



# An exploratory study into managing value creation in tourism service firms: Understanding value creation phases at the intersection of the tourism service firm and their customers



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## HIGHLIGHTS

- The tourism service provider's value proposition drives its value offering.
- Its value offering drives customers' perceived-value-in-use.
- Customer orientation enhances value proposition – value offering relationship.
- Customer orientation also enhances value offering – customers' perceived-value-in-use relationship.
- Value creation phases have a logical sequence which requires certain parts to occur before others are fulfilled.

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## ABSTRACT

To satisfy customers, managers of tourism services need to understand their customers' value requirements and then develop a unique service value offering based on those requirements. This understanding underpins their effort to provide superior value to customers and deliver the proposed services through employees. Problematically, previous work on value creation (i.e. customer value) has focused separately on either the firm or customer. This theoretical separation does not allow investigation of whether there may be discrepancies between what value firms offer and what value customers perceive they have received. We bring tourism service firms (manager and employee) and customers together and examine the nature of a tourism service provider's value proposition, its contribution to the value offering, and subsequent impact on customers' perceived-value-in-use. We focus on the important role that employees play as boundary spanning workers in the value creation phases, linking the tourism service provider and customer.

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## 1. Introduction

Delivering superior value to customers is a critical task for service firms in today's highly competitive marketplace. Managers and academics place a high priority on how firms create and deliver value and how customers evaluate the value embedded within a service (Bowman & Ambrosini, 2000; Lepak, Smith, & Taylor, 2007; O'Cass & Ngo, 2011; Priem, Li, & Carr, 2012; Sparks, Bradley, & Jennings, 2011; Ulaga & Eggert, 2006). Value

creation and delivery are especially important for tourism service providers (e.g., hotels, airlines, travel agents, theme parks), because many tourism market segments have reached saturation (Avci, Madanoglu, & Okumus, 2011; FitzPatrick, Davey, Muller, & Davey, 2013; Grisseemann & Stokburger-Sauer, 2012) and tourists (here after we use the term customer to imply tourist) are becoming more demanding (Sanchez, Callarisa, Rodriguez, & Moliner, 2006).

Given the demonstrable need for firms to understand their customers' value expectations, and manage the complexity of value creation as a multi-phase and multi-party concept, it is puzzling that the vast majority of research to-date in the broader management and marketing domain is either conceptual or possesses a single phase, single party perspective (i.e., the customer's

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perspective or firm's perspective in isolation) (e.g., DeSarbo, Jedidi, & Sinha, 2001; Helkkula, Kelleher, & Pihlström, 2012; Priem, 2007; Sirmon, Hitt, & Ireland, 2007; Ulaga & Eggert, 2006). Particularly, in tourism research settings, scholarly attention given to value creation has focused heavily on the customers' perspective (i.e., Dong & Siu, 2013; Gallarza & Saura, 2006; Sanchez et al., 2006; Siu, Zhang, Dong, & Kwan, 2013) which has resulted in a distinct lack of attention being given to the core theoretical development of 'value creation' set within the context of multi-phase and multi-party theory (c.f. comments by Bowman & Ambrosini, 2000; Lepak et al., 2007; Sok & O'Cass, 2011).

The singular focus on the customer side in tourism scholarship can lead to one-sided view about value creation. In many respects there may be discrepancies between the value tourism service providers propose (to offer their market) and believe they have offered, and what value customers perceive they receive. As such, we integrate the firm's and customer's perspectives to advance value creation theory in tourism settings (c.f. Sok & O'Cass, 2011). Drawing from Service Profit Chain Theory (Heskett, Sasser, & Schlesinger, 1997), this study takes into account the role of employees in tourism service delivery, as well as their level of customer orientation within value creation settings.

Service Profit Chain research suggests that there are direct relationships between the firm's profit, employee capability and customer satisfaction (Heskett et al., 1997). Service Profit Chain indicates that employee capability (i.e. to enact the firm's value proposition) will generate customer satisfaction (i.e. customers' perceived-value-in-use), which is a driver of the firm profitability. This view is consistent with the argument that in a competitive market, tourism service providers must demonstrate that they can translate strategy (i.e. their value proposition) into results (i.e. customers' perceived-value-in-use). While the successful translation of strategy into results in services depends on a range of factors, Cadwallader, Jarvis, Bitner, and Ostrom (2010) argue that in services, it is contingent on the actions of frontline service employees (hereafter employees) as employees often are the service. In tourism (which is largely a service based sector), Tajeddini (2010) argues that because of tourism's inherent intangibility and heterogeneity, tourists often judge services based on the behavior/capability of employees.

This study makes two specific contributions to the literature. Firstly, this study theorizes and empirically treats value creation as a multi-phase, multi-party theory involving different players at different phases (i.e. firm at the point of proposition, employee at the point of delivery, and customer at the point of exchange) (e.g., Bowman & Ambrosini, 2000; Sok & O'Cass, 2011). No study to-date has integrated these three key players to examine value creation in tourism settings. This study contributes to the literature by showing that the value proposition (here after VP) developed by management drives its value offering (here after VO) which is ostensibly delivered to customers through employees. The tourism service providers' VO then drives customers' perceived-value-in-use (here after PVI) which then impacts revisions of the tourism service providers' VP. Further, the study outlines the contribution that superiority in each phase makes to a tourism service providers' financial performance. Identification of the specific effect within the value creation phases informs theorists and practitioners about the role of these players within each phase and how each phase contributes to the development of other phases.

