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Garut value co-creator: fostering the growth of SMEs in Garut to attract more customers

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Abstract: Garut is one of the districts in Indonesia that is known to have great potential in small and creative businesses. Several industries have been transformed from local industries into national industries, one of which is the famous traditional snack in Garut, namely *Dodol Garut*. Unfortunately, the development of local industry still faces obstacles in market development due to lack of synergy and collaboration between industries. Co-creation of superior products from Garut is offered as a method that can be applied. The DART model consisting of dialogue, access, transparency and technology is used to evaluate the potentials of the new service system that can be adopted in the future by value co-creators including Garut District Government. The results showed that creative industries in Garut Regency have great potential to co- create new innovative products as the result of the combination of various industries in a newly invented service system.

Keywords: Garut; creative industries; small businesses; DART model; value co-creation.

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Biographical notes: Dini Turipanam Alamanda is an Assistant Professor at the School of Economics, Garut University. She conducts several courses related to strategic management and decision-making theory. Her expertise in research is service science and game theory, she has published more than 80 articles in reputable both national and international journals as well as international proceedings. Besides being a lecturer, she is also a business consultant on national and international scales. During leisure time, she actively involved in social community of Professional Mom Institute (Institut Ibu Professional), this community concerns about family education which has weekly agenda in Garut Regency.

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Abdullah Ramdhani has been working as lecturer at the Garut University since 2008. His interest of study is marketing research, both for teaching and doing research. Beside a lecturer, Ramdhani is known as a photographer and being a chief of Garut Photography Community since 2011. He is also an active journal writer which has several popular articles that publish both on national and international journal. He is a PhD candidate at the Pasundan University with organizational behaviour as his topic of dissertation.

1 Introduction

One of the critical elements of survival in this exceedingly aggressive economy is to discover the best approach to improve productivity while reducing cost at the same time. In order to pursue that, the key success factor has turned into the ability to come up with innovative solutions for customers. Innovation is the best way for companies to achieve competitive advantage so as to gain a better and stable position in the market (Ramadani and Gerguri, 2011). There are no other cases as vital as the case of small and medium enterprises (SMEs) whose contribution to the overall economy has grown in importance, particularly in turbulent time.

Indonesia is populated by more than 250 million people, of which around 117.68 million are workers. As many as 96.87% of them work in SME sector (Kompas, 2017). Based on the data provided by the Ministry of Cooperatives and SMEs Indonesia, the contribution of SME to the Gross Domestic Product (GDP) currently reaches 60.34% (Kompas, 2017). The SME sector in Indonesia is the most sustainable business sector in facing financial, economic, food and energy crisis that once hit Indonesia in 1997. This sustainability is achieved because the sector is relatively neutral and independent from government interference (Anggadwita and Mustafid, 2014). In the present time, there are new SMEs that are flourishing and actively serve local markets with a wide range of products with qualities that are able to match imported products.

According to the Director of Pasarukmjabar.com, Dani Umar Fauzi, on *Pikiran Rakyat* (2016), SMEs in West Java, Indonesia, are still difficult to develop. There are several obstacles that impede their growth. One of the main reasons is that the economic values produced by SMEs are less competitive. Furthermore, the production and marketing capacities are still lacking. However, the estimated level of GDP that is contributed by SMEs in West Java shows some positive growth. In 2012, the number of GDP produced by SMEs in West Java is 146.13 trillion rupiahs (Dyahrini and Rachman, 2015). It shows an improvement from 132.23 trillion and 101.64 trillion rupiahs in 2011 and 2010 subsequently (Dyahrini and Rachman, 2015). Approximately, the annual growth rate of GDP contribution of SMEs in West Java is around 15% (Dyahrini and Rachman, 2015). Unfortunately, that is not the likely case of Garut.

Garut is a town located in the centre of West Java province in Indonesia. It is located about 75 km away from the southeast of Bandung, the capital city of West Java province. The Head of Research and Development (R&D) Division of Regional Planning Agency (*Bappeda*) of Garut, Agus Kurniawan, said that Human Development Index in 2016 has reached 63.64 point (Sukma, 2017). It shows a slight improvement from the previous year's index that reached 63.21 point (Sukma, 2017). Furthermore, he explained that in 2016, Garut experienced several improvements based on several indices compared with the previous year. Among those indices, the health index increased to 78.09 point from only 77.98 point in 2015 (Sukma, 2017). Then, for the knowledge index, the index increased from 55.18 point in 2015 to 55.41 point (Sukma, 2017). Finally, the purchasing power index, increased from 58.69 point in 2015 to 59.58 point (Sukma, 2017). However, by looking at the comparison among the GDP of Garut, the GDP of Bandung and the national GDP, the picture does not seem to be promising (see Table 1).

