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The use of co-creation within the luxury accommodation experience – myth or reality?

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ABSTRACT

Co-creation has generated interest since its inception, which is believed to have coincided with the introduction and mass use of the Internet. There are many definitions for co-creation but, in essence, it is an active interaction between a company and a customer to create value, and this value is centred in the customer's experience. It has been suggested that co-creation is just a buzzword or a fad, but this paper highlights that if co-creation is used to its full potential it can give a company a competitive advantage. Eighty-one participants were interviewed in six luxury properties within New Zealand using an interpretivist case-study methodology. There was consensus among managers, employees and guests that the luxury accommodation experience is materialised through a process of co-creation, involving managers, employees and guests. Encouraging more co-creation to take place can have a positive effect on how the luxury accommodation experience is created.

1. Introduction

The appearance of co-creation has been largely credited to the Internet and the vast amount of information it offers customers (Prahalad and Ramaswamy, 2000, 2002). This has been due to an expansion in the corporate pursuit of efficiency that started in 1995 (Prahalad and Ramaswamy, 2000, 2002). Customers can now more readily engage in active and explicit dialogues with the manufacturers of services and products, and the Internet allows access to activities that either affect or directly involve the company-customer relationship (Prahalad and Ramaswamy, 2000, 2002).

Co-creation can be viewed as a joint process involving the customer and another party, usually a provider, in order to create an output of some value (Prahalad and Ramaswamy, 2004a). Research on customer engagement behaviours, such as co-creation, has become one of the top priorities in marketing and tourism research (Marketing Science Institute, 2010; Shaw et al., 2011; Verhoef et al., 2010). But, even though it is a priority, there are few empirical studies that have examined customers' co-creation activities and their consequences for organisations within the travel and service sector (e.g. Auh et al., 2007; Carbonell et al., 2009; Li and Petrick, 2008; Neuhofer et al., 2013; Oyner and Korelina, 2016; Prebensen et al., 2013; Shaw et al., 2011).

In 2015, Campos et al. published a paper entitled 'Co-creation of tourist experiences: a literature review'. Within this they stated that, to date, there had been only six studies completed within hospitality on co-creation: two of these papers were conceptual, two were conducted in pubs/venues, and the other two focused on the use of information technology (IT) and computer software within hotels. For example, Shaw et al. (2011) were among the first to examine co-creation in hotels but they restricted their research to co-creation and innovation in hotel IT systems, and Bharwani and Jauhari (2013) wrote a conceptual paper on the competencies required by frontline employees to co-create memorable customer experiences in the hospitality industry. A more concrete example is the Lugano Dante hotel in Switzerland, which uses a digital customer relationship management tool (Neuhofer et al., 2013). This tool has a platform that enables the hotel to collect information about their guests and then co-create personalised experiences for them during their stay (Neuhofer et al., 2013).

However, despite the empirical evidence that has been collated from researching co-creation in tourism, there are a number of research questions that remain unanswered (Grissemann and Stokburger-Sauer, 2012). This research paper will highlight that co-creation is a real phenomenon that can be a useful tool which, if used well, can lead to competitive advantage (Navarro et al., 2015; Oyner and Korelina, 2016; Thomas et al., 2013).

2. Literature review

2.1. Definitions of co-creation

First, it is important to explore the meaning of co-creation. Prahalad and Ramaswamy (2004a) believe that co-creation highlights the

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interaction between the customer and company as the point of creating value, and argue that customer experiences that are positive are often dependent on the customer's active participation in the creative process. With this in mind, it could be argued that co-creation is indeed a process whereby organisations gain competencies and knowledge of specific customers so that they can use this information to their advantage to provide an 'experience' to those specific customers (Campbell, 2003; Wu et al., 2017).

Another definition for co-creation can be found in the service management literature: co-creation is defined as the customisation of a service or of a product achieved with a large amount of collaboration and participation from the customer for the purpose of innovation (Chathoth et al., 2013; Kristensson et al., 2008).

Co-creation has been defined in different contexts but is still linked to the customer's perception of value. 'The customer is always the co-producer of value' was a phrase coined in an article by Vargo and Lusch in 2004, but almost as soon as it was published, the authors doubted their own ideas and changed the phrase to 'The customer is always a co-creator of value' rather than a co-producer of value (Lusch and Vargo, 2006; Vargo and Lusch, 2004). The term 'co-production' indicates the participation by the customer in the creation of value proposed by an organisation; examples of this being co-design, customer assembly and self-service (Lusch and Vargo, 2006; Vargo and Lusch, 2004).