Secondly, it is suggested that tailoring and enhancing the customers' service experience can be achieved through an increased sense of customer orientation (Tajeddini, 2010) in employees. Employee customer orientation is an important

component in the development of value laden services (Dong & Siu, 2013). While prior studies have examined employee customer orientation (here after ECO) as a driver of firm performance (e.g., Tajeddini, 2010), service quality (e.g., Rafaeli, Ziklik, & Doucet, 2008), or customers' affective commitment and loyalty (Dean, 2007), none have explored the role of ECO as a moderator within the setting of value creation, especially in tourism services. This study contributes to the literature by showing that ECO plays a critical role not only in enhancing the transformation of the tourism service providers' VP into a competitive VO, but also in enhancing the tailoring of the VO more specifically to a particular customers' need to achieve greater PVI. Identification of the moderating effect of ECO on the relationship between VP and VO as well as the relationship between VO and PVI helps theorists and practitioners to better understand the interplay between ECO and the value creation phases and the performance outcomes tourism service providers can achieve.

## 2. Theoretical development

The concept of value creation is increasingly being adopted by scholars in an effort to explain how some firms outperform others by creating and offering superior value to customers. In a thought-provoking paper on value creation, Bowman and Ambrosini (2000) propose a theoretical framework that encompasses three key components embedded in the value creation phases, and specific actors involved in each phase. They outline that use value (referred to here as the firm's VP) is created at the point of proposition by the firm, while perceived use value (referred to here as the customers' PVI) is subjectively assessed by the customer, and exchange value (i.e., in the form of financial outcomes) is realized at the point of exchange via firm–customer interaction.

Researchers have assessed value within two separate research streams. The first stream assesses value from a managerial perspective (in this context, it is the firm's VP). It focuses on how value is proposed at the point of proposition by the firm (i.e., O'Cass & Ngo, 2011; Sirmon et al., 2007). This perspective rests on the view that the success of a differentiation strategy depends largely on the extent that a firm examines what value customers are seeking (DeSarbo et al., 2001) and develops its VP to meet customer requirements (O'Cass & Ngo, 2011). An analysis of the managerial perspective shows that it has two limitations. Firstly, there is evidence that in many contexts, value may be seen in the presence of information not related to the product or service itself, and in practice, value initiatives may fail to deliver anticipated results (Ferraro, Bettman, & Chartrand, 2009). Secondly, customers are the final arbiters of value (Priem, 2007), and in this sense while value is proposed in the form of VP and offered by the firm in the form of VO, it is perceived and acted on in the market by customers in the form of PVI (Bowman & Ambrosini, 2000; Sok & O'Cass, 2011). As such, the benefits customers think they will gain from the firm (customers' PVI) affects their decision to either stay or switch to another supplier/provider (Colgate, Tong, Lee, & Farley, 2007).

The second stream assesses value from the customer's perspective (e.g., DeSarbo et al., 2001; Helkkula et al., 2012; Sandström, Edvardsson, Kristensson, and Magnusson (2008); Priem, 2007; Ulaga & Eggert, 2006). It focuses on how value is perceived by the customer at the points of exchange, use and after use (and in this context, it is the customers' PVI). This perspective is premised on the view that customers base their judgments of overall value on the perceptions of what is given and what is received (i.e., service experiences – Bowman & Ambrosini, 2000; Sandström et al., 2008). An analysis of the customer's focused

perspective shows that it also has limitations. Customers may wish to obtain value that exceeds the standard promised by firms or which is not able (i.e., beyond their capacity) to be delivered by firms in the market.

Whilst the majority of value research appears in marketing and management, in recent years, tourism scholars have paid greater attention to value creation with a growing body of work focusing on the customers' perspective. This attention is seen in the work of Lee, Yoon, and Lee (2007) who assess what value means for Japanese tourists within the context of war tourism, and Sanchez et al. (2006) who assess the perceived value of the purchase of a tourism product among Spanish tourists. Further, Gallarza and Saura (2006) also focus on the customer when they assess the perceived value and satisfaction/loyalty of tourists among Spanish university students who travel in groups, and Kwun and Oh (2004) who assess the effects of brand, price, and risk on customers' value perceptions and behavioral intentions in the restaurant industry. More recently, Dong and Siu (2013) assess the relationship between service environment, customer predisposition and service experience evaluation among theme park visitors, and Siu et al. (2013) investigate new service bonds and customer value in customer relationship management among museum visitors. While these works are significant and add to our knowledge of perceived value, its focus solely on customers suffers similar problems to research appearing in the broader management and marketing domains. Such a problem creates limitations in knowledge related to what value the tourism service providers offer to customers, what value they believe they deliver to customers and what value customers believe they receive.

Although existing value creation frameworks do provide considerable insights into the value concept, the theoretical underpinnings of the linkages within the value creation phases has not been well synthesized and articulated. Therefore, greater attention is required, particularly in the context of tourism setting (see also Lepak et al., 2007). The contention is advanced that service value creation cannot be viewed from either the tourism service provider or customer side in isolation when one seeks to theorize and understand value creation in a holistic sense. It is a dynamic interaction between what value the tourism service providers seek to compete on via the VP, what value the tourism service providers actually deliver through employees in the VO, and what the value customers perceive they have received in the PVI that encapsulates the true nature of value creation. It also encompasses what feedback the customers provide to the firms which may subsequently impact the firms' decision to continue with or modify their VP.

The relationships underpinning the value creation phases are sequential in that each phase contributes to the development of the other. Since existing value creation frameworks focus on either the firm (managers) or customers separately, it is argued here that the Service Profit Chain has the potential to be integrated with value creation frameworks to establish a comprehensive model of value creation phases and to empirically validate such a model by bringing together three key parties – managers, employees, and customers. The Service Profit Chain model focuses on how service firms generate profits (Loveman, 1998). It describes the relationships between customer behaviors (such as loyalty), employee actions, and firm profit and growth (Heskett et al., 1997). It is premised on the view that the profit and growth of a service firm is directly related to customer behavior, specifically, loyalty and satisfaction (which can be equated with customers' PVI of the service), the productivity and quality of the work of employees in delivering services to customers (which can be equated with the firm's VO which is ostensibly delivered by employees).

