

Co-creation and Higher Order Customer Engagement in Hospitality and Tourism Services: A Critical Review

Abstract

Purpose: This paper reviews the literature associated with co-creation and higher order customer engagement concepts and poses critical questions related to the current state of research. Additionally, the paper presents a framework for customer engagement and co-creation with relevance to hospitality transactions.

Design/methodology/approach: Earlier research on co-production, co-creation, consumer engagement and service-dominant logic are discussed and synthesized. Based on this synthesis, links and contrasts of these varying research streams are presented providing an articulation of key characteristics of each and how these might be applied within a hospitality context.

Findings: Modalities in service transactions vary among traditional production, co-production and co-creation based on changes in attitudes, enabling technologies and the logic or ideology supporting the change. Transaction characteristics vary among manufacturing, quasi-manufacturing and services based on several key categories, including differences in boundary conditions, enablers, success requirements, sustainability requirements, the dominant logic used, key barriers/vulnerabilities. When creating experiential value for consumers, firms should consider several aspects ex-ante, in-situ and ex-post of the change and during the change process.

Research limitations/implications: Firms need to move towards higher order customer engagement using co-creative modalities to enhance value creation. Current practices in the hotel industry may not in their entirety support this notion. Ex-ante, in-situ and ex-post

considerations for creating experiential value need to be used as part of a checklist of questions for firms to pose in order to move towards managing customer experiences using the S-D Logic as part of the firm's orientation towards its market. This would give it the required thrust to create superior engagement platforms that use co-creative modalities while addressing the barriers to higher order customer engagement as identified in the literature.

Originality/value: The hospitality and tourism literature on co-creation and higher order customer engagement is still in its infancy. A synthesis of these early studies provides support for the need for future research in the co-creation arena and more clearly articulate key differences between co-production and co-creation as well as demonstrate a variety of barriers and benefits for firms in hospitality/tourism services.

Keywords: Co-creation, Co-creative modalities, Customer engagement, Co-production, Service-Dominant Logic.

Paper type: Review and theoretical

Introduction

The quintessential service in a tourism and hospitality environment can be characterized as a consummate “personalized boutique”. It caters to exclusive guests with highly demanding requirements through highly customized offerings (Chathoth, 2007). For instance, in hospitality services, before any check-in, a potential guest will send specifications of the desired room, its amenities, level of security and a pre-designated meal-schedule. Using a proprietary database of previously registered guests that include their preferences, the hotel will suggest improvements in which the guest might be interested but not necessarily aware. A price is determined for the bundle of goods, services and amenities. The integration of customer engagement and co-creation as a method of service-differentiation varies within the hospitality field.

For example, a restaurant in London called Ianmo uses technology built into the restaurant table design that allows guests to customize backgrounds, play games, order using touchscreens, interact with servers directly, and view projected images of menu items prior to ordering. This technology allows the firm to enhance customer engagement, enhance service and co-create several elements in the dining experience. While Fairmont Hotels and Resorts have a variety of services that exemplify customer engagement and co-creation, a great service example is the firm’s “Canine Ambassadors” program. At select hotels, resident hotel dogs can be part of a traveler’s experience who is missing their own furry friend, looking for a companion while taking a walk, for extra security, or the comfort of home.

While examples of customer engagement and co-creation can be identified in areas of hospitality services, but, due to a variety of barriers pointed out in the literature

(Chathoth, *et al.*, 2014a), it begs the following questions: Is this primarily hype or is this a realizable outcome? What will determine whether firms will adopt this model? Assuming that some firms are inclined to do so, what might guide their strategies and implementation? In this paper, these questions are addressed with a broad assessment of prior research and a framework is presented for building and accessing new ways of value creation. By presenting the problem in integrating differentiation and cost considerations and linking this problem with ongoing research on co-creation, the need for an innovative consumer engagement platform is highlighted. Research indicates that consumer engagement might be less tractable than otherwise conceived as specific barriers limit the prospects of co-creation. Using the hospitality industry as a backdrop, a contingency framework is developed and presented for consumer engagement incorporating recent ideas relating to shared values using a value chain as an illustration.

Within an environment that offers highly customized amenities to the customer, there are several considerations that affect the willingness to provide customized services in ways that do not significantly alter a firm's cost structure. To the extent possible, trade-offs exist between a higher level of service-offerings and the predetermined price. The proposed amenities have to be recognized by the firms at the outset to enable a firm to specify what services can or cannot be part of the total package. To this end, customers who are satisfied with their level of involvement and engagement in creating the service experience have to be willing to spend more on their hospitality requirements (Grissmann and Stokburger-Sauer, 2012). A price that is consistent with customers' expectations and the firm's desired profit level has to be determined for the mutually-agreed package. The

operative question for erstwhile firms is how to build a culture of service-differentiation within acceptable cost-boundaries. A secondary but important issue nonetheless is the willingness of the consumer to engage in co-creation platforms.

To further inform on this issue, the next sections provide definitions, historical background and research on co-creation and other modalities. The literature uses a variety of terms tied to the notion of co-creation and customer engagement; the sections are organized to delve into the relationships among concepts and terms such as co-production, co-creation, service-dominant logic, and customer engagement. Based on this review, a theoretical framework is derived that provides a more dynamic model highlighting key elements, goals and examples applied to hospitality and tourism.

Co-creation and Higher Order Customer Engagement Research

Production, Co-Production and Co-Creation: What Has Been Learned Thus Far

The strategic decision underlying the trade-off between cost and differentiation is situated in earlier discourses relating to value creation. While the modality of service transactions has evolved from traditional concepts of production, most current service-providers cater to a combination of differentiated amenities that belie different value-propositions corresponding to the two modalities of co-creation and co-production (Chathoth *et al.*, 2013). Table I provides a summary of key modality drivers involving changes in attitudes, enabling technologies, and logic or ideology supporting the change (e.g., Chathoth *et al.*, 2014b; Prahalad and Ramaswamy, 2004; Zuboff and Maxmin, 2002). Where traditional production was based on manufactured goods, mass manufacturing, and mass production, co-production emerged from growing consumer needs, the development of

information/knowledge-intensive technologies, and greater consumer participation and engagement during the later stage of production (Mills, 1986). As such, co-production is defined as the “simultaneous creation of value by producers and consumers” (a prescient reference to “prosumers” by Alvin Toffler [1980]) that foreshadowed value-creation in the then-emerging knowledge-intensive, information age.

