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# **How the Value in Use is Co-Created in the Dialogical Interaction with Emerging Customers**

## **Abstract**

The purpose of this research is to consider how dialogical interactions which enable the firm to co-create value with the customers proceed based on literature review and an exploratory case study. In the beginning, I review existing literatures on value co-creation and dialogical interaction between the firm and the customer to clarify the focal points in empirical research. Then I analyze a case study on Japanese adhesive tape manufacturer, Kamei Kakoshi Co., Ltd., focusing on its value co-creation process involving customers that resulted development of new product mt and consequently creation of new market of masking tapes as stationeries. Finally some theoretical and managerial implications are discussed, indicating what kind of operant resources are drawn on the co-creation process and how to achieve spontaneous value creations through dialogical interaction with customers rather than controlling them.

## **Key Words**

co-creation    market emergence    value-in-use    Service-Dominant logic    interaction

## **1. Introduction and Objectives**

This research aims to recover the process in which the value is co-created through the interaction of provider and customers by examining the case study of a consumer good. Especially I focus on the detailed process of how new customers built the relationship with

the company and how they found unique value-in-use that the company never expected spontaneously.

## **2. Literature Review**

In recent years, new perspective of marketing which is different from traditional view of the firm and the customers emerged. Traditional perspective in marketing has assumed the firm and the customers as separate and discrete. Wherever production and consumption have become separated through specialization, markets have evolved to mediate exchanges between these different groups (Ballantyne and Varey 2008). Consumers get involved only at the point of exchange. Then it is efficient for firms to aggregate consumers into “meaningful segments” for ease of exchange (Prahalad and Ramaswamy 2004b) and to communicate informational messages to them. Even in the traditional concept of market, importance of relationship between firms and customers has been considered. But interactions between them were not conceptualized as a source of value creation, but as targeting and managing the “right” customer for the exchange and economic value extraction, that is, customer relationship management (Prahalad and Ramaswamy 2004b; Normann and Ramirez 1994; Wikstrom 1996).

However, these images of the market are being challenged by the emergence of new practices of consumers who are connected, informed, empowered, and active. Then emerging perspective emphasizes the role of customers involved in value creation process as co-producers. Genealogically this perspective is composed of disparate research streams including service marketing and relationship marketing of industrial goods to user centered new product development. In B to B context, since 1970s, researchers represented by the IMP group point out the collaborative activities in buyer-supplier relationships for product development (e.g. Håkansson ed. 1982). In different context, service marketing researchers

called Nordic School have regarded customers as a “resource” participating as co-producers in the service production process (Gronroos 1978, 2006; Gummesson 1979; Lehtinen and Lehtinen 1983). They emphasize that contrary to physical goods that are produced in “closed” production processes where the customer only perceives the goods as outcome of the process, service emerge in “open” processes where the customers participate as co-producers and hence can be directly influenced by the progress of these processes (Gronroos 2006).

On another front, customers’ participation as co-producer is not the phenomena observed only in industrial goods or service activities. Researchers on new product development and innovation also started to recognize that firms can enhance corporate growth and profitability by allowing customers to take an active part in product developments and modifications (Prahalad and Ramaswamy 2000, von Hippel 2005). Involving customers in product development process by providing access to tools and a library of compounds to its customers is beneficial for firms, because it enables firms to shift effort and risk to its customers (Thomke and von Hippel 2002, Ramaswamy and Gouillart 2010). On the other hand, customers also accept the benefit of participating in the process to interact with firms and thereby “co-create” values, especially when they were dissatisfied with available choices (Prahalad and Ramaswamy 2004). In addition, experience of co-creation with the firm which takes into account his/ her peculiar circumstances itself could provide the customer a unique value that could be the source of the firm’s competitive advantage (Prahalad and Ramaswamy 2004).

These several tributaries were converged by Vargo and Lusch(2004) as a new dominant logic for marketing, called the Service-Dominant logic (Vargo and Lusch 2004, Lusch and Vargo 2006). They propose the idea that goods are service appliances through which customers derive their value-in-use. This means customers determine what they value-in-use

and the marketer can only offer value propositions (Ballantyne and Varey 2008). This perspective place great value on service or “operant resources” based on the idea that everything is neutral until humankind learns what to do with it (Zimmerman 1951), emphasizing resources are not; they become. Constantin and Lusch(1994) define operant resource as resources that produce effects, distinguishing it from operand resource on which an operation or act is performed to produce an effect. In other words, operant resources are intangible and dynamic functions of human ingenuity and appraisal, which is service. Meanwhile operand resources are the stuffs which traditionally have been considered as resources, such as natural resources and other factors of production. Vargo and Lusch(2004) point out that world view changes from a focus on operand resources to operant resources, because value of goods and services are the result of co-creation in the relationship between the firm and the customer and application of their operant resources rather than the entity embedded in the product. Then, in Service-Dominant Logic, focus of marketing move toward dynamic exchange relationships that involve performing processes and exchange skills and/or services in which value is co-created with the customer (Vargo and Lusch 2004).