Drawing from the above theoretical underpinning Fig. 1 shows that *value creation*<sup>1</sup> is conceived as a *value-chain encompassing multiple phases, focusing on three key parties: managers (at the point of proposition – VP), employees (at the point of delivery – VO), and customers (at the point of exchange – PVI)*. Adopting the view of a value creation chain, the focus is on the parties and activities involved in value creation, whereas value outcome determination refers to the type of value outcomes customers perceive. The convergence of these two perspectives are seen here as “two different sides of the same coin”.

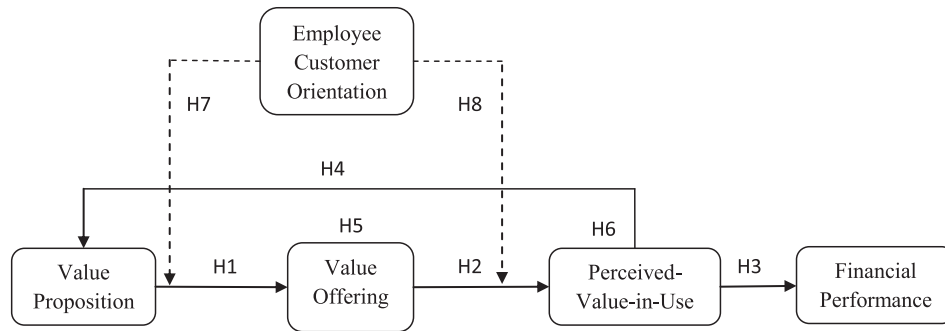
### 2.1. Designing the value proposition strategy

Adopting the view of ‘value’ as a function of inputs and outputs enriches value creation from the tourism service provider side and value as perceived from the customer side. Importantly, to bring both sides together and embed them within the multi-phase, multi-party concept we advance, the view of value as experience can be used because it has the capacity to synergize value allowing both sides to be conceptually the same, yet account for the input–output notion. It also moves value beyond the simple economic notion of value which is representative of the early value literature. In this sense focusing on value as experience is also representative of how Holbrook (1994, p. 27) defines value as an ‘interactive, relativistic preference experience’, meaning that value is an experience based on interaction between a subject and an object. This view identifies three aspects of value: ‘comparative’ (differing across for example products and services for a consumer), ‘personal assessment’ (what is valuable for one consumer is not necessarily valuable to another), and ‘situational’ (that is, context). Thus, the value of an object is dependent on the personal comparative context in which judgment of it occurs.

Designing the VP involves the firm's (i.e., tourism service provider) efforts in interpreting and responding to what value the firms' management believes customers are seeking in the market (O'Cass & Ngo, 2011) and on which they seek to compete. A critical responsibility for managers is to identify and make decisions on what components of the VP help distinguish their businesses from competitors (O'Cass & Ngo, 2011). Thus, the VP represents the competitive position the tourism service provider chooses to compete on in meeting customer value requirements. As customers are seen as the final arbiters of value and buy benefits, designing the VP and transforming it into a bundle of value deliverables that matches customers' expectations provides the tourism service providers the means to enhance their financial performance.

It is acknowledged that customers look for superior value in various forms which include a range of tangible, social, emotional and other advantages (Sparks et al., 2011). The multi-dimensionality of value is evidenced in recent research not only in the management and marketing literature (i.e., O'Cass & Ngo, 2011; Ulaga & Eggert, 2006), but also in tourism (i.e., Gallarza & Saura, 2006; Kwun & Oh, 2004; Lee et al., 2007; Sanchez et al., 2006; Sparks et al., 2011). While these works provide a theoretical backdrop to understanding value, this study draws on the service-centric and relational views and argues that service performance value and relationship value are important components of value that will help the competitive position of the tourism

<sup>1</sup> When we investigate value creation in tourism services, it does not necessarily mean it is service co-creation as claimed by the service-dominant logic literature. This study draws on Bowman and Ambrosini's (2000) and O'Cass and Ngo (2011) argument of value creation as multiple phases starting at the point of proposition and finishing at the point of exchange.



**Note:** H1, H2, H3, and H4 show direct effect; H5 and H6 show indirect effect; H7 and H8 show moderating effect.

**Fig. 1.** The theoretical model.

service provider. Proponents of the service-centric view contend that firms can gain a competitive edge via service performance superiority (e.g., [Eisingerich & Bell, 2007](#); [Falk, Hammerschmidt, & Schepers, 2010](#)) and the service support superiority given to customers. Further, proponents of the relational view contend that a competitive edge can be built on developing and nurturing personal interactions and relationships with customers ([Grönroos & Ravald, 2011](#)). Importantly, [Coviello, Winklhofer, and Hamilton \(2006\)](#) argue that firms (including tourism service providers) should attempt to achieve a hybrid of both components of value to distinguish themselves from competitors. For these reasons, the tourism service provider's value proposition is conceived in this study as the strategic decision to compete on a specific combination<sup>2</sup> of service performance value, service support value, personal interaction value and relationship value.