Insert Table 1 about here

Key drivers in conceiving “co-creation” include advances and maturation in information technologies, accelerated consumer knowledge and expectations, and the logic of ingraining consumer needs and expectations across a firm’s value chain. The co-creation context is more the current virtual Internet-based environment where value is an integral part of the network economy (Prahalad and Ramaswamy, 2004a). Co-creation is defined as “the joint creation of value by the company and the customer; allowing the customer to co-construct the service experience to suit her context.” Through this, firms and their customers are able to define and solve problems jointly while “creating an experience environment in which consumers can have active dialogue and co-construct personalized experiences” (Prahalad and Ramaswamy, 2004b; p. 8). In fact, the tools which facilitate co-creation in an IT-innovation context make customers more innovative and able to enjoy the co-creation experience (Franke and Schreier, 2010). These tools are valuable depending on a firm’s strategic intent, resources and dispositions. The offerings need not be mutually exclusive; the exemplars can co-exist in any given hotel (Chathoth *et al.*, 2013; 2014b), but the emphasis will vary. Even so, based on recurring trends and

developments, the two ends of the spectrum (co-production vs. co-creation) are expected to yield varying ranges of profitability (Table I).

Historical Background Leading to Service Transaction Characteristics

The movement towards co-creation can also be apprised from historical developments. Table II provides a synthesis of earlier studies to define inherent differences among manufacturing, quasi-manufacturing and service transactions (Chathoth *et al*, 2014b; Lutz and Wietz, 2005; Prahalad, 2004; Prahalad and Ramaswamy, 2004a, 2004b; Zuboff and Maxmin, 2002). This synthesis provides an overview of six modality types (Fordist manufacturing, sales, consumer marketing, mass customization, co-production and co-creation) as well as determining characteristics such as descriptions, boundary conditions, dominant logic and so on.

Insert Table II about here

While specific details relating to each activity of the table have been synthesized from various sources and elaborated elsewhere, the core argument is that the progression towards value-creation is a result of shifting attitudes towards wealth creation, enabling technologies that provide access to tools and infrastructure and an emerging ideology that linked attitudes and technology in a justifiable manner (Zuboff and Maxmin, 2002). The factory system created a system in which workers, with attendant tools and machines, were able to work in a co-dependent fashion under one roof (Prude, 1996).

Such a system also led to [Fordist manufacturing orientation that emphasized mass manufacturing and scale and scope economies](#). Because of efficiency gains, there was the expectation that employment would increase, learning would be enhanced, skills could be widely distributed and that wages would be appropriately commensurate with contributions. Over time, with Fordism, it was further expected that goods that were previously purchased only by the wealthy could be produced at prices affordable to the working class (Jessop, 1992; Zuboff and Maxmin, 2002).

Post-Fordism saw the emergence of flexible machines, systems and production processes based on a flexible workforce arising from micro electronics, communications and information technology (Jessop, 2013). These development enablers such as a well-trained sales force, more sophisticated consumer marketing capabilities, and manufacturing capabilities facilitated changes in transaction characteristics toward sales, consumer marketing and mass customization from the 1950s through the 1990s.

In context, co-production is a natural outcome of a maturing knowledge-intensive economy that pundits, notably Alvin Toffler's *Third Wave* (1980) and Peter Drucker's *Age of Discontinuity* (1969), characterized as an era when knowledge and information would become a critical factor in production. Additionally, this change required a dominant logic of collaboration with the engagement of producer and consumer forming a more mutual production process (Prahalad and Ramaswamy, 2004a). In this sense, co-production was the enabling stepping-stone to its modern variant, co-creation.

The key to differentiating between co-production (a stage-in-progress) and co-creation is in understanding the disruptive forces of the virtual, IT communication media. Because IT (the Internet, specifically) enables a person to access work-related matters from

a place that is not office-bound, individuals can initiate sales, enact transactions, propose and complete sales-agreements, complete maintenance, check quality, review personnel records, respond to messages and even stimulate production-runs—all in the vicinity of home (Prahalad and Ramaswamy, 2004a).

As shown in Table II, changes in the service-hospitality landscape have prompted new ways to rethink about how service-value is created. Specifically, there is a firm advocacy for shifting from a production-centric to a consumer-centric modality, from production to co-production and, to its modern variant, co-creation (Mills, 1986; Prahalad and Ramaswamy, 2004). Both consumers and producers now play a significant role in creating memorable experiences associated with the consumption of services and products (i.e. value-added experience) (Pine and Gilmore, 1998).

Service-dominant Logic (S-D logic) and Co-creation

In contrast from production-oriented perspectives that focus on the delivery of value normally involving one-way communication from company to customer, service-oriented value relies primarily on a value-in-use concept (Grönroos, 2008; Normann, 2001; Prahalad, 2004). Value-in-use is value created during the consumption process rather than the final service output itself (Chathoth *et al.* 2013). In other words, service-dominant logic is based on the value creation opportunity for the service providers and customers to co-create value together. S-D logic holds that all providers are essentially service providers who exchange service, as service itself is the fundamental basis of exchange (Vargo and Lusch 2004). The term "service" is defined by Vargo and Lusch (2008) as the use of resources for the benefit of another party, which forms the basis for all exchange.

According to the scholars, the S-D logic suggests that value is always co-created with the customer during interaction with and activation of a set of resources.