In fact, importance of relationship and co-creation with customers has long been argued in research on marketing. But even if a company involves its customers in research and development process, it is at best a variant of the current dominant logic as long as the process remains firm centric and product centered (e.g., the transfer or outsourcing of activities to customers, a customization of products and services, or scripting or staging of customer events around the firm’s various offerings<sup>1</sup>) (Prahalad and Ramaswamy 2004b).

When marketers switch to a value-in-use perspective and the S-D Logic, the customers is regarded as an operant resource for the firm because they appraise the value of goods they purchase in-use, and that exchange values determination is always provisional upon later

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<sup>1</sup> e.g., La Salle and Britton 2002, Peppers and Rodgers 1993, Schmitt 1999, Seybold 1998

experience (Ballantyne and Varey 2008). In the same way, from the customers' perspective, the firm figures primarily as one of many sources of operant resource customers draw on in achieving their life project and performing their life roles (Arnould, Price and Malshe 2008). This means that important feature of emerging perspective is dialogical interactions to draw on the operant resources of the other stakeholders. That is why the value of products as well as services is essentially achieved as the co-creation through the relationship between the firm and the customer. Then customers today are revealed as both producers and consumers, because value is not embedded in the product nor achieved only by purchasing (Ballantyne and Varey 2008).

Firms must have a clear understanding of the kinds of cultural operant resources consumers bring to an exchange process and how they use these resources, because these dynamics determine the choice criteria employed by the customer, the value they seek from the “appliances” firm provide, and their subsequent interactions with them (Arnould, Price and Malshe 2008).

However, we know relatively little about the interaction among various types of consumer operant resources. Furthermore, we do not know much about how consumers selectively manage expenditures of various types of operant resources (Arnould, Price and Malshe 2008). A central focus of research inquiry is to understand in what contexts do consumers expend relatively greater operant resources, on what do they expend them and clarify the interplay of consumers' and firms' operant resources (Arnould, Price and Malshe 2008).

This indicates the research opportunity of a resource-based theory of the consumer (Arnould, Price and Malshe 2008). A resource-based theory of consumer motive offers a complementary theory pursued through an exploration of the interplay among life project, narratives, and roles. Resource theory recognizes the richness of consumers' operant cultural

resources an attendant projects, including their context ladenness, without overemphasizing their self-knowledge. Resource theory argues that individual motivational resources are always brought to bear in social contexts and are always informed by social templates for the imagination (Belk, Ger and Aslegaad 2003).

### **3. Conceptual Framework and Research Questions**

In this new marketing paradigm, an important challenge for marketers is to facilitate and manage the interactions between the firm and the customers toward value creation (Gronroos 2006). While theoretical framework is elaborated, more empirical researches are desired. Then, in this research, I analysis a case study in masking tapes market where a company, Kamoi Kakoshi Co., Ltd., redefined its main product masking tapes and exploited its new market for consumers, in order to reveal the detailed process in which the product value is created by customers in use. In empirical research, I should focus to examine efficacy of conceptual framework that is advanced in existing researches and to consider several remaining problems about co-creation between the firm and the customers.

#### **3-1. How the Value is Co-Created through Interactions**

Ballantyne and Varey(2008) see dialogical interaction as an ideal form of communication within the S-D logic because it supports the potential for co-creation of value and sustainable competitive advantage. Meanwhile the monological (one-way) mode of marketing communication in which has control-driven self-interest finds expression been dominant mode in existing marketing logic, they define dialogue as an interactive process of learning together (Ballantyne 2004). Based on Luhmann's communication theory, they reject the traditional marketing communication as the simply message making and regard dialogical

interactions entailing learning together as a real communication (Luhmann 2000, Ballantyne and Varey 2008)

In dialogical interaction, the purpose is open ended, discovery oriented, and value creating. A dialogue cannot be reduced to one person's activity or perspective alone, that is inherently relational and beyond the one person's intent and control. In other words, it is the interplay of operant resources between one actor and others. Previous research pointed some features of dialogical interactions.