## 2.2. Unpacking value creation: the relationships between the tourism service provider's value proposition, value offering, and customer's perceived-value-in-use

Drawing from current value creation frameworks (e.g., [Bowman & Ambrosini, 2000](#); [O'Cass & Ngo, 2011](#)) and integrating the service profit chain ([Heskett et al., 1997](#)), it is argued that there are two paths (seen as primary and secondary) embedded within the value creation phases as shown in [Fig. 2](#). The primary path represented by the solid arrows signifies deliberate actions to specify the service. It pertains to the managers' (communication flow 'a' & 'e') espousing their perceptions (driven by the value they believe customers are seeking in the marketplace) about what the service offering should be to employees in the form of the VP. Employees (communication flow 'b') then act on what they believe the manager desires service to be like and then deliver the services to the customers in the form of VO. Finally, customers (communication flow 'c') experience and evaluate the services in the form of PVI which leads to superior financial performance.

The secondary path identified by the dashed lines and arrows are feedback processes. We also articulate dual flow communication between firm and customer. The VP is communicated to customers by the tourist service provider (managers who propose value to customers) (communication flow 'e'). Further, customers (receiving services) provide feedback of their experiences to employees (communication flow 'd') and managers (communication flow 'g'). Employees who receive feedback from customers during service delivery or subsequently will communicate the feedback to

managers (communication flow 'f'). While, these flows revolve around the value the manager expects to be delivered to customers, they may not align with the service value as experienced by customers, which may cause dissonance, tension, and dissatisfaction.

The feedback managers obtain directly from customers (communication flow 'e') together with feedback obtained through employees (communication flow 'f') may trigger modifications in the VP and/or require employees to work more to meet individual customers' needs (being customer oriented) to ensure success. Similarly, the feedback employees obtain from customers during service delivery may allow them to understand better what value in the service customers expect. Knowledge about customers' needs and expectations of service value, coupled with managers' requirements to focus on customers' needs and then work to meet those needs enables employees to deliver superior service value to customers.

First, the focus here is on the primary paths across the value creation phases as indicated in our theoretical framework presented in [Fig. 1](#). Our focus also identifies a secondary path by incorporating the moderating effects of ECO within the value creation phases. Elaborating on Service Profit Chain theory, it is suggested that value creation phases require both employees' and customers' resource investment in terms of effort (labor) (c.f. [Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010](#)) where customers compare the potential benefits and costs of value to define the level of PVI.

Further, as suggested by [Franke and Schreier \(2010\)](#) within the value creation phases positive responses are induced increasing the value customers attach to the service. In this sense, the tourism service provider's increased revenues are a result of their customers' PVI. Drawing from this discussion, it is theorized that managers need to develop the VP related to the value they believe customers are seeking. In this context, managers are the value proposers. The VP is then communicated to the employees, who will create and offer that proposition to customers in the form of the VO. This is especially so in the context of tourism because of the critical role employees play as the link between the tourism service provider and customer – the employees are the value deliverers. Managers guide the implementation of the firm's VP through employees who deliver to customers the value the managers believe their customers are seeking. The employee's view of what value is offered to customers is, in fact, a critical link between what value managers propose in the VP and what value the customers perceive they have received. In this sense employees are responsible for communicating the value and delivering it to customers ([DeSarbo et al., 2001](#)).

Further, while the manager is the designer/proposer of the VP and employees the deliverer/communicator of value, customers subjectively assess and evaluate value based on their personal

<sup>2</sup> We conceive value as a higher-order type II construct similar to [O'Cass and Ngo \(2011\)](#) and [Ngo and O'Cass \(2009\)](#).

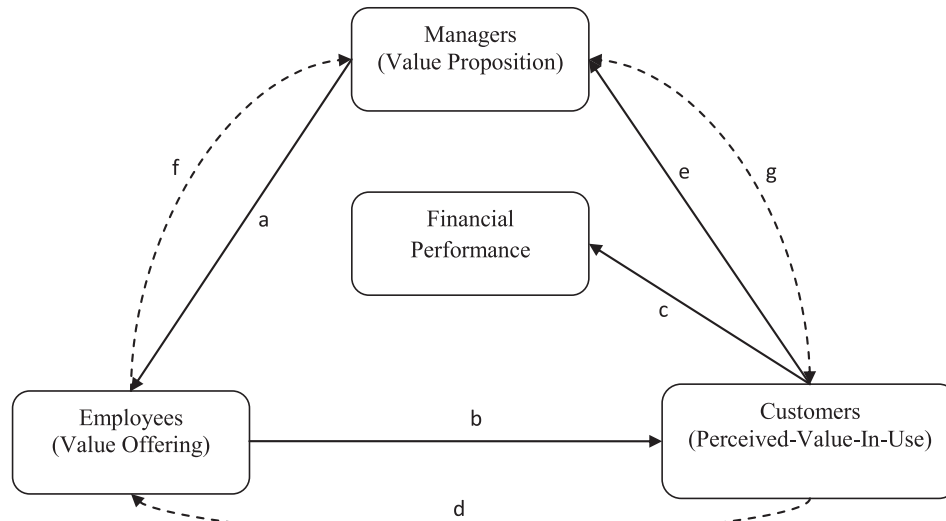


Fig. 2. The triadic relationships in service delivery.

experience during service. In this sense, they are the recipient and final arbiter of value (Priem, 2007). When the service meets the customers' needs, the value creation effort is perceived as positive with the customers' evaluation of PVI. All the players' efforts devoted in the value creation phases will support or detract the perceptions of services as value laden carrying over to the customers' assessment of the service they receive through employees (see also Franke & Schreier, 2010). As a result, when customers evaluate higher PVI, a route for the tourism service provider to achieve superior financial performance is opened up. Importantly, customers' perceptions of the value they receive will also affect the firm's VP. Therefore:

**Hypothesis 1.** *The tourism service provider's value proposition significantly drives its value offering.*

**Hypothesis 2.** *The tourism service provider's value offering significantly drives customers' perceived-value-in-use.*

**Hypothesis 3.** *Customers' perceived-value-in-use significantly drives the tourism service providers' financial performance.*

**Hypothesis 4.** *Customers' perceived-value-in-use significantly drives the tourism service provider's value proposition.*

### 2.3. Mediation effects within value creation phases

The potential mediation effects within the value creation phases are significant and in this context, mediation effects imply that the value creation phases have a logical, ordered sequence which requires certain parts of the phases to occur before others are fulfilled. It also implies that certain parts of the phases indirectly affect other parts. In the context of this study, once the tourism service provider develops the VP, it does not necessarily result in customers' PVI. This view is taken because value emerges from interaction and experiences in the phases (c.f. Normann & Ramirez, 1998).