Because co-creation is the process of involving the actions of both a provider and a consumer through which experience is created (Prahalad and Ramaswamy, 2004b), an individual's co-creation experience through a higher level of engagement is the basis of value creation (Den Dekker, 2006; Grönroos and Voima, 2013). The process can be further divided into five main stages, which are (1) the development of antecedent conditions related to macro-environmental factors and changes in consumer culture, (2) the development of motivations that encourage consumers to engage in co-creation, (3) the calculation of co-creation cost benefits, (4) activation during which consumers become fully engaged in the co-creation activities and (5) the generation of outputs and evaluation of the co-creation process (Etgar, 2008).

Inherent in the service production system are co-creative interactions through which service providers influence customer value creation (Echeverri and Skålen, 2011; Grönroos, 2008). In moving towards higher levels of co-creation, it is imperative that the firm engage and support the customers during the co-creation activities by providing relevant information and necessary resources (Payne *et al.*, 2008) as well as obtaining information on their preferences (Dong *et al.*, 2008). As in the case of any service interaction, customers could be considered as partial employees of a company responsible for the outcome of the co-created service (Xie *et al.*, 2008). In other words, customers should have a chance to undertake value creating activities that result in the production of products they consequently consume; eventually becoming their own consumption experiences (Xie *et al.*, 2008; p. 110).

For the above to happen, the co-creation process should be interactive, recursive and relationship oriented (Payne *et al.*, 2008) and at the same time dynamic (Etgar, 2008), which points towards the direction of superior customer engagement platforms. Note that the customer's investments in terms of skills, time, money and psychological efforts are essential in co-creation activities (Hoyer *et al.*, 2010). Despite various conceptualizations, the literature indicates that the roles of service provider and customer in the process of co-creation are not clearly defined by previous studies (Grönroos and Voima, 2013).

Customer Engagement: Bridging the Gap

If Pine and Gilmore's (1998) emphasis is to be given credence, importance should be given to how consumer behavior is influenced in shaping and creating service experiences. In this regard, the service provider should focus on becoming involved in the customers' lives and needs rather than just focusing on how customers can be engaged in co-creating with the firm (Heinonen *et al.*, 2010) in order to solve their problems and make their lives easier. Yet the question remains as to how firms could be able to engage customers with modalities to make their lives easier or increase quality of life. In sum, quality customer experiences and value cannot materialize without the involvement and higher order engagement of consumers.

While Sashi (2012) indicated that practitioners have different interpretations of the concept of CE leading to differing definitions of the concept, customer engagement refers to the physical, cognitive and emotional connection of the customer with the firm (Patterson *et al.*, 2006). As mentioned in the Verhoef *et al.* (2010) study, the MSI - Marketing Science Institute (2010-2012) identified CE as a key research area contributing to enhanced insight into consumer behavior in the complex environment of co-creation.

The interactive consumer experiences co-created with other actors can be interpreted as the act of "engaging" (Lusch and Vargo, 2010). van Doorn *et al.* (2010, p.254) defined CE as "behaviors [that] go beyond transactions, and may be specifically defined as a customer's behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers" and further stated that consumers may behave in different ways, which can be categorized into five main dimensions, namely (1) valence, (2) form or modality, (3) scope, (4) nature of its impact and (5) customer goals to engage.

Customer engagement (CE) "occurs under a specific set of context dependent conditions generating differing CE levels; and exists as a dynamic, iterative process within service relationships that co-create value" (Brodie *et al.*, 2011; p. 260). Engaging customers require firms to have access to customer information to a larger degree with a higher level of dialogue, access and transparency on the part of both firms and customers alike (Prahalad and Ramaswamy, 2004a; Chathoth *et al.*, 2014a). Sharing of information in the process of value co-creation is necessary for its success, as failure to do so might result in the co-created value being low (Yi and Gong, 2013). But, it remains a question if – customers are willing to share information while engaging with firms to a larger degree? And, how can customer behaviors be influenced in order to get them to engage with firms?

Customers won't engage with firms unless they are convinced that firms are willing to engage with them for the purpose of creating positive experiences and value (Ashley *et al.*, 2011). Without a higher degree of engagement, customer experiences cannot be maximized. This paradox of customer information, engagement and experiences requires careful consideration and management for success.

Traditionally, CE views value creation and innovation as a firm-centric activity, with most information flowing in one direction from the customer to the firm (Prahalad and Ramaswamy, 2004a). These external antecedents of CE include participation and involvement of customers (Vivek et al., 2012) with customer involvement defined as the level of interaction during various stages of the customer-firm interface. Because of advanced technology and the Internet, virtual environments are created in which customer interactions can happen in real-time and with a higher frequency, consequently, making the customer highly involved in a joint experience of co-creation (Sawhney *et al.*, 2005).

Further, there are multiple behaviors of CE which may include word-of-mouth (WOM), blogging, providing customer ratings, etc. (Verhoef *et al.*, 2010). Trends suggest that some companies have utilized brand communities as a platform for customers' engagement behaviors (Brodie *et al.*, 2013). More companies are using on-line communities to establish a relationship with their customers from which information can be exchanged and feedback from customers can be obtained (Wiertz and de Ruyter, 2007). As described in earlier research, managers of companies should utilize different channels of communication and networks in order to stay at the cutting edge of interactions and to be continuously innovative because the co-creative activities, especially for luxury brands, always involve an active dialog between owners, employees and customers (Tynan *et al.*, 2010). For instance, in the tourism sector, virtual tourism communities such as forums, wiki's and blogs where tourists' experiences are compared, evaluated, defined and exchanged, have dramatically increased (Binkhorst and Den Dekker, 2009) giving rise to superior forms of interaction and dialogue between the parties involved.