- (1) Firstly, dialogue aims at developing an understanding of each participant's point of view, and interaction sets up suitable conditions for listening and learning together (Ballantyne and Varey 2008). In addition, Praharad and Ramaswamy (2003) propose that since no one can predict the experience a consumer will have at any point in time, the task of the firm is innovating robust experience environments. And in environment for interaction, dialogue is difficult if consumers do not have the same access and transparency to information as well as the firm (Prahalad and Ramaswamy 2004b). Then the empirical research should clarify how the firm and the customer are listening and learning each other and what kind of devices or environmental conditions facilitate their interaction.
- (2) Secondly, dialogical interaction means becoming more aware of routine but hidden thought patterns and assumptions held by ourselves and by others (Ballantyne and Varey 2008). When routine market transactions are replaced by non-routine dialogical learning among supply partners, product improvements and breakthroughs emerge (Varey and Ballantyne 2005). Varey and Ballantyne (2005) also explain the difference between co-production and co-creation; contrary to co-production which involves known resources and requisite capabilities, co-creation is a distinct form of collaboration that results in unique value, perhaps starting with a spontaneous idea achieved through dialogical



interaction. Then in analyzing value creation process, I should focus on what kind of tacit assumptions did the firm have and how did the dialogue creatively disrupt the taken-for-granted and unspoken assumptions that restrict commitment and satisfaction to the ordinary. In addition, to understand how the marketers are managing communicative interactions across a variety of modalities in order to facilitate the dialogue.

### **3-2. Difficulties of Dialogical Interaction between Firms and Customers**

Even existing researches recognize the importance of dialogical interaction between firms and customers for value creation, several problems still remain.

- (1) First, contrary to the service which emerges in open processes allowing the customers to participate in its production, the product might cause difficulties for its manufacturers to engage in customer co-creation. In co-creation process with customer, they could find it more difficult to quickly alter their product lines or radically change their new product development process in order to respond to competitive pressure (Donaldson and Preston 1995). Then, in co-creation of value, did the company change its product lines, product design or its management system, and how?
- (2) Second, some researches on value co-creation with customers have pointed out the tendency of the firm to ignore an important source of potential competitive advantage that is the knowledge and skills embodied in a firm's customer base, because of their strict focus on internal-based resources and capabilities (Jeppesen and Molin 2003; Prahalad and Ramaswamy 2000; von Hippel 2005). The unique values which emerges spontaneously as the result of interaction between the firm and the customer could be unintended and beyond the firm's business assumptions. That's why firms conventionally resist consumers' attempts to exert influence over servicescapes instead of welcoming and guiding their co-creation of value (Aubert-Gamet 1997). Then, when dialogical interaction

occurs, why didn't the firm ignore the knowledge and skills as operant resources, especially when such operant resources were not provided by existing customer but brought by unexpected new group of consumers.

- (3) Third, dialogical communication might not be the only effective style of communication between the firms and the consumers. Ballantyne and Varey(2008) position dialogue as one of three modes of interaction; informational mode, communicational mode and dialogical mode. The informational mode includes all of persuasive message making which has the useful intention to inform<sup>2</sup>. The communicational mode is informing and listening where the value is negotiated and co-produced through promise making and promise keeping, especially in services marketing and B to B marketing. Finally, the dialogical mode indicates leaning together in a market as a socially constructed network of relationships in which interactions have economic consequences. By learning that entails creative collapse of the taken-for-granted assumptions, the firm can co-create the emergent values. But so far, the informational mode has been the dominant mode of marketing, while the dialogical mode as marketing's unrealized potential without a legitimizing framework (Ballantyne and Varey 2008). Then one question arises; while the purpose is open ended, discovery oriented, and value creating in dialogical interaction, is such a mode of interaction always essential and necessary form? Or, is there any conditions in which dialogical interaction will more or less effective?

For considering these research questions, I analyze the detailed process of co-creation of product value and emergence of new market through the interaction between the firm and the customers.

#### **4. Method**

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<sup>2</sup> They explain what currently passes as customer relationship management are also extreme vision of this mode.

In this study the dominant methodology used is a case study specifically an exploratory case study, aimed at understanding practices of the firm and the customers including their backgrounds. A case study is an effective method for exploratory research allowing us to ask “how” and ”why” of high-context phenomena beyond the control of the researcher (Yin, 1994). The case study approach can be conducted adhering three principles of data collection proposed by Yin (1994), vis-à-vis data correctness.

