investment in its internationalization.

The private surveillance sector can be divided into several sectors such as human surveillance, value transport, rounds and alarm systems with connection to the Security Centre. Securitas Direct is dedicated to the marketing of alarm systems and its own monitoring through a link to the security centre that allows to carry out a surveillance 24 hours a day whether the alarm is active or inactive. The reputation of the brand is also very strong, and it is also present in the Top of Mind of customers who want to acquire a new alarm system, mainly because Portugal was the first country for which Securitas has internationalized its business. If the majority of the portfolio was B2B in the last eight years or so, the B2C market is currently booming and accounts for about 60% of annual sales of Securitas Direct, and with a very high growth potential. This led the company to bet on a differentiation of services and monthly quota for each of the markets.

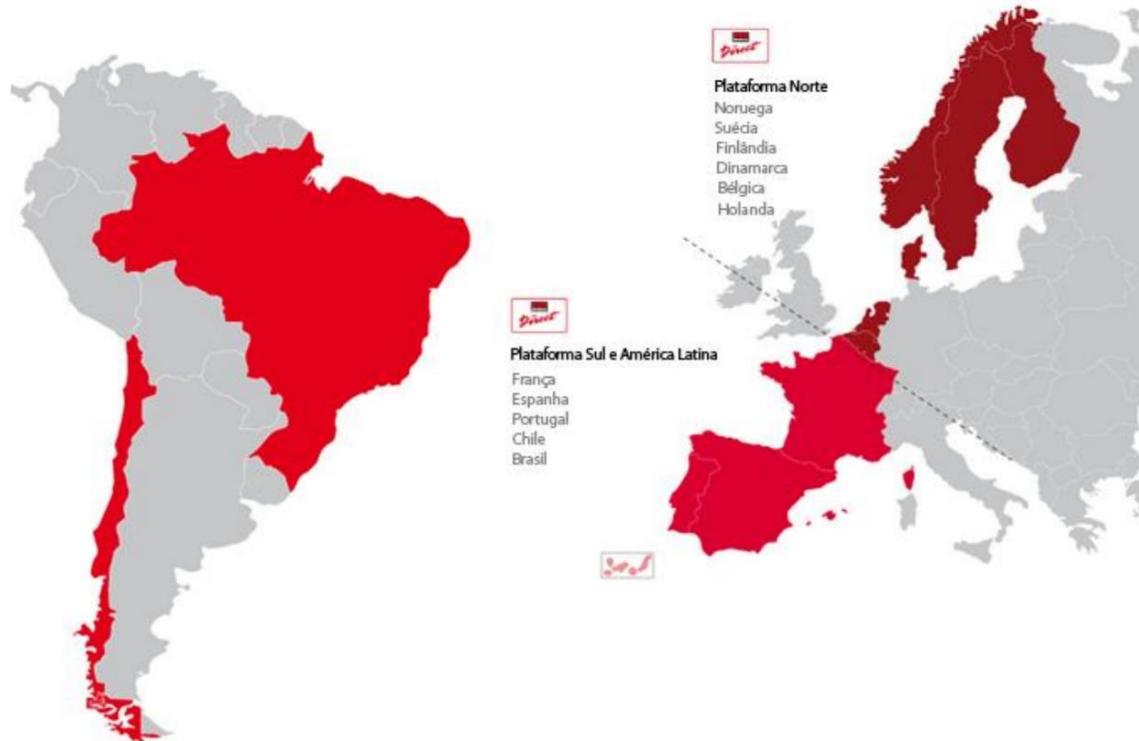
**Figure 6 - Securitas Direct Annual Sales per segment**



**Source:** Own creation

Securitas Direct is specialized in alarm systems for SMC's (B2B) and also for Housing (B2C). Securitas Direct has been growing steadily over more than 20 years and is present in 14 countries (Sweden, Norway, Denmark, Finland, Belgium, Netherlands, United Kingdom, Spain, France, Portugal, Italy, Chile, Brazil and Peru). The group has more than 6,500 employees and they serve more than 2.4 million customers, it is No. 1 in Europe and Portugal (the first country for the process of internationalization of the group) and is currently growing rapidly in South America.

**Figure 7 - Securitas Direct in the world**



**Source:** Internal documents

The company Securitas Direct is at the forefront of technology in order to give its customers the most advanced and complete service on the market. The aim is to provide the peace of mind that each of them needs ([SecuritasDirect.pt](http://SecuritasDirect.pt)).

#### **4.2. Business Description**

*«Security is the safeguard of life and the protection of property, in all its forms, against accidents, thefts, assaults, frauds, fires, explosions, damages or losses and covering all aspects of damage prevention» ([www.coess.org](http://www.coess.org))*

The business of Securitas Direct is to market its alarm systems and at the same time provide a service of surveillance and assistance to its customers. With this in mind, it has a central structure

(Headquarters) and several delegations spread throughout the country where are the commercial and technical teams that provide assistance to the company's customers. In Portugal, the company has 22 delegations: (Aveiro, Beja, Braga, Coimbra, Évora, Faro, Mafra, Odivelas, Parede, Sintra, Ponta Delgada (Madeira), Maia, Porto, Vila do Conde, Santarém, Torres Novas, Grândola, Montijo and Viseu).

Currently the company has a mono-product model because it only commercialises an alarm system, having exclusivity of this model which allowed to increase the number of sales. The alarm monitoring service is also exclusive to the Securitas Direct, and the Central Alarm Rectifier only provides assistance to the Company's customers, not to other companies or organizations. The relationship with the client is always close, direct and clear ([www.SecuritasDirect.pt](http://www.SecuritasDirect.pt)). To better understand the industry, the following table is presented.

**Table 6:** The private security sector in Portugal

<b>Number of companies</b>	91
<b>Market (million Euros)</b>	714
Surveillance	512
Electronic Systems	145
Transportation of funds	57
<b>Market Growth (%)</b>	+2,0
Surveillance	+1,0
Electronic Systems	+5,8
Transportation of funds	+1,8
<b>Concentration (combined market shares) (%)</b>	
Top five companies	53,3
Ten first companies	78,4

**Source:** Dados Informa D&B, 2015

In Portugal, the turnover grew by 2% in 2015. In a context of a slight in spending by the main customers, the Portuguese private security market started a moderate recovery in 2015, compared to the downward trend shown since 2011. Thus, the turnover of Portuguese security companies stood at 714 million euros in that year, which was an increase of 2% over the previous year, which was a fall of 0.4%. The surveillance activity generated the highest turnover, 71.7% in 2015, although it has been losing share of participation in recent years. This market increased by 1% (-1.7% in 2014), to 512 million euros. The offer tends to focus on the group of leading operators. The joint market share of the top five already exceeds 50%.

## 5. Data Analysis

Here, the data collected through the in-depth interviews is presented. Following the interpretative paradigm, the data collected was analysed and developed into categories (according to the literature review) after the transcript and an analysis was made in the perspective of the conceptual framework developed for the thesis.

### 5.1. The company

The interview was held together with Tiago Delgado, Marketing Executive at the company in Portugal, being responsible for all marketing management. He is responsible for the marketing campaigns of the company, although he also participates in the management of marketing costs, and is responsible for the development of the marketing plan at Securitas Direct Portugal. This management is done with vision in the budget available by the department, by planning (for the following year) marketing activities at the end of each year. The company segments clients demographically between Men and Women between the ages of 30 and 64, pointing to the middle class, taking into account the service provided.

*“Housing, small business. Everything that is not, imagine, banks, big companies, this can never happen, because that forces the alarm to be installed with cables, and our alarm does not have cables, it's all via wireless, because it's something that the customer asks for.”*

The company started by focusing on small businesses, later adopting the housing as a customer *“and today 60% of customers are housing”*. Over time and through interaction with the customer, the evolution of the product has led the company to focus on segments that can adopt wireless in their facilities (companies). Due to the dissatisfaction of its customers: *“Nowadays it's all wireless, [...] nobody makes holes, it's all very simple to install”*. The company has transformed customer discontent to develop its product with the customer and to better fit the customers technologically.

### 5.2. Change in the market

*“Everything is very fast, more accessible, because the information circulates much more quickly”*. The company interviewed sees the need to be constantly updated due to the changes in the market and is concerned with acquiring knowledge about the opinions of its customers. In 2010 the process of change started and since 2013 the company has evolved from a process where there was little to no contact with its customers, to a 24 hours availability to interaction. The company says that if there had not been such changes, nowadays they would not be the market leaders.

**Interviewer: Do you consider that the company considers adapting in case of possible future changes in the market or the customer?** *“Yes, it will adapt, it will adapt for sure”*

There is a perception of constant evolution necessary for the adaptation to the market and the customers. It is considered unthinkable nowadays a large company not having Facebook or a management of their social network. The company believes that Facebook is one of the tools that more and more customers use to contact the company, make suggestions or even complaints. The company explains that there is a need for the client to interact with the company, and / or to develop a relationship.

### **5.3. Value and Value Creation**

*“I would say that it is not critical, that is, companies can create value but”* in order to create bigger value, companies *“should have the customer's opinion for the sake of security”*

It is denied the possibility that the company cannot create value without interacting with the customer, however, stresses the importance of using the customer's opinion for security reasons. Coca-Cola is given as an example by the interviewee.

