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## Why does customer co-creation improve new travel product performance? ☆

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## ABSTRACT

Customer co-creation of new products/services can enhance the success of offerings; however, the results of previous studies are controversial. Using data from 161 responses, the study applies fuzzy set/qualitative comparative analysis (fsQCA) and hierarchical regression analyses to determine the influence of the moderators between customer co-creation of travel products and new product performance, with a solid ground on a theoretical framework deriving from resource-based view (RBV) theory. The results indicate that the relationship between customer co-creation and new product performance hinges upon the moderating effects of organizational culture and communication quality. The study contributes to the theoretical understanding of customer co-creation in the success of new travel products and offers practical suggestions for industry practitioners.

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## 1. Introduction

Economic restructuring and vigorous domestic competition reduce opportunities for travel agencies, limit their economic development option, and force many to seek nontraditional methods for economic sustainability (Ozer, 2009). Agencies also face increased competition from international organizations such as Priceline and Expedia, and struggle to develop appropriate competitive strategies. One of the most popular and innovative strategies is customer participation to develop new products and services (Song, Song, & Benedetto, 2011). Several previous studies investigate customer co-creation behavior in general. Groth (2005) employs a multidimensional approach to capture customer co-creation behavior, while some examine customer co-creation competitiveness (Lundkvist & Yakhlef, 2004; Oliveira & von Hippel, 2011). Ozer (2009) investigates product customers planning and marketing. However, the results of some previous studies are controversial. Many researchers believe that consumer involvement enhances the success of innovations (McKenna, 1995; Wind & Mahajan, 1997), but other studies point out consumer involvement cannot lead to the successful performance of new products (Henard & Szymanski, 2001; Magnusson,

Matthing, & Kristensson, 2003; Simonson, 1993) Therefore, the effectiveness and efficiency of customer co-creation behavior also require evaluation through additional influential factors (moderators) and resulting benefits to new products/services, enterprises, and industries as a whole (Davis, 1993; Henard & Szymanski, 2001).

To fill the research gap via a holistic approach, the present study expands resource-based view (RBV) theory and incorporates customer co-creation, organizational culture, communication quality, and perceived value into the theoretical model. Specifically, the present research establishes and tests a theoretical model that illustrates the relationships between customer co-creation behavior and new product/service performance by investigating two research questions: (1) What is the relationship between customer co-creation behavior and new product performance? (2) What are the impacts of three influential factors (organizational culture, communication quality, and perceived value) as moderators of customer co-creation behavior that leads to improved performance of new products/services?

The findings of this theoretical model offer a comprehensive understanding of the relationship between customer co-creation and new product/service performance in the travel products setting. Furthermore, identifying the effects of customer co-creation behavior on new product/service performance via a holistic approach (i.e., qualitative, fuzzy set/qualitative comparative analysis/fsQCA, and hierarchical regression analyses) can provide guidance for marketers and practitioners to allocate corporate resources to the important customer co-creation aspects.

## 2. Literature review and hypothesis

The study reviews innovation-related literature and employs resource-based view (RBV) theory to explain how companies develop competitive advantages (Rouse & Daellenbach, 2002). The RBV theory

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focuses on the link between strategy and firms' resources and capabilities. Travel agencies gain competitive advantages through their creative potential to develop differentiated products for niche markets. Several related constructs emerge as potential variables for inclusion in the theoretical model, consistent with previous resource-based theories (Atuahene-Gima, Li, & De Luca, 2006; Barney, 1991, 1996; Christensen & Bower, 1996; Hallin & Marnburga, 2007). The constructs are customer co-creation and perceived value; organizational culture (i.e., employees integrate their individual abilities/resources into organizational capabilities); and communication quality (knowledge-sharing capabilities). The following sections discuss the potential impact of each construct on new product performance and state the research hypotheses.

### 2.1. Customer co-creation and new product performance

Some researchers (Lundkvist & Yakhlef, 2004; Nambisan, 2002) point out that customer participation in early stages of NPD is important, both in theory and practice. When customers participate in co-creation activities, their efforts can translate into new capabilities for an enterprise (Zhang & Chen, 2006). Song, Song, & Benedetto (2011) reveal that stronger involvement of customers in NPD brings greater the enterprise's competitive advantage. Lundkvist & Yakhlef (2004) employ the lens of resource dependency and environmental contingency and find that co-creation benefits new product performance. Multiple criteria such as efficiency, effectiveness (Chen, Lee, Wang, & Tong, 2008), and innovativeness (Chen, Lee, Wang, & Tong, 2008) evaluate product development. These constructs differ and represent trade-offs during new product development. Efficiency involves development time and costs (Chen, Lee, Wang, & Tong, 2008), while effectiveness encompasses financial performance and product quality (Wang, Dou, Zhuc, & Zhou, 2015). Product innovativeness is the degree to which the product is new to the company and the market (Bonner, 2010). Hence, the following hypothesis captures the influence of this construct:

**H1.** The greater the degree of customer involvement in co-creating a new travel product, the better the product performance.

