



## Customer co-creation of travel services: The role of company support and customer satisfaction with the co-creation performance

Ursula S. Grisseemann\*, Nicola E. Stokburger-Sauer<sup>1</sup>

Department of Strategic Management, Marketing and Tourism, University of Innsbruck, Universitaetsstr. 15, 6020 Innsbruck, Austria

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### ABSTRACT

The tourism industry is characterized by high-contact services in which co-creation of customers plays a major role. This paper develops a conceptual model of customer co-creation of tourism services and empirically tests this model in a travel agency context. Applying a SEM-approach, company support for customers is found to significantly affect the degree of customer co-creation. The degree of co-creation further positively affects customer satisfaction with the service company, customer loyalty, and service expenditures. A test of the moderating effect of the customers' satisfaction with their own co-creation performance on satisfaction with the service company and on service expenditures suggests that those customers who are satisfied with their co-creation activities spend more on their travel arrangements, but that they are less satisfied with the company. Important implications for co-creation theory and practice in high-contact service industries can be derived.

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### 1. Introduction

Research on customer engagement behavior such as co-creation activities has recently been one of the top research priorities in marketing and tourism research (Marketing Science Institute, 2010; Shaw, Bailey, & Williams, 2011; Verhoef, Reinartz, & Krafft, 2010). Basically, companies can reach two significant sources of competitive advantage when successfully implementing co-creation activities (Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010): First, they can realize productivity gains through *efficiency*, such as speed to the market (Carbonell, Rodríguez-Escudero, & Pujari, 2009), lower costs and reduced risk (Bendapudi & Berry, 1997; Bendapudi & Leone, 2003; Prahalad & Ramaswamy, 2004). Second, they can reach gains in the *effectiveness* of the co-created offering such as increased willingness to pay (Chung, Kyle, Petric, & Absher, 2011; Franke, Keinz, & Steger, 2009), increased revenues and profits (Ostrom et al., 2010), or innovativeness (Füller, Matzler, & Hoppe, 2008).

In the tourism context, the concept of co-creation is particularly relevant. First, offering unique and memorable customer experiences are of paramount importance for tourism service providers in order to remain competitive. Creating a unique experience involves both customer participation and a connection

which links the customer to the experience (Pine & Gilmore, 1998; Shaw et al., 2011).

Service-Dominant (S-D) logic elaborates on this perspective and gives priority to the interaction between the company and the customer. This logic implies that value occurs in the interaction process itself rather than exclusively in the provision of the service (Etgar, 2008; Grönroos, 1997). Therefore, involving customers in the creation of a travel arrangement helps tailoring the service to the customers' particular needs and hence assists in creating a unique experience.

Second, the Internet has significantly changed the way customers allocate knowledge about hotels, flights or even destinations. New information and communication technologies, such as online booking engines, have transformed the structure of the tourism distribution system into a multi-channel network that raises new challenges for both customers and tourism companies (e.g., travel agencies). Customers now face more technologically complex purchasing processes and time-consuming price-comparisons due to the partly absence of human interaction. Travel agencies, on the other side, have to face a "re-intermediation process," which means that they have to reassert their intermediary role by enhancing human interaction and consumer trust (Kracht & Wang, 2010). Increased co-creation activities are thus believed to encourage re-intermediation as they enable travel agencies to provide travel arrangements tailored to each customer's individual needs.

Third, customers create value not only for themselves and the company, but also for other customers which is due to the fact that

\* Corresponding author. Tel.: +43 512 5077081; fax: +43 512 507 2845.

E-mail addresses: [ursula.grisseemann@uibk.ac.at](mailto:ursula.grisseemann@uibk.ac.at) (U.S. Grisseemann), [nicola.stokburger-sauer@uibk.ac.at](mailto:nicola.stokburger-sauer@uibk.ac.at) (N.E. Stokburger-Sauer).

<sup>1</sup> Tel.: +43 512 5077081; fax: +43 512 507 2845.

they often share their travel experiences in online social networks. This development has shifted considerable power to customers. Online communities operate as permanent agents of quality control and instantly report the shortcomings of service companies in online platforms. Online booking engines and websites that allow customers to post their opinions and reviews about tourism service companies are not only a helpful co-creation tool for customers, but also an important source of marketing information about customer experiences for companies (Shaw et al., 2011; Wang & Fesenmaier, 2004). Thus, the travel experience of a single customer is accessible to multitudinous community members and, subsequently, shapes their future purchase behavior.

Nevertheless, empirical evidence of co-creation research in tourism is scarce and a number of research questions are still unanswered. Shaw et al. (2011) were among the first to empirically assess the concept of S-D logic and its implications for tourism management in a hospitality setting. Li and Petrick (2008) conceptually looked into the importance of S-D logic for tourism marketing. Both studies emphasize that S-D logic and co-creation activities deserve further examination in tourism marketing and management. Research is called for that, for instance, investigates the effects of co-creation on company success outcomes such as increased revenues and profitability (Hoyer et al., 2010). Additionally, more research should be devoted to the drivers of co-creation activities in terms of firm actions and processes (vanDoorn et al., 2010).