*“Because nowadays all that is done has to be with security, this is like Coca-Cola. Coca-Cola a few years ago tried to change the product, it was not the packaging, I think it was the product itself, and the customers felt (the difference) and did not like it and had a sales failure and had to go back.”*

The Coca-Cola example is from 1985 when the company tried to change the drink's recipe, but they failed completely and had to re-introduce the first version of Coca-Cola, untouchable to this day. The customer's opinion, therefore, is seen as of the greatest importance: *“Even if you think you are listening to the silliest thing ever. ... that you think silly, but the customer thinks the opposite ...”*, *“in order to do anything, you must realize whether the customer agrees or not”* first. Companies need to communicate with the customer before starting to change or develop eg. a product or service that will be sold to the customers, in order not to lose money and credibility. *“You can invest money and, having to go back is bad, you lose money and your credibility”*.

### **5.4. Co-creating value**

*“Co-creation, deep down it's like a tool, a strategy! That we have, with which we can be connected or connect to our customers. And through which we can extract feedback that allows us to change and improve our processes. [...]*

Co-creation is used to change and improve processes through the interaction with the customer, through the feedback collected from the co-creation activities.

The company uses co-creation as a means of retaining customers *“for more than two years”*, as well as increasing sales, through product and process improvement; of customer interaction, showing that *“we are always present when the client needs the most ”*. These processes have led

to a reduction in the number of cancellations in recent years. *“There is a greater bet on the relationship with the customer, about what the customer thinks about the company, employees, etc.”*

Co-creation is seen as a facilitator to meet the current needs of customers, tailoring the product to the right functionality, the right design, or according to customers who participate in innovation through co-creation. The way the relationship with the customer is made has changed and the customer is now at the heart of the company's operations.

Co-creation is seen as an asset by recognizing the importance of the customer to the company. *“We, without customers, could not exist (operate)”*. There is a need for the company to adapt to its customers, or run the risk of losing existing customers. Customers' needs change depending on whether their environment is modified, that is, if they had not developed smartphones (because there is no practical application for them), today companies would not have the need to develop Apps for mobile phones. The same happens with social networks and so on. The company needs to be constantly evolving, attention must be paid to the customer's needs, to be always attentive, and the company has to innovate (however abstract that word may be) to be able to fight against its competition. There is also concern about word-of-mouth's *“multiplier effect”*, especially with today's new technologies, where a client who gives up on the company will talk to number of friends / acquaintances / relatives to give up too, etc. The use of co-creation is seen as attenuating since there is a greater communication of the client with the company during a greater time schedule, since the company is dedicated to the client.

The benefits perceived by the company (through commercials and customers) is a greater satisfaction that is shown in the number of sales. *“Sales grew by 5 to 10%, around that”*. And there is a lower number of cancellations, *“cancellations have decreased by around 3% per year”* (indicating a longer duration in the company-client relationship, as well as a bigger number of customers). Development and innovation together with the customer. The development of the Welcome Service, used to evaluate how the installation occurred, email marketing. Understand whether the customer is satisfied and what can be done to change. Improves customer connection, non-existent previously.

*“There are always limitations, companies are often bureaucratic, that is, things take time, and in this case it also ends up taking time...”*

The limitations can be not only related to the interaction or relationship with the client, but also bureaucratic. In which things take time to be planned, accepted and implemented within the company Although Facebook is seen as a "tool" in this process, where things happen in *“real time”*. *“It is not easy to compile 120,000 people opinions on a platform”* developed by the company in which it is easily accessible to all, where everyone can interact with the aim of exchanging ideas.

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When asked about the possibility to change *"The possibility is total [...] Of course, the company has norms, these norms have policies, policy of relationship with our suppliers and customers, therefore, there is no immediate effect"*.

### **5.5. Co-creation Encounters**

There are still a few customers involved in co-creation, only *"about 3%"*, being the company's goal being increase this number gradually. This seeks to make the company realize customer needs within a closed community (unlike Facebook) where only interested customers will interact.

Depending on what the company seeks to do, there is a greater interest in the interaction and relationship on the part of some client. The platform used dictates the number of participants, Securitas interacts through face-to-face contact, focus groups, phone call, e-mail marketing Facebook and App. The company gives as an example of *"Nowadays we have the Do It Yourself (DIY) department [...]"* as well Facebook and the App, *"and were created after these focus groups and the surveys and all this information that we are collecting and that allows us to adapt us and change!"*. The company also uses *"focus groups with selected clients"* to understand with the customers where they can innovate.

*We did not have a R&D department and at this time, people were hired to this department, a department that tests products, products that we have here to know if it is feasible to do it in Portugal or not. These tests, we do in homes of selected clients of choice, imagine, a client, whoever. And then test the product, test it for one month, two months, to understand if the product is feasible and so on. This was not done and now it is.*

By using online media, the company believes that it is possible to know the interaction rate with content more easily than by offline means. The interviewed exemplifies the use of a past promotion by sending *"a discount card to all customers by mail"*, where there is no way of analysing whether or not those who received them used it, whether they were satisfied or not. The company places importance on creating a department that filters information from clients, using metrics (not specifying) to quantify, not existing in all offline media. *"Nowadays, if you do an online survey, it gives you information in real-time, or if you make a focus group [...] you're hearing what they [customers] tell you [...]"*. The interaction, both physical and online gains has a different perspective from this company, since it has no physical stores to sell its products, and most of the ways of talking with the customer used to be with the sales representatives and through the use of advertisements. Nowadays the company uses several platforms to relate to the customer, with different purposes.

In order to interact with the customer, the company conducts an online survey annually for active customers (Those who actually pay the monthly fee), this brings the company information about each customer according to the year that has passed and what is the current satisfaction with the

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company. Facebook is active 24 hours a day, done in order to communicate with the customer in real-time and make the relationship closer. It is also used to share security tips that offer the customer knowledge about ways to prevent theft, or other related problems. *“Facebook is a good tool for you to understand what customers think of your company because it is easy for them to interact with you”*. The focus group can be done for various purposes, it is also done at least once a year to *“if we are ok, if we should improve, if the customers are satisfied, if they recommend our alarm to others, if not recommended, if you are thinking of changing, if they are not, and so forth”*, or to pick up the ideas / suggestions that were previously collected and try to develop the solution to those problems, at least in Portugal. The Welcome Service is used by the company to understand how things went with the customer on the first contact (a new alarm installation). And the Do It Yourself, a new department that changes the simple process of changing a battery in alarm. In the past, it would be necessary to schedule and send a technician to a customer's house to change a battery. *“Nowadays we have the Do It Yourself (DIY) department where we send it (battery) directly with an instruction manual”*. This relates to IKEA, the Swedish company where the experience is set to make the customer transport and assembly their own furniture, or he can ask for some technician to do it, having this second choice an extra cost. The company recognizes that: *“these processes are beneficial for us, they are beneficial for the client that saves time, saves money too, we also save money, and were created after these focus groups and the surveys and all this information that we are collecting and that allows us to adapt us and change!”*. The company expects more changes, taking into account the use of Facebook, as well as the creation of the Do It Yourself department in the last year and a half and the receptivity of customers to them. *“And I also feel that with time we will have news, because the feedback that our customers send us is always very varied, and every day we receive new inputs and new information so I believe that if our company has already changed a lot in Last 12 months, it will still change much more.”*

There is a predisposition for change that seems to be a requirement when adopting co-creation in the company. However, the company has standards, these standards have policies. Policy of relationship with customers, suppliers, etc. The bureaucratic part of the company can restrict the will to innovate, develop and solve problems in a short time. What can make things complicated when the customer is seen as more informed, demanding and connected. However, the company sees as the biggest management challenge after implementing the co-creation processes to be: *“above all, it is to manage the information that comes to us. That's what's the most complicated. [...] what to do with the information that arrives because it is too much, how to work it. And how do we define what it is that interests us, which is relevant information of what is not relevant”*. The company uses mainly online surveys and focus groups to measure the consumer-company interaction, not having a *“real-time” tool* or platform where customers can interact continuously, while the company can collect information in real time. The difficulty of finding an appropriate tool for the evaluation of results related to co-creation processes is seen as the major challenge.

The company state that nowadays it is necessary / mandatory the existence of interaction / relationship with the client, instead of just trying to sell the product. Value is therefore created in a more relational way. This causes the company to share information and relate to the customer in another way, using new engagement platforms to be able to develop those same relationships. From the interaction with the customer, there is the possibility of developing new products or processes, upgrading old products, or providing ideas or solving problems. As for the customer's reason for interaction, the company believes it is not monetary, since the amount “*it's not a fortune*” (focus groups). That it might be curiosity from the customer. The company believes that there is some will to be connected to the process, that the consumer is interested. There's the belief that if the client interacts is because there's the need to improve.