For instance, a hotel room is an object that does not inherently carry any value; rather, its value emerges from the activities that are intertwined with other players' activities which are brought together through services (Tax, McCutcheon, & Wilkinson, 2013). This contention is akin to the view of Ketchen, Hult, and Slater (2007), Ngo and O'Cass (2012) (amongst others) that resources possess only potential value and that it is the firm's actions that

allow it to capitalize on the resources to gain super performance. In this sense, the VP is an important resource that only has the potential to impact the customers' PVI. At this stage, the VP provides a source of ideas about what value customers can expect from the service. Given that employees play a critical role in the successful creation and delivery of services to customers and given that services are created during the employee-customer interaction (Melton & Hartline, 2010), the VP needs to be enacted by employees. When employees enact the VP, they are delivering the VO. When the customers receive the VO, they experience the service and are able to make judgments about whether they have received the value they expected from the service (and express this as PVI). In this sense the VO acts as an intervening mechanism in the value creation phases between the firm's VP and customer's experience in the form of PVI. Therefore:

**Hypothesis 5.** *The tourism service provider's value offering mediates the relationship between its value proposition and customers' perceived-value-in-use.*

Similarly, the value the tourism service provider believes has been delivered to customers does not necessarily result in superior financial performance. This contention is akin to the positional advantage literature (e.g., Day & Wensley, 1988; Hult & Ketchen, 2001; O'Cass & Sok, 2013; among others) which raises the view that to obtain desired financial outcomes requires the achievement of a positional advantage through the delivery of superior value to customers. There may be discrepancies between the value a tourism service provider offers to the customer and the value the customer desires and perceives is received. Since customers are the final arbiters of value (Bowman & Ambrosini, 2000; O'Cass & Sok, 2013), this study contends that delivering value that enhances customers' PVI provides tourism firms the means to achieve positional advantage.

Customers' PVI is fundamental to a firm's competitive advantage (Slater & Narver, 1995) and this advantage should provide financial returns to the firm. High levels of customer PVI helps reduce the extent customers search for alternative offerings (c.f. Hansen, Samuelsen, & Silseth, 2008; Kumar, Hibbard, & Stern, 1994). Further, O'Cass and Sok (2013) indicate that when the VO meets with the customers' expectations in the form of customers' PVI, firms will then enjoy competitive advantages and increased long-term profits. In this sense, PVI is a positional advantage and acts

as an intervening mechanism between the tourism service provider's VO (source of advantage) and financial performance. Therefore:

**Hypothesis 6.** *Customers' perceived-value-in-use mediates the relationship between value offering and financial performance.*

#### 2.4. Moderating effects of employee customer orientation within value creation phases

Scholars acknowledge that satisfying customers' needs better than competitors determines the long-term success of any firm (Deshpande, Farley, & Webster, 1993), particularly service firms (Donavan, Brown, & Mowen, 2004). The success of a service firm is achieved through the interaction between employees and customers (Donavan et al., 2004; Homburg, Wieseke, & Bornemann, 2009; Melton & Hartline, 2010). As Bowen and Schneider (1985) note "... employees not only deliver and create the service, but are actually a part of the service in the customer's view" (p. 129) as employees and the services themselves are often seen as synonymous from the customers' perspective.

In tourism service settings, Dong and Siu (2013) and Tajeddini (2010) argue that employees who serve as the major channel for communications with customers (tourists) have a significant influence in shaping the overall evaluation of the service by customers. Harris and Ezeh (2008) further elaborate that employee behavior (i.e., being customer oriented) can influence customers' perceptions, and therefore, employees' level of customer orientation is considered a critical leverage for the tourism service provider's financial success (Tajeddini, 2010).

ECO is defined as a "... employee's tendency or predisposition to meet customer needs in an on-the-job context" (Brown, Mowen, Donovan, & Licata, 2002, p. 111). Employees hold a unique position in that they continually observe customer reactions to the tourism service provider's service offering and delivery process. Their interaction with customers gives them a strong sense of what customers like and do not like about their service (Homburg et al., 2009) and as such they are responsible for making key decisions in service delivery. It is contended here that employees exercise discretion over the use of customer knowledge obtained through their interaction with customers to uncover emerging market opportunities and understand better what value customers are seeking. Consequently, employees are able to not only better translate the VP into a superior VO, but also better tailor the VO to the specific needs of specific customers (or customer groups) to achieve greater PVI. Therefore:

**Hypothesis 7.** *Employee customer orientation strengthens the relationship between the tourism service provider's value proposition and its value offering, such that the relationship between the value proposition and value offering is stronger when the level of employee customer orientation is high than when it is low.*

**Hypothesis 8.** *Employee customer orientation strengthens the relationship between the tourism service provider's value offering and the customers' perceived value-in-use, such that the relationship between the value offering and customers' perceived value-in-use is stronger when the level of employee customer orientation is high than when it is low.*

### 3. Method

#### 3.1. Research setting

The travel and tourism industry has been a key contributor to

services. According to the World Travel and Tourism Council report in 2014, the year 2012 showed the resilience of the industry while the global economy was still in turmoil. In 2012, total contribution of travel and tourism comprised 9% of the global GDP and generated over 260 million jobs – 1 in 11 of the world's total jobs. In 2013, the total contribution of travel and tourism increased to 9.5% of global GDP and generated nearly 266 million jobs, proving to be another successful year for the travel and tourism industry.

