



An exploratory study into managing value creation in tourism service firms: Understanding value creation phases at the intersection of the tourism service firm and their customers



Aron O'Cass ^a, Phyra Sok ^{b, *}

^a *Tasmanian Business School, University of Tasmania, Hobart, 7001 Tasmania, Australia*

^b *School of Advertising, Marketing, and Public Relations, Queensland University of Technology, 2 George St GPO Box 2434, Brisbane, Qld 4000, Australia*

HIGHLIGHTS

- The tourism service provider's value proposition drives its value offering.
- Its value offering drives customers' perceived-value-in-use.
- Customer orientation enhances value proposition – value offering relationship.
- Customer orientation also enhances value offering – customers' perceived-value-in-use relationship.
- Value creation phases have a logical sequence which requires certain parts to occur before others are fulfilled.

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ABSTRACT

To satisfy customers, managers of tourism services need to understand their customers' value requirements and then develop a unique service value offering based on those requirements. This understanding underpins their effort to provide superior value to customers and deliver the proposed services through employees. Problematically, previous work on value creation (i.e. customer value) has focused separately on either the firm or customer. This theoretical separation does not allow investigation of whether there may be discrepancies between what value firms offer and what value customers perceive they have received. We bring tourism service firms (manager and employee) and customers together and examine the nature of a tourism service provider's value proposition, its contribution to the value offering, and subsequent impact on customers' perceived-value-in-use. We focus on the important role that employees play as boundary spanning workers in the value creation phases, linking the tourism service provider and customer.

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1. Introduction

Delivering superior value to customers is a critical task for service firms in today's highly competitive marketplace. Managers and academics place a high priority on how firms create and deliver value and how customers evaluate the value embedded within a service (Bowman & Ambrosini, 2000; Lepak, Smith, & Taylor, 2007; O'Cass & Ngo, 2011; Priem, Li, & Carr, 2012; Sparks, Bradley, & Jennings, 2011; Ulaga & Eggert, 2006). Value

creation and delivery are especially important for tourism service providers (e.g., hotels, airlines, travel agents, theme parks), because many tourism market segments have reached saturation (Avci, Madanoglu, & Okumus, 2011; FitzPatrick, Davey, Muller, & Davey, 2013; Grisseemann & Stokburger-Sauer, 2012) and tourists (here after we use the term customer to imply tourist) are becoming more demanding (Sanchez, Callarisa, Rodriguez, & Moliner, 2006).

Given the demonstrable need for firms to understand their customers' value expectations, and manage the complexity of value creation as a multi-phase and multi-party concept, it is puzzling that the vast majority of research to-date in the broader management and marketing domain is either conceptual or possesses a single phase, single party perspective (i.e., the customer's

* Corresponding author.

E-mail addresses: aron.ocass@utas.edu.au (A. O'Cass), phyra.sok@qut.edu.au (P. Sok).

perspective or firm's perspective in isolation) (e.g., DeSarbo, Jedidi, & Sinha, 2001; Helkkula, Kelleher, & Pihlström, 2012; Priem, 2007; Sirmon, Hitt, & Ireland, 2007; Ulaga & Eggert, 2006). Particularly, in tourism research settings, scholarly attention given to value creation has focused heavily on the customers' perspective (i.e., Dong & Siu, 2013; Gallarza & Saura, 2006; Sanchez et al., 2006; Siu, Zhang, Dong, & Kwan, 2013) which has resulted in a distinct lack of attention being given to the core theoretical development of 'value creation' set within the context of multi-phase and multi-party theory (c.f. comments by Bowman & Ambrosini, 2000; Lepak et al., 2007; Sok & O'Cass, 2011).

The singular focus on the customer side in tourism scholarship can lead to one-sided view about value creation. In many respects there may be discrepancies between the value tourism service providers propose (to offer their market) and believe they have offered, and what value customers perceive they receive. As such, we integrate the firm's and customer's perspectives to advance value creation theory in tourism settings (c.f. Sok & O'Cass, 2011). Drawing from Service Profit Chain Theory (Heskett, Sasser, & Schlesinger, 1997), this study takes into account the role of employees in tourism service delivery, as well as their level of customer orientation within value creation settings.

Service Profit Chain research suggests that there are direct relationships between the firm's profit, employee capability and customer satisfaction (Heskett et al., 1997). Service Profit Chain indicates that employee capability (i.e. to enact the firm's value proposition) will generate customer satisfaction (i.e. customers' perceived-value-in-use), which is a driver of the firm profitability. This view is consistent with the argument that in a competitive market, tourism service providers must demonstrate that they can translate strategy (i.e. their value proposition) into results (i.e. customers' perceived-value-in-use). While the successful translation of strategy into results in services depends on a range of factors, Cadwallader, Jarvis, Bitner, and Ostrom (2010) argue that in services, it is contingent on the actions of frontline service employees (hereafter employees) as employees often are the service. In tourism (which is largely a service based sector), Tajeddini (2010) argues that because of tourism's inherent intangibility and heterogeneity, tourists often judge services based on the behavior/capability of employees.