In the case study, I focus on the value creation process of masking tape “mt”, developed by Japanese adhesive tape manufacturer, Kamei Kakoshi Co., Ltd., in the interaction with its users. The company successfully repositioned its main product masking tapes that originally used in industrial areas, including construction sites and vehicle paint shops for curing and to avoid articles from being painted. This redefinition of value was occurred when some users invented new ways of using masking tapes which are unintended by producers, for wrapping, interior decorating and collage as for its attribute not leaving any stain after peeling off and the right degree of transparency of rice paper.

In analyzing this case study, we conducted interviews with the managers of Kamei Kakoshi Co., Ltd. and examined published company documents as secondary data for validation. The secondary data include literature published by the company, a company history and articles in newspapers and magazines, in order to gain an insight into the company and also to validate the primary data by comparing it with secondary data. Additionally I analyzed comment from mt fans on social media including weblogs and SNS in order to uncover value-in-use they found.

## **5. A Case Study**

### **- Co-creation of Value and Emergence of New Customers in Masking Tape Industry**

## **5-1. Backgrounds**

Kamoi Kakoshi Co., Ltd is a manufacturer of adhesive tape in Japan, founded in Okayama prefecture in 1946. Its main product masking tape is a tape made of a thin and easy-to-tear paper, which can be easily removed without leaving residue or damaging the surface to which it is applied. Masking tapes are used mainly in painting of automobiles and interior/exterior of buildings, to mask off areas that should not be painted.

The first masking tape in the world was invented by 3M employee Richard Drew for painting auto-body in 1925 when automobile industry in U.S. was developing. From observation of auto-body workers growing frustrated when they removed butcher paper they had taped to cars when painting, Drew find the problem that the too strong adhesive on the tape peeled off some of the paint they had just applied, and developed the tape with a gentler adhesive.

During 1950s to 1960s when automobile industry in Japan were rapidly growing, auto manufacturers and repairer also called on masking tapes. Initially they imported and used U.S. masking tapes which are made of crepe paper, but Japanese users needed thinner and easier to tear masking tapes. So masking tapes using Japanese paper as the main material that are widely used today was developed based on the medical adhesive plaster which is more stretch and thin but strong<sup>3</sup>.

## **5-2. Product Development to Solve the Customers' Problem**

Kamoi Kakoshi Co., Ltd. started up manufacturing of pressure-sensitive adhesive tape made of Japanese paper in October 1961. As first adhesive tape named No.110 that is developed for auto-painting enjoyed healthy sales, it released brown masking tapes for

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<sup>3</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.82.

caulking in 1973. Subsequently the new masking tape that are improved for sealing and named No.3303 was added to the product line in 1981 and became Kamoi's long lasting big seller<sup>4</sup>. Kamoi Kakoshi Co., Ltd. takes the share of 70% in the market of pressure-sensitive adhesive tape for sealing where the market size of is estimated about 3 billion yen<sup>5</sup>. The competence which enabled a local manufacturer, Kamoi Kakoshi Co., Ltd. to grab the market share from preceding big companies in pressure-sensitive adhesive market is its corporate attitude toward customers; employees listen to its customers' voice deeply and frequently and develop new product in order to solve the problems of customers<sup>6</sup>. People in Kamoi Kakoshi Co., Ltd. usually visit each paint factory where its masking tapes are used, listen to the voice of workers on line and, if they found any problem of existing products, develop a new product responding to their request in several weeks to several months. For instance, as masking tapes for sealing are used on external wall of building where the tape is damaged by exposure to the elements and ultraviolet, workers require both easiness to remove and strong adhesibility for masking tapes<sup>7</sup>. What is more, because the material of external wall and coating is evolving every year, the quality of masking tapes also is required to be improved. Naoshi Kamoi who is the president of the firm explains that employees in Kamoi face fully to the customers' request and think how to actualize the solution instead of saying "No" even when the request seems to be impossible<sup>8</sup>. Taking the customers' problem to heart and improving the products carefully enabled Kamoi Kakoshi Co., Ltd. to grab overwhelming share of masking tapes market.

However, they also realize that masking tapes for industrial use is the market where they can ensure stable sales, but with less potential for growth. Then firm was facing the task to

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<sup>4</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.84

<sup>5</sup> "Small leading company - Kamoi Kakoshi Co., Ltd." *Nikkei Business*, 15/7/2002, pp.60-61.