Going back to the term 'co-creation of value', it is the intention that this element essentially captures the nature of value creation: this always involves the recipient's participation (through the integration and use of other resources) in some way (Lusch and Vargo, 2006; Vargo and Lusch, 2004). 'Co-creation' has been used by researchers to describe how customers interact and engage in dialogue with an organisation when designing a product, its production, its delivery and ultimately its consumption (Chathoth et al., 2013; Payne et al., 2009). Finally, co-creation has also been described as a "consumer experience, of a particular kind, that is, the activity participated in and interactive experience" (Campos et al., 2015, p. 25)

2.2. The importance of co-creation

'Value' is seen as the output of co-creation for customers, and Bitner (1992) suggested that how customers experience their activities was important to their perception of value. Kambil et al. (1999) took this suggestion further by explaining that the measurement of co-creation is how much value has been created for both the customer and the producer. In order to produce this value, "value is now centred in the experiences of consumers" (Prahalad and Ramaswamy, 2004a, p. 137).

There is significant interest in the potential of 'co-creation' and 'co-production', either in a community environment or individually, to enhance business and innovation performance (Rowley et al., 2007), and part of this innovation should be to look at shifting the emphasis away from service and products onto an experience environment (Mathis et al., 2016). This environment would enable individual customers to create their own unique and personalised experience, and would need to be supported by networks of customer communities to enable individual customers to co-create value unique to them (Gibbert et al., 2002; Prahalad and Ramaswamy, 2003). Indeed, there is a strong belief that co-creation is of the utmost importance; through their personal interaction with companies, customers should be adding specific value to their own experiences (Binkhorst and Den Dekker, 2009; Chathoth et al., 2016). Due to revised perspectives, there is now a greater emphasis on not only acknowledging customer co-creation but harnessing it (Lusch and Vargo, 2006; Morgan, 2010; Prahalad and Ramaswany, 2003, 2004a). What is interesting to note is that, instead of being focused on the outcome of co-creation, managers are being encouraged to focus on analysing the actual process (Grissemann and Stokburger-Sauer, 2012; Richards and Marques, 2012).

In 2000, Prahalad and Ramaswamy raised the awareness of companies that their customers were now an involved partner when creating value, and that it was important for them to take on board how to harness customer competences. An important aspect would be how to engage customers into co-creating their own personal experience (Rowley et al., 2007; Thomas et al., 2013). Sandström et al. (2008) suggested "in services where the service encounter is critical to how the customer experiences the service offering, the service employee has the potential to influence the value creating experience by interacting with the customer" (p. 112). However, in order for organisations to co-create unique customer experiences, they must empower their employee experience 'inside' the actual organisation so employees can initiate and accept problem resolutions that will ultimately enable them to approach customers and create an experience with them (Ramaswamy, 2009).

2.3. Relationships in co-creation

What or who participates in the co-creation of value needs to be identified and examined. When creating and competing for value, customers play a very active role, and this can only be possible when the market provides an opportunity for the customers to act out this role (Prahalad and Ramaswamy, 2000). As previously discussed, Ramaswamy (2009) highlighted that, without organisational competences that enable the 'customer to employee' experience to align with the 'employee to customer' experience, co-creating value with customers could be difficult to achieve. However, co-creating an employee's experience that is empowered 'inside' their organisation could enable that organisation to co-create a customer's experience that is unique (Ramaswamy, 2009). To ensure employees are able to interact with customers successfully, organisations need to engage employees in the co-creating customer value process (Ramaswamy, 2009). Scott et al. (2009) took this point further by suggesting the interaction between the producer and customer is more important than the product itself. There should be an emphasis on creating an experience in which the customer contributes more activity rather than merely being a submissive observer, and acknowledgement that the importance of customer-staff interaction is increasing (Buonincontri et al., 2017; Scott et al., 2009). Santos-Vijande et al. (2012) along with Wu et al. (2017) echoed this, stating that frontline staff are critical to the facilitation of co-creation activities. This is due to the amount of interaction they have with the customer.

There is the belief that the co-creation process also requires both customers and managers to make adjustments that may be necessary. An example of this being that both the customer and manager recognise that their interaction, and the point of interaction where the value creation happens, should be built on the critical building blocks of having good dialogue, access to information and a clear indication of whether there are any risks involved, as well as being transparent throughout the process (Prahalad and Ramaswamy, 2004b).

The Nordic school of thought discusses 'service logic', meaning that firms facilitate processes that enable customers' value creation to happen, because, owing to the involvement of customers in these interactive processes, customers and firms are the co-producers of the service and the co-creators of value (Grönroos, 2006). In essence, value is co-created through the joint efforts of organisations, customers, employees and any other individuals connected to giving any exchange, but ultimately is always determined by the recipient – that is, the customer (Vargo et al., 2008).

Relationships and their influence on co-creation were examined by Den Dekker (2006) in his thesis, Guest Employee Interaction in the Hospitality Experience. He revealed that when people are given the opportunity to meet within a tourism experience network and have an interaction that is positive, it is the start of meaningful co-creation on an interpersonal level. He suggested that being sensitive to the needs, wishes and desires of individual guests and being empowered to act alike were great steps towards creating memorable tourism experiences (Den Dekker, 2006). Campos et al. (2015) also suggested that more

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