Table 1 The comparison of GDP of Garut and Bandung cities to national GDP

<i>Description</i>	2010	2011	2012	2013	2014	2015
GDP of Garut (million)	25.465.222	28.108.433	30.364.471	33.687.511	37.084.187	40.681.252
GDP of Bandung (million)	102.154.915	115.203.941	131.989.539	151.794.366	172.697.869	195.844.956
GDP of Indonesia (million)	6.864.133.100	7.831.726.000	8.615.704.500	9.546.134.000	10.569.705.300	11.531.716.900

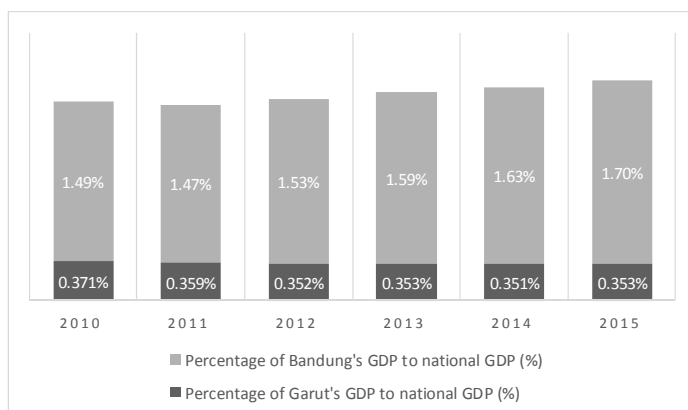
Sources: Processed data of BPS-Statistics Indonesia (2018); Badan Pusat Statistik Kota Bandung (2018); Badan Pusat Statistik Garut (2018).

In 2015, as the latest year where data are publicly available, Garut's GDP has reached more than 40.681 trillion rupiahs meanwhile Indonesia's GDP has reached more than 10.57 trillion rupiahs (BPS – Statistics Indonesia, 2018). The pattern also shows a declining trend of Garut contribution to the national GDP (see Figure 1). A trend that is not experienced by Bandung as its neighbour city. As can be directly seen, the contribution of Bandung to national GDP is roughly increasing from 2011 to 2015. It is suggested that Garut should harness its strength in tourism sector. In general, there are three sectors of business that provide the largest contribution to Garut's GDP in 2016, namely agriculture by 38.85%, trade by 19.80% and processing by 7.72% (Badan Pusat Statistik Kabupaten Garut, 2018). As for tourism sector in 2016, as represented by accommodation services, it only accounted for 3.34% despite the availability of many tourism products (Badan Pusat Statistik Kabupaten Garut, 2018).

Garut has various crafts and culinary skills that are famously known throughout Indonesia, at least. *Chocodot* (chocolate mixed with *DodolGarut*) and *Ranginang* (sticky rice) are popular snacks that originated from Garut. As for the handicraft, in addition to pattern fabric (i.e. *Batik Garutan*) and souvenirs made of fragrant root (*kayuwangi*), Garut is also known for leather craft production centred at Sukaregang Leather Centre. However, the locations of these SMEs are far apart from each other. It requires significant time for tourists to travel across Garut and make visit to those SMEs. Most tourists only have time to buy one or two items of typical products of Garut. In many centres, only one to three items are available for sale.

The price of these products is also varied. There are some products that are sold cheaply due to low production cost such as *Ranginang* (snack made of fried sticky rice). There are also products that are expensive due to their scarce nature such as crafted vetiver. Franz Limiart the owner of Zocha – the famous brand of fragrant roots handicraft – observed that most tourists who come to Garut are brought by travel agencies from Bandung. In Garut itself, there are only a small number of travel agencies that arranges and offer special tour packages to Garut. This lack of access limits the growth of tourism industry in Garut. Fortunately, increasing concern and support from the government towards the growth of tourism sector provides a good momentum to promote typical products of Garut.

Figure 1 The comparison of GDP percentage of Garut and Bandung cities to national GDP



Sources: Processed data of Badan Pusat Statistik Bandung (2018) and Badan Pusat Statistik Garut (2018).

The ever-expanding service economy, including tourism industry, has shifted the paradigm that once centred on physical goods. The new paradigm of service economy holds a belief that a physical good is nothing more than a medium to convey service. In this new paradigm, the value of the service is not solely dependent on the producers nor it is created before the point of interaction between producers and consumers. Therefore, the boundaries between producers and consumers seem to be blurred. The notion that experience as the source of value has been promoted. Moreover, everybody in the service system can play some part of value creation process. A new term, called value co-creation, was coined to show that how this new paradigm could provide more incentives to consumers, producers, partners, communities and investors to cooperate.

This paper contains ideas about how co-creation between actors behind the Garut's typical products can be facilitated to invent a variety of new products with high selling value. These products can be created by combining the existing typical products of Garut. One example of a new product with high selling value has been created by Zocha (Alamanda and Ramdhani, 2011; Prihastuti et al., 2015) that combines fragrant roots (*akarwangi*) with *batik garutan*. Chocodot has also introduced many products that resulted from co-creation process. Chocodot creates unique packaging for their chocolate products in cooperation with Garut's craftsmen. The tourism industry of Garut would benefit more if all of Garut's potential producers (e.g. culinary and craft) cooperate to attract more tourists by co-creating products that suit tourists' unique needs and wants. This study presents a framework to transform existing business conduct into the one that can accommodate co-creators' need in managing and conveying the co-created value to their new stakeholders. The DART (dialogue, access, risk assessment and transparency) model is used in this paper to satisfy that purpose.

