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MECHANISM OF CASCADING VALUE TRANSMISSION IN THE TEXTILE AND APPAREL INDUSTRY

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PROBLEM STATEMENT. Customer experience management (Lemon & Verhoef, 2016) has developed predominantly in the business-to-consumer segment; its extension to business-to-business (De Keyser et al., 2025; Wirtz et al., 2025) remains constrained to dyadic supplier–customer relationships. The textile and apparel production chain encompasses three functional levels, at each of which a distinct customer experience is formed, with the downstream experience partially conditioned by the value received in the upstream tiers.

PURPOSE. To substantiate the mechanism of cascading value transmission in customer experience formation within the textile and apparel production chain and to define the role of absorptive capacity as moderator of value transfer between levels.

MAIN HYPOTHESIS. Customer experience in the textile and apparel production chain is formed cascadingly: value received by a participant of exchange at one level is transformed into an operant resource and transmitted to the next level, with the effectiveness of each transition moderated by the recipient's absorptive capacity.

METHODS. Abstraction, comparison, classification, systems approach.

RESULTS. A mechanism of cascading value transmission is proposed: value-in-use received by a participant at one level is transformed into an operant resource and integrated into the participant's value proposition for the next level, with effectiveness determined by the recipient's absorptive capacity. The mechanism is projected onto the three-level architecture: equipment supplier – factory – brand and end consumer.

CONCLUSIONS. The mechanism links three concepts: service-dominant logic, absorptive capacity theory, and the typology of business-to-business value propositions. Investments by upstream suppliers in midstream customer experience generate an effect that extends beyond dyadic relationships and influences end-consumer experience, provided sufficient absorptive capacity at each level.

KEYWORDS: absorptive capacity; cascading value transmission; customer experience; service-dominant logic; textile and apparel industry.

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
13	2	1

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МЕХАНІЗМ КАСКАДНОЇ ПЕРЕДАЧІ ЦІННОСТІ У ЛЕГКІЙ ПРОМИСЛОВОСТІ

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ПОСТАНОВКА ПРОБЛЕМИ. Управління клієнтським досвідом (Lemon & Verhoef, 2016) розвивалося переважно у сегменті відносин «підприємство – кінцевий споживач»; перехід концепції у сегмент відносин «підприємство – підприємство» (De Keyser et al., 2025; Wirtz et al., 2025) обмежується двосторонніми відносинами «постачальник – клієнт-підприємство». Виробничий ланцюг легкої промисловості охоплює три функціональні рівні – верхній (постачальницький), середній (виробничий) і нижній (споживчий), на кожному з яких формується власний клієнтський досвід, причому досвід нижнього рівня частково зумовлюється цінністю, отриманою учасниками верхніх рівнів.

МЕТА. Обґрунтувати механізм каскадної передачі цінності у формуванні клієнтського досвіду в умовах виробничого ланцюга легкої промисловості, визначити роль абсорбційної здатності як модератора переходу цінності між рівнями.

ОСНОВНА ГІПОТЕЗА. Клієнтський досвід у виробничому ланцюзі легкої промисловості формується каскадно: цінність, отримана учасником обміну на одному рівні, перетворюється на оперантний ресурс і передається наступному рівню, причому ефективність кожного переходу модерується абсорбційною здатністю учасника-реципієнта.

МЕТОДИ. Абстрагування, порівняння, класифікація, системний підхід.

РЕЗУЛЬТАТИ. Запропоновано механізм каскадної передачі цінності, за яким цінність-у-використанні, отримана учасником на одному рівні виробничого ланцюга, перетворюється на оперантний ресурс і інтегрується у його ціннісну пропозицію для наступного рівня. Ефективність переходу визначається абсорбційною здатністю учасника-реципієнта. Механізм спроєктовано на трирівневу архітектуру виробничого ланцюга легкої промисловості: постачальник обладнання – фабрика – бренд та кінцевий споживач.

ВИСНОВКИ. Запропонований механізм пов'язує три теоретичні концепції: сервісно-домінантну логіку, теорію абсорбційної здатності та типологію ціннісних пропозицій у відносинах між підприємствами. Інвестиції постачальника верхнього рівня у досвід клієнтів середнього рівня генерують ефект, що виходить за межі двосторонніх відносин і впливає на досвід кінцевого споживача за умови достатньої абсорбційної здатності на кожному рівні ланцюга.

КЛЮЧОВІ СЛОВА: абсорбційна здатність; клієнтський досвід; легка промисловість; передача цінності; сервісно-домінантна логіка.