### 2.2. Organizational culture

Edwards (1988) defines organizational culture as the shared values, beliefs, and cognitions of an organization's employees. Gupta, Iyer, & Aronson (2000) find that organizational culture involves openly motivating employees to integrate their individual abilities into the organization's knowledge through learning, knowledge creation, and sharing (Abrams, Cross, Lesser, & Levin, 2003). A robust organizational culture strengthens inter-organizational cooperation, synchronizes the goals of an organization and its members, and inspires employees to work hard (Davis, Wang, & Lindridge, 2008; Gupta, Iyer, & Aronson, 2000). Without a strong organizational culture, each functioning unit of an organization may provide different solutions for the same problem (Homburg & Jensen, 2007) and may cause wasted time and more misunderstandings (Kotter & Heskett, 1992). Linderman, Schroeder, Zaheer, & Choo (2003) find that an employee incentive-and-reward system strengthens performance, while a goal-oriented culture helps organizations improve performance and motivate employees to work hard. A strong organizational culture enhances cooperation across functional departments and increases the success of new products. Tapscott & Williams (2006) consider a good organizational culture essential for successful co-creation between enterprises and customers. Cooperation between travel agencies and embedded customer is similar to cooperation across functional departments (Schweisfurtha & Raasch, 2015). The study proposes the following hypothesis:

**H2.** Organizational culture positively moderates the effects of customer co-creation on new travel product performance.

### 2.3. Communication quality

A common definition of communication is the exchange of information and/or transfer of opinions (Katz & Kahn, 1996). Hendriks (1999) perceives knowledge sharing as a form of communication that constitutes the relationship between two parties, one with knowledge mastery and the other requiring knowledge. Knowledge sharing is a dyadic exchange with the transfer of knowledge between source and receiver (Senge, 1998; Szulanski, 1996). Takeuchi & Nonaka (1995) state that knowledge sharing is an interactive process of sharing implicit and explicit knowledge that creates knowledge innovation. When an organization's members gain valuable or even proprietary (i.e., the knowledge that a specific enterprise owns) knowledge from others, they are knowledge sharing. Senge (1998) proposes that true knowledge sharing is about gaining from others as opposed to giving to others. Inkpen & Crossan (1995) state that interaction between partners in an alliance results in the exchange of mutual information. When an organization's members are highly willing to share knowledge, the knowledge provider is willing to share related knowledge and the knowledge demander is willing to learn the shared knowledge, which leads to better communication quality. A high degree of openness toward knowledge sharing has a positive effect on development and completion time for new products (Nonaka, 1994; Nonaka, Toyama, & Nagata, 2000). The study proposes the following hypothesis:

**H3.** Communication quality positively moderates the effects of customer co-creation on the performance of new travel products.

### 2.4. Perceived value

Customers are value-driven (Levy, 1999); when they perceive value, they experience satisfaction of their needs (Hartnett, 1998). Zeithaml (1988) defines perceived value as a customer's overall assessment of how worthwhile a product/service is. Customers assess perceived value in the relationship between perceived quality and perceived sacrifice (Eroglu, Machleit, & Davis, 2003; Monroe, 1990; Simonson, 1993). The most common view of value is a trade-off between quality and price (Cravens, Holland, Lamb, & Moncrief, 1988): high value results from something with a low price and general quality, or a high price and high quality. Perceived value is a fundamental concept to understand customers' evaluations of their choice options and overall experiences in the decision-making process (Bridges & Florsheim, 2008). Homer (2008) provides other dimensions of perceived value, including product quality, special features, and after-sale service. Hence, the components of perceived value vary among customers. Studies find that customers are more willing to buy/recommend a high-value product, expect fewer problems with it, and ultimately increase the product's market success by purchasing it (Bridges & Florsheim, 2008; Homer, 2008; Monroe, 1990). Arslanagic-Kalajdzic and Zabkar (2015) use RBV to explore the role of customer perceived value in B2B companies and find that customer perceived value increases outcome value and supplier business performance. Hence, this study infers the following assumption:

**H4.** Perceived value positively moderates the effects of customer co-creation on new travel product performance.

Based on the discussion above, Fig. 1 provides the conceptual model.

## 3. Methods

### 3.1. Survey instrument

The questionnaire consists of six sections: co-creation, new product performance, organizational culture, communication quality, perceived value, and sample characteristics. A four-item scale adapted by Cheung

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