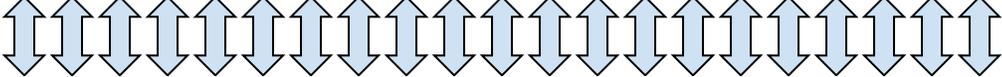
*“In Portugal, Securitas Direct is the consumer choice for the second consecutive year. So this means .. that there is some work. Some work on how we work with our clients and how they look at us. [...] This is only possible because the company changes, and all these processes I mentioned, are working, otherwise this would not happen.”*

### 5.5. Conceptual Framework Data Analysis

Following the perspective of the conceptual framework of value co-creation, and in order to help answer the research question, one can understand how co-creation processes are employed by Securitas Direct.

**Table 7. Securitas Direct from the Conceptual Framework perspective**

<b>Encounters</b>	<p>The encounters are made both physically and on online platforms, such as Facebook, Website &amp; App (customer area) which are constantly working. Facebook provides an easier and closer interaction with the client, providing assistance 24h. It is also used to provide security tips;</p> <p>The website can be used to simulate prices, learn more about the company, their services and products, to talk with an assistant via chat, or to call directly to the company. There is also the customer area, where everything related to the customer and the company is;</p> <p>The app allows the customer to access the alarm and / or the company with his smartphone wherever in the world (with an internet connection);</p> <p>The Do It Yourself department, which helps the customer changing the battery and other product related topics;</p> <p>The Focus Group and Face-To-Face meetings which occur according to planning, with different purposes;</p>
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	<p>There is also the use of the Welcome Centre (call-centre) that provides a follow-up to the product instalment;</p> <p>And the Annual survey - used to understand customers satisfaction.</p>	
		
<p><b>Supplier Process</b></p>		
<p><b>Co-creation Opportunities</b></p>	<p>Facebook - Allows an easier, better and closer relationship and customer interaction, which increases the duration; And satisfaction of the customer's relationship with the company. It also offers security tips, aimed to provide expertise for the customer;</p> <p>Do It Yourself department - Reduce costs for the customer and the company, by involving the customer in the company's processes;</p> <p>Smartphone App development, due to technological evolution and consumer behaviour changes</p> <p>Modification in products and processes;</p> <p>Better performance of the company;</p>	
<p><b>Planning</b></p>	<p>The company, based on feedback it receives from customers over time, creates an action; E.g. a survey or focus group to solve problems that customers find to be of major importance.</p> <p>The company uses Facebook to communicate with customers 24h to solve problems that are published on the social network at any time.</p>	
<p><b>Implementation &amp; Metrics</b></p>	<p>The metrics which the company uses to measure the co-creation processes are not optimal. For data gathering the company mainly uses focus groups and online surveys.</p> <p>Facebook is active 24 hours a day, done in order to communicate with the customer in real time and make the relationship closer. And the Welcome Service is used by the company to understand how things went with the customer on the first contact (a new alarm installation).</p> <p>Focus groups are implemented to develop or create new product / departments, involving the consumer in the mutual goal of improvement</p>	

	based on previous customer suggestions / recommendations. Or to leverage new collective ideas and insights.
	
<b>Organizational Learning</b>	<p>The company learns about customer’s problems (related to the company) in a continuous process. Although, mixing all of this information together is still a problem, or a long taking process. On Facebook, the company interacts 24h, improving the relationship experience for the customer and therefore, being able to learn about each customer separately. The Do It Yourself brings the customer closer to the company by bringing the customer to the processes of the company. <i>“Facebook is a good tool for you to understand what customers think of your company because it is easy for them to interact with you.”</i></p> <p>The survey identifies how a member uses the alarm, how they feel about the use of it, how they feel about the company and what could be changed or even product design.</p> <p>The Focus Groups made with the customers, guide the company to develop in determinate ways, according to what is pretended. As an example, it can be processes, product or satisfaction related meetings.</p> <p>The survey information if triangulated with Facebook data, surveys information as well as the information from other departments create a basis for a faster and better organizational learning.</p> <p>The company expects more changes.</p>

**Source: Own Creation**

## 6. Data Discussion

The data analysed will be compared to the literature review and then to the conceptual framework developed for the purpose of this thesis.

### 6.1. Changes in the market

The company agrees that consumers are increasingly informed, active and empowered (following the reasoning of Prahalad and Ramaswamy, 2004). And the provision of services by Securitas Direct fits the definition of “service” by Vargo & Lusch (2008b) and Vargo et al. (2011), an ongoing process of using each party's resources in the transaction for the benefit of all parties involved. However, the company still separates supplier and customer and do not introduce the term “actors” (as defined by Vargo & Lusch, 2011), considering that both B2C and B2B are participants on the process. The Securitas sees their consumers in the eyes of Prahalad and Ramaswamy (2004), an active player that seeks, creates and extracts value with the company, co-creating value with the firm and other consumers, having the company to engage the individual consumer to create unique value. Thanks to that, there is a perception of constant evolution necessary for the adaptation to the market and the customers.

### 6.2. Value and value creation

The company says that the company can create value by itself, however it recognizes that companies “*should have the customer's opinion*”. Contradicting Grönroos (2000) that says that value is not created by the supplier, but rather in the processes of value creation that involves the customer. The company uses its co-creation processes to interact with the customer and co-create value, not neglecting the possibility that the company can create value. Following the line of thinking, the company does not ignore the idea of Prahalad and Ramaswamy (2004) where value is co-created by the interaction between consumers and businesses.

It is denied the possibility that the company cannot create value without interacting with the customer by Prahalad and Ramaswamy, (2004) however, stresses the importance of using the customer's opinion for security reasons. The authors also state that individuals are in the centre of value creation and companies can no longer unilaterally design products and services, and the company agrees. The company has recently developed the product and processes, by having in consideration the customer's opinion. The company uses “*focus groups with selected clients*” to understand where and how they can innovate, and with the development of the R&D department, the company now tests new products along with some selected customers in order to understand their feasibility in Portugal.

### 6.3. Co-creating value

The company describes the processes used to co-create value within the definitions of Roser (2009)

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in which co-creation is an active and social process, through which company and customer interact, although for the company the creative part from the customer, depends on the reason for using the co-creation actions. The company follows the idea that these processes serve to develop ideas, share knowledge, or to participate in the development of a product or service that may be of value to other consumers by Witell et al. (2011) and the one of Ramaswamy and Gouillart (2010) in which these interactions are structured to deliver desired outcomes for both the organization and the customer. Fitting, within this logic, in the definition developed by Ind, Iglesias and Schultz (2013) which compiles the previous three definitions: “*an active, creative and social process based on collaboration between organizations and participants that generates benefits for all and creates value for stakeholders*”.

As previously mentioned, for the company the value promotion is done not only through co-creation. However, value co-creation is done with consumers by allowing the “*co-construction of the service experience and in the joint identification of problems and their solution with a variety of individual experiences and, finally, a co-construction of personalized experiences*” following the definition of Cruz (2016).

Kristensson, Matthing and Johansson (2008) gives as an example of co-creation, engaging users as co-creators during the new product development process, which can bring ideas that are more creative, more highly valued by customers, and more easily implemented. Which requires collaboration with the consumer for the purpose of innovation. The company has already done so for product development; and processes within the company. The company used Focus Groups to achieve this results. The company changed the product based on the customers opinion. For the company, the customer knows what they want, the company tries to understand what they want, and how to achieve it. And collects and shares information that they consider to be of greatest benefit to the customer, through online satisfaction surveys, and Facebook, where the company fits into the virtual community to solve problems and share content, or through the website. Following also the definition of co-creation of Witell (2011) where the provision of ideas or sharing of knowledge about products, services or other areas is essential.

Ind, Iglesias and Schultz (2013) state that even if the active participation happens with only some individuals / consumers, those who benefit are not limited to those who participate. People who participate in this processes still have contact with other people in the same community (not participants), who might benefit from products, services or ideas developed within the co-creation process. This company agrees, understanding that the customers interact between them to share impressions, and that it might have a “*multiplier / snowball effect*” and have in consideration that the new departments existent in the company were created to bring new customers and enhance existing relationships so that the customer could stay longer and felt more satisfied with the company, being current and possible customers capable of beneficiate from the co-creation process.

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The company-consumer interaction happens in a co-creation space developed by the company, either on a physical space or on online engagement platforms as suggested by Ramaswamy (2009). In the case of Securitas Direct, Facebook, Website, Apps, Focus Groups are used to interact with the customer. The company developed engagement platforms and processes in order to expand the stakeholder ecosystem, leverage collective ideas and insights, improve collaboration, coordination and cooperation, and facilitate better training to the consumer. This fits the purpose of the engagement platforms described by Ind, Iglesias and Schultz (2013). However, this interaction is not developed to encourage entrepreneurship and smarter decision-making; Develop new business networks, from community-based platforms; or enabling better design.

For this company, the co-creation of value happens in more than one engagement platform as described by Ramaswamy and Ozcan (2014), and also combines “*a mix of experiences to provide a broader knowledge for the company-consumer relationship.*” (Payne et al., 2008). The company understands that using online engagement platforms allows co-creation processes to develop more quickly (as suggested by Ramaswamy and Ozcan, 2014), although it is seen as difficult to compile a big number of data in real-time and be able answer / solve all of those problems immediately.

The encounters between company and customer, according to Payne et al. 2009 can be: quality management (Securitas Direct uses Facebook, which can be seen as feedback system where the company interacts in real time with the customers; and Online Surveys), as well as enabling efficient self-service (Do It Yourself department; Smartphone App that gives alarm features access to the customer).