Introduction. Customer experience as an object of academic enquiry has evolved from a descriptive notion, used to capture consumer sensations at points of contact, into a strategic resource shaping the competitive position of an enterprise (Lemon & Verhoef, 2016). The accumulated body of knowledge primarily concerns the business-to-consumer segment, in which the beneficiary of interaction is the individual consumer and the supplying enterprise designs the system of conditions for the emergence of consumer experience.

The extension of the subject field to the business-to-business segment has occurred during the last five years in the works of J. Wirtz et al. (2025) and A. De Keyser et al. (2025), which identified the specificity of corporate buyers, systematised the types of value propositions and archetypes of customer experience management strategies, and proposed a multilevel analysis of the corporate customer. Both works share a structural limitation: they analyse the dyadic supplier–customer relationship without addressing the cascade between successive levels of the production chain.

G. Rejikumar and A. Asokan-Ajitha (2023) extended the subject of analysis beyond dyadic interaction and statistically confirmed the correlation between the quality of the corporate customer experience and the experience of the end consumer. The generating mechanism, however, remained outside the scope of that work.

The Industry 5.0 framework (Breque et al., 2021) reshapes the conditions of research on this question through the recognition of three structural pillars: human-centricity, sustainability, and resilience. According to this framework, the participant in the production process ceases to be an object of data collection and becomes a subject whose development and experience constitute the purpose of the system. Customer experience management under such conditions becomes a structural requirement of competition, with this requirement extending not only to the point of contact with the end consumer but to all levels of the production chain.

Within the textile and apparel production chain, three functional tiers can be distinguished. The upstream (supplier) tier is formed by suppliers of equipment and materials, which provide the technological and raw-material base. The midstream (production) tier is represented by factories, technologists, mechanics, and operational personnel, who transform equipment and materials into finished products. The downstream (consumer) tier comprises brands, retail, and end consumers, with the brand potentially possessing its own production capacities or operating on an outsourcing basis with independent factories. At each tier a distinct customer experience is formed; experience at the downstream tier depends partially on what participants in the upstream tiers have received.

Service-dominant logic (Vargo & Lusch, 2016) has proposed a theoretical system that recognises the multiplicity of participants of exchange and the

subjective nature of value. Three foundational axioms make this extension possible. FP6 states that value is co-created by multiple participants of exchange. FP9 establishes that all socio-economic actors are resource integrators. FP10 holds that value is determined by the beneficiary phenomenologically, through their subjective experience within their own context of use. Together, these axioms open the possibility of extending the category of customer experience to all participants of the production chain.

The factory technologist who interacts with the equipment supplier is a customer in the same sense in which the end consumer is a customer of the brand. Service-dominant logic frames value creation as a non-hierarchical network interaction among participants. J.D. Chandler and S.L. Vargo (2011) identified three levels on which this interaction takes place simultaneously: the level of individual interaction, the level of the organisation, and the level of the institutional environment. This differentiation underpins the concept of the service ecosystem. In these approaches the transition between levels is described through institutional norms, that is, through a change in the rules of the game, rather than through direct transmission of resources from one participant to the next. The proposed mechanism of cascading value transmission fills precisely this gap by establishing a sequential logic of resource transmission from level to level.

The article pursues two tasks. First, it substantiates the mechanism of cascading value transmission, explaining how value received by a participant of exchange at one level of the textile and apparel production chain becomes a resource that shapes customer experience at the next level. Second, it defines the role of the recipient's absorptive capacity as the moderator of this transition.

Materials and Methods. The study was conducted using abstraction, comparison, classification, and the systems approach. Abstraction was used to single out the category of value transmission from the broader notion of value co-creation in service-dominant logic. Comparison was applied to juxtapose the existing theoretical concepts that partially encompass the components of the mechanism under investigation. Classification was used to typologise the levels of the production chain and the types of value propositions. The systems approach treated the production chain as an integral structure with defined elements, links, and conditions of transition between states.

Results and Discussion. Service-dominant logic is the working instrument of the study. Developed in the works of S.L. Vargo and R.F. Lusch (2016), it is grounded in eleven foundational axioms. The first axiom defines service as the fundamental basis of exchange, with the second adding that indirect exchange masks this fundamental basis. The third axiom treats goods as mechanisms for service provision, and the fourth recognises operant resources as the source of strategic advantage. The fifth axiom defines all economies as service economies

by nature. The sixth axiom proclaims that value is co-created by multiple participants of exchange, including the beneficiary, while the seventh establishes that an enterprise cannot create value unilaterally but only offer value propositions. Customer-orientation of the service-centred approach is recognised as essential by the eighth axiom. The ninth axiom extends the status of resource integrator to all socio-economic actors. According to the tenth, value is determined by the beneficiary phenomenologically, within their own context of use. The eleventh axiom establishes value co-creation through institutions and institutional arrangements.