In terms of CE outcomes, several measures have been demonstrated in the literature: consumer trust (Hollebeek, 2011), commitment and emotional attachment (Chan and Li, 2000), consumer value (Schau *et al.*, 2009) and consumer loyalty (Bowden, 2009), etc. The objective for firms that have customer engagement platforms is to enable the customer-firm interface to progress along the cycle from connection and interaction to satisfaction, retention, commitment, advocacy and engagement (Shashi, 2012). Firms who adopt a resource-based view with a focus on internal capabilities and competencies are more likely to be able to successfully enable customer engagement platforms (Chathoth et al, 2014a Moller, 2006). In essence, customer experiences are an outcome of the engagement platforms set up by all stakeholders involved and value creation for customers and providers alike, being the yardstick of performance.

Summary: The Link between Customer Engagement and Co-creation

Co-creation "involves (customer) participation in the creation of the core offering itself...through shared inventiveness, co-design or shared production of related goods" (Lusch and Vargo, 2006; p.284). Based on this, researchers have advocated that CE behaviors such as making suggestions to improve the consumption experience, coaching service providers and assisting other customers to consume better are all aspects of co-creation (van Doorn *et al.*, 2010). In all, the close relationship between customer engagement and co-creation is necessary. Specifically, superior customer engagement results when co-creative modalities are used in the creation of value (Chathoth et al., 2014a).

On the other hand, customers do not assess individual sellers and products and services separately, but consider how well they fit current or future products and services by the sellers (Strandvik *et al.*, 2012). The benefits of engaging customers at a higher level through co-creative modalities will lead to the feelings of pride that emanate in customers as a result of the co-created accomplishment (Moreau and Herd, 2010; Robert *et al.*, 2013). For instance, the Langham Place Hong Kong has launched the 'Artists in Residence' program to involve their guests in co-creating paintings with the hotel's appointed artists. Profits from the sales of the paintings benefit charities and this leads to co-created value for both the hotel and its guests. Other benefits include the recognition of being a reliable source of information by other stakeholders in the process and the opportunity to create social contacts (Etgar, 2008). This further highlights and establishes the relationship between customer and supplier.

Co-creation and Higher Order Customer Engagement in Hospitality and Tourism

While co-creation has been examined in various domains, including strategy, management and marketing, its application finds particular significance in the tourism and hospitality context given its inherent nature as a potentially proactive service provider. The concept of co-creation is particularly relevant and important, especially when today's consumers want context related, authentic experiences while seeking a balance between the controlled environment of the experience's "stager" and the self-determined spontaneity of freedom and self-expression, which underlies each co-creative activity experience (Binkhorst and Den Dekker, 2009). The "experience economy" (Pine and Gilmore, 1998) advocates that experiences can "touch" people better than products or services as well as create a higher

level of interaction between consumers and service providers (Etgar, 2008) in order to achieve superior experiences. Given the role of service experiences in value creation in tourism and hospitality services, more research has come about in the past five years that purport the importance of customer engagement, co-creation and the S-D Logic.

In this regard, the hospitality and tourism literature has begun to provide evidence of the importance of co-creative modalities and higher order customer engagement platforms providing co-creation strategies (Prebensen and Foss, 2011); specifically, its role in hospitality and tourism research (Shaw *et al.*, 2011), barriers for adoption (Chathoth *et al.*, 2014a) and theoretical underpinnings applied to the field (Chathoth *et al.*, 2013), including the impact of e-conversations on tourism organization (Litvin *et al.*, 2008). The underpinnings were further empirically highlighted in the context of hospitality firms as they relate to customer engagement and co-creation by Chathoth *et al.* (2014a).

Prebensen and Foss (2011) considered how tourists use coping mechanisms and co-creation strategies in unfamiliar situations. Using qualitative research, the researchers identified a 2X2 framework of main strategies for coping and co-creating tourist experiences. The resulting framework indicated coping and co-creating tourist modalities were based primarily on level of involvement: highly involved (approaching behavior; i.e., active-active), involved (observing or identifying behavior) and barely involved (avoiding behavior; i.e., passive-passive). They purported the importance of co-creation to the travel industry in order to provide high-quality starting points for including and involving the tourists in creating experiences.

Using a case study approach of eight hotels of varying sizes and market segments, Shaw, *et al.* (2011) argues that co-creation or S-D logic provides an opportunity to

demonstrate the usefulness of this higher order customer engagement approach to stimulate tourism and tourism research. In the same vein, while emphasizing the role of platforms, Cabiddu *et al.* (2013) 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. They concluded that it is necessary to demonstrate a certain level of strategic fit and synergy to achieve the co-creation of value within an inter-organizational context. Grisseemann and Stokburger-Sauer (2012) developed a conceptual model of customer co-creation of tourism services and empirically tested this model in a travel agency context. The scholars found that a company's support for customers affected the degree of customer co-creation significantly, while the degree of co-creation further positively affected customer satisfaction with the service-company, customer loyalty and service expenditures.

Despite the significance of co-creation in tourism and hospitality, there are emerging issues relating to whether successful applications are rare and episodic, or the extent to which co-creation is fast becoming an industry norm. One consideration is the relationship between co-production and co-creation, specifically the extent to which they represent mutually exclusive categories. Chathoth *et al.* (2013) argue that co-production and co-creation are not two separate and distinct modalities, but that they represent a continuum for value creation. Hence, in their matrix, a continuum of four service process modalities are proposed, ranging from co-production, firm-driven innovation, customer-driven customization and co-creation.

In addition, the above typology is separated by two main dimensions based on a synthesis of the literature: involvement/dialogue type and primary value creation. The

involvement/dialogue type was further separated into two types described as firm-customer sporadic and customer-firm continuous. The firm-customer sporadic behavior is described as being predominately firm driven and more sporadic in nature. For example, hospitality firms may seek out customer feedback on new services provided or the quality of current services on an occasional basis using focus groups or polling recent customers for feedback or ideas. Conversely, the customer-firm continuous approach provides for continuous involvement and dialoguing by the customer including information seeking and sharing as well as personal interactions. The primary value creation aspect relates to whether or not the primary value is created as part of the production process or if it is based primarily on the consumption process (i.e., value in use).