This study makes two specific contributions to the literature. Firstly, this study theorizes and empirically treats value creation as a multi-phase, multi-party theory involving different players at different phases (i.e. firm at the point of proposition, employee at the point of delivery, and customer at the point of exchange) (e.g., Bowman & Ambrosini, 2000; Sok & O'Cass, 2011). No study to-date has integrated these three key players to examine value creation in tourism settings. This study contributes to the literature by showing that the value proposition (here after VP) developed by management drives its value offering (here after VO) which is ostensibly delivered to customers through employees. The tourism service providers' VO then drives customers' perceived-value-in-use (here after PVI) which then impacts revisions of the tourism service providers' VP. Further, the study outlines the contribution that superiority in each phase makes to a tourism service providers' financial performance. Identification of the specific effect within the value creation phases informs theorists and practitioners about the role of these players within each phase and how each phase contributes to the development of other phases.

Secondly, it is suggested that tailoring and enhancing the customers' service experience can be achieved through an increased sense of customer orientation (Tajeddini, 2010) in employees. Employee customer orientation is an important

component in the development of value laden services (Dong & Siu, 2013). While prior studies have examined employee customer orientation (here after ECO) as a driver of firm performance (e.g., Tajeddini, 2010), service quality (e.g., Rafaeli, Ziklik, & Doucet, 2008), or customers' affective commitment and loyalty (Dean, 2007), none have explored the role of ECO as a moderator within the setting of value creation, especially in tourism services. This study contributes to the literature by showing that ECO plays a critical role not only in enhancing the transformation of the tourism service providers' VP into a competitive VO, but also in enhancing the tailoring of the VO more specifically to a particular customers' need to achieve greater PVI. Identification of the moderating effect of ECO on the relationship between VP and VO as well as the relationship between VO and PVI helps theorists and practitioners to better understand the interplay between ECO and the value creation phases and the performance outcomes tourism service providers can achieve.

2. Theoretical development

The concept of value creation is increasingly being adopted by scholars in an effort to explain how some firms outperform others by creating and offering superior value to customers. In a thought-provoking paper on value creation, Bowman and Ambrosini (2000) propose a theoretical framework that encompasses three key components embedded in the value creation phases, and specific actors involved in each phase. They outline that use value (referred to here as the firm's VP) is created at the point of proposition by the firm, while perceived use value (referred to here as the customers' PVI) is subjectively assessed by the customer, and exchange value (i.e., in the form of financial outcomes) is realized at the point of exchange via firm–customer interaction.

Researchers have assessed value within two separate research streams. The first stream assesses value from a managerial perspective (in this context, it is the firm's VP). It focuses on how value is proposed at the point of proposition by the firm (i.e., O'Cass & Ngo, 2011; Sirmon et al., 2007). This perspective rests on the view that the success of a differentiation strategy depends largely on the extent that a firm examines what value customers are seeking (DeSarbo et al., 2001) and develops its VP to meet customer requirements (O'Cass & Ngo, 2011). An analysis of the managerial perspective shows that it has two limitations. Firstly, there is evidence that in many contexts, value may be seen in the presence of information not related to the product or service itself, and in practice, value initiatives may fail to deliver anticipated results (Ferraro, Bettman, & Chartrand, 2009). Secondly, customers are the final arbiters of value (Priem, 2007), and in this sense while value is proposed in the form of VP and offered by the firm in the form of VO, it is perceived and acted on in the market by customers in the form of PVI (Bowman & Ambrosini, 2000; Sok & O'Cass, 2011). As such, the benefits customers think they will gain from the firm (customers' PVI) affects their decision to either stay or switch to another supplier/provider (Colgate, Tong, Lee, & Farley, 2007).

The second stream assesses value from the customer's perspective (e.g., DeSarbo et al., 2001; Helkkula et al., 2012; Sandström, Edvardsson, Kristensson, and Magnusson (2008); Priem, 2007; Ulaga & Eggert, 2006). It focuses on how value is perceived by the customer at the points of exchange, use and after use (and in this context, it is the customers' PVI). This perspective is premised on the view that customers base their judgments of overall value on the perceptions of what is given and what is received (i.e., service experiences – Bowman & Ambrosini, 2000; Sandström et al., 2008). An analysis of the customer's focused

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