2 Literature study

As the service sector of the global economy grows, the study of services, especially service innovation, is moving to centre stage.

2.1 Service science

Service science is a discipline that emerged from the growing domination of service sectors in the modern economy. The discipline was initiated by IBM as this computer giant shifted its focus from hardware manufacturing to software and providing services (Huo and Hong, 2013). It is established from the interdisciplinary investigation of operations research, business strategy, mathematics, industrial engineering, computer science, social, decision theory, management sciences and legal science (Huo and Hong, 2013). Due to its complex nature, it is not easy to draw clear boundaries around service science. However, despite its various ramifications, this emerging discipline has been growingly adopted by governments around the world, including the USA and the European Union, in their national development strategy (Huo and Hong, 2013).

In a nutshell, service science focus on managing dynamic web of interactions between two or more entities, that is service system, to produce mutually beneficial results. According to Maglio and Spohrer (2008), service science combines knowledge about people and organisation, business and technology to identify the origin and development of service system, to solve problems found in service system and to produce competent professionals and scientist in service. Hence, service science investigates

service system – even multiple service systems in an ecosystem – as a unit of analysis that might encompass a wide range of entities including individuals, communities, business entities, government agency, cities and nations (Maglio and Spohrer, 2008). Maglio et al. (2010) expounded that service science is the ‘systematic search for principles and approaches that can help understand and improve all kinds of value co-creation’.

S-D Logic (service dominant logic) is acknowledged to be one theoretical framework that provides substantial contribution to the development of service science (e.g. Lusch et al., 2008; Maglio and Spohrer, 2008; Vargo and Akaka, 2009). There are several underlying assumptions of S-D Logic that are essential in supporting the development of service science according to Vargo and Akaka (2012). First and foremost, S-D Logic perceives service as the basis of all exchange and thus perceives service system as a process of value creation rather than merely the output of it. Second, S-D Logic perceives that value can only be created through mutually beneficial interaction and relationship with at least one other party, that is value is co-created. Third, value co-creation revolves around resources integrations between actors. In terms of resources, S-D Logic puts significant weight on skills and knowledges as resources that can be used to act upon other resources – such as goods and money – to produce benefits. Fourth, value of any offerings determined by its beneficiary – that could be assumed by anyone – and the context under which the value is created (e.g. time, place and social setting).

2.2 *Value co-creation*

Various studies have discussed the definition and interpretation of co-creation differently. According to Vargo et al. (2008), value creation is the core purpose and central process of economic exchange. In details, values are created during interactions between actors – that represent the process of resources integrations (e.g. knowledge) – and thus being unfolded over period of time (Vargo and Lusch, 2010). It can be further classified into three broad types that include monetary, use/experience and social value of co-creation (Roser et al., 2013). Value creation has several advantages in business processes such as better product quality (Fuller and Matzler, 2007), greater customer satisfaction (Nambisan and Baron, 2007) and reduced risk for the company (Roser et al., 2013). In addition, co-creation provides freedom to consumers in the production of value, although support from the company in terms of resources is still required (Darmody, 2009).

The role of technology in value co-creation also becomes the centre of discussion as exemplified by Ramaswamy and Ozcan (2018) and Saunila et al. (2017). According to Ramaswamy and Ozcan (2018), value co-created during collaborative interactions across interactive system environments is enabled by digitised platform. In addition, Ramaswamy and Ozcan (2018) also proposed that the interactions should include agency involvement and organisational structuring. Moreover, the growing use of digitised platform in co-creation demands for greater emphasis on mutual openness and communication (Saunila et al., 2017). This is caused by the absence of physical interaction during the production of service within digital environment (Saunila et al., 2017). Indeed, openness is one important building block in DART model that is explained in the following section.

The co-creation process can also create changes to the service system in the form of service innovation that can produce shared value between clients and providers (Spohrer et al., 2007). This shared value also has a direct impact on the evolution of the system (Spohrer et al., 2007). Chesbrough (2017) argues that service innovation must resolved

the conflict between standardisation that promotes efficiency and customisation that improves customer satisfaction. Hence, for a service platform to gain high adoption, it should be backed by a business model which is able to resolve that conflict (Chesbrough, 2017). Furthermore, the success of service innovation also determined by the risk profile of each actor involved in the service system. In a way, engaging in a service system which requires greater degree of cooperation – as in value co-creation – also requires greater trust or, at least, greater willingness to take up opportunity. This willingness to act upon the change occurred in service system partly determined by the ability to do information framing, type of gender and preference towards entrepreneurial occupation (Emami, 2017). Moreover, Emami and Dimov (2017) also found that opportunity confidence, mediated by experience and innovation level, affects the entrepreneur's intention to engage in new value creation activities.