The company learns differently, on each co-creation space, being the knowledge developed with consumers, analysed and shared within the organization. Following Ind et al., (2013) that this knowledge should be shared within the company.

The co-creation at Securitas Direct can be initiated by both taking into account that the company has Facebook, customer area, among other areas where the customer is given full control to get in touch with Securitas Direct. Or through focus group and, surveys where the client has the option to participate. Which follows Zwass (2010) that states that co-creation can be initiated by producing companies or by the consumers themselves. In the Securitas Direct co-creation process, the consumer co-creates value through the integration of firm provided resources other private and public resources, fitting the role proposed by Payne et al. (2008).

Some authors (Ind et al. 2013; Ramaswamy, 2009) stress that while there is active participation for some individuals, the benefits of this interaction are not limited to participants. The company knows that in any product or service development, not only participants, but also every other customer will feel the difference. And the company also states that, through the co-creation of

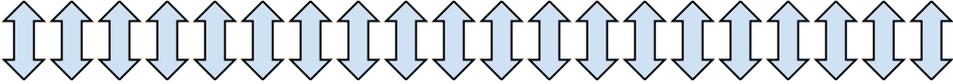
value, has been able to improve and develop new processes and departments, increase sales and reduce cancellations, sharing the idea of Prahalad and Ramaswamy (2004) that the creation of personalized experiences allows companies to boost their, productivity, profitability and market share.

There is a general concern that the metrics which companies use to measure and monitor the performance of their customer relationships are not well developed or well communicated (Payne & Frow, 2005, Payne et al., 2007). The company sees it as a major managerial problem. The company still uses Focus groups and online surveys to measure this interaction which still takes too long.

Following the perspective of the conceptual framework of value co-creation, And in order to help answer the research question, one can understand how co-creation processes are employed by Securitas Direct, compared to literature review.

**Table 8. Findings side-by-side with the Literature Review from the conceptual framework supplier and encounters processes perspective.**

	<b>Findings</b>	<b>Literature Review</b>
<b>Encounters</b>	<p>The encounters are made both physically and on online platforms, such as in Facebook, Website and App which are constantly working. Facebook provides an easier, closer interaction with the client, providing assistance 24h. (<i>responding to the feedback</i>) It is also used to provide security tips. The website can be used to simulate prices, learn more about the company, their services and products, or to talk with a chat assistant, or to call directly to the company. There is also the customer area, where everything related to the customer and the company is. (<i>efficient self-service</i>) The app allows the customer to access the alarm and / or the company with his smartphone wherever in the world (with an internet connection).</p> <p>The Do It Yourself department, which helps the customer changing the</p>	<p>Payne et al. (2009) exemplified with: quality management (e.g., creating user feedback systems and responding to the feedback), and enabling efficient self-service (e.g., creating easy to use interfaces with mobile devices and/or PC's).</p> <p>Happens in a co-creation space developed by the company, either on engagement platforms either in physical spaces as suggested by Ramaswamy (2009)</p> <p>Different interactions between the customer and the supplier occur as a result of their</p>

	<p>battery and other product related topics. (<i>self-service</i>);</p> <p>The Focus Group and Face-To-Face meetings which occur according to planning.</p> <p>There is also the use of the Welcome Centre (call-centre) that provides a follow-up to the product instalment. (<i>Feedback systems</i>);</p> <p>And the Annual survey - used to understand customers satisfaction (<i>quality management</i>);</p>	<p>respective processes of value creation. (Payne et al. 2008)</p> <p>These arrows point in both directions, highlighting the interactive nature of the encounters. (Payne et al. 2008)</p> <p>A two-way process (Ind, Iglesias and Schultz, 2013)</p>
		
Supplier Process	Findings	Literature Review
<p><b>Co-creation Opportunities</b></p>	<p>Facebook - Allows an easier, better and closer relationship and customer interaction (<i>emotional engagement of the customer</i>), which increases the duration and satisfaction of the customer's relationship with the company. It also offers security tips, aimed to provide expertise for the customer (<i>due to changes in customer preference, changes in industry logic, more customer oriented</i>);</p> <p>Smartphone App (<i>technological breakthrough</i>);</p> <p>Do It Yourself department - Reduce costs for the customer and the company, by involving the customer in the company's processes; (<i>self-service, by engaging the customer in experience</i>);</p> <p>Modification in products and processes; (<i>due to changes in customer preference</i>);</p>	<p>The types of opportunity available to a supplier are largely contingent on the nature of their industry (Payne et al., 2007).</p> <p>These opportunities are provided by technological breakthroughs, changes in industry logic and changes in customer preferences (Payne et al., 2008).</p> <p>The authors exemplify with: Emotional engagement of the customer; self-service, by engaging the customer in the experience and the use of systems to provide expertise for the customer (Payne et al., 2008)</p>

	Better performance of the company.	
<b>Planning</b>	<p>The company, based on feedback it receives from customers over time, creates an action; E.g. a survey or focus group to solve problems that customers find to be of major importance.</p> <p>The company uses Facebook to communicate with customers 24h to solve problems that are published on the social network at any time.</p>	<p>The aim of planning is to identify and design the various activities involved in building the relationship experience (Payne et al., 2007).</p>
<b>Implementation &amp; Metrics</b>	<p>The metrics available to the company to measure the co-creation processes are not optimal. For data gathering the company mainly uses focus groups and surveys.</p> <p>Facebook is active 24 hours a day, done in order to communicate with the customer in real time and make the relationship closer. And the Welcome Service is used by the company to understand how things went with the customer on the first contact (a new alarm installation).</p> <p>Focus groups are implemented to develop or create new product / departments, involving the consumer in the mutual goal of improvement based on previous customer suggestions / recommendations. Or to leverage new collective ideas and insights.</p>	<p>Identifying the sequential encounters to determine how experiences can best be co-created. (Payne et al., 2007)</p> <p>The metrics which companies use to measure and monitor the performance of their customer relationships are not well developed or well communicate (Payne &amp; Frow., 2005).</p>
		

<p><b>Organizational Learning</b></p>	<p>The company learns about customer’s problems (related to the company) in a continuous process. Although, mixing all of this information together is still a problem, or a long taking process. On Facebook, the company interacts 24h, improving the relationship experience for the customer and therefore, being able to learn about each customer separately. The Do It Yourself brings the customer closer to the company by bringing the customer to the processes of the company. <i>Facebook is a good tool for you to understand what customers think of your company because it is easy for them to interact with you.</i></p> <p>The survey identifies how a member uses the alarm, how they feel about the use of it, how they feel about the company and what could be changed or even product design.</p> <p>The Focus Groups made with the customers, guide the company to develop in determinate ways, according to what is pretended. As an example, it can be processes, product or satisfaction related meetings.</p> <p>The company expects more changes.</p>	<p>According to Payne et al (2008), it indicates that as the supplier learns more about the customer behaviour, more opportunities become available for the supplier to further improve the design of the relationship experience and enhance co-creation with customers, and seen as the key to a competitive advantage.</p>
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Source: Own Creation

## 7. Conclusion

Having this thesis aimed to investigate how the process of co-creation occurs in the context of the supplier, the following research problem was studied:

*“How does the process of co-creation of value in the context of the supplier occur?”*

Following the literature review and the conceptual framework for this thesis, and in order to answer the broader question, follow up questions were developed:

- What platforms / activities / processes can be used?
- Who participates in the process of co-creation and what is his role?
- How does the company measure this interaction?
- What benefits are perceived by the company?
- What business opportunities arise from co-creation?
- How and what does the company learn from the interaction with the customer?

One can conclude that the processes of co-creation are used as a strategy to create opportunities and plan processes changes and / or product with the customer, leading to improved company performance and a better and closer relationship with the current customer. The participation reward by the customers is not associated with monetary rewards, rather with the pleasure of participating, for wanting to approach the company, for wanting to collaborate, and solve problems causing the customer to co-create - due to affinity and identification with the brand -, through engagement with the challenge planned by the company. Only interested customers participate on these processes, although, all the customers have access to interact with the company. In the co-creation processes, the customer's role is to actively participate with ideas or suggestions (E.g. product development focus group). The process requires the interaction on a co-creation space, either physical or an online engagement platform (e.g. Focus Groups and Facebook); previous planning to determine what there is to achieve to select the best available platform to engage in the co-creation process. The benefits for the company is the knowledge acquired; the customer engagement with the company; reduction of cancellations and increased profits, resulting on a higher customer satisfaction; and the development of processes / departments that make things less time consuming. The processes are beneficial for the client because interacts with the company, and can save money and time. It was also possible to verify that the company does not see negative points in the co-creation, but that there are many challenges. For example: bureaucratic processes. After collecting and organizing all the information, there is still an obligation to send this data to the central group; Or the difficulty in organizing and measuring the data collected in a short time. The metrics used to measure and monitor the performance of their customer relationships are not seen as optimal. The company uses mainly online surveys and focus groups to measure the consumer-company. *“In Portugal, Securitas Direct is the consumer choice for the second consecutive year.*

In conclusion, this thesis supports the view that customers have interest in interacting with the company for multiple reasons, joint problem solving and product / process development. And that the co-creation experience involves the consumer in the company with those same purposes.