Another consideration is the extent to which barriers limit the wider application of co-creation. Using selected case studies, Chathoth *et al.* (2014b) did not find extensive experiences of co-creation even in reputable high-end hotels, but reported various barriers that mitigated the desire for more differentiated features. These barriers were defined as external and internal; external barriers included conflict of interest (efficiency vs. effectiveness views of providers), the ability and willingness to empower consumers, cultural and contextual barriers (some hospitality/tourism services or firms are more laden with inherent barriers than others), lack of acceptance from customers and a potential lack of trust between customers and the service provider. Internal barriers included issues such as cost and resources, organizational resistance, communication issues, lack of leadership and so forth. Based on this process, the authors determined four primary barrier categories that impacted the ability to provide or have successful higher order customer engagement

platforms. These included (1) consumers, (2) technology, (3) strategy and (4) management structure and culture.

In the above context, when employees feel that their firms' practices are not focusing on customer-oriented services, both the attitudes and behaviors of employees and customers will then be influenced during the service encounter (Bendapudi and Bendapudi, 2005). Therefore, firms would need to train employees to the extent that they understand the importance of creating customer experiences and the value creation that results from such experiences. These experiences hinge on employees and customers and the role they play in systems that use co-creative modalities for value creation. Therefore, the move towards co-creation would allow customers to determine what creates value for them through co-constructed experiences. Then the employee's role would be to interface the firm's resources with that of the resources (notably, information) provided by the customer to co-create value for all parties involved. Employers need to be equipped with modalities (including systems and processes) that motivate the employees to get involved in transactions to a higher degree where value co-creation is the focus. Furthermore, employees can help transfer the positive attitudes to their fellow employees through which the overall climate of co-creation within the firm can be improved.

If firms are orientated towards value creation, as identified earlier, they would need to address the four barriers to higher order customer engagement: consumers, technology, strategy and management structure and culture. For this to happen, firms need to assess their current orientation toward customers and the underlying philosophy toward managing customer experiences. No longer is success related to service outcomes measured by the level of efficiency and productivity. In other words, a guest check-in is not about the time

taken to check the guest in at the front desk; even though it is important to measure the efficiency and productivity related to the transaction. The outcome related to this transaction is more dependent on the experiences of the customer during check-in. More importantly, the hotel needs to ensure that all such customer interactions create positive experiences and outcomes at the transaction level; which then come together at the end, culminating in a holistic memorable experience. To get the employee to relate to these experiences calls for a higher level of engagement on the part of the employee. For this to happen, firms need to involve employees in the “experience environment” through specific “consumer”, “technology”, “strategy”, “management structure and culture” related measures and interfaces. This would allow the firm to transition from a co-production to a co-creation orientation. In short, to bridge the gap between sheer advocacy and palpable implementation, there is the need for an operational platform that facilitates the potential of co-creation in a deliberate manner. One such framework is presented in the next section.

A Dynamic Co-creation Framework

The trends and enabling technologies present a compelling force that will disrupt conventional thinking in the hospitality industry, if not at the present time, certainly sometime in the not-too-distant future. As previously identified, past trends suggest that technological interventions have led to superior technological platforms of customer engagement; yet, this has led to a level of decentralization and sophistication that has broken down the service into components. For a holistic service experience, each component needs to integrate well with the others. However, the orientation toward service experiences through superior engagement platforms is lacking to the extent that many hotel

firms are more orientated toward their brand standards with little focus on customers' idiosyncratic needs (Chathoth *et al.*, 2014a).

Firms would need to go back to the drawing board in identifying a specific strategy of customer value creation. Strategy is predicated through choice to be *proactive* (anticipate these changes and begin the process of reconfiguring the value chain), *defensive* (strengthen existing niches, turfs and solidify entry barriers) or to be *reactive* (wait until after the first-movers have shifted, learn from their experience and then move in gingerly). The choice will depend on many factors, but should also include the following: (1) the amount and types of goods and services that are amenable to co-creation; (2) the level and sophistication of information-technology; (3) the desired amount of differentiation (including the costs); and, (4) the strength of the firm's business model.

This strategic initiative is still a fledgling, with undefined roots and still-emergent logics. Even so, one approach advanced by Harvard's Michael Porter is the concept of "shared values" (Porter and Kramer, 2011). Specifically, Porter and Kramer suggest a proactive method to informing individuals in various stages of the value chain to come to grips with the logic of sustainability (Porter's example); one that can involve the intervention by idea-champions external to the organization. Extending this application to hospitality-services, the authors proceed with a value chain in which activities that potentially add value, either through cost or differentiation, are depicted. Within each disaggregated stage (input, throughput and output), specific goals and programs oriented at enhancing co-creation activities can likewise be specified (see Table III and Figure I).

Customer Engagement and Co-creation: Input, Throughput and Output

The value chain for customer engagement and co-creation includes input, throughput and output. Table III provides each of these elements with defined goals associated with customer engagement, examples of co-creation activities and exemplars in the hospitality and tourism context. Input goals for customer engagement include creating customer awareness, participation and involvement. Examples of co-creation activities include supplier selection based on quality as well as product and process design to facilitate co-created value. An input exemplar is Klaus K hotel which used co-creative methods to receive input to design and develop a new lobby lounge.

Insert Table III about here

Goals for customer engagement in the value chain throughput include building advantages by bundling and coupling unique service elements, superior processing of information, and influencing engagement behaviors during the service production process. Co-creation activities to support these throughput elements include HR training, consumer profiles and market research analyses. An exemplar in the throughput stage is Eleven Madison Park Restaurant in New York. At this restaurant, HR training creates a highly-trained staff to engage customers and create a dialogue on dining preferences, allergies, etc. (i.e. real-time consumer profiles). Using this information, one of a kind dishes are co-created for guests, creating a surprise for each guest ordering a dish with a one word description of a primary element.