2.3 *Co-creation in product development*

The new product development (NPD) is a process of searching for ideas for new goods and services and turning them into additional commercially successful product lines (Darymple and Parsons, 2000). According to Sorescu et al. (2007), new product development is an important driver of growth and profitability of the company. Basically, the company is doing new product development to increase revenue and profit. The new products development is a new value creation process to increase consumer interest in the products offered. Products that are successful in the national market are often fail in the international market (Kraus et al., 2016). Thus, product development should be adapted to the needs of specific market or can be standardised globally (Kraus et al., 2016). Product development process can be done by involving consumers to participate in mutual value creation. However, there are still few companies that have the will or skills to involve consumers in full in the product development process (O'Hern and Rindfleisch, 2010).

2.4 *The DART model*

The DART model is a theoretical framework that can be used to plan and evaluate the configuration of co-creation experience (Prahalad and Ramaswamy, 2004). The purpose of the DART model is to reduce information asymmetry between customers and company in order to position customers as value co-creator to produce competitive advantage (Zhang and Chen, 2008). The building blocks of the DART model are explained as follows:

- 1 Dialogue (D) is the interactions between companies and consumers as equal problem solvers to enable knowledge sharing and empathic understanding. In this framework, consumers are provided with the opportunity to interpolate their ideas and perspectives in the process of value creation.
- 2 Access (A) involves giving up relevant information and tools to consumers. Access represents an opportunity for companies to expand their business by engaging consumers' perspectives at multiple points of interaction. It provides an alternative to the idea that the only means to experience value is through ownership.
- 3 Risk (R) assessment revolves around the idea that when consumers engage in value creation, they should bear some responsibility for risk. Hence, companies must

empower the consumers with information and methodologies necessary to properly identify, assess and found means to mitigate risk.

- 4 Transparency (T) between organisations and consumers is crucial in building trust between them. In earlier era, organisations benefited from information asymmetries in respect to its customers. However, in present day, this assumption cannot be justified any longer. It is increasingly important for companies to enter a new level of openness to instil trust and facilitate better learning.

Other things that also matter are to utilise ICT (information and communication technology) which could improve each component of the DART model of Garut Co-Creator (GCC). Similar argument is also supported by evidence found in Uganda that the use of ICT in business facilitates increased savings, increased efficiency, enhanced service delivery, lower transaction cost and improved market performance (Gerguri-Rashiti et al., 2015)

2.5 Dimensions of choice

As indicated by Prahalad and Ramaswamy (2004), utilising the DART factors alone may not deliver convincing experiences in co-creation. We should search for the measurements of decisions in customer-company collaboration, namely cross interaction, product selection, access and price experience. Firstly, customers require opportunities to connect with the company through a series of interactions. Along the way, the company should focus on the co-creation experiences across its various channels. Secondly, customers need to be characterised in a way that reflects their unique perspective of value. Therefore, the company should provide interaction-driven alternatives (i.e. customised service) that reflect what customers wants. Thirdly, customers need to connect and execute their decision in their favoured dialect and style. They need fast, simple, helpful and safe access to interact with the company. Accordingly, in order to support individual decisions, the company should focus on the co-creation experience through exchanges of services. Fourthly, customers need to associate the decision with the experiences they will pay for. The customers expect that the cost of experience to be reasonable. Hence, the firm should focus on the price-experience relationship.

3 Research methodology

A qualitative approach is used in the exploration of co-creation experience that suits for tourism sector in Garut. Qualitative researchers are concerned with how individuals perceive their reality (Krathwohl, 1998), and these researchers interact with that which is being researched (Creswell, 1994). In this study, qualitative content analysis is used due to its flexibility in analysing text data (Hsieh and Shannon, 2005). Qualitative content analysis is a method that dynamically analyses verbal and visual data that is situated towards summarising the instructive substance of that data (Morgan, 1993). The result of this study can be used as a basis for further research to produce strategic plan for Garut's value co-creators – that from this point onwards will be called as Garut Co-Creator (GCC). The study was conducted from May 2016 to January 2018.

The data collection phase in this study broadly divided into three rounds based on the partnership scheme (*inti-plasma partnership*) that was found in Garut's tourism sector.

This partnership scheme is commonly implemented to help micro businesses to survive and thrive. The partnership scheme can take several forms such as profit-sharing or contractual basis. In the first round, several owners of SME in tourism sectors are interviewed. These SMEs are called as core partners in the partnership scheme. Core partners are obliged to nurture their plasma partners including providing marketing support and quality assurance. In the second round, the interviews with the plasma partners, that is smaller and non-independent micro businesses, are conducted. In the third round, interviews with external parties, including municipal government, hotel manager, customers and shopping centre, are conducted to develop a complete picture.

Data are collected by using in-depth interview involving 17 credible informants that were identified by the snowball sampling method. The distribution of informants based on their type of business and origins is presented in Table 2.

