

Value Co-Creation in Modern Marketing: Its Impact on Loyalty and Word-of-Mouth on E-Commerce Platforms

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Abstract—

In the digital marketplace, consumer engagement has become a crucial determinant of business success, especially within e-commerce platforms where competition is intense. Traditional transactional marketing is no longer sufficient; instead, firms must embrace *value co-creation*, enabling consumers to actively contribute to product and service development through reviews, feedback, customization, and content sharing. This study examines the impact of value co-creation on customer loyalty and electronic word-of-mouth (e-WOM), with a particular focus on the mediating role of loyalty. A quantitative research design was applied using survey data from 250 active e-commerce users in Indonesia. Measurement items were adapted from established scales, and data analysis was conducted with Partial Least Squares Structural Equation Modeling (SEM-PLS). Results indicate that value co-creation significantly enhances loyalty ($\beta = 0.58$, $p < 0.001$) and e-WOM ($\beta = 0.42$, $p < 0.001$). Loyalty itself has a positive effect on e-WOM ($\beta = 0.36$, $p < 0.001$) and partially mediates the relationship between value co-creation and e-WOM. These findings underscore the strategic importance of positioning consumers as co-creators to strengthen loyalty and stimulate advocacy in digital marketplaces. Theoretically, the study extends Service-Dominant Logic and Relationship Marketing by clarifying the pathways from co-creation to loyalty and e-WOM. Practically, it offers insights for e-commerce firms to design participatory strategies that encourage customer involvement. Limitations include the cross-sectional design and the focus on Indonesian users, suggesting future research should employ longitudinal and cross-country approaches.

Keywords— Value Co-Creation; Customer Loyalty; Electronic Word-of-Mouth (e-WOM); E-Commerce; Digital Marketing; Consumer Engagement

I. INTRODUCTION

In today's digital marketplace, e-commerce platforms are no longer seen merely as transactional spaces but have transformed into interactive ecosystems where consumers and brands collaborate to create value. This evolution is captured by the concept of value co-creation, in which consumers actively participate in shaping products and services through reviews, feedback, customization, and content sharing. Such participation not only enhances consumer experiences but also influences critical outcomes for businesses, particularly customer loyalty and electronic word-of-mouth (e-WOM). Given the increasingly competitive digital environment, understanding how value co-creation shapes loyalty and stimulates e-WOM is crucial for building sustainable brand advocacy.

In today's digital marketplace, e-commerce platforms have evolved beyond transactional interfaces into interactive ecosystems where consumers and firms jointly create value. This evolution is captured by the notion of value co-creation—the active participation of consumers in shaping products, services, and experiences through reviews, feedback, customization, and content sharing. Such participatory behaviors not only enhance the consumer experience but also affect outcomes that are strategically critical for firms, notably customer loyalty and electronic word-of-mouth (e-WOM). As competitive pressures intensify and acquisition costs rise, clarifying how co-creation translates into loyalty and advocacy becomes essential for sustaining brand growth in the digital economy.

Two theoretical lenses ground this inquiry. First, Service-Dominant Logic (SDL) posits that value is not unilaterally produced and embedded by firms but is co-created through resource integration and interaction with consumers. Second, Relationship Marketing theory emphasizes the cultivation of enduring, mutually beneficial relationships rather than one-off exchanges. In e-commerce contexts—where interactions are digitally mediated, socially visible, and readily scalable—these perspectives jointly predict that participatory experiences heighten perceived relational value (e.g., trust, identification, empowerment), which in turn strengthens loyalty and stimulates advocacy behaviors such as e-WOM.

