



# Resident-tourist value co-creation: The role of residents' perceived tourism impacts and life satisfaction



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## HIGHLIGHTS

- Value co-creation in tourism includes resident-tourist social interactions.
- Positive perceptions of tourism development encourage residents' value co-creation with tourists.
- Perceived costs of tourism development are negatively related to residents' value co-creation.
- Life satisfaction positively influences residents' value co-creation with tourists.

## ARTICLE INFO

### Article history:

Received 29 November 2016

Accepted 20 February 2017

### Keywords:

Value co-creation  
Life satisfaction  
Resident  
Tourist  
Tourism impact  
China

## ABSTRACT

This study aims to expand tourism value co-creation to include resident-tourist social interactions. Specifically, we aim to empirically verify the effects of residents' life satisfaction and their perceived benefits and costs of tourism development on their value co-creation with tourists. An online questionnaire survey was conducted with a sample of 380 urban residents in China. Partial Least Square structural equation modelling was adopted to analyze the data. The results show that residents' perceived economic and social-cultural benefits of tourism development have positive effects on both value co-creation and life satisfaction, while perceived costs have negative effects. Life satisfaction influences value co-creation. This study contributes to the literature by conceptualizing tourism value co-creation between tourists and residents and empirically investigating residents' participation in value co-creation in the tourism context. Moreover, we introduced broaden-and-build theory to analyze a tourism phenomenon for the first time. This study also provides important managerial implications.

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## 1. Introduction

A growing body of literature explores value co-creation in tourism, yet our knowledge about what the value is and how it is co-created is still limited (Rihova, Buhalis, Moital, & Gouthro, 2015). Tourism is essentially about people travelling away from home to interact with other people and other places (Sharpley, 2014). It involves the encounter of two populations: tourists and residents (Bimonte & Punzo, 2011, 2016). The experiences of their encounter and interactions may affect their satisfaction, wellbeing and future behaviors (Sharpley, 2014). Because both parties have their

interests and expectations, there are mutual benefits as well as potential conflicts between the two parties (Bimonte & Punzo, 2011, 2016). Bimonte and Punzo (2016) emphasized the equally important roles of both parties by criticizing the fact that tourism development studies focus too much on residents, while overlooking tourists. The opposite is true in the literature of tourism value co-creation, which has neglected residents. According to Sharpley (2014) the essence of tourism is the interaction between tourists and residents. Yet, most studies only focus on value co-creation between tourists and tourism service providers (Binkhorst & Den Dekker, 2009; Cabiddu, Lui, & Piccoli, 2013; Sfandla & Björk, 2013), or between tourists and other tourists (Rihova et al., 2015). To the best of our knowledge, resident-tourist value co-creation has not been examined.

This study aims to contribute to the literature of value co-creation in the tourism context from the perspective of residents.

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We attempt to make three major contributions. First, drawing on the tourism development literature, this study advances our understanding of the drivers of residents' participation in value co-creation with tourists. Based on social exchange theory (Blau, 1964; Cropanzano & Mitchell, 2005), we examined the effects of residents' perceived benefits and costs as a result of tourism development on their value co-creation behavior with tourists. Second, this study advances our understanding of life satisfaction as an antecedent of residents' value co-creation with tourists. This contribution is significant because most studies treat life satisfaction as an outcome variable, neglecting its role as an influencing factor of co-creation. In spite that research on tourists' life satisfaction in tourism has flourished in recent years (Filep, 2012), most studies examined only tourists' wellbeing or life satisfaction as a result of their tourism experiences (e.g. Dolnicar, Yanamandram, & Cliff, 2012; Gilbert & Abdullah, 2004; McCabe & Johnson, 2013; Neal, Sirgy, & Uysal, 2004; Su, Swanson, & Chen, 2016; de Bloom, Geurts, & Kompier, 2013). There are very few studies that explored the influence of tourism development on residents' life satisfaction (Kim, Uysal, & Sirgy, 2013). Recently, Liang and Hui (2016) explored the relationship between residents' quality of life and support for future tourism development. However, whether residents' life satisfaction has an effect on their intention to co-create value with tourists has yet to be tested. Third, we applied broaden-and-build theory (Lyubomirsky, 2001) in studying life satisfaction of local residents in the tourism context. This is among the first studies that apply broaden-and-build theory in hospitality and tourism literature.