Three of these axioms form the theoretical foundation of the cascading value transmission mechanism. The sixth axiom substantiates the multiplicity of participants of exchange. Through the ninth, the status of resource integrator extends to all participants, granting the factory technologist and the equipment operator the same standing as the end consumer. The tenth establishes the subjective nature of value, which precludes its mechanical transfer between participants.

The category of absorptive capacity, introduced by W.M. Cohen and D.A. Levinthal (1990) as the capability of an enterprise to recognise, assimilate, and apply new external knowledge, was reconceptualised by S.A. Zahra and G. George (2002) as a dynamic capability with two components: potential and realised. Empirical studies of the moderating role of absorptive capacity predominantly focus on dyadic supplier–customer relationships without extension to cascading transmission between levels of the production chain.

To position the proposed mechanism against existing approaches, five constitutive elements of cascading value transmission are introduced as criteria of comparison. The first element is the transformation of value-in-use received at one level into an operant resource that crosses the inter-organisational boundary to the next level. The second element is cascading logic that connects three or more tiers of a vertical chain. The third element is absorptive capacity acting as the moderator of value transmission between tiers. The fourth element is the explicit treatment of the inter-organisational boundary within a vertical chain rather than a horizontal network. The fifth element is the formalisation of the mechanism through explicit notation of states and the temporal parameter of transmission. Five works that develop separate components of this construction are evaluated against the five elements. Coverage is recorded on a three-point scale: 0 indicates that the element is not addressed, 0.5 indicates partial coverage, 1 indicates full coverage. The results are summarised in Table 1.

The matrix shows that no single approach addresses all five elements of cascading value transmission. M. Wilhelm and V.H. Villena (2021) covers cascading logic and the inter-organisational boundary but applies these to normative transmission of sustainability requirements rather than to value-in-

use. A.K. Paswan et al. (2014) partially addresses four elements, although within a horizontal franchising network rather than a vertical chain. C. Grönroos & P. Voima (2013), G. Rejikumar and A. Asokan-Ajitha (2023), and M. Kleinaltenkamp et al. (2017) each address only the inter-organisational boundary in part. None of the five works formalises the mechanism through explicit notation of states and a temporal parameter. By integrating these dispersed components, the proposed cascading value transmission mechanism forms a unified structure and introduces formalisation, applied to the sectoral architecture of the textile and apparel production chain.

Table 1

Matrix of coverage of cascading value transmission mechanism elements by competing models

Mechanism element	Grönroos & Voima (2013)	Wilhelm & Villena (2021)	Paswan et al. (2014)	Rejikumar & Asokan-Ajitha (2023)	Kleinaltenkamp et al. (2017)
1. Value-in-use → operant resource across boundary	0	0	0.5	0	0.5
2. Cascading logic across multiple tiers	0	1	0.5	0	0
3. Absorptive capacity as moderator of value transmission	0	0.5	0.5	0	0
4. Inter-organisational boundary (vertical chain)	0.5	1	0.5	0.5	0.5
5. Formalisation (notation, time parameter)	0	0	0	0	0

Source: compiled by the author.
Scale: 0 – not addressed; 0.5 – partially addressed; 1 – fully addressed.

The mechanism is built in four moves. The first move extends the notion of 'customer' to all participants of the production chain. The state of the system at each level encompasses the value proposition of the participant for the next level and the operant resource formed as a result of the assimilation of the preceding value. The sixth and ninth axioms of service-dominant logic extend the status of customer to the factory technologist and the equipment operator, who, in interaction with the upstream supplier, act as beneficiaries of exchange and resource integrators.

The second move introduces an essential transformation. Value-in-use does not vanish at the point of receipt but is transformed into an operant resource (Grönroos & Voima, 2013). The new competences of the technologist acquired while working with the equipment of the upstream supplier become a productive resource that is incorporated into the production process of the factory. This transformation constitutes the basis of the proposed mechanism.

The third move establishes the cascading architecture. The operant resource formed at one level is integrated by the participant into the value proposition for the next level: upper → middle → lower. The value transmitted at each transition is not identical to the preceding one: it is transformed and integrated with the participant's own resources.