Table 2 Type of business and origins of informants

<i>No.</i>	<i>Origins</i>	<i>Type of business</i>	<i>Number of informants</i>
1	Owner of Zocha	Fragrant root handicraft	2
2	Owner of Batik Garutan	Traditional patterned-fabric	2
3	Owner of Chocodot	Traditional chocolate-based snack	1
4	Sukaregang Leather Centre	Leather processing and selling	2
5	Plasma business owner	Traditional sticky rice-based snack	1
6	Plasma business owner	Bamboo-based handicraft	1
7	Hotel manager	Hotel and accommodation	2
8	Shopping centre manager	Retail	2
9	Municipal government	None	2
10	Customers	None	2
Total			17

Furthermore, the tests of credibility, transferability, dependability and confirmability are conducted to ensure the trustworthiness of the data collected (Graneheim and Lundman, 2004). Credibility test is conducted by asking other members of the same organisation to re-confirm the answers given by informants to researchers. Dependability and confirmability are also ensured by using similar method as credibility test, that is triangulation, as suggested by Krefting (1991). Dana and Dana (2005) argue that triangulation can also be used as a means to evaluate data collected. Transferability test is conducted by measuring the conformity of the number of respondents needed and time period needed to carried out the interviews. The data collected are further reduced, presented and concluded by following the procedure suggested by Miles and Huberman (1994). Miles and Huberman (1994) argued that the qualitative data analysis activities should be continuously run and explored until it reached saturation point.

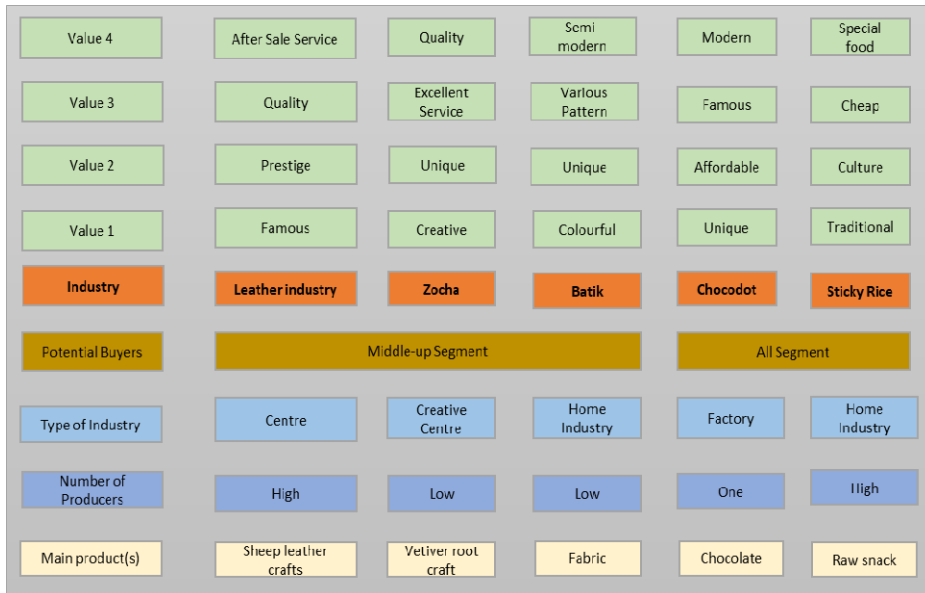
4 Result and discussion

4.1 Rich picture of existing condition

Rich picture is used in this study to depict the existing condition of research object. The rich picture is showed in Figure 2. The information gathered to develop that rich picture is drawn from the informants through interviews. These informants are chosen by

considering their involvement and insights regarding the business process of the organisation to which they belong. The key activities in all industries under study, besides sticky rice, show high similarities, namely design, crafting, selling to customer and other SMEs. The key activities of sticky rice industry focus on making the dough and processing the dough into final product. In respect to marketing strategy, Sukaregang Leather Centre, Zocha and Batik Garutan seem to target middle-up customer segment such as government institutions, collectors and private companies. Meanwhile, Chocodot and sticky rice target mass market as reflected on their affordable price range.

Figure 2 Rich picture of existing condition (see online version for colours)



From the rich picture in Figure 2, each industry has its own advantages. For example, leather industry on Garut, Sukaregang Leather Centre, is well-known for its superior product quality. Zocha’s fragrant root (vetiver) products are famous for its superior creative content. Another example can also be found in Batik Garutan. Unlike typical batik such as Batik Pekalongan, Batik Solo, Batik Jogja and Batik Tasikmalaya that are dominated by darker shades, Batik Garutan is more colourful with simpler style. Among others, Chocodot is the most vigorous in terms of promotion, new products and variants introduction, and the uniqueness in both taste and packaging. Sticky rice product is favoured because of its traditional value. Due to its long history and wide availability, sticky rice is capable of causing the sensation of homesickness especially among Sundanese people.

When this study was conducted, most SMEs in tourism sector still followed conventional operation to create value as depicted in Figure 2. However, Zocha has begun to co-create by developing a new product that combines fragrant root with Batik Garutan. Although the relationship between Zocha and Batik Garutan still resembles conventional transaction without any additional contract.

4.2 Proposed action plan of Garut value co-creator

4.2.1 Cross interaction

Each distribution channel used in each industry reaches their market through their business partners that consist of creative SMEs, suppliers and customers. The proposed interaction model that should be developed in Garut Co-Creator is shown in Figure 3.