<sup>6</sup> "Schema to make a gain," *Nikkei Top Leader*, June 2010, pp.100-101.

<sup>7</sup> "Schema to make a gain," *Nikkei Top Leader*, June 2010, pp.100-101.

<sup>8</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.85

release new product in a field with high future growth potential<sup>9</sup>.

### **5-3. Callings from Three Female Fans of Masking Tapes**

One day, Kamoi Kakoshi Co., Ltd. reached a turning point. In the summer of 2006, employees of the firm received an email from three women in Tokyo eagerly desiring for its factory tour. These women are general consumers whose occupations are a cafe owner, a collage artist and a graphic designer, but they are also enthusiastic admirers of masking tapes. They have collected every company's masking tapes by the reason of their diversified beautiful colors and have applied them for gift-wrapping and collages, despite providing firms sell them only for industrial uses.

They use masking tapes of Kamoi Kakoshi Co., Ltd., such as “No.3303” which is originally developed for sealing and “Kabuki” which is developed for vehicle painting, to decollate letters or greeting cards and to create art works. Furthermore, they have purchased industrial masking tapes at do-it-yourself store spending 2,000 yen per person, and started to sell them as stationery products in the corner of the cafe and enjoyed good sales<sup>10</sup>. They also made by hand a hundred of booklet “Masking Tape Guide Book(MtGB)” which introduce attraction and various usage of masking tapes and consequently sold out of them at the cafe<sup>11</sup>. In April of 2006, one of these three fans launched an online community “masking tape lovers” in Mixi which is the largest social networking service in Japan, aiming at information transmission of usage and fascination of masking tapes.

In the summer of 2006, these three women had a plan to publish the follow-up MtGB and worked to gather the information about manufacturing process of masking tape in order

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<sup>9</sup> “Kamoi Kakoshi Co., Ltd. –development of a sealing tape responding to request,” *Nikkei Shinbun Newspaper*, 29/3/2002, Hiroshima Region, p.23.

<sup>10</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.92

<sup>11</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.93

to write up them in the booklet. That's why they sent an email to Kamoi Kakoshi Co., Ltd. for its factory tour.

#### **5-4. Transformation of the Value of Masking Tapes**

But the employee of Kamoi Kakoshi Co., Ltd. got bewildered by receiving the mail in which women explain how they love masking tapes and request for factory tour earnestly. They received such a mail for the first time and never imagined that their products are loved by general consumers. Masking tapes released by each manufacturer are varied in colors (yellow, blue, brown, green and purple etc.) depending on the intended use so that workers can easily choose the masking tape best suited for their purpose<sup>12</sup>. However, three women are unexpectedly fascinated by masking tapes because of their colors whose tones are slightly different between manufactures, the translucent texture of the tape that is the feature of Japanese paper. Because employees of Kamoi Kakoshi Co., Ltd. had never imagined there is a customer who values the pretty appearance of a masking tape rather than its functionality, they could not understand what the women are saying at first. When the enthusiastic email was passed from one section to another, the tree female fans additionally send a parcel of MtGB to Kamoi Kakoshi Co., Ltd. By reading MtGB that introduce totally different and fascinating aspect of masking tapes, every employees in the firm who know well about only industrial usage of masking tapes were shaken by the fact that masking tapes are used by consumers for different usage and featured in colorful and prettily designed handmade guide book. At last, they understand the meaning of the email, and the factory tour was come to realization<sup>13</sup>.

#### **5-5. Development of New Brand “mt”**

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<sup>12</sup> “Schema to make a gain,” *Nikkei Top Leader*, June 2010, pp.100-101.

<sup>13</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.94

Eventually three women from Tokyo visited Kamoi Kakoshi Co., Ltd. for the factory tour and were very impressed by manufacturing process of masking tapes that seems to have no surprise for employees of the company. Then the employees of Kamoi Kakoshi Co., Ltd. feel happy to realize that there are people who are really interested in their product<sup>14</sup>. Three women also asked the company to release a new color of masking tape in dark brown. But they gave up the idea as they found the production unit of industrial masking tapes is too large for them to sell at cafe or to use by themselves<sup>15</sup>.