In this research, we follow up on calls for further research on customer co-creation and investigate both theoretically and empirically a model of antecedents and consequences of customer co-creation in tourism services. We examine company support as one selected driver of co-creation, and customer loyalty and customer expenditures as selected outcomes of co-creation. Specifically, the present paper has three main objectives. First, it develops a deeper understanding of company support in the co-creation process, that is, we study whether increased company support enhances the degree of co-creation. Second, it examines the effect of customer co-creation on customer satisfaction, customer loyalty, and company performance. In particular, we want to find out if a higher degree of co-creation actually increases satisfaction with and customer loyalty toward the service company and customer expenditures. Third, it investigates if customers' satisfaction with their own co-creation performance plays a moderating role in the relationship between co-creation and satisfaction with the service company and service expenditures, respectively.

## 2. Theoretical background and development of hypotheses

### 2.1. Overview

While marketing science strongly relies on S-D logic to understand and explain customer integration in the value creation process, Unified Services Theory (UST) (Sampson & Froehle, 2006) deals with the understanding of the customer's role in production and operations management. The foundational core of UST is that "within service processes, the customer provides significant inputs into the production process" (Sampson & Froehle, 2006, p. 331). UST thus understands a service process as a production process where the presence of customer inputs is a necessary and sufficient condition. As in S-D logic, customer input is thus central to define services. Sampson and Froehle (2006) highlight two basic types of customer input: The customer-self inputs (i.e., the employment of customer labor in the service-development process) and customer-provided information (i.e., the provision of information by the customer that is indispensable for the service delivery).

Integrating the marketing and operations perspective on tourism service creation and production, we understand customer co-creation of tourism services as the customer's provision of input in the development of their travel arrangement. This input can take the form of customer-self input (e.g., by spending a considerable amount of time developing the service) and customer-provided information (e.g., telling the travel agency their wants and needs). Given the fact that the customer *always* has to provide input in the service production process, our major premise is that the *extent* to which this input is provided significantly affects company outcome variables.

Customers could be considered as partial employees of the company who are partially responsible for the outcome of the co-created service (Bowers, Martin, & Luker, 1990; Xie, Bagozzi, & Troye, 2008). In this sense, the concepts of *producers* and *customers* are much more encompassing than in traditional thinking, and customers take the role of *prosumers* who "undertake value creating activities that result in the production of products they eventually consume and that become their consumption experiences" (Xie et al., 2008, p. 110).

Prior research on co-creation has predominantly been undertaken in virtual environments (e.g., Füller & Matzler, 2007; Nambisan & Baron, 2009) or in the context of mass-customization toolkits helping to co-create products (e.g., Fuchs & Schreier, 2011; Kohler, Matzler, & Füller, 2009). While these studies provide evidence of the advantages of integrating the customer into the co-creation process and of the importance for companies, there are only a few empirical studies on customer co-creation activities and their consequences for firms in a service and travel services context (e.g., Auh, Bell, McLeod, & Shih, 2007; Carbonell et al., 2009; Li & Petrick, 2008; Shaw et al., 2011). This is a major research void since there are notable differences between products and services and the approaches used in its creation (Sampson & Froehle, 2006) and marketing (Song, Di Benedetto, & Song, 2000).

Additionally, there is still a research gap concerning the relationship of company support and customers' actual service co-creation activities and the effects of these activities on firm outcomes. In particular, the company's role in the co-creation process still remains unclear, although the approaches a firm takes to stimulate co-creation activities are of great value for firms (Hoyer et al., 2010). Research on customer empowerment (e.g., Fuchs & Schreier, 2011; Füller, Mühlbacher, Matzler, & Jawecki, 2009; O'Hern & Rindfleisch, 2009), for example, revealed that companies empowering their customers in NPD enhance customer orientation and foster corporate firm associations. Elaborating on these findings we focus on the company–customer interactions in a services context, which we call *company support*, and analyze its effects on co-creation activities.

Since co-creation activities require customer investments in terms of skills, time, money, and psychological efforts (Hoyer et al., 2010), customers compare the potential benefits and costs of co-creation activities (Etgar, 2008). Franke and Schreier (2010), for instance, find that self-designed products provide a higher preference fit than standardized products and thus drive customers' willingness to pay. They further argue that the co-creation process induces affective reactions and thus increases the value the customer attaches to the product. Following this reasoning and Ostrom et al.'s (2010) proposition that increased revenues are a consequence of co-creation, it can be expected that the value customers attach to the service, as reflected in their service expenditures, is dependent on their actual degree of participation. This value increment is also considered to reflect on customers' overall satisfaction with the service company. We thus include customer *service expenditures*, *customer satisfaction*, and one additional variable, *customer loyalty*, as consequences of co-creation into our model.

Taking one step further, it can be anticipated that the value customers derive from co-creation activities is driven by their

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