We collected data to test our hypotheses by means of a survey using a sample of 380 residents in four major cities in China: Beijing (capital of China), Tianjin (a city with a booming tourism industry), Hangzhou (a popular tourism city for its natural landscape) and Xi'an (a famous tourism city for its rich history and culture). China is an especially suitable field context for this study thanks to its booming tourism industry in the past three decades. The country has evidenced a sustained fast-speed economic growth thanks to its continuing reform and opening up policies since early 1980s. People's disposable income and living standard have been increasing since then. The country's long history and large geographic area offer abundant tourism resources and has a well-developed modern aviation and high-speed rail transport systems. These factors have contributed to the thriving markets of both China's domestic tourism and outbound travel to international destinations (Tsang, Lee, & Qu, 2015; Yang, Liu, & Qi, 2014).

## 2. Theoretical background and hypothesis development

### 2.1. Value and value co-creation

The notion of value as a marketing concept can be interpreted from different approaches. Generally, there are two major perspectives in defining value: the 'features-and-benefits' and the 'value-in-use' (Rihova et al., 2015). For the 'features-and-benefits' perspective, 'value' is viewed as the trade-offs between benefits and costs (Zeithaml, 1988). In the exchange process, the actor's attitude and subsequent action depend on rational decision to maximize the utility following the trade-off between benefits and costs. When benefits exceed costs, the actor is satisfied. Researchers adopting this definition often treat value as the outcome that derives from service attributes, assuming the tourism service provider as a 'producer' of value outcomes for the tourists and the tourists are seen as a passive value receiver (Rihova et al., 2015).

The concept of value co-creation is based on the assumption that customers will perform an active role in the collaboration with the firm to create value together through the different stages of the

value chain from production to consumption (Pralhad & Ramaswamy, 2004). Ranjan and Read (2016) indicated that there are two major dimensions of the value co-creation concept: co-production and value-in-use. Co-production involves customers in the product and/or service design process, performing either a facilitation or an active role through the sharing of knowledge or information with the firm. Value-in-use extends beyond the stage of co-production to the consumption stage of a good or service: customers assess and determine the value of a good and service on the basis of their usage experiences (Vargo & Lusch, 2004).

Tourists usually perform an active role looking for meaningful and memorable experiences (Ritchie & Hudson, 2009), therefore tourism value is more appropriately considered as 'value-in-use' that emerges when tourists use, experience the tourism services in their own experience contexts (Vargo & Lusch, 2004). For tourists, tourism value resides in and derives from the tourism experiences, hence it is 'value-in-the-experience' (Helkkula, Kelleher, & Pihlström, 2012), or 'experience value' (Prebensen, Woo, Chen, & Uysal, 2012).

Value co-creation is commonly conceptualized as a process of resource exchange, and the actors involved will need to interact to enable the exchange of resources and the value to be reciprocally created (Grönroos, 2008; Vargo & Lusch, 2004). The theoretical foundation of value co-creation thus can be traced back to the resource theory of social exchange (Foa & Foa, 1975). The object of exchange, the resources can be concrete or symbolic, such as love, status, information, money, goods, and services. The essence of this theory is that people satisfy their needs through exchange of resources, and the means by which people acquire their needed resources from others is through social interactions between the exchange parties (Foa & Foa, 1975). There are certain norms and rules of exchange that guide the interactions, and the most prevalent one is reciprocity, i.e. each party expects or is entitled to receive reward in return for the reward given, either concrete or symbolic (Cropanzano & Mitchell, 2005; Wieseke, Alavi, & Habel, 2014).

### 2.2. Resident-tourist value co-creation

There are three major components in the concept of value co-creation: the value, the actors involved, and the engagement platform (Leclercq, Hammadi, & Poncin, 2016). In the tourism context, the value for tourists derives from the tourism experience (Ritchie & Hudson, 2009; Sfandla & Björk, 2013), i.e. 'value-in-the-experience' (Helkkula et al., 2012); the actors involved in tourism include tourists, tourism service providers, residents and other stakeholders; and the engagement platform at the destination level, is the place where the tourists visit and the residents lead their daily life (Grisseemann & Stokburger-Sauer, 2012).

The concept of value co-creation as first proposed by Pralhad and Ramaswamy (2004) mainly focuses on the co-creation between the service provider and the customers in online contexts, but it can be further expanded to include the major stakeholders involved, such as customers, firms, suppliers, competitors and others to jointly create value. However, the primary focus of extant value co-creation studies is based on firm-customer co-creation, or in the context of tourism, tourist-tourism service providers (Binkhorst & Den Dekker, 2009; Cabiddu et al., 2013; Grisseemann & Stokburger-Sauer, 2012). For instance, Grisseemann and Stokburger-Sauer (2012) argued that the tourism industry is characterized by high-contact services and tourists play a major role in the co-creation of tourism services. Cabiddu et al. (2013) emphasized the role of tourists in the process of IT-enabled value co-creation of tourism services. This focus is too narrow and incomplete, and there has been calls for studies to analyze the interaction process in

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