Figure 3 The ideal cross interaction in Garut Co-Creator (GCC) (see online version for colours)

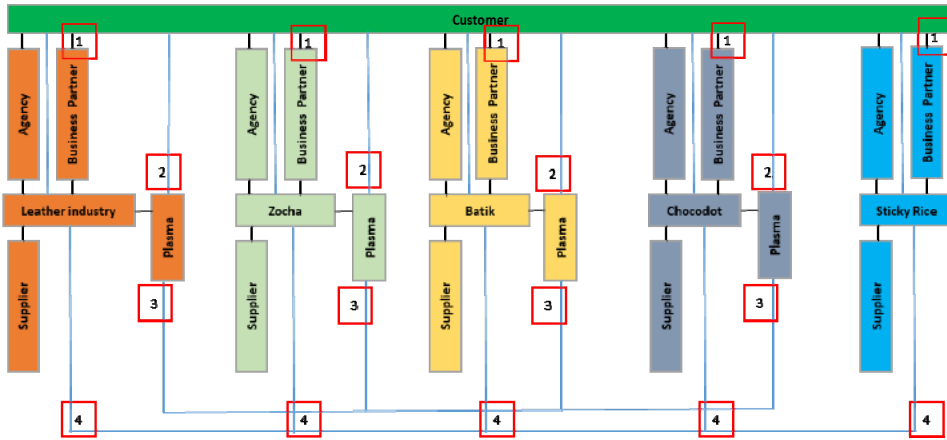


Figure 3 shows that the ideal cross interactions between co-creators in tourism sector should involve all stakeholders. Usually, each industry as core partner tries to keep its suppliers and plasma hidden and often prohibits its plasma partners to do direct selling. However, in reality, the plasmas often engage in secret transactions with customers behind the back of their core partners. This behaviour could destroy the image of the core partners as it is perceived by customers as lack of professionalism. As shown in Figure 3, there are four types of communication that take place in GCC:

- 1 In addition to the use of agencies, companies should provide incentive to their business partners – such as retailers, family entertainment venues, restaurants and hotels – to promote the co-creation facilities of Garut typical products. It could be an effective means to market their products by considering the fact that business partners are often becoming the first party to deal with consumers. Moreover, the number of business partners far exceeds the number of agencies/resellers possessed by the company.
- 2 Plasmas are allowed to communicate directly with customers. It is suggested that companies as core partners will receive an indirect benefit from that communication. Positive image that plasmas convey to customers about their core partners will encourage customers to visit companies' workshop or outlets.
- 3 Develop a forum to facilitate inter-plasma meetings across industries. Creation of new products that customers want requires creativity and shrewdness that might be possessed by plasmas.

- 4 Develop a forum of communication to facilitate relationship between companies across different industries. Long-term cooperation and business contracts are absolutely necessary to realise co-creation in the tourism sector of Garut.

4.2.2 Product selection

In selecting its product, customers are provided with the discretion to choose products that they want according to the design, desired quality and available financial resource. They can choose the product by opening a discussion with GCC. Therefore, the customer's delivered value can be optimised and customers will be satisfied with GCC. For example, if the customer wants the leather and fragrant roots products with minimum budget, GCC can offer them key chain, ballpoint decoration and book cover.

4.2.3 Access

The ease of access between company and customers was at the core of co-creation process. Access includes logistics, information, channel, costs and the effort that are incurred by both company and customers. Prahalad and Rameswamy (2004) argued that customers prefer to interact with the product, and hence the availability of a channel that can be easily accessed by customers is an important requirement. GCC can use several methods taken from relationship marketing to develop effective co-creation strategy. The following are the three proposed means of communication that can be used to help GCC to enhance the ease of access.

- 1 *Empowering social media*: In the digital era, using social media as a channel to communicate with customers has become an imperative for any business entity. GCC also suggested to develop this channel in order to build rapport with the customers. Social media can serve as the doorstep towards a more comprehensive relationship marketing as part of GCC's co-creation strategy. Customers and business partners will be able to exchange ideas through social media and jointly develop new product and services. Social media can also be used as a tool to strengthen the relationship with existing customers and to attract the new one. In respect to social media, GCC must put some serious effort to build it. Not only limited to posting new information, social media can also be empowered to provide interactive experience to customers and partners. GCC would need to have their own IT team to deal with strategic and technical issues. A commitment to implement social media will certainly benefit the company.
- 2 *Providing interactive website*: A website can be useful for GCC to direct the customers to see and buy the product without having to visit the physical stores. The website should provide a forum to enable customers, suppliers and GCC's partners to interact with each other. This forum can act as a platform for them to share their needs, ideas and knowledge. The active contributors should receive recognition and further exposure from GCC to promote frequent and valuable interactions.
- 3 *Keeping the customer database*: Traditionally, customer is perceived as the party that needs the goods or service produced by a value chain. It has been for some time for company to finally realize that customer can be one of the key actors in value creation. Therefore, GCC needs to distinguish its customers too. As of now, the clients of GCC consist of only one segment, that is middle-up segment. GCC must be

made aware that this market can be turned into an opportunity to expand deals. Furthermore, GCC needs to recognise their customers' profile and harness it to build customer loyalty. Loyalty could significantly affect the improvement of net income. Loyal customers enthusiastically share their data and influence their companions or relatives to make purchase from the company. In light of GCC customer database, the company can improve their productivity by accurately determining and developing the right offerings to customers. Ultimately, it will enhance brand loyalty and expand the customer base.