Recent empirical evidence aligns with this theoretical outlook. Nguyen (2024) finds that co-creation positively shapes loyalty across service settings. In mobile commerce, Firdaus (2023) reports that co-creation experiences bolster both continuance intention and e-WOM. Extending to social commerce, Alhumud et al. (2024) show that features like reviews and community forums facilitate customer-to-customer co-creation that sustains relationships over time. Complementarily, Syamsoeyadi and Tjokrosaputro (2022) demonstrate that e-WOM is intertwined with co-creation dynamics in Indonesia's ride-sharing platforms. Within a leading Indonesian marketplace, Sudarsono et al. (2021) further show that e-WOM enhances loyalty directly and indirectly through trust. Collectively, these studies underscore the strategic salience of co-creation, loyalty, and e-WOM while also revealing an unresolved mechanism: the extent to which loyalty acts as a partial mediator between co-creation and e-WOM in mainstream Indonesian e-commerce settings.

Addressing this gap, the present study investigates the effects of value co-creation on loyalty and e-WOM among Indonesian e-commerce users, with a specific focus on testing loyalty as a partial mediator. The contribution is twofold. Theoretically, we extend SDL and Relationship Marketing by modeling a sequential pathway in which co-creation enhances loyalty, and loyalty, in turn, fuels e-WOM, while allowing for a direct route from co-creation to e-WOM. Practically, we delineate which participatory touchpoints (e.g., review writing, feedback loops, customization, content sharing) most effectively transform engagement into durable loyalty and advocacy, offering managers guidance on designing participatory strategies that are both relationally meaningful and performance-relevant.

Our conceptual framework posits that value co-creation functions as a higher-order antecedent of relational outcomes in e-commerce. Through participatory interaction, consumers experience empowerment and role clarity, perceive greater fit and identification with the platform, and update trust beliefs based on transparent, dialogic exchanges. These relational cognitions and emotions are theorized to increase loyalty captured by repurchase intentions, platform preference, and resistance to switching. In parallel, co-creation is expected to directly amplify e-WOM, as empowered consumers derive social and self-expressive benefits from sharing their experiences publicly. Because loyalty itself is a well-established driver of advocacy, the framework further predicts that loyalty partially mediates the co-creation → e-WOM link: some of co-creation's influence on e-WOM flows through loyalty (relational consolidation), while another portion flows directly from co-creation to advocacy (engagement-driven expressiveness).

Formally, the model can be expressed as a sequential path in which value co-creation → loyalty → e-WOM, accompanied by a direct path from value co-creation to e-WOM. This structure is consistent with prior findings that co-creation uplifts loyalty (Nguyen, 2024), that co-creation experiences in mobile/social commerce stimulate advocacy (Firdaus, 2023; Alhumud et al., 2024), and that loyalty-related constructs (e.g., trust) channel the impact of social influence on behavioral outcomes (Sudarsono et al., 2021). By explicitly testing partial mediation, our study adjudicates whether advocacy arises primarily from relational consolidation (via loyalty), from engagement-based expressiveness (direct effect), or from both channels simultaneously.

Hypotheses. Building on the foregoing theory and evidence, we state four directional hypotheses:

- **H1:** Value co-creation has a positive effect on loyalty.
- **H2:** Value co-creation has a positive effect on e-WOM.
- **H3:** Loyalty has a positive effect on e-WOM.
- **H4:** Loyalty partially mediates the effect of value co-creation on e-WOM (i.e., the indirect effect via loyalty is positive, and the direct effect remains positive).

This integrated specification advances conceptual clarity about how participatory consumer roles in e-commerce translate into durable loyalty and outward-facing advocacy, and it provides a testable, managerially actionable framework for platforms operating in Indonesia's rapidly expanding digital economy.

II. METHOD

This study adopts a quantitative research design with a cross-sectional survey approach to examine the influence of value co-creation on customer loyalty and electronic word-of-mouth (e-WOM) in the context of e-commerce platforms. A quantitative approach is considered appropriate as it allows for statistical testing of causal relationships between constructs and provides generalizable insights into consumer behavior (Hair et al., 2021). The research employs a self-administered online questionnaire distributed to respondents actively engaged in e-commerce transactions, ensuring alignment with the study's digital context.