The travel and tourism industry is a major pillar of the world economy (Dong & Siu, 2013), and in countries such as Cambodia travel and tourism development is largely regarded as a source of foreign exchange and forms part of the government poverty reduction strategy (Chen, Sok, & Sok, 2008; Reimer & Walter, 2013). According to the data obtained from the Ministry of Tourism of Cambodia, in 2000 total international tourist arrivals was 466,365; this number increased to 3,584,307 and 4,210,165 in 2012 and 2013 respectively.

According to the World Travel & Tourism Council 2014 report, the travel and tourism industry contributed 10.4% (23.5% indirectly) to Cambodia's GDP in 2013, a figure forecast to rise by 10.2% in 2014. This figure is expected to grow by 6.9% per annum until 2024. Further, investment in the industry in 2013 was 14.7% of the total national investment and is expected to rise by 8.1% in 2014 and then grow by 6.4% per annum over the next ten years until 2024. The industry directly employed 735,000 people in 2013 (1,690,000 jobs, including jobs indirectly supported by the industry), accounting for 8.9% of total employment (20.5% indirectly supported by the industry). Employment is expected to rise by 6.6% in 2014 to 784,000 and by 5.1% per annum until 2024. With the significant growth in investment in the industry and the increasing position of the industry in Cambodia, it is believed that Cambodia serves as an excellent research laboratory to examine how tourism service providers attempt to compete by delivering superior value to their customers.

#### 3.2. Hotel and resort – key informants

A random sample of hotels and resorts was selected from a listing of hotels and resorts registered with the Tourism Ministry in Cambodia (totaling 632 firms). We focus on the hotel and resort industry because this industry is becoming increasingly competitive (FitzPatrick et al., 2013) and customers are becoming more demanding and discerning when selecting tourism services and evaluating their experience (Han, Kim, & Hyun, 2011). According to FitzPatrick et al. (2013), the hotel and resort industry is characterized by its intangibility, dominated by the service experience and differentiated from competitors by the characteristics of hospitality.

According to an Asian Development Bank service sector report, the hotel sector directly contributed 4.9% to the GDP of Cambodia in 2011. According to the list made available by the Ministry of Tourism of Cambodia, the hotels and accommodation category in Cambodia are classified as consisting of apartments (85), home-stay (3), motels (5), bungalows (21), hotels (573), resorts (59), condos (10), lodges (16), villas (5) and guest houses (725). We only focused on hotels and resorts (632 in total) which are considered as having proper management hierarchy that is suitable for the purpose of the study. We used a systematic random sampling procedure and initially contacted every 2nd hotel in the list. We explained what the study was about, how their contact details were obtained and the purpose of being contacted. Of the hotels contacted, 150 hotels agreed to participate in the study.

A multiple-informant design was employed to create our respondent list covering the three key parties (players) in the value creation phases. A similar sampling criterion to that of Homburg

et al. (2009) was adopted for sample size pertaining to triadic cases with a sampling ratio (who adopted in their study 1 & 2) approximately 1 manager to 2 employees to 4 customers. A drop and collect survey administration approach was used to administer the surveys to all three groups of respondents.

The senior marketing manager was selected as the respondent. An appointment was made with the senior marketing manager prior to visiting the premise and a survey package containing an information statement outlining the study and a questionnaire (Survey A) was then given to the senior marketing manager at the premise. One of the researchers either waited at the premise for the senior marketing manager to fill out the survey or made an appointment to collect the survey at a later date. Upon receiving the survey from the senior marketing manager, permission was sought from the senior marketing manager to deliver questionnaires (Survey B) to two frontline service employees who work in customer contact/customer service delivery roles. The senior marketing manager was asked to provide a list of all frontline service employees. The same procedure dealing with the senior marketing manager was adopted when dealing with employees. Two employees were randomly selected from the employee list provided by the senior marketing manager. Further, permission was also sought from the senior marketing manager to administer questionnaires to four customers of the hotel and resort. Tourist customers who presented at each hotel and resort on a single day were randomly approached.

The tourism service provider's perspective (i.e., measurement of VP, performance) was assessed via the senior marketing manager. The employee perspective (i.e., measurement of VO, ECO) was assessed via selected employees while the customer perspective (i.e., measurement of PVI) was assessed via selected customers. With this sampling procedure the researchers were able to collect information about different variables from different respondents who work in corresponding positions (i.e., the most knowledgeable informants), and thereby reduce systematic measurement error. This also allowed the aggregation of the responses of multiple informants representing each hotel and resort as a unique case to reduce random measurement error.

The drop-and-collect approach helped control and match the surveys for each group in the triadic case design (manager, employees and customers). A unified dataset was created where the responses of each senior marketing manager, two employees and four customers were merged into single case for each hotel and resort. From the 150 that agreed to participate in the study, 82 usable cases were obtained (comprising triadic sets of managers-employees-customers surveys representing 574 respondents). Of the 82 hotels and resorts which participated in this study, 48 were Cambodian-owned and 34 were either foreign-owned or foreign-majority shareholder owned. The average age of the hotel in the sample is 10.38 years while the average number of employee of the hotel in the sample is 67, ranging from 36 to 243. Of the 82 hotels and resorts, 40 were located in Phnom Penh, 32 were located in Siem Reap, and 10 were located in Sihanouk Ville. These three locations are the main attractions of Cambodia. The data was collected in the peak tourism season in Cambodia over a period of two and a half months in 2011.