## **8. Limitations**

Being this a qualitative research, it is heavily dependent on the individual skills of the researcher and more easily influenced by the researcher's personal biases. There is the limitation regarding the extent of literature used, where some information could be unintentionally left out. The co-creation literature is still being developed in order to better define the concept and its processes. Being Co-creation of value a relatively new topic, makes equally relatively new inside companies' processes.

Therefore, not many companies are aware of co-creation practices in Portugal, which limited the number of case companies available to study. Having this research being conducted on one single company, the results are representative only of the studied reality, therefore, the results cannot be generalized for other companies.

## **9. Managerial Implications**

In the line of the study, some managerial implications were found, follows: Having in consideration all the changes, in the customer behaviour and preferences and technological advances, companies now have to interact with the customer, in order to obtain competitive advantage. Customers feel the need to interact with companies. However, the types of opportunity available to a supplier are largely contingent on the nature of their industry. It is up to the company to provide opportunities (e.g. engagement platforms, focus groups, social network) for its clients to interact, identify and / or solve problems.

Managers should understand the different platforms used to engage available, and how each one should be used, for what purpose; as well to determine the best metric solution available to co-create with the customer. Planning is therefore important; It is still difficult to find suitable metric tools for the evaluation of the results, as well as for data gathering of relevant content as there is still nothing that makes an adequate analysis of the results.

Another challenge is related to the company's expectation of desired results; There is a need, to be understood, that this is a project that takes time to be implemented and to have results; These results may require changes within the company, which usually involves monetary costs. Concluding, the companies must be prepared for possible changes inside and outside the company.

## **10. Suggestion for future research**

Having this study focuses only on one company in the security service in Portugal, it would be interesting to conduct researches with multiple companies, from different and similar industries. Monitor the development and implementation of these co-creation processes personally, which could bring new details about the process of co-creation within the supplier context. The clients' perspectives on value creation were not studied, which would certainly contribute to a broader view of the topic under study.

Being metrics seen a major problem, more research on a tool that can measure the co-creation activity would be of great importance.

There is no expectation in any of the models in the literature review. It would be interesting to understand what are the consumer's expectations before and after the implementation of co-creation processes. Assuming customer “co-creation expectations” could serve as a basis for the understanding between the client and the company; as well as for organizational learning; or used as metrics for co-creation processes.

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## ANNEX 1

**Table 9 - Six case study sources of evidence: strengths and weaknesses**

<b>Sources of evidence</b>	<b>Pros</b>	<b>Cons</b>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Stable: can be revised repeatedly;</li> <li>▪ Unobstructive - not created as result of the case study</li> <li>▪ Exact: contains names, references and exact details of an event;</li> <li>▪ Broad coverage: long span, many events and many settings.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Retrievability - can be difficult to find;</li> <li>▪ Biased selectivity - if collection is incomplete;</li> <li>▪ Reporting bias - reflects (unknown) bias of author;</li> <li>▪ Access - may be deliberately withheld.</li> </ul>
<b>Archival Records</b>	<ul style="list-style-type: none"> <li>▪ [Same as those for documentation];</li> <li>▪ Precise and usually quantitative.</li> </ul>	<ul style="list-style-type: none"> <li>▪ [Same as those for documentation];</li> <li>▪ Accessibility due to privacy reasons.</li> </ul>
<b>Interviews</b>	<ul style="list-style-type: none"> <li>▪ Targeted-focuses directly on case study topics.;</li> <li>▪ Insightful - provides perceived casual inferences and explanations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bias due to poorly articulated questions.;</li> <li>▪ Response bias;</li> <li>▪ Inaccuracies due to poor recall;</li> <li>▪ Reflexivity - Interviewee gives what interviewer wants to hear</li> </ul>

<p><b>Direct observations</b></p>	<ul style="list-style-type: none"> <li>▪ Reality - covers events in real time;</li> <li>▪ Contextual - covers context of "case".</li> </ul>	<ul style="list-style-type: none"> <li>▪ Time-consuming;;</li> <li>▪ Selectivity - broad coverage difficult without a team of observers;</li> <li>▪ Reflexivity - event may proceed differently because it is being observed;</li> <li>▪ Cost-hours needed by human observers</li> </ul>
<p><b>Participant observation</b></p>	<ul style="list-style-type: none"> <li>▪ [Same as above for direct observations];</li> <li>▪ Insightful into interpersonal behaviour and motives.</li> </ul>	<ul style="list-style-type: none"> <li>▪ [Same as above for direct observations];</li> <li>▪ Bias due to participant-observer's manipulation of events.</li> </ul>
<p><b>Physical Artifacts</b></p>	<ul style="list-style-type: none"> <li>▪ Insightful into cultural features;</li> <li>▪ Insightful into technical operations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Selectivity;</li> <li>▪ Availability.</li> </ul>

**Source:** Yin, 2009.

## ANNEX 2

15/05/2017

Name of Interviewer: Gonçalo Paulos

Name of Interviewee: Tiago Delgado

Type of interview: Online (VoiP, Skype)

Start time and end time: 18:00 / 18:42

Duration: 35m.

09/05/2015

**Interviewer:** Good afternoon, I would like to thank you for your availability for this interview in the scope of my master's thesis.

**Interviewee:** *With pleasure*

**Interviewer:** Before starting I would like to ask you for permission to record

**Interviewee:** *Yes, yes!*

**Interviewer:** Thank you very much, first of all I would like to know a little more about you and your career, both educational and professional.

**Interviewee:** *Tiago Delgado [pause] I initially studied international relations and later did a postgraduate degree in marketing and have been working for over 8 years at Securitas Direct Verisure. The function, or the term is marketing executive, that is, I am a marketing manager. I manage all the marketing campaigns, but I also do a bit of management, including marketing costs, development of the marketing plan, I am the one who develops it in November the Marketing Plan of the following year. And that's it, that's basically it. We have a budget, around 3 million euros and we have to use it throughout the year. We have goals and we are campaigning every month to achieve those goals.*

**Interviewer:** Okay, how about the company, Securitas Direct?

**Interviewee:** *The company comes from a company called Securitas and when the company became international, the first country they went to was Portugal in 1977. Around the year 2000 it was noticed that the alarm segment was something that did not exist in Portugal, both in Portugal and in the world. Most of the alarms had little technology, they were expensive products and in 2001 the company separated, created the Securitas Direct and during those initial years began to sell alarms to small companies (B2B), imagine, restaurants, car stand and etc.. being that from 2007/2008 began to be more interested in the housing business (B2C) And today 60% of customers are housing. Which is good because it is a more loyal customer. Companies, for example, a restaurant after a year closes, a business goes bankrupt. And in housing, you can not have clients for much longer. This also made it possible to create products with much more technology and much cheaper. Our alarm costs around € 500, and this makes it more and more possible to sell. We each year have around 17 thousand new customers and we are the market leader in Portugal and Europe, and all over the world we have 2.4 million customers and it is an expanding company.*

*Already in Latin America, we began in Italy, Italy is also a country where we sell a lot. And we will continue to expand Europe, World, in this case more countries in Latin America and try to reach North America.*

**Interviewer:** In your opinion, has Securitas Direct been changing from a traditional business vision, with scarce and brief contact with customers, to a more current view in recent years?

**Interviewee:** *Yes. Yes! There was not even any contact with any customers. Securitas Direct does not have stores, it does not have a physical space. The person does not go to a store like going to Continente or Parfois. Securitas Direct has delegations (22) and has vendors and technicians who are in these offices throughout the country. In other countries too. And this makes it difficult to get in touch with the client a bit more complicated. But it can be said that since 2008/2009/2010... The company has been changing. We hired people for this job, so that the contact with the customer was much faster, much more direct ... even the management of complaints ... and yes, in fact the business has changed a lot, because, if we did not change, we wouldn't be market leaders. "*

**Interviewer:** Do you consider that the company considers to adapt back in the case of possible future changes in the market or the customer?

**Interviewee:** *Yes, it will adapt, it will adapt for sure, Two years ago, I mean, a year and a half ago we did not even have facebook and today it is unthinkable a company does not have facebook or a management of their social network. This is one of the tools in which more and more customers use to contact us to make suggestions, also to complain as it is obvious. To interact! Because customers have this need. When a customer pays a monthly fee, every month they do not want to just pay for one thing, either, well, they want to have a relationship with that company. And sometimes it is not easy when you already have 120,000 customers, as is our case, but yes, we are increasingly adapting ourselves and we will continue to do so is not.*

**Interviewer:** I would like to ask you some questions regarding the creation of value by the company

**Interviewee:** *Of course, go ahead.*

**Interviewer:** Is your company-client interaction seen as a source of value creation for your company?

**Interviewee:** *Yes*

**Interviewer:** You consider that people are at the center of value creation and that the company can not unilaterally design products and services. (Pralhalad & Ramaswamy, 2014)

**Interviewee:** *Yes*

**Interviewer:** What about the phrase "A company can no longer create value without customer interaction" (Pralhalad & Ramaswamy, 2014)?