Output from the value chain of the customer engagement and co-creation process may include increased customer trust, loyalty and deepening engagement. An exemplar of the output of co-creation activities is Walt Disney's "Guestology" program where

personalized service and continuously improved experiences are co-created between the “Guestologist” and the guest, leading to positive consumer outcomes.

Insert Figure 1 about here

Similarly, Figure I provides a visual representation of the iterative process of co-creation. As indicated in Figure I, the interventions from input and throughput to output need to be progressive in order to create a dynamic framework. Some of these interventions include: operant resources, stakeholder engagement, flexibility, adapting to changes, value chain functions, feedback and control mechanisms, training and development programs, innovation, and identifying and resolving strategic barriers. The proposed framework integrates aspects that were synthesized from earlier studies articulated in the sections summarizing co-creation and higher order customer engagement (both general literature and hospitality and tourism). These aspects (further identified in Figure I) characterizes such systems to be iterative and interactive while focusing on co-created value leading to customer satisfaction, loyalty and delight.

Co-creation Change Considerations: Ex-Ante, In-Situ, and Ex-Post

As part of the firm’s strategy to move towards superior engagement platforms, a contingency assessment table for hospitality applications can also be developed using the factors identified in Table IV and shown Figure I. Three stages further identify how resource commitments and interventions would lead to the creation of experiential value. The factors that facilitate change are identified in Table IV and include ex-ante, in-situ and

ex-post change considerations. These considerations are critical questions that should be addressed by management and researchers before, during and after co-creation activities are implemented. This process will enhance flexibility and change capabilities toward co-creation activities.

The essence of change is dependent on how flexible the systems, processes and resources are in order to adapt to internal and external factors of value creation. For co-creation to be an integral part of any system, the imperative is to have flexibility at the core in terms of adapting to customer related interventions. This flexibility will then lead to value creation in the interactions between the firm and the customer through the use of operant resources, which are an integral part of co-creative processes. Because co-creation entails a radical transformation of firm-consumer relations, pivotal events such as emerging consumer expectations, competitor actions and new technology (including social media) need to be folded into pre-change discussions in a non-threatening manner. If need be, an external idea or an internal change-champion for the cause can be identified to enhance the legitimacy of change. Finally, those individuals in opposition to change have to be identified, confronted and managed appropriately.

For co-creation to be at the center of the value chain process, the alignment within the organization and between the stakeholders involved, including the firm and its customers, needs to happen through the use of assets such as human resources that play a critical role in the process. To build this asset would require training and development programs that are oriented towards identifying barriers in the system that pose a problem in the co-creation of value. Inherent in this process is change itself, which is an integral part of the process in a dynamic system. However, in static systems, predisposition is an

attitudinal barrier, echoing an earlier aphorism: if an individual does not see the need to change, it is unlikely that he/she will, despite any obvious benefits for such undertaking. In such a case, awareness of key issues and a deeper understanding of the benefits and risks (including barriers) of *not* changing become important factors.

Insert Table IV about here

The other pole of resistance lies on the part of people who are convinced that change should ensue, but are not sure how to do so. In this case, the fear of the unknown becomes the key barrier; uncertainty, until resolved, can fortify energies against change. While there have been many ways to address this, particularly organizational dynamics as proposed by consultants, the authors suggest that the preferred approach is to infuse the logic of co-creation into all stages of the firm's value-chain, from input selection to throughput and to final pricing.

Discussion

This paper reviewed the literature on co-creation and higher order customer engagement with the objective of posing critical questions related to how experiential value through such modalities could manifest in service transactions. The proposed framework was used to address some of the questions raised at the outset. However, at this juncture, it is imperative to address what are some of the theoretical and practical implications of the suggested changes.

As proposed earlier, regardless of the identified barriers, hospitality and tourism firms need to move toward higher order customer engagement using co-creative modalities if value creation for these firms is deemed advantageous for achieving a competitive advantage. Needless to say, there are several implications in terms of theory and practice that need to be carefully considered, as detailed below.

Theoretical implications

While many of the exemplars in the hospitality and tourism field lie in the luxury service providers (e.g., Michelin-starred restaurants, boutique and luxury hotels, etc.), earlier studies in the hotel industry (Chathoth *et al.*, 2014a; Shaw *et al.*, 2011) indicate current practices may not in their entirety support the above notion. This is not to suggest that such hotels are not aware of customer experiences or do not attempt to manage them; but, it indicates that upscale hotels (specifically chain organizations) are not as orientated toward higher order customer engagement platforms that use co-creative modalities to maximize the likelihood of superior customer experiences. Insofar as this is the case, customer experiences are not always at the crux of the organization's systems and processes nor the outcome. There is still a tendency to depend on historical methods and modalities that may not lead to value co-creation. Researchers would need to include antecedent factors in their research to assess if the factors that impede co-creative modalities and customer engagement are based on physical resources, human resources or a combination of both.

Moreover, they need to use ex-ante, in-situ and ex-post factors identified previously to tease out how operant resources interplay with CE and how such resources lead to value creation in a dynamic system that essentially enables the customer to move from input and

throughput to output phases of the service transaction. The use of effective methods to understand the role of state-of-art technology based systems – the essence of superior engagement platforms – and their interface with human elements including employees and customers so as to form a seamless value chain of input, process and output phases would result in a better understanding of how co-creation could be used in the creation of experiential value. This calls for a reconfiguration of the value chain steeped in manufacturing modalities to one that uses the service-dominant logic at the crux of its value creating modalities.

Practical implications

The hospitality and tourism field has several unique characteristics that present opportunities and challenges for practice. In addition to much of the field being comprised of sectors that are at the budget end of the spectrum with less flexibility in balancing efficiency and effectiveness aspects or having staff with abilities to assess consumer needs effectively, the structure of the field provides practice and research opportunities in the dual-level nature of customer co-creative modalities and higher order engagement. For instance, franchisees, real estate owners in Real Estate Investment Trust (REIT) and client-level customers in management contract situations provide unique situations for co-creation considerations and study.