### 3.3. Survey measurement

Items from the literature were adapted and refined where necessary to measure the constructs. As the measures adapted in this study were revised from their original context and because this study focuses on the specific groups (manager-employee-customer triadic set) to examine the value creation phases within the tourism service sector, we asked six academics (experts in the field of

services, value creation and tourism and marketing) to assess the measures' content validity. Based on the measures of value compiled from the work of O'Cass and Ngo (2011) and Ulaga and Eggert (2006), the authors developed 19 items to measure the firm's VP, VO, and customers' PVI. The authors focused on components of value which are believed to be relevant to examining value in the tourism context. Consistent with prior studies such as Ngo and O'Cass (2009) and O'Cass and Ngo (2011), VP, VO, and PVI were operationalized as type II higher order constructs. Five items were adapted from Narver and Slater (1990) to measure ECO and three items were adapted from Morgan, Vorhies, and Mason (2009) to measure financial performance.

The six expert judges were given definitions, items, and instruction. They were asked to rate item as '1: not representative', '2: somewhat representative', and '3: very representative' of the definition of the construct being evaluated. Upon receiving the feedbacks, the authors made the decision on what items to be kept or dropped based on a three-stage procedure that was a synthesis of the sumscore and the complete approaches. Only 12 items remained for measures of VP, VO, and customers' PVI while the measures for ECO and financial performance remained unchanged. A pilot-test was conducted with a group of managers, employees, and customers (targeting 10 hotels and resorts) to address the relevancy and completeness of the scale items and to improve the readability of the survey. Those who took part in the pre-test from the final survey administration were excluded. Further, a small number of items were modified (wording revision) based on the suggestions of the respondents in the pilot-test. No items were dropped, and no issues relating to the layout and the length of the surveys were detected.

#### 3.3.1. Managers' survey

The tourism service provider's VP was measured via a 12-item scale adapted and refined from O'Cass and Ngo (2011) and Ulaga and Eggert (2006). Managers were asked to identify the strategy the firm sought to compete on the basis value focusing on service performance, service support, personal interaction and relationship value. The measures of financial performance were derived from the manager's perspective. Financial performance items captured the tourism service provider's profitability, return on investment, and return on sales (3 items) in the past two years. These items were adapted and refined from Morgan et al. (2009).

#### 3.3.2. Employees' survey

The tourism service provider's VO was measured via a 12-item scale adapted and refined from O'Cass and Ngo (2011) and Ulaga and Eggert (2006). Employees were asked to identify the form of value they believe they have delivered to customers in the relation to service performance, service support, personal interaction and relationship value. Employee customer orientation was measured via 5-item scale adapted and refined from Narver and Slater (1990) which tapped the employee's perception of the degree to which they are receptive to understanding customer's needs.

#### 3.3.3. Customers' survey

Customers' perceived-value-in-use was measured via a 12-item scale adapted and refined from O'Cass and Ngo (2011) and Ulaga and Eggert (2006). Customers were asked to identify the extent they perceive they have received value from the firm in relation to service performance, service support, personal interaction and relationship value. At the end of each survey, the respondents were asked to rate their confidence in responding to the items in the survey. No respondent rated below '5 out of 7' which may have led to dropping the respondent from the sample (see Morgan et al.,

2009). The average score from the senior marketing managers, the employees and the customers was 6.20, 5.90, and 6.40 respectively.

### 3.3.4. Translation

All three surveys were first developed in English. A forward and back translation procedure was then adopted in which one translator translated the original English version forward into to Khmer and then another translator, back translated from Khmer to English. The two translators were asked to meet and adjust any differences under the supervision of one of the authors whose native language is Khmer. This procedure helps ensure that there was no loss in meanings after the translation process. The final surveys were presented in bilingual languages in which both the English and Khmer versions were included.

### 3.4. Analysis

The analysis of the data was performed using Partial Least Squares (PLS): the measurement and structural models were run simultaneously using PLS Graph Version 3.00. Firstly, PLS is suitable when measures are not well established. Hence, PLS is appropriate in this study as a number of items were refined and being used in a new context. Secondly, PLS is suitable for the investigation of relationships in a predictive rather than a confirmatory fashion. Thus, PLS is appropriate in this study as maximizing the prediction of respective constructs was a priority. Thirdly, PLS allows the investigation of measures and theory simultaneously. Therefore, PLS is appropriate in this study since the aim was to examine the measurement properties (outer-measurement model) and test hypotheses (inner-structural model) simultaneously. Fourthly, PLS is argued to be more easily accommodating the use of formative indicators compared with covariance-based SEM (Wynstra, Von Corswant, & Wetzels, 2010). Hence, PLS is appropriate in this study as the firm's VP, VO, and customers' PVI were operationalized as type II higher order constructs. Finally, due to its ability to model latent constructs without measurement error PLS is well suited for testing interaction effects. Hence, PLS is appropriate in this study as both moderation and mediation effects were examined within the model. Bootstrapping procedures outlined by Brown and Chin (2004) and Chin (1998) were used for testing hypotheses. Path coefficients were re-estimated with each random sample and mean parameter estimates. Standard errors were also computed across the total number of samples. To compute bootstrapped ratios 200 resamples were undertaken in this study (see also Ngo & O'Cass, 2009).

## 4. Results

### 4.1. Measure validity

Appendix A, outlines the factor loadings, composite reliability, and average variance extracted derived from PLS analysis. The average variance extracted of all constructs exceeded the recommended level of 0.50 and the factor loading of all items were higher than the recommended level of 0.50, thus providing strong evidence of convergent validity (Bagozzi & Yi, 1988). Composite reliabilities of all constructs were also greater than the threshold benchmark of 0.70 (Nunnally, 1978), indicating that our measures were reliable.