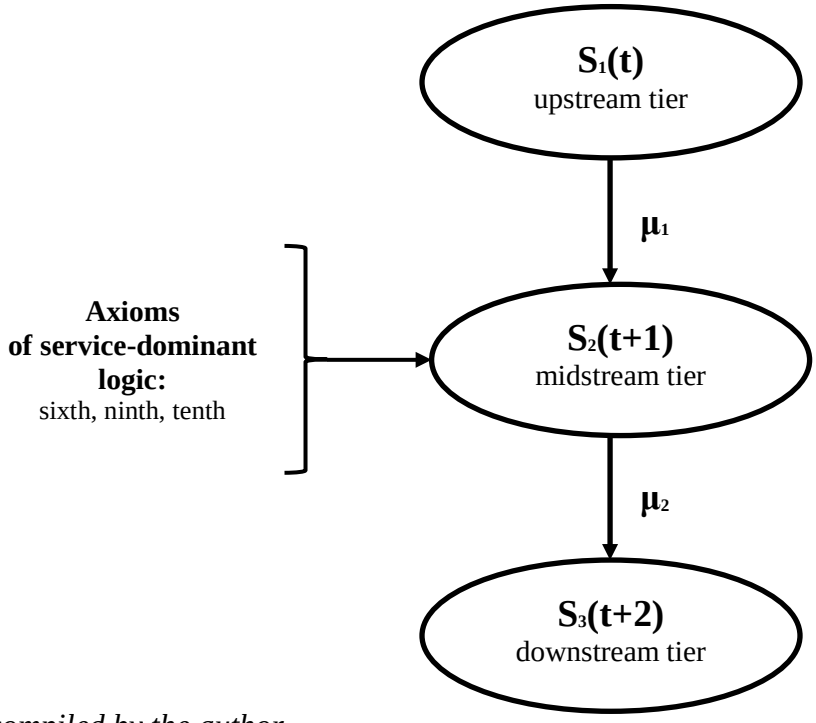
Finally, a moderator governs each transition. The transformation of value into an operant resource does not occur automatically; its effectiveness is determined by the absorptive capacity of the recipient participant (Cohen & Levinthal, 1990; Zahra & George, 2002). A participant with low absorptive capacity does not assimilate the received value, and the transmission ceases at that point. A participant with high absorptive capacity integrates the received value into their own resources and forms an enhanced value proposition for the next level.

For the description of the mechanism in verbal form, the following notation is introduced. The states of the system at three successive levels of the production chain are denoted as $S_1(t)$ (upstream – equipment supplier), $S_2(t+1)$ (midstream – factory, technologist), and $S_3(t+2)$ (downstream – brand, end consumer). The transmission of value from level to level is moderated by the absorptive capacity of the recipient participant, denoted μ. The moderator may act either towards enhancing the transmission, when the recipient participant fully assimilates and transforms the received value, or towards weakening or complete blockage, when the absorptive capacity is insufficient.

The temporal parameter reflects an important property of the mechanism: value transmission in the production chain is not instantaneous. Between the moment of value provision by the upstream supplier and the moment of integration of this value by the participant at the next level, an interval elapses during which processes of assimilation and transformation take place. A single participant with low absorptive capacity interrupts the transmission for the entire subsequent chain. A graphical representation of the mechanism is presented in Figure 1.

The adaptation of the mechanism to the textile and apparel production chain encompasses three successive levels. At the upstream tier, the equipment supplier designs the system of conditions for the emergence of the experience of the midstream customer; according to the typology of J. Wirtz et al. (2025), the supplier's strategic choice encompasses four archetypes (minimalist, champion,

cherry-picker, fashionista). Enabling value propositions form the potential for the emergence of value-in-use at the midstream tier.



Source: compiled by the author.