Back to Tokyo, three women continued the activities for promoting the fascination and new usage of a masking tape and accordingly expanding its fans. In 2007, they mounted an exhibition titled “art works using MT/masking tapes” in which 17 artist joined and held in 5 cities; Kanazawa, Osaka, Kurashiki, Nagoya and Tokyo. They also sold the follow-up booklet “MT Picture Book” in which the factory tour at Kamoi is featured and “Work” that introduce the artworks made of masking tapes at the exhibition<sup>16</sup>. “MT Picture Book” became popular than the previous booklet and almost sold out.

After a few months, Yukio Taniguchi who is the manager of sales and marketing at Kamoi Kakoshi Co., Ltd. contacted the three women about the idea of new color of masking tapes. Realizing the existence of masking tape fans among young women, he became to think of release of new masking tapes which have various colors like colored pencil and which can be manufactured in small production unit<sup>17</sup>. Then he asked three fans what color they want if the company could release masking tape with 20 colors. After his offer, Taniguchi received very prompt response about idea of color variation from fans and decided to release 20 new

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<sup>14</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.95

<sup>15</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.96

<sup>16</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.97

<sup>17</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.97



color masking tapes; 10 with austere Japanese traditional colors and 10 with bright and delicate shade of pastel colors<sup>18</sup>. The brand of 20 colored masking tape is named as "mt" because both employees in Kamoi Kakoshi Co., Ltd. and three women fans call masking tapes mt in short. Before the release, they discussed about the sales outlet and selling situation<sup>19</sup>, because it is necessary for Kamoi Kakoshi Co., Ltd. which had focused on industrial market to create new marketing channels in order to sell mt toward general consumers. The employees of the firm and three users of masking tapes discussed together about the possibility of outlets including select shops, stationery shops, book stores and general merchandising stores and about the package design of mt suitable for each outlet. Finally, Kamoi Kakoshi Co., Ltd. decided to release mt with the price at 150yen for each and with the package designed by one of the fans who is a designer<sup>20</sup>.

#### **5-6. Formation of New Market for Masking Tapes**

While in the early phase, people in Kamoi Kakoshi Co., Ltd. were unsure of the marketability of mt, after enjoying good reputation at test marketing, mt was released in February of 2008 and got plausible response from the market<sup>21</sup>. Its sales grew more than 1 billion after 2 months from the release<sup>22</sup>. Most of the people who buy mt are women aged from late twenties to forties<sup>23</sup>. Information about mt has been rapidly spread because many users tend to upload the photo of their own works using mt on weblog or SNS online<sup>24</sup>. These phenomena also attracted the interest of retail distributors as well as other consumers. They believe the possibility of masking tapes as a stationery and a material of artworks by seeing

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<sup>18</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.98

<sup>19</sup> Interview to Taniguchi Yukio (marketing manager of Kamoi Kakoshi Co., Ltd.), in "How 10 reformers of business make use of design," *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>20</sup> Editorial Committee of Technology of Pressure-sensitive Adhesive (2010), *Technology of Pressure-sensitive Adhesive -87years of Kamoi Kakoshi Co., Ltd.*, Kibito Shuppan, p.98

<sup>21</sup> "How 10 reformers of business make use of design," *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>22</sup> "How 10 reformers of business make use of design," *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>23</sup> "tape up the individuality -repositioning of masking tapes from architectures usage to stationery," *Nikkei MJ (Marketing Journal)*, 6/25/2008, p.28.

<sup>24</sup> "Schema to make a gain," *Nikkei Top Leader*, June 2010, pp.100-101.

the weblog of masking tape fans<sup>25</sup>. While masking tapes are all solid at first, Kamoi Kakoshi Co., Ltd. added a new product of mt with patterns to the market in March 2008, narrower type of mt in August 2008 and wider type in 2009<sup>26</sup>. Consequently, mt won Good Design Award of 2008 in Japan, receiving a favorable evaluation of its beautiful texture and color variation that rouse users' creativity.

### **5-7. Continued Dialogical Interaction with Users**

Even after releasing mt, Kamoi Kakoshi Co., Ltd. implements several efforts in order to dialogue with the consumers continuously. One of such devices is “mt ex(exhibition)” where large number of mt fans as well as buyers visit. “mt ex” has been held in several cities across the country since 2009, aiming at introducing new products and communicating the vision of world with mt.