4.2.4 Price experience

As has been discussed, the value generated from the experience in a co-creation setting is determined by the skills and knowledge brought by each involved party. Moreover, the skills and knowledge are recognised as operant resources (Vargo and Akaka, 2012) that could significantly affect the quality of services exchanged between involved parties. Hence, the price charged to each party should reflect the variability of value created. One method to accurately measure the value created in a value system is auction. As suggested by Prahalad and Ramaswamy (2004), auction provides an opportunity for potential customers to pay according to consumer's utility instead of the cost of production.

In Indonesia, auction is commonly manifested in the form of bargaining. It resembles Dutch auction in which the seller begins by asking for a price that is high enough and then gradually lower the price until at least one buyer is willing to pay for that price (Krishna, 2009). However, how about the auction in which there are multiple co-producers jointly craft complementary values for a single potential buyer as found in GCC. It is suggested that Dutch auction must be coupled with multiple auctions for complementary objects. The values created can be sold separately in multiple auctions as the values unfold over a period of time. The aid of digital technology, that could take the form of mobile application, is required to ensure an efficient auction process.

4.3 Value co-creation design

Based on the dimensions of choice analysis, the design of value co-creation can be proposed by using the DART model. GCC is a business with high level of involvement where potential customers would notice everything about product features. A business characterised by high involvement behaviour can apply the concept of co-creation due to its customer characteristics and dynamic market condition. In this way, GCC should make its business process as transparent as possible. GCC should pursue quality, acknowledge customers' contribution in improving their product and maintaining the communication with every actors in value system.

4.3.1 Dialogue

- 1 Maintain face to face interaction with customers to solicit on-site feedback and use real-time conversation to determine what customers want.
- 2 Use online forum to connect customers, suppliers and SME business partners.
- 3 Solicit feedback on how the offerings of GCC are perceived by customers.

- 4 Inform the customers when the co-creation experience successfully delivered the desired quality.
- 5 Determine what the customers want from GCC. This is a means to collect initial input to direct subsequent initiative and to modify marketing effort.

4.3.2 *Access*

- 1 Develop new channel jointly managed by GCC and SME partners by organising marketing events and promotional campaign rolled out nationally.
- 2 Utilise social media to make information accessible by customers, suppliers, SME business partners and public in general.
- 3 Enhance the access by supporting plasmas to expand their marketing effort to markets beyond the current reach of GCC.

4.3.3 *Risk assessment*

- 1 Maintain customer database to improve efficiency and accuracy in providing customers' wants and eventually improving brand loyalty and market share.
- 2 Help customers to manage risk efficiently by means of information disclosure and intense interactions and customer education with the aid of ICT.
- 3 Educate SME business partner about the importance of delivering consistent service for existing and newly co-created product for customers.
- 4 Recruit and nurture talented individuals to develop new co-creation products.
- 5 Deliver agriculture technology to leverage the value of fragrant roots with the aid of agriculture engineering.

4.3.4 *Transparency*

- 1 Promote information availability and clarity to society.
- 2 Deliver accurate information regarding GCC and SME business partners.
- 3 Facilitate dialogue, access and risk management.

Despite the availability of sound co-creation design, GCC must also able to gain acceptance from involved actors in its value system. Promoting co-creation among SMEs could face a challenge that might come from the absence of trust. Therefore, SMEs business partners should be reassured that co-creation also works for their best interest. Fortunately, although Indonesia is inhabited by hundreds of tribes, it is recognised as a nation that puts forward unity and mutual help. Furthermore, the strong Islamic background among Indonesian people, that couples business needs with community duties, also helps to foster the necessary relationship needed to promote the common good (Ratten et al., 2017). Moreover, the basic virtues of muslims, such as the ability to stay honest and to uphold integrity (*siddiq*) and can be trusted (*amanah*) (Anggadwita et al., 2017), can be promoted as shared institutions (i.e. rules or norms) that are required to govern the interaction in co-creation process (Vargo and Akaka, 2012). Indeed, there

is evidence that shows that societal culture directly affects the values of business entities that operate in that society (Sagiv and Schwartz, 2007).

4.4 *Managerial implication of research*

Despite Garut's huge tourism potential, the contribution of Garut's GDP to national GDP is declining. This trend is in contrast to the one experienced by Bandung city. During field observation and interviews, this study found that access to market is part of the problems. Furthermore, the producers in Garut offered their values separately and perceived other businesses as competitors or at least as irrelevant. This study suggests value innovation through value co-creation to remedy the problems. As the result of the design, this study suggests that Garut tourism sector needs to employ ICT-based measures to facilitate interactions among actors including customers. Several ICT-based measures suggested are the development of database, the creation of e-auction system and the empowerment of social media.