The sampling process used non-probability purposive sampling, targeting individuals who have made at least two transactions on major e-commerce platforms in Indonesia within the past six months. This criterion ensures that participants are familiar with digital shopping processes and are likely to have engaged in co-creation activities such as providing reviews, customizing products, or sharing online experiences. A total of 250 valid responses were collected, exceeding the minimum threshold required for structural equation modeling (SEM), which is generally recommended at ten times the maximum number of inner or outer model paths (Hair et al., 2019). The sample size is therefore deemed adequate for robust statistical testing.

To ensure operationalization of variables, measurement items were adapted from established scales in prior studies. Value co-creation was measured through items reflecting consumer participation in activities such as feedback, product customization, and content sharing, drawing from Yi and Gong (2013) and extended in digital commerce research (Nguyen, 2024). Customer loyalty was operationalized through both attitudinal and behavioral dimensions, including repeat purchase intentions and commitment to the platform, following the work of Oliver (2015) and further validated in e-commerce contexts by Firdaus (2023). Meanwhile, e-WOM was assessed through indicators such as willingness to share positive experiences, online recommendations, and social media advocacy, adopting scales from Hennig-Thurau et al. (2004) and refined in contemporary studies of digital consumer engagement (Alhumud et al., 2024). All items were measured on a five-point Likert scale ranging from "strongly disagree" to "strongly agree."

For data analysis, Partial Least Squares Structural Equation Modeling (SEM-PLS) was employed using SmartPLS software. SEM-PLS is particularly suitable for exploratory models with complex relationships and when the research objective is prediction rather than strict confirmation (Hair et al., 2021). The analysis followed a two-step procedure: first, evaluating the measurement model to assess construct validity, reliability, and convergent/discriminant validity; second, examining the structural model to test hypotheses regarding the relationships among value co-creation, loyalty, and e-WOM. The bootstrapping method with 5,000 resamples was applied to test the significance of path coefficients, ensuring robust inference.

By integrating a rigorous research design, careful operationalization of constructs, and advanced statistical analysis, this methodology provides a solid foundation for examining how value co-creation drives consumer loyalty and advocacy in Indonesia's e-commerce landscape.

III. RESULTS AND DISCUSSION

Descriptive Statistics

Table 1 presents the descriptive statistics of the study's constructs, namely Value Co-Creation, Customer Loyalty, and e-WOM.

Table 1. Descriptive Statistics of Constructs (n=250)

Construct	Mean	SD	Minimum	Maximum
Value Co-Creation	4.12	0.62	2.80	5.00
Customer Loyalty	4.08	0.71	2.60	5.00
e-WOM	4.21	0.68	2.90	5.00

The results indicate that all three constructs scored above the midpoint of the scale (1-5), suggesting that respondents actively engaged in co-creation activities, demonstrated strong loyalty to e-commerce platforms, and expressed a high willingness to recommend and share their experiences through e-WOM.

Measurement Model Evaluation

Construct validity and reliability were assessed using Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). As shown in Table 2, all indicators exceeded the thresholds of CA > 0.70, CR > 0.70, and AVE > 0.50 (Hair et al., 2021), confirming both reliability and convergent validity.

Table 2. Reliability and Validity of Constructs

Construct	Cronbach's Alpha	Composite Reliability	AVE
Value Co-Creation	0.88	0.91	0.63
Customer Loyalty	0.86	0.90	0.61
e-WOM	0.89	0.92	0.65

Structural Model Results

The structural model results are summarized in Table 3. Path analysis revealed significant relationships between all constructs.

Table 3. Structural Model Results

Path	β	t-value	p-value	Result
Value Co-Creation → Customer Loyalty	0.58	10.47	<0.001	Supported
Value Co-Creation → e-WOM	0.42	7.83	<0.001	Supported
Customer Loyalty → e-WOM	0.36	6.25	<0.001	Supported
Indirect (VC → CL → e-WOM)	0.21	4.91	<0.001	Partial Mediation

The R² for Customer Loyalty was 0.34, while e-WOM reached 0.55, indicating that the model explains a substantial portion of the variance in these constructs.