Taniguchi explains that they hold the exhibition because they can watch the response of users and listen to their opinions to mt<sup>27</sup>. The exhibition is regarded as a forum that enables the firm to communicate the brand message of mt where they can also collect the voice of users at the same time. These dialogical interactions sometimes bring the idea of new product. For instance, when they displayed the base paper for mt at the exhibition, some users found it might be useful for gift-wrapping. Based on their voices, Kamoi Kakoshi Co., Ltd. developed a wrapping paper “mt wrap”<sup>28</sup>.

The company also provides the device for users who developed a new usage of mt to post the idea on its company website<sup>29</sup>. Marketing manager, Tanicughi explains that while manufacturers usually tend to persuade the value and usage of their products to the customer in a one-way communication, we actualized the field of communication among users on the

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<sup>25</sup> “Schema to make a gain,” *Nikkei Top Leader*, June 2010, pp.100-101.

<sup>26</sup> “How 10 reformers of business make use of design,” *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>27</sup> “How 10 reformers of business make use of design,” *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>28</sup> “How 10 reformers of business make use of design,” *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>29</sup> “How 10 reformers of business make use of design,” *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

web site by appealing that they can use the product creatively. He also explain that “Because who have ideas are not us but users, we have concentrated on how to absorb the idea from outside for applying them to our goods<sup>30</sup>”.

Responding to masking tape fans’ idea, the company succeeded in developing masking tapes “mt” in 20 different colors and expanded their market to stationary goods. Today the company continuously co-creates new design and usage of mt with uses through the interaction at the exhibition or online. In February 2011, mt with annual sales of over 1 billion yen accounting for 12-13% of Kamoi Kakoshi's total sales<sup>31</sup>, expanding business overseas, won Design Plus Award at the annual Ambiente in Frankfurt, the world’s largest consumer products fair.

## **6. Discussion and Findings**

Through literature review and an exploratory case study, I consider a question in theoretical and managerial aspects. The case study of Kamoi Kakoshi Co., Ltd. demonstrates the process in which the product value is created in the relationship with the customers who use the product and participate in product development process.

As the S-D Logic implied, the case study shows that there is a collaborative value creation process with customers in the consumption of masking tapes that are tangible consumer goods just as there's in that of service activities (Gronroos 2006). The masking tapes as consumer goods exactly seem to be service appliances to which users adapt their operant resource, that is creativity, and through which they derive their value-in-use (Vargo and Lusch 2004, 2006). Then we can see the details of dialogical interaction; how the firm and the customer are listening and learning each other and what kind of devices or environmental conditions facilitate their interaction.

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<sup>30</sup> “How 10 reformers of business make use of design,” *Nikkei Design*, Vol.283, 1/1/2011, pp.20-23.

<sup>31</sup> “Schema to make a gain,” *Nikkei Top Leader*, June 2010, pp.100-101.

First, corporate philosophy of Kamoi Kakoshi Co., Ltd that gives high place to problem solving for customers could be an important operant resource that customers draw on in achieving their project (Arnould, Price and Malshe 2008). The firm got an opportunity to take a further step when the employees received the email from 3 female masking tapes fans requesting the factory tour in the summer of 2006. In fact, these fans initially sent emails to all manufacturers of masking tape in Japan, but only Kamoi Kakoshi Co., Ltd responded to their request and actualized the factory tour because the employees are moved by their passion and unintended usage of masking tapes. Without this first contact, the process of co-creation of value never started. Furthermore, during the project toward release of mt when these three fans and employees were discussing about the product specification including colors and package designs together, the employees of Kamoi listened sincerely to the voices of the users and tried to fulfill their demand without making compromises. Such an attitude of the firm seems really important for dialogical interaction resulting co-creation of value.

Second, what initially got these female fans interested in masking tape was their experience of education in art academies. They were using some kind of masking tapes for painting, even most of them are only ivory colored, and at a certain point realized the variation in colors of industrial masking tapes and their possibility for different usage. Additionally, their experience as artist and sensitivity to colors also contributed for product development of masking tape as consumer goods. They gave honest comments and advices not as business partners but as genuine fans to the employees of Kamoi Kakoshi Co., Ltd. who have no experience in aesthetic consumer good, and brought a successful conclusion of mt.

Third, after the launch of mt, they continued and expanded the communication between the firm and the customer as well as among the customers. Kamoi Kakoshi Co., Ltd. holds mt ex(exhibition) periodically across the country in order to listen to the voice of core users and reflect them to its product lines or designs. It also established an official Website of mt aiming

at seeking new ideas of mt usage and accelerating customers to share these ideas. In achieving such a dialogical interaction, internet technology also plays a critical role. In the online community “masking tape lovers” that was launched by users, more than 35 thousands of people register as members and participate for posting and sharing ideas.