The need of ICT to support value co-creation process in Garut indicates that the capability of the Department of Communication and Informatics (*Diskominfo*) of Garut should be improved in order to play a more active role. For example, there are several areas of e-Government implementation that should be improved including human resources, law and regulation, and outsourcing management activity (Irawati and Munajat, 2018). *KomTIK* (ICT community of Garut) could also be involved since they already actively provide coaching service, socialisation and counselling, and data gathering through collaborations with other stakeholders including local government and academicians (Praditya, 2016). Furthermore, such measures also require micro financing support from banking industry especially in terms of procedural ease (Pikiran Rakyat, 2018).

4.5 *Research limitations*

Despite the potential contribution of this study, it carries its own limitations inherent in its research method and procedure. Firstly, the co-creation model offered in this study focuses only on a few prominent products, for example Chocodot, leather industry and sticky rice industry. Although co-creation could be used to improve their competitiveness, these products are already known in their own right. On the other hand, there are emerging products that also show promising future, such as *Cascaratea* (a tea that is made from coffee shells), that are in need of support. This decision is made for the sake of cost-effectiveness because publicly available data for those emerging products is still very scant. The inclusion of these products in the analysis will require greater amount of resources. However, the co-creation model for prominent products in Garut as offered in this study could be used as pilot project.

Secondly, this study does not quantitatively measure the readiness of each business to strategic value co-creation as suggested by Albinsson et al. (2016). The lack of readiness might lead to greater challenge in making the shift of orientation (Albinsson et al., 2016). The level of readiness could also be used to predict the potential conflict that may arise due to trust issues among actors. As explained in the discussion, the co-creation design suggests that plasma partners should be allowed to directly communicate with potential customers. However, directly applying this suggestion – especially without developing any norms to adhered to – could quickly spark new conflict that ultimately could

terminate the co-creation process. However, the measurement scale of DART is still needed to be further refined due to sample limitation (Albinsson et al., 2016), a call that is simply beyond the scope of this study. Moreover, some limited co-creation initiatives, such as the one that initiated by Chocodot, provide some evidence that the SMEs of Garut are ready to co-create to some extent.

5 Conclusion and further research

5.1 Conclusion

The result of the study showed that in order to develop new co-creation value, GCC needs to improve dialogue, access, risk assessment and transparency (DART). GCC has already developed proper dialogue with its customers, suppliers and its business partners. GCC also consistently seeks and reveals the dynamic needs of its customers. To enhance its communication, GCC needs an online forum, such as an interactive website, where customers, suppliers and business partners can interact with each other. Currently, GCC realized that their channel was not suitable for that purpose. GCC only had two channels which are SME partnership and government institution.

People or human resources also played an important role, as part of operant resources, in new value co-creation especially in handicraft industry in which creativity could become the source of competitive advantages. Creativity, as knowledge and skills, is part of operant resources that might influence the outcome of co-creation process. Therefore, it is important for GCC to develop the knowledge and skills of their people and simultaneously enhance retention rate. Another resource that is very important for GCC is fragrant roots. These resources are somehow difficult obtain because of low availability. To overcome the limited number of fragrant roots, GCC should collaborate with scientists and experts of agricultural engineering to develop a method to accelerate the growth of fragrant roots. This study also tries to propose several key success factors for GCC to collaborate with SME business partners to co-create in tourism sector.

GCC seems to already have a method to maintain active communication with its customers. Better communication is needed to ensure that the newly developed offerings matched to the need of customers. In order to do so, GCC also has to develop customer database to enhance operational efficiency, brand loyalty and market base. Co-created value development required transparency to empower customers, suppliers and SME business partners as co-producers. GCC showed some level of transparency by providing other parties, customer, suppliers and business partners with the necessary information. GCC also suggested to develop and implement transparency policy regarding its product features and benefits. It would be beneficial for GCC if more people possess more knowledge about its products. This could become a means to cultivate new customers.

5.2 Further research

By identifying the difficulties to achieve its vision, GCC suggested to transform its business model as the new value co-creator. This research needs further support to develop realistic strategic plan for GCC. Strategic plan is required because GCC needs to convince SMEs to cooperate by using the concept of co-creation. This could be done by

harnessing the social context, such as the deeply rooted Islamic principles, that exist among Garut's society. Therefore, it is imperative for further studies to operationalise Islamic principles. The support of municipal government and communities is vital especially in the inception phase to build the necessary co-creation capabilities such as ICT literacy. Furthermore, the growth of fintech start up in Indonesia, under the supervision of OtoritasJasaKeuangan (*The Authority of Financial Services*), also opens up new opportunities which the suitability should be further explored and analysed.

GCC and SMEs also have to discuss several sensitive issues such as the distribution of cost and revenue to each party. Then, they also need to come to an agreement about the bundling policy. It is expected to be difficult to convince SMEs that the co-creation will not only benefit Zocha but will also benefit them as well. Co-creation will serve as a framework that offers a win-win solution for all parties. It is also suggested for further studies to assess the readiness of each SME to spot and tackle problem as early as possible. Then the proposed solution could be integrated in the strategic plan developed for GCC. In the long run, co-creation will also benefit Garut in terms of accelerating local economy growth.

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