**Interviewee:** *I do not agree. I would say that it is not critical, that is, companies can create value but, if they really want to create value, should have the customer's opinion for the sake of security. Because nowadays all that is done has to be with security, this is like Coca-Cola. Coca-Cola a few years ago tried to change the product, it was not the packaging, I think it was the product itself, and the customers felt and did not like it and had a sales failure and had to go back. [pause] They are also very pressured by the sugar issue and so on. ... But it did not work! So ... People were accustomed to a product, and WANT the product to stay that way. So the customer's opinion counts a lot, and nowadays in order to do anything, you must realize whether the customer agrees or not. Because to be doing something, just for doing. You can invest money, and having to go back is bad, you lose money and your credibility.*

**Interviewer:** Being the customer an important part of the business, what does Securitas Direct consider to be customers?

**Interviewee:** *The type of customer is ... Men/Women ...30/64 ...[thinking] ... ABC (customer income). A middle-class family can have an alarm system and pay every month to have this product, so I would say that ... of course you have to have some income, we are talking about a monthly quota of 40 €. People looking for security.*

**Interviewer:** What about business-to-business?

**Interviewee:** *Housing, small business. Everything that is not, imagine, banks, big companies, this can never happen, because that forces the alarm to be installed with cables, and our alarm does not have cables, it's all via wireless, because it's something that the customer asks for. Customers do not like that there come near your home and start to make holes for routing cables, nobody likes that, so we also had to adapt to that. Nowadays it's all wireless, nobody gets there and, nobody makes holes, it's all very simple to install.*

**Interviewer:** And what is the reason the company uses co-creation?

**Interviewee:** *Raise sales and keep customers loyal for more than two years.*

**Interviewer:** Ok.

**Interviewee:** *Because up to two of us the customer does not make a profit, because only after two years does the customer give a return. So we used co-creation to improve the product, the process, the way we interact with the customer, and now we are always present when the client needs the most. And even the design, to make it easier to sell and for customers to be loyal. Make the product more appealing. Because an alarm system is not a basic necessity. There are people who between having SporTV or an alarm system, prefers to have SporTV. Usually a person only thinks [pause] This happens a lot, we measure the interaction that our website has, if on television at 9 pm there is a news of burglaries, I can say that we have a peak of interactions.*

**Interviewer:** And what are the objectives to achieve with co-creation?

**Interviewee:** *The general objectives of the company is to increase the number of sales we make, mainly in Portugal. Because in Portugal the cost of acquiring a customer is lower, in Portugal the cost of acquiring a customer is around € 500, in Norway it is approximately € 2000. So it is normal that in Portugal you are asked to increase the number of sales. Co-creation is another way for us to try to increase the number of sales, ready, in addition to increasing the number of sales that is our goal, we also have to reduce the number of cancellations around 3%. There is a greater bet on the relationship with the customer, about what the customer thinks about the company, employees, etc. In order to achieve our objectives.*

**Interviewer:** And who was responsible for the start of co-creation in the company?

**Interviewee:** *The CEO of the Group, like any company, usually goes through the CEO but also the CTO, which is the chief technology officer, the marketing director of the group as well, and the CEOs, the country managers of all countries. General meetings we do every year and have adopted this model for these reasons since 2011/2013 because the company was later sold in 2013 and entered a new CEO. The part of the relationship with the customer is very very important, very important. Of course this is not easy because we have 2 million and 400,000. The company is trying to replicate in some countries and then expand, in Portugal is made, in Spain also, in Italy is not yet done, will be done. It is a process in development.*

**Interviewer:** **And what changes have been made with the implementation of co-creation in your company?**

**Interviewee:** *We did not have a R&D department and at this time, people were hired to this department, a department that tests products, products that we have here to know if it is feasible to do it in Portugal or not. These tests, we do in homes of selected clients of choice, imagine, a client, whoever. And then test the product, test it for one month, two months, to understand if the product is feasible and so on. This was not done and now it is.*

*Changes in product design depending on the information that customers give, I can give you the example of one of our detectors that does image registration ... take photos. Some people thought that the alarm is all the time filming and they are observed so we had to give the company that makes the product in Israel, we had to develop a tab so that the client could cover the camera, so he would not to feel observed. The development of a mobile application that we did not have and have. Customer's nowadays through the mobile phone can do everything, including, you can ask for a technical assistance, through the mobile phone app and you do not have to call us. This is some of the news, news, not news because they have a few years, but were some of the changes we made, to make this process feasible. Also the creation of facebook network (facebook page), we did not have facebook until a year and a half, at this time we have facebook. In which we manage our page 24h a day, and everything that is passed to us, whether by private message or by comments etc. All this information is recorded and sent to our CTO.*

[pause]

*We have created departments, of interaction with the client. We have created a department that is the Welcome service, or a client, when we install our alarm, a telephone contact is made by an*

*operator in which we evaluate everything, we also do a customer inquiry of how the installation went, this is also done through email marketing, we ask the customer how the installation occurred, the information the salesman / operator gave, if the customer is satisfied, if he is not, what is suggested to change. Okay, this is just a part of what was done to improve this customer connection that we did not have.*

**Interviewer: And how co-creation affects the economic performance of Securitas Direct?**

*We believe it has allowed the number of sales we make monthly have increased. This is also the feedback that our commercials - the people who walk the street and sell - and our customers transmit to us. And the truth is that the number of sales has increased and has been increasing from year to year, even in crisis years for example 2013, 2013 was possibly the second best year we have ever had.*

**Interviewer: In the year of the crisis in Portugal?**

**Interviewee:** *In the year of the crisis in Portugal. Therefore we believe that all this connection with, with our clients has allowed to improve our processes the way we interact with the client, this can be seen in the decrease in the number of contract cancellations, because we have a high cancellation rate, I can say that we reached a time when we sold, imagine, 1000 alarms and canceled 500, so at the end of the month you only had 500 New customers, this is unthinkable, and nowadays you sell 1600 alarms and only 300 cancel. There is a big difference, at the end of the month it's a big difference. [pause] This product is paid in two ways, the customer pays when he installs and pays a monthly fee, just like the TV service of MEO and there, so it's not enough to just sell, you can sell two thousand alarms a month, But your profit does not come from there, it does not come from the sales that you make, it comes from the amount of months that this person is your customer, imagine that a person installs our alarm and stays our client 5 months. This consumer gave us damage. We have made a loss with this client. So we also do not care to sell 2000 alarms and lose 1000, at the end of it all you just won a thousand. But this is not enough for our goals. Profit is always monetary, the more people are your customers, month after month and pay monthly, then there are also some who do not pay, do not forget that. The longer that person pays, the more profit we get, we have many clients who have been our customers for 8 years, 10 years, if we multiply this by 40 euros per month you can see when money this person has already given. If we multiply this by 100 thousand, how much does the company bill every month, we are talking about many millions, many millions of euros, in Portugal alone. That's the profit we have. What we want is for the customer to stay as long as possible, and nowadays, in the global market, where you have several companies that sell products that try to copy your product, they try to sell products at a lower price, when they know your product is more expensive. And that's just the way it is. The the profit is this, the advantage is this, is to sell more, and have fewer cancellations*

**Interviewer: And how does it affect aspects of interaction with your customers?**

*Nowadays customers, we also see this a lot through facebook and ... facebook is a good tool for you to understand what customers think of your company because it is easy for them to interact with you.*

*If consumers have to say something negative they say soon! But they also say good things! If they feel they need, they also say good things. They are at home on the tablet. But when it is to speak negatively, there, they are very fast, so we even pay an agency to do this management 24 hours a day, because often a bad comment you know that has a brutal effect. But what we notice is that more and more customers want to be inside the whole process. They like to comment. They like to point out defects, this lacks something, this instead of being white could be yellow. Do you understand? Every person nowadays likes to give their opinion and contribute to make things change and for the product to suit their way of thinking. Of course this can not please everyone. Of course, if every customer told us, "Look, this must have been blue," if we changed to blue ... Things are like this either. Okay? We analyze, we do some surveys as well and it is with this information that we, that we are changing what is necessary to change. And nowadays the product we have, I could say it was designed by our customers because it is based on everything that they pass us.«*

**Interviewer:** And what are the benefits of co-creation within the context of your company?

**Interviewee:** *Having the right product, or what we think is the right product, with the right functionality, right design, according to the current needs of our customers. At the same time we are always betting on innovation, we are making changes, we are also changing processes ... the form with is made the relationship with the customer and therefore, we are evolving, always with the focus on the client. Where the customer is in the focus of everything.*

**Interviewer:** Is it an asset / advantage for the company?

**Interviewee:** *Yes, yes. It's advantage because we, without customers, could not exist, therefore either we adapt, because it is not the customer that has to adapt to us, we have to adapt to the customer, we have to adapt to the needs of the customers. To the needs of today, 9 years ago there were no smartphones, nowadays if you did not have a mobile application where the customer can do everything on the phone, turn on the alarm, turn off the alarm, imagine, a client of ours if you are in the China can turn off the alarm through our app. This, 9 years ago did not exist. Without smartphones we did not have to have this, but there are smartphones, so we will get used to it, we will have to be constantly evolving, and more and more, and always attentive to the needs of the customer, we have to be always attentive, we have to innovate, which is the most difficult nowadays, to innovate, it is a word like a bit abstract but, that is, you know, you have competitors, if you did not have competitors it was much more easy, but you do have. If people are fed up with your company, they change, and the client does not give a chance, from the least dissatisfaction, or if you can not predict a client's dissatisfaction, you will lose it. And we each see more we have to lower the cancellation fee, because when you lose it, it no longer returns, there is no chance! And then there is all that multiplier effect, which is a customer gives up, talk to the friend who is our client to give up too, that person gives up will talk to another person to give up too, it is a snowball effect.*

