



MANAGING VALUE CO-CREATION IN THE TOURISM INDUSTRY

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Abstract: The continuing development and widespread adoption of information technology (IT) has deeply influenced the tourism industry. Despite recent attention, we lack a clear understanding of the process by which partners co-create and share IT-enabled value. Grounded in Service-Dominant logic (S-D logic), this study examines how IT enables value co-creation in tourism and why some players appear to appropriate the value co-created in the partnership more successfully compared to others. Our results suggest that operators that achieve superior performance in terms of appropriating value do so because of superior strategic fit with the objectives of the value co-creation initiative, synergy with other members of the network, and IT readiness to conduct business electronically. **Keywords:** information technology, value co-creation, Service-Dominant logic, value appropriation, theory building, multiple case. © 2013 Elsevier Ltd. All rights reserved.

INTRODUCTION

The recent Service Dominant logic (S-D logic) paradigm (Vargo & Lusch, 2004, 2011) theorizes the joint role of organizations and customers in the value co-creation process (Harris, 2012; Shaw, Bailey, & Williams, 2011). S-D logic posits that these actors represent dynamic, operant, and active resources, enabling reticular/networked interactions (Payne, Storbacka, &

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Frow, 2008) centered on many-to-many organizational relationships (Gummesson, 2008) in which value co-creation is not limited to the supplier and the customer but involves an entire network of stakeholders. Some authors have criticized S-D logic, focusing their critique on issues of novelty and appropriateness of the word “service” to characterize a new dominant logic (Achrol & Kotler, 2006). More fundamentally, others claim that S-D logic lacks precision and conceptual clarity (Stauss, 2005). While criticisms of an emerging theoretical perspective help refine the emerging framework, S-D logic has quickly become an established paradigm in marketing (Vargo & Lusch, 2004, have gathered almost 3000 citations on Google Scholar) and information systems research (Kohli & Grover, 2008). We adopt S-D logic because it allows us to model explicitly some of the idiosyncrasies of the tourism industry, such as partners’ interactions and the central role of customers.

Recognizing that organizational boundaries are increasingly permeable and that emerging novel arrangements enable previously unattainable value propositions, theorists have recently called for more attention to the role of Information Technology (IT) in value co-creation (Kohli & Grover, 2008). IT enables the combination of competences, capabilities, and knowledge (Srivastava & Gnyawali, 2011) that underpin value co-creation in collaborative relationships (Payne, Storbacka & Frow, 2008). In the airline sector, for example, information technology has influenced operations (e.g., from paper-based ticketing to e-ticket) as well as service delivery (Basole & Rouse, 2008). In the lodging sector, the rapid development of both supply and demand makes IT an imperative for pushing the industry to rethink even the most entrenched business processes (Buhalis, 1998). Specifically, IT revolutionized distribution (O’Connor, 1999; O’Connor & Frew, 2004), introducing unprecedented direct-to-consumer processes and creating new distribution channels (Hyde, 2008). Finally, IT is increasingly affecting the promotion of tourist destinations (Baloglu & Pekcan, 2006; Doolin, Burgess, & Cooper, 2002; Pan & Li, 2011; Wan, 2002). Despite the emerging role of IT, little is known about how IT enables the co-creation and appropriation of value (Saraf, Langdon, & Gosain, 2007) in the tourism industry. Our goal in this study is to address these gaps. First, we investigate how customers and firms co-create value. Second, we explore why some organizations successfully capture a portion of the value co-created while others fail to do so. In our empirical result we distinguish value co-creation from value appropriation mechanisms. We explain value co-creation using the S-D logic perspective. We investigate value appropriation through multiple case studies (Eisenhardt, 1989) and suggest possible explanations. As IT inevitably influences the tourism sector (Liburd, 2012; Poon, 1993; Sheldon, 1997) and no player can escape its effects (Buhalis & O’Connor, 2005; Werthner & Klein, 1999), we believe that our context is best suited to provide idiosyncratic insight for tourism scholars while offering the results generalizable beyond the industry.

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