Table 1 shows no individual correlations were higher than their respective reliabilities, hence indicating satisfactory discriminant validity of all constructs Gaski and Nevin (1985). As shown in Table 1, the square roots of the AVE are consistently greater than the off-diagonal correlations (Fornell & Larcker, 1981). On the basis of the reliability, convergent, and discriminant validity tests, it was

concluded that the measurement model satisfied psychometric property requirements.

The low to medium correlations among variables as identified in Table 1 suggest that the data was not affected by potential multicollinearity. To confirm this, data were further tested for multicollinearity using variance inflation factor (VIF) index. While a typical threshold value for the VIF index is 10; the value of VIF for each independent variable in this model ranged from 1.056 to 1.379, suggesting that the studied model was satisfactorily free of multicollinearity.

### 4.2. Main and moderation effects

The  $R^2$  value for the endogenous latent variables was used as a measure of model fit for the structural model. Further, as shown in Fig. 3, all the  $R^2$  value are greater than 0.10, which indicates that the predictive capability of the model is satisfactory (Escobar-Rodríguez & Carvajal-Trujillo, 2014). Tenenhaus, Vinzi, Chatelin, and Lauro (2005) developed a global fit measure – goodness-of-fit (GoF) for PLS. This measure was conceptualized as the geometric mean of average communality and the average  $R^2$ . Yet, since this study employs formative indicators, GoF was not an adequate fit measure (Wynstra et al., 2010).

Fig. 3 presents the results with estimated path coefficients (significant paths indicated with an asterisk). The focus here is on the inner model results where the hypothesized relationship between the latent constructs identified as hypotheses 1 to 4 and 7 and 8. In regards to testing the moderating effects (hypotheses 7 and 8), the predictor and moderator variables were mean-centered prior to the creation of interaction terms (product terms) to mitigate potential multicollinearity (Aiken & West, 1991).

VP was found to significantly drive the VO (path coefficient of 0.48;  $t$ -value = 5.23,  $p < 0.01$ ), thus supporting hypothesis 1. This relationship was also found to be significantly moderated by ECO (path coefficient of 0.34,  $t$ -value = 3.63,  $p < 0.01$ ). The  $R^2$  has increased from 0.28 to 0.40 indicating that  $\Delta R^2$  attributable to the interaction effect is statistically different from zero at effect size ( $F$ ), showing a significant moderating effect and therefore, hypothesis 7 was supported.

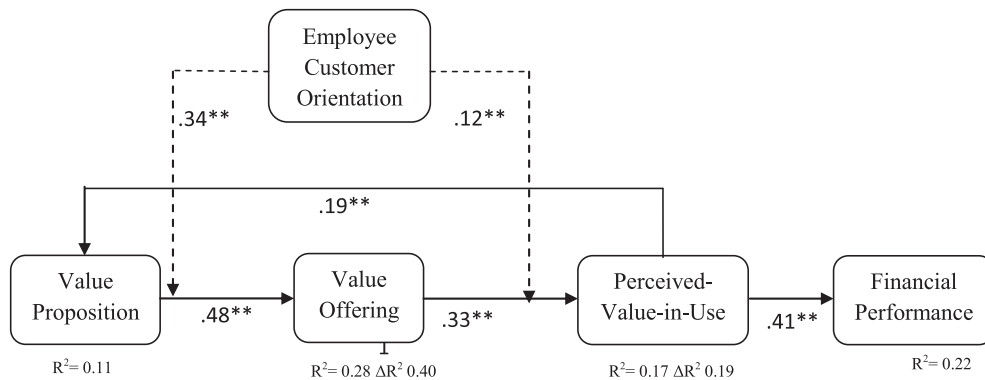
To further substantiate this finding and assess the moderating effect of ECO on the relationship between VP – VO, a simple slope test was performed following the approach of Aiken and West (1991), and others at low ( $-1SD$ ) and high ( $+1SD$ ) levels of the moderator – ECO. The plot in Fig. 4a indicated that when the level of ECO was high, the positive relationship between VP and VO was stronger (simple slope:  $\beta = 0.71$ ,  $t$ -value = 6.45,  $p < 0.01$ ) than when the level of ECO was low (simple slope:  $\beta = 0.41$ ,  $t$ -value = 5.22,  $p < 0.01$ ), thus further supporting hypothesis 7. In addition, VO was found to significantly drive PVI (path coefficient of 0.33,  $t$ -value = 3.52,  $p < 0.01$ ), thus supporting hypothesis 2. This relationship was also found to be significantly moderated by ECO (path coefficient of 0.12,  $t$ -value = 2.15,  $p < 0.01$ ). The  $R^2$  has increased from 0.17 to 0.19 indicating that  $\Delta R^2$  attributable to the interaction effect is statistically different from zero at effect size ( $F$ ), showing a significant moderating effect and therefore, hypothesis 8 was supported. The plot in Fig. 4b also indicated that when the level of ECO was high, the positive relationship between VO and PVI was stronger (simple slope:  $\beta = 0.45$ ,  $t$ -value = 3.60,  $p < 0.01$ ) than when the level of ECO was low (simple slope:  $\beta = 0.34$ ,  $t$ -value = 2.95,  $p < 0.01$ ), thus further supporting hypothesis 8. Moreover, perceived-value-in-use was found to significantly drive financial performance (path coefficient of 0.41;  $t$ -value = 4.01,  $p < 0.01$ ), thus supporting for hypothesis 3. Finally, customers' PVI was found to significantly drive VP (path coefficient of 0.19;  $t$ -value = 2.74;  $p < 0.01$ ), thus supporting for hypothesis 4.



**Table 1**  
Descriptive statistics and correlations among variables.