Recent approaches by Compass Group provides a good exemplar for this multiple customer co-creative approach and unique characteristics associated with hospitality businesses. Chartwells is one of the business units under the Compass Group management contract organization that services (primarily) college and university foodservice. It serves

as an interesting exemplar for higher customer engagement and co-creative modalities having multiple levels and allows researchers to step outside the luxury hospitality sectors of high-end hotels or restaurants as primary examples of these modalities. The multiple levels include the client at the university level, the franchise-level, the supplier-level, and the final customer level. Compass Group has identified the account at the University of Arkansas as a center for excellence and with this designation has embarked on co-creative approaches at multiple levels of the firm.

At the client level (the university), Chartwells works closely with the university team using a WITY thought process (“what’s important to you”) to specify needs and build a program to address these needs. This is an on-going process requiring continuous communication with customers at the client level. At the University of Arkansas, this has evolved into a co-creative scheme working with the hospitality management department in what is called the “innovation café”, which includes a series of classes that are project-based and tied to restaurant concept development, evaluation and innovation. Hospitality majors engage with the Chartwells leadership to create new restaurant concept ideas for a designed retail space and other locations on campus. These concepts and additional innovative suggestions added to existing concepts allow Chartwells and students to co-create new dining experiences that add experiential value throughout the process of evaluation, development, and implementation. This process also enhances the customer engagement with other students outside of the hospitality area through peer-to-peer communication as well as insights into communication methods for seeking input and communicating offerings. As such, the communication and dialogue becomes more customer-centric and continuous. Techniques such as immediate feedback via customer

text messages to iPads located in each dining space, advance ordering technology such as Tapingo, and social media enhance both engagement and co-creative possibilities (A. Lipson, personal interview, September 3, 2014).

Conclusion and future research

As in the Chartwells example and suggested earlier, ex-ante, in-situ and ex-post considerations for creating experiential value need to be used as part of a checklist of questions that firms need to pose in order to move toward managing customer experiences. There is a need for researchers and practitioners to delve into how these questions would manifest into responses that can be implemented using co-creative modalities which have underlying customer-firm interfaces that hinge on effective engagement platforms. As a whole, the hospitality and tourism literature on co-creation and higher order customer engagement is still in its infancy with most studies still derived from qualitative processes or are theoretical in nature. These early studies provide support for the need for future research on co-creation and provide a synthesis of key differences between co-production and co-creation as well as demonstrate a variety of barriers and benefits for firms in hospitality/tourism services, **which have their own unique attributes and characteristics.**

With that said, further research is needed to define and test co-creation modalities in a hospitality/tourism context as well as to provide tourism exemplars that have embraced and demonstrated success utilizing these modalities and higher order customer engagement platforms. **Thus, a combination of qualitative and quantitative studies could be employed in future studies to enrich the breadth and depth of current knowledge on co-creation and customer engagement. For instance, Yi and Gong (2013) developed a general**

scale to assess customer co-creation behaviors. The scale included two main dimensions: customer participation behavior and customer citizenship behavior. The key elements included in customer participation behavior were information seeking, information sharing, responsible behavior and personal interaction; whereas, the key elements included in customer citizenship behavior were feedback, advocacy, helping and tolerance. While this scale was developed and tested in a generic services setting, it remains unclear if this scale is a good fit with hospitality customers or if there are other elements that should be included due to unique characteristics associated with the intangible concept of tourism services practicing the 'art of hospitality'. In addition, due to the substantial impact of employees in the hospitality and tourism co-creation process, future research would benefit from the development of a scale that assesses co-creation behavior from an employee point of view. Methods that capture co-creation of value and the interactive nature of services need to be given credence. The use of engagement platforms and their dynamic properties and effectiveness should also be the focus of future research. **With the emerging of industry-specific models or theories, specific practical implications for the hospitality and tourism industry could be derived in the future.**

To conclude, it is apt to state that importance needs to be given to the service-dominant logic, which should be at the crux of all service transactions while deemphasizing the goods-dominant logic that has been historically part of such transactions. This would give firms the required thrust to create superior engagement platforms that use co-creative modalities while addressing the barriers to higher order customer engagement as identified in the literature. Getting the employees to participate at a higher level while partnering with customers in creating value would call for a change in

strategy as well as management structure and culture using technological and customer interfaces. In essence, this would lead to higher order engagement platforms which would give the firms a launching pad to create superior value in service transactions.

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Table I.

Modalities in service transactions

Key Modality Drivers	Traditional Production	Co-production	Co-creation
Changes in attitudes	Basic division between capitalists and workers defined roles and expectations: manufactured goods served the basic necessities for consumers.	Growing consumer needs and expectations for features that were not necessarily part of the final manufactured product.	Advances in information technologies have accelerated consumer knowledge and expectations
Enabling technologies	Mass manufacturing in assembly lines in self-enclosed factories	Emerging information age and knowledge-intensive modalities	The maturing use of the Internet and access to highly sophisticated search programs
Logic or ideology supporting the change	Mass production led to vast quantities of cheap and affordable products (Fordism) available to the general public	Consumer participation and engagement in the final stage of production would add value to a firm's business model.	Consumer expectations are fully realized when their needs and expectations become ingrained in every part of the firm's value chain.

Sources: The column, Traditional Production, is based on Zuboff and Maxmin (2002). The next two columns are based on Prahalad and Ramaswamy (2004) and Chathoth *et al* (2014b).

Table II.