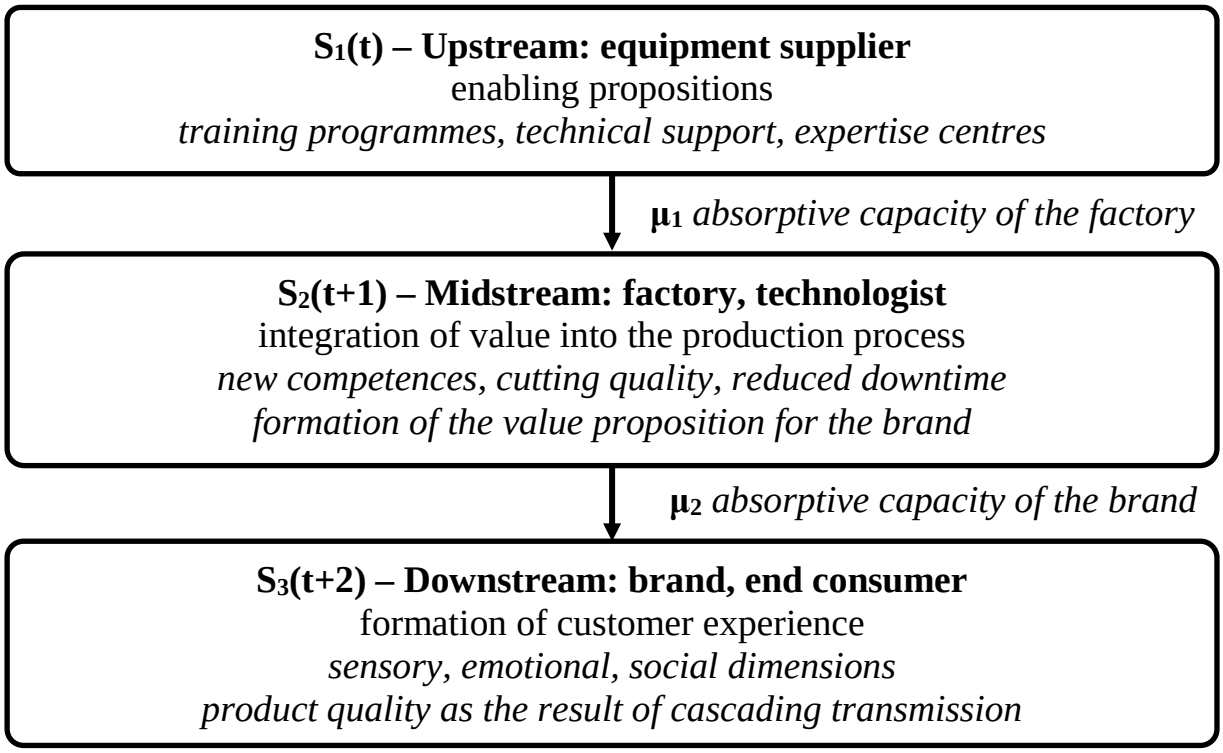
Figure 1. **Mechanism of cascading value transmission between three levels of the production chain $S_1(t) \rightarrow S_2(t+1) \rightarrow S_3(t+2)$ with moderation by absorptive capacity μ**

At the midstream tier, the technologist acquires new competences and the operational range expands. Where absorptive capacity of the factory is sufficient, value transforms into an operant resource and feeds into an enhanced value proposition for the downstream tier. Where capacity is insufficient, transmission halts.

The terminal level accumulates the result of cascading transmission: the sensory, emotional, and social dimensions of the end consumer's experience (Lemon & Verhoef, 2016) are determined by the quality of the product, which depends on the competences of the technologist, conditioned in turn by the enabling propositions of the equipment supplier.

Along three dimensions, the proposed mechanism connects with the pillars of Industry 5.0: the human-centric pillar (recognition of technologists and operators as subjects of development through the enabling propositions of the supplier), the resilience pillar (absorptive capacity as the organisational capability for adaptation in conditions of wartime and supply chain restructuring), and the sustainability pillar (the enhancement of competences of midstream specialists reduces production defects; addressing enabling

propositions to vulnerable social groups realises the inclusive potential of the framework).



Source: compiled by the author.

Figure 2. **Adaptation of the cascading value transmission mechanism to the textile and apparel production chain**

Conclusions. The proposed mechanism of cascading value transmission links three theoretical concepts. Service-dominant logic substantiates the multiplicity of participants of exchange and the subjective nature of value. Absorptive capacity theory provides the moderator that governs transitions between levels. The typology of business-to-business value propositions specifies the input that the upstream supplier delivers into the cascade. Value-in-use received by the beneficiary at one level of the production chain is transformed into an operant resource and integrated by this beneficiary into their own value proposition for the next level, subject to moderation by the absorptive capacity of the recipient participant.

The mechanism has a clear practical implication. Investments by the upstream supplier in the experience of midstream customers (training programmes, technical support, enabling propositions) generate an effect that extends beyond dyadic interaction and propagates to the formation of the end consumer's experience through cascading value transmission. The quality of the end consumer's experience depends on three factors: the point of contact with the brand, the way the equipment supplier has designed conditions for the

development of the factory technologist, and the absorptive capacity of each participant at the intermediate levels of the chain.

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