I think we can learn some theoretical implications from this case study. These facts indicate what operant resources are; they are not only skills and knowledge shown up at a specific point of time but also whole capabilities of the firm or the person that include their experience, history, routines, customs, social relationships, embodied cultures and personal beliefs. And, while information technology is helpful for co-creation of value, it seems to be a media for one person to draw on the other person’s knowledge as operant resources rather than as device that promote value creation in itself.

We can also find a clue for answer of remained problems in previous researches.

One of the possible difficulties a manufacturer may face when they alter their product lines or product design responding to customers’ voice is its conflict with the product efficiency and depressing the firm’s competitive advantages. In the case study, Kamoi Kakoshi Co., Ltd. has actually changed its product lines or designs by reflecting the customers’ voice, but it occurred within the company’s core competence; technology of pressure-sensitive adhesive and paper tape. Similarly in the development process of mt, managers of Kamoi Kakoshi Co., Ltd. decided not to change any product specification of mt from existing industrial masking tapes, except for colors, because what the consumers as masking tape fans love is the exact characteristics of existing masking tapes that includes its texture and degrees of adhesion. This fact indicates that co-creation of value through dialogical interaction with customers is not necessarily competing with production efficiency and competitive advantage of the firm.

The second problem is why Kamoi Kakoshi Co., Ltd. did not ignore the knowledge and skills, that is operant resources, brought by unexpected new group of consumers. Actually

when people of the company initially received the email from the 3 female fans, they couldn't get the point and tried to reject their request. But when employees read handmade "Masking tape Guide Book" with beautiful bookbinding decorated with masking tapes of their company, they are moved and learned the fascination of masking tapes they did not know. In addition, visiting a series of exhibitions "art works using MT/masking tapes" that were held by these fans, the employees of Kamoi became to believe how many consumers are fascinated by the aesthetic feature of masking tapes. This fact means that learning from customers may not be occurred at one stretch, especially when the group is regarded as peripheral customers. It is an acculturation process that proceeds step by step.

(4) The third, we should consider whether dialogical interaction in which the purpose is open ended, discovery oriented, and value creating is always essential and necessary form of interaction between the firm and the customer. In the case study, Kamoi Kakoshi Co., Ltd. continues to have a dialogue with the consumers at the exhibition, on the website and in the market. The number of the request from users and comment posted on the online community of mt keep rising. However, observing posted comment on the online community, there seem to be a qualitative change in user's comment; more desire about new design and pattern of mt and less comment about radical ideas or unintended usage entailing deep learning together. While this tendency has not been elucidated sufficiently in this case study and could be the agenda of future research, this kind of change in communication will help to answer the question in which conditions dialogical interaction will more or less effective.

## **7. Managerial Implications**

Examining the detailed process of co-creation of value with customers will bring some managerial implications. This study specifically indicates the effectiveness to focus on value

creation by the customers in use. Customers fulfill the role of co-creators indirectly by “using” the product in unexpected way instead of directly participating to product development process, and consequently contribute to the firm’s growth and profitability. These finding may have implications for how to achieve spontaneous value creations through dialogical interaction with customers rather than controlling them.

Furthermore, as we see in the case study of Kamoi Kakoshi Co., Ltd. that succeeded to reposition its main product masking tapes and developed new market, co-creation of value in use with customer may bring the possibility to revitalize the tangible commodity goods. As Yukio Taniguchi said, sometimes it could be more effective for manufactures to appeal to the customers that they can use the product creatively instead of persuading the intended usage or value of their products.

But we also notice that dialogical interaction is not occurred only in the relationship between the firm and the customers, but with extended partners: customers, fan communities and various stakeholders as co-producers. Concept of co-creation of value reconnect production and consumption through interaction, marketing opportunities come into view among new group of “value makers and takers”, such as producers and producers, producers and consumers, and consumers and consumers (Ballantyne and Varey 2008)

## **8. Limitations and Agenda for the Further Research**

We conducted the case study of Kamoi Kakoshi Co., Ltd and emergence of masking tape market as consumer goods in order to find clues that answer the question how the value is co-created between the firm and the customers. While we found theoretical and managerial implications, this is exploratory case study of one company under the specific conditions. In particular, in order to control the difference in terms of conditions and to build a robust theory,

comparison case study of other company in different kinds of value creation or in other industry or country is required.

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