Discussion

The findings demonstrate that value co-creation significantly enhances both customer loyalty and e-WOM, while loyalty also acts as a partial mediator between the two. This result is consistent with prior studies that highlight the importance of co-creation in driving long-term customer engagement. Nguyen (2024) confirmed that co-creation strengthens loyalty across service contexts, while Firdaus (2023) found that co-creation experience directly influences e-WOM in mobile commerce. Similarly, Alhumud et al. (2024) emphasized that social commerce mechanisms such as reviews and forums enhance sustainable customer relationships through co-creation, and Sudarsono et al. (2021) found that e-WOM positively influences loyalty via trust in Tokopedia users.

From a theoretical standpoint, these findings support Service-Dominant Logic by reinforcing the notion that value is created through collaborative interactions rather than being embedded solely in products. Relationship Marketing theory is also validated, as the results demonstrate the significance of fostering strong, long-term consumer relationships that not only sustain loyalty but also translate into brand advocacy.

In practical terms, the results imply that e-commerce platforms should design strategies that encourage consumer participation in value creation. This could include gamified review systems, personalization features, and community-based content sharing. Such mechanisms not only strengthen customer loyalty but also stimulate e-WOM, thereby amplifying brand advocacy in competitive digital marketplaces.

Overall, the study provides robust empirical evidence that value co-creation is a strategic driver of loyalty and e-WOM in the Indonesian e-commerce context. By clarifying the mediating role of loyalty, this research contributes both theoretically and practically to the understanding of digital consumer engagement.

IV. CONCLUSIONS

This study set out to examine the role of value co-creation in shaping customer loyalty and electronic word-of-mouth (e-WOM) in the Indonesian e-commerce context. The findings confirm that value co-creation significantly enhances both loyalty and e-WOM, while loyalty also acts as a partial mediator in the relationship. These results carry important implications for both theory and practice. Theoretically, the study extends Service-Dominant Logic by demonstrating how consumer participation translates into relational outcomes and advocacy behaviors in digital marketplaces. It also enriches Relationship Marketing theory by illustrating the pathways through which long-term engagement and loyalty evolve into positive e-WOM, reinforcing the critical role of consumer involvement in sustaining brand advocacy.

From a practical perspective, the research highlights the strategic importance of designing e-commerce platforms that actively encourage customer participation. Mechanisms such as interactive review systems, product customization, and community-driven content sharing can foster deeper engagement and loyalty, ultimately leading to stronger advocacy. For managers, these insights emphasize that co-creation is not only a tool for enhancing customer satisfaction but also a driver of sustainable competitive advantage through consumer-generated promotion.

Despite these contributions, the study is not without limitations. The use of a cross-sectional design limits the ability to capture changes in consumer perceptions over time. The reliance on self-reported survey data may also introduce bias related to respondents' subjective assessments of their engagement and loyalty. Furthermore, the focus on Indonesian e-commerce users restricts the generalizability of the findings to other cultural or market contexts.

Future research could address these limitations by employing longitudinal designs to observe the dynamics of co-creation and loyalty over time. Experimental or mixed-method approaches could also provide richer insights into the mechanisms of consumer engagement. Expanding the research to different cultural settings and industries would enhance the generalizability of the findings and allow for cross-country comparisons. Additionally, exploring moderating variables such as trust, cultural values, or platform design could deepen understanding of the boundary conditions under which value co-creation most effectively drives loyalty and e-WOM.

In sum, this study demonstrates that value co-creation plays a pivotal role in strengthening customer loyalty and stimulating e-WOM in e-commerce. By positioning consumers as active co-creators, businesses can not only sustain engagement but also transform loyal customers into powerful brand advocates in the digital era.

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