**Interviewer:** Do you feel that there are limitations of co-creation for the company?

**Interviewee:** *There are always limitations, companies are often bureaucratic, that is, things take time, and here also ends up taking time ... having a digital platform where the customer communicate with us, give suggestions in real time, moreover this is being developed, but not yet online. I can also say that facebook comes to help in this process, that is, to make everything "real time".*

**Interviewer:** Because is it more accessible?

**Interviewee:** *Everything is very fast, more accessible, because the information circulates much more quickly, that is, at this moment it is not easy to compile the opinion of 120 thousand people in a platform that is easily accessible, often the information does not reach all employees of the company, or it takes time to arrive. These are some difficulties, some limitations that we have but with the time passing we are improving.*

**Interviewer:** Then, there is the possibility to change processes or activities within the company again?

**Interviewee:** *The possibility is total, otherwise it was not worth changing, it was not worth interact with the customer. Of course the company has norms, these policies have policies, relationship policy with our suppliers, so there is an immediate effect, but yes, this possibility exists and this is what we intend, if it takes a week later, it takes a month or it takes one year. This is unfortunately not immediate, but yes, of course there is, but the goal is really that.*

**Interviewer:** For today that was all I would like to ask you. As scheduled before, I will contact you as soon as possible so that we can complete this process. Once again a thank you for the availability, and see you soon.

**Interviewee:** *You're welcome! Anything contact me by email. See you soon, good afternoon!*

[END OF INTERVIEW]

## ANNEX 3

Interview data

Date: 17/05/2017

Name of Interviewer: Gonçalo Paulos

Name of Interviewee: Tiago Delgado

Type of interview: Online (VoiP, Skype)

Start time and end time: 18:00 / 18:38

Duration: 47 minutes

**Interviewer:** Good afternoon once again

**Interviewee:** Good afternoon!

**Interviewee:** Yes, sure

**Interviewer:** I'd like to start by asking you, what is co-creation for you? That is, how do you see the process of interacting with your customers?

**Interviewee:** *That is, co-creation, deep down it's like a tool, a strategy! That we have, with which we can be connected or connected to our customers. And through which we can extract feedback that allows us to change and improve our processes. And here we can consider our facebook for example, the surveys we do, the Welcome Service, that is, when the customer installs our alarm, we do a survey of the Welcome Service, we also conduct surveys every year for current clients, focus groups with selected clients, to understand where we can innovate. Therefore, the basis is the whole process, this entire process of contact, to extract feedback, that is, to bring the customer to the company, go, almost as if the customer were, and is, the customer is always a stakeholder of the company, but it's as if they were inside the company, and we were able to "connect" him with our suppliers. I do not know if we can call it that, or if we can say that. But deep down we are bringing the customer into the company. This is what I would call co-creation. I do not know if that's how you describe it.*

**Interviewer:** This is the opinion of every person, this turns out to be a little ... it's what each...

**Interviewee:** *It's bringing people in, I believe. This is, who is away is one of the stakeholders, so a customer is a stakeholder of the business, is to try to bring it in, associate with our business. To our business, the product, whatever you want to call it. And that, I believe that is achieved. That is, take advantage of all these inputs that the customer gives us. Select these inputs and differentiate what is relevant and what is not relevant ... and take advantage of that information.*

**Interviewer:** Interviewer: And what information has the company already benefited from as a result of the adoption of co-creation (or of these processes)?

**Interviewee:** *In the end is what I have developed previously... That is, even direct questions, and product-level, product design, and product functionality practices, such as that example I gave you, of our image-recording detectors, where we made some changes to plastics, of the design, [thinking], also something we have created from the co-creation has to do with the fact that... We used to send a technician to a customer's house to change a battery. We do not do this anymore. Nowadays we have the Do It Yourself (DIY) department where we send it directly with an instruction manual. And we have created a department with which the customer can make all these changes. We no longer have to send a technician home, both us and the customers do not have that cost and for the customer it turns out to be much simpler and faster than having to wait for a scheduling of a technician, a visit of a technician, etc. [pause] that is, these processes are beneficial for us, they are beneficial for the client that saves time, saves money too, we also save money, and were created after these focus groups and the surveys and all this information that we are collecting and that allows us to adapt us and change!*

**Interviewer:** Do you feel that the customer interaction processes have undergone any kind of adjustment or adjustment in the last 12 months?

**Interviewee:** *In the last 12 months? Yes... Yes, for about a year and a half for example we did not even have a facebook page, it was also created to make this connection with the client closer and that the feedback was more real-time. In addition, we created this department that I was referring before. A department in which we try to "teach" our customers to do the alarm maintenance without having to send a technician, this is also a department that was created last year, also did not exist. And I also feel that with time we will have news, because the feedback that our customers send us is always very varied, and every day we receive new inputs and new information so I believe that if our company has already changed a lot in Last 12 months, it will still change much more.*

**Interviewer:** What are the biggest management challenges after implementing the process?

**Interviewee:** *Above all, it is to manage the information that comes to us. That's what's the most complicated. We do not yet have a tool, a real-time tool where a customer can contact us and in real time we put all this information together and move to our central department, which is not even in Portugal. All this information is then sent to our Group R&D department. We have a department in Portugal but the biggest difficulty is this, we, after collecting all this information we still have to give this feedback. So we need a tool here that will make everything faster, a little bit more in real time.*

**Interviewer:** As a platform?

**Interviewee:** *A platform, yes. This is being developed, but in multinationals, things take a bit longer in this case. But the biggest challenge is this, it is what to do with the information that arrives because it is too much, how to work it. And how do we define what it is that interests us, which is relevant information of what is not relevant. Because as you must calculate, there is much information that we receive that is not properly relevant. Because if we were to change everything*

*the customer tells us, if we were to change just for that, then we had to change every day. And this is not how it works.*

**Interviewer:** You have an R&D department and the group has one too. In other words, do you collect your information from Portugal and have to send this information to the central group?

**Interviewee:** *It has to be sent to the central group, yes.*

**Interviewer:** Does this mean that you to make any kind of change in Portugal, will always have to go through the Central Group?

**Interviewee:** *Always, yes. That is, we have feedback, that is, we have the inputs that the clients give us, that is, all this information, it might not be developed, because if we do not have the “Ok” from the group, the “thing” does not advance. This is one of the biggest difficulties in the whole process.*

**Interviewer:** The bureaucratic process?

*Yes, most of all. Bureaucratic, interests too [pause]*

**Interviewer:** Monetary?

**Interviewee:** *Yes, monetary, also, any change you make always implies financial resources is not, if you create a new team and contract people, this implies resources. All this.*

**Interviewer:** Do you have any tools that allow you to evaluate the results of the co-creation process?

**Interviewee:** *We have, we have internal instruments, yes. That is, we collect information and analyze all this information collected, yes. When we do surveys, we have a back office, which then passes the information to us or through graphs, response trends and so on. When it is focus group, done, this is done through an agency that also makes us get a report, a report, with all the information gathered taking into account what was sought.*

**Interviewer:** The company therefore resorts to both the management of facebook and the creation of focus groups, to agencies, so it outsources ...

**Interviewee:** *Yes Yes. The survey is done annually, okay? The survey that is done to all active customers, an active customer means a customer who actually pays the monthly fee because there are customers who do not pay. So, the survey is done annually, facebook is always active, as you should calculate, focus groups are also done at least once a year, and then we have the Welcome Service which is when a new alarm installation is done, go, when a Client installs an alarm then the Welcome Service is used. But I would say that, at least once a year. The surveys and the evaluations, the other processes later are already a little bit different. There is facebook*

*management by another company, but content is all created within the Securitas Direct marketing department. They publish, and we create content. The content.*

**Interviewer:** And are focus groups used as satisfaction surveys as well? Or does it depend on what they are looking for?

**Interviewee:** *Used for everything. Yes, yes, for everything. The focus group in the background we try to realize if we are ok, if we should improve, if the customers are satisfied, if they recommend our alarm to others, if not recommended, if you are thinking of changing, if they are not, and so forth, why, if the alarm is practical if the handling of the system is practical, if it is easy to move if it is not, if the design is appealing, therefore, all these kinds of questions. We are concerned with communicating with the customer to see if the work we are doing is going according to the interests of your customers.*

**Interviewer:** Do you feel that with these processes in the company, there was a change in revenue, costs, or cancellations as you had said in the last interview?