Manufacturing, quasi-manufacturing and service transaction characteristics

Category	Fordist Manufacturing	Sales	Consumer Marketing	Mass Customization	Co-Production	Co-Creation
<i>Description</i>	Mass manufacturing achieved through scaling operations	Focus on sales as the primary driver of wealth-creation	Focus on consumer needs as a basis for product design	One-on-one personalized sales	Engagement of producer and consumer in mutually producing a product/service	Engagement of producer and consumer in mutually creating virtual services
<i>Boundary Conditions</i>	Strong capitalists and relatively dependent workers and consumers	Point of sale transactions, but still product-centered	Refinement of hierarchical effects for consumer purchases	Customized consumer features using manufacturing techniques	High and low-end service transactions	High-end service transactions oftentimes generated by virtual media
<i>Enablers</i>	Strong factory units and capabilities	Well trained and incentivized sales force	Sophisticated consumer marketing	Focused consumer marketing with manufacturing capabilities	Educated consumers and willing producers	Experience-based interactions and supportive technologies
<i>Representative Products</i>	Model T automobile	White goods and appliances; beverages	Consumer electronics (stereos)	Special NIKE shoes; jeans; PC operating software	High-end consulting; open innovation	Virtual residential and architectural designs
<i>Success-requirements</i>	Deep investment pockets	Incentive systems	Consumer research departments	Trend-spotters	Profitable scale operations	Strategic vision and commitment
<i>Sustainability Requirements</i>	Capitalization	Training	Model-building	Megatrend analysis	Learning	First-mover advantages
<i>Dominant Logic</i>	Scale and scope operations	Point-of sale transactions	Customer hierarchical effects	Customization	Collaboration	Value-added experience
<i>Principal Barriers and Vulnerabilities</i>	Financial resources	Inadequate incentives for sales force	Poor models of consumer behavior	Inadequate demand to support scale	Excessive and costly differentiation	Risks of over-commitment
<i>Predominant Time of Influence</i>	1930s-1970s	1950s-1980s	1980s	1990s	Mid-1980s	2000 forward

Sources: Synthesized from the following sources: Zuboff and Maxmin (2002); Prahalad (2004); Prahalad and Ramaswamy (2004a, 2004b); Lutz and Wietz (2005); and Chathoth *et al.* (2014b).

Table III.

Value chain elements and exemplars of co-creation

Value Chain Elements	Goals for Customer Engagement	Examples of Co-creation Activities	Exemplars
Input	Creating awareness, customer participation and involvement	Considerations of high quality in the selection of suppliers, raw materials as well as product and process design	<p>LEGO allows its customers to engage in the design/product development process. The customer is required to download a software program, which enables them to design and develop a LEGO model and submit it using the virtual platform (source: Zwick, Bonsu. and Darmody, 2008).</p> <p>Klaus K hotel (a boutique hotel) in Helsinki used co-creative modalities to design and develop their new lobby lounge (source: klauskhoteis.com)</p> <p>Eleven Madison Park Restaurant in New York sources the highest quality and local bounty of ingredients to create a menu using one word descriptions for customer selection (e.g., “foie gras”, “lobster”, “pork”, etc.) (source: elevenmadisonpark.com)</p>
Throughput	Building advantages by bundling and coupling differentiation-elements, processing information and influencing engagement behaviors during service production	HR training; market research; consumer profiles; psychographic and demographic analyses; focus groups	<p>Marriott launched a co-creative platform that engages the customer during the service production process. “Travelers can submit ideas in categories such as Technology, Eat & Drink, Work & Play, Health & Wellness, Style & Design and Outside the Box”, which co-shape their experiences in conjunction with the Marriott experience. They also developed a process of evolving the company’s culture. (source: Vivion, 2013)</p> <p>Eleven Madison Park Restaurant in New York trains staff to engage customers and create a dialogue on dining preferences, allergies, etc. Using this information, one of a kind dishes are co-created for guests, creating a surprise for each guest ordering a dish with a one word description of a primary element.</p> <p>The Capital Hotel in Little Rock, Arkansas (USA) trains staff to engage with guests and dialogue to</p>

			<p>assess co-creation opportunities based on guest plans and challenges. For example, if a guest is a runner and has forgotten to pack running shoes. A pair will appear in the guest's room at no charge. (source: capitalhotel.com).</p>
Output	<p>Deepening engagement with co-creation activities, customer trust, satisfaction loyalty and repeated interactions, determining evolving standards of customer engagement and physical product quality through on-line interfaces</p>	<p>Pockets of personalized amenities; price/cost analysis; the physical product</p>	<p>In the case of the LEGO experience cited above, after the customer's "virtual model" is evaluated by a LEGO employee, a price is charged based on the "virtual blocks" used on-line. The on-line experience enables the customer to order the "real version" using the on-line platform. The product is then delivered to the customer. The whole experience could be shared with the LEGO on-line community which allows members to receive/provide feedback from/to fellow participants. LEGO uses these inputs in the design and production processes including sales and marketing. (source: Zwick, Bonsu. and Darmody, 2008)</p> <p>Walt Disney has introduced the concept of "Guestologist" to include their employees in co-creating guest experiences. A "Guestologist" is one who manages the organization from the guest's point of view. The concept of "Guestology" defines the science that makes and continuously improves the magic at Disney. (Source: Ford et al., 2012)</p>

Table IV.

Ex-ante, in-situ and ex-post considerations for creating experiential value

<i>Ex-Ante</i> Change Considerations	<i>In-Situ</i> Change Considerations	<i>Ex-Post</i> Change Considerations
What is the amount and types of goods and services that are amenable to co-creation?	How are individuals reacting to the change process?	What is the final value-proposition?
What is the level and sophistication of information-technology?	What are effects of change that were not anticipated?	How have clients reacted (effects on the bottom line)?
What is the desired amount of differentiation (including the associated costs)?	How is the organization coping with these effects?	How is the impact on employees, the culture, the competition, and the industry assessed?
What is the flexibility of a firm's business model in adapting to changes?	How are clients reacting?	What are the barriers to value co-creation?
Does the firm seek to be the prospector or first mover in this area?	How are competitors reacting?	Going forward, what needs to be done to address these barriers to co-creation?
Are individuals ready or predisposed to accept and embrace change?	How are stakeholders reacting?	

Figure I.

A Dynamic Co-creation Framework