**Interviewee:** *Yes, yes, yes, we felt that there was. That we effectively have increased sales, increased revenues, made the customer stay longer in the company. So it has the other side that is, if it stays longer in the company, we reduce the number of cancellations. Yes, we felt it a lot.*

**Interviewer:** What about numbers?

**Interviewee:** *Sales grew by 5 to 10%, around that and cancellations have decreased by around 3% per year, which is good.*

**Interviewer:** Ever since you started using co-creation?

**Interviewee:** *Yes, since we started using these processes, yes. Of co-creation .. It may be ... We feel that there has to be with all of this, personally, product design issues too, functionality, the company also changed, also if it adapts and yes, we feel it. We increased the number of sales and decreased the number of cancellations. This year, I can say that for the first 4 months of the year, not counting May, the results are still better. We are well above the proposed objective. And of course all these processes help, they help that. They help the way we can better understand the client and be ... that is, being .... above your expectations. This is what we want, to exceed customer expectation!*

**Interviewer:** Although you focus group, have facebook and etc. You have some way of knowing the impact that each activity or process has?

**Interviewee:** *It's always ... we obviously, it's always a little subjective, but we realize. It's always a little subjective, sometimes for more information that you collect, at the end of everything there is still someone in the center of the company group that is in a country far away, and is the person who will validate all this information that you send. Except that. We realized that if there were no such tools, things would not change. And since these tools exist, even though it is not easy to*

*quantify the impact that these tools have, we believe, otherwise we would not make these processes, the impact is positive and the changes we are going to have over time are based on all the feedback that customers give us. Quantifying is not easy, but we know that we are a better company because of this, ready a company, above all market leaders, and this shows up in the results.*

*There it is, as I have said many times, it is necessary to separate the information that is relevant from that which is not relevant, and this is complicated. Sometimes it's also tricky because we have so much information but we can not manage all this information in real time, but what we can do within our limitations ... what we feel is that it can take time, sometimes it takes time. It takes months, but in the end the changes are applied and therefore this has some impact. OK?*

**Interviewer:** Ok.

**Interviewee:** *It is not easy to quantify, as I told you, but that it has, it has, and the impact is positive.*

**Interviewer:** One last question, you on your website have Amiability, Trust, Innovation [interrupted]

**Interviewee:** *[Laughs] Obviously sometimes what you have on the company website are always those generic phrases, right?*

**Interviewer:** [Laughs] Yes.

**Interviewee:** *But I would say personally, the question of trust is the most important. If you look around (website), you can see that in Portugal, securitas direct is the consumer choice for the second consecutive year. So this means .. that there is some work. Some work on how we work with our clients and how they look at us. Because, consumer choice is also a survey that is done annually to consumers in Portugal, in various business areas and we in alarm systems, for the second consecutive year we are the leading company in security services. This is only possible because the company changes, and all these processes I mentioned, are working, otherwise this would not happen. If the customer did not have this perception, we would hardly be chosen the consumer choice, which is a award of high importance in Portugal. You can see that, it is also on the website ([www.securitasdirect.pt](http://www.securitasdirect.pt)). If you start going down on the homepage, when the first picture appears, there's a little red bar below.*

**Interviewer:** In other words, within the security sector, has Securitas Direct been considered the consumer's choice this year?

**Interviewee:** *Of all the competition of security and not only of alarms.*

**Interviewer:** Fantastic! Is it the second year?

**Interviewee:** *Yes, it's good, it's good, sir.*

**Interviewer:** Not only is the customer more informed and has more information about the companies, but the companies also end up having more information about each other ...

**Interviewee:** *Yes, there are no more secrets, even for people who leave one company and go to another, and vice versa. This is a market that is small at the corporate level, we only have two big companies, then you have many so little, for the communications market in Portugal is the same, you also only have NOS, MEO and Vodafone! Here it is still even smaller, it turns out to be smaller, everyone knows each other, everybody knows what others do. When they create something we also know and vice versa. There are no secrets, it is very difficult to have a secret these days.*

**Interviewer:** So, what do you think is the customer's reason for interaction?

*I do not think it's financial, people receive it, but it's not a fortune (focus groups). That's not the reason. Curiosity, maybe. And want to be connected to the process. Is interested. I think the client when he / she interacts is because he / she wants to improve, I do not have any doubt, of course, that each person has his / her opinion, and we can not simply change things because an individual tells us to do things like this or another way. But what we feel, even when they are complaining, even when someone complains with us, sometimes it is even better that they complain. Because if this person complained, it means that he has an interest in your company! And you must resolve this issue as soon as possible. This is better than those that do not interact at all. Imagine those customers that something happened, they have a problem with your product and what they will do is simply cancel. That's the worst there can be. And what we have to do, is that the customer interacts even to say "this today went very bad, the alarm did not ring, you did not contact me in the stipulated time, I had a problem", We always need this either for complaints or for innovation, and we really feel that the customer actually likes to be a part of that process, okay? Feel valued, we feel it, This is the kind of client we want... A customer who does not speak, who has a problem and does not speak, who is waiting that we guess... This happens a lot, people say: "Ah, you should know the alarm is not working". Things like that, you know? They say this a lot to our colleagues, but sometimes it is not so, the client should say "look, the alarm is not working" so that the issue is solved. So, it is preferable to have a client, who gives ideas, opinions, who speaks with us etc. Than having a non-interacting customer, who does not respond to the surveys we send, is not interested in participating in our focus groups this usually means that it will... That he has no interest and possibly in the month to follow or when the loyalty period ends he will leave. That's it, that's actually it. [pause] Imagine, when you do an online survey, you have one thing that is the rate of openness, of all people who opened and did not open. To those who did not respond you have to take some action first to try to understand why they did not respond, it may be because they do not have the time, the person sees the email and does not feel like responding. But you have to create ways to create some engagement, get those customers, who did not even bother to respond to the 2-minute mail, or survey, or whatever. And try to pull them to you, pull that mass to interact with you, which is not easy, when you are already 100 and a thousand, you are doing actions ... we have already done several actions ... Four years ago, you did things and did not have feedback, that is, as an example, we sent a rebate card to all customers by mail, but then we did not analyze whether the person used it or not, if the person ... you know? A little like Repsol does, Pingo Doce does, we also tested it but then we had no department that would analyze if the client received it, if it used it, if it was not used, if he was satisfied, if he was not.*

**Interviewer:** And which customers?

**Interviewee:** *Which were using ... if you do an action, but then you can't filter information, if you don't have a department that analyzes all this "data", all this information that is passed... Nowadays if you do an online survey give you information in real time, or if you do a join a number clients on a focus group, and you are there to listen to what they tell you, and even if you think you are listening to the silliest thing ever. .. that you think silly, but the customer thinks the opposite ... And we have to be evolving, we have to do things but not only do, we need to be able to analyze all this information that arrives. That this is the most complicated in my opinion.*

**Interviewer:** What is the percentage of customers involved in co-creation processes?

*Very low, about 3%.*

**Interviewer:** Do you segment or divide between B2B and B2C in these processes?

*It is difficult to say, the inquiry is for all customers, the inquiry I would say is more B2C, because at the moment we have more housing than companies. When we send the inquiry to everyone else, the housing clients respond more. Focus Groups is similar. On facebook it becomes more complicated to say. But for example, we divide between customers who are residential, even for internal studies that we do and the company.*

*Then we can also analyze an area, a place, imagine. We know that we can bill more in certain places, we analyze this to know the buying power of the customers who live there, if it is worth having more commercials if it is not worth. Then we adjust our teams also, for example, if it is a zone that you are selling well, you are more commercial, what kind of customer do we have there, a client who has a lot of equipment is because he has a big house, More income, is also a customer that we care to keep, because if you analyze a customer who has more equipment paid more than monthly, because the monthly fee is not the same for everyone. Imagine, I have a small apartment, I have few equipment, I pay the lower monthly fee. But a client who has a house 3 times bigger than mine has a lot more "importance" (in quotes) than I do. Because the company, if it loses me, maybe it loses my monthly payment, imagine, 40 € per month. If you lose a customer who pays 150 € you lose a lot more more, this is also analyzed. And we also analyze the number of years that the customer is already a customer ... if it is our customer at the age of eight we have to keep it as it is obvious, we have to keep everyone, but as you know there are customers that are more important. A customer who has three homes and has alarm in three houses, here it counts as three customers, is not only one, so, all this has to be analyzed. I think all companies do it. I guess.*

**Interviewer:** In what the authors said, co-creation is not only between company and customers but also between employees, within the company itself, in which inquiries can be made and so on. Do you worry too?

**Interviewee:** *Yes and we have very tight control of our employees, from privacy policies, codes of conduct, etc. but I would say that the main focus of it all is for the customer's perception. The customer right now, I think is the most important part of this whole process, including what I was saying, we are even creating internal control tools, such codes of conduct, privacy policy and so on, all to protect the customer. Therefore, I would say that it is more the customer, he is more, more in the center of all this.*

**Interviewer:** Have you ever, for example, done focus groups, or employee satisfaction surveys?

**Interviewee:** *No, that reminds me not.*

**Interviewer:** Why not?

**Interviewee:** *As I told you, all of these processes take months to years.*

**Interviewer:** Okay, I think that's all. I would like to thank you again for your time, in case you need any more information, I will get in touch!

**Interviewee:** *Of course! No problem! Feel free, you already have my email, just say anything. And by the way, good luck with the thesis!*

**Interviewer:** Thank you so much! Bye

**Interviewer:** Bye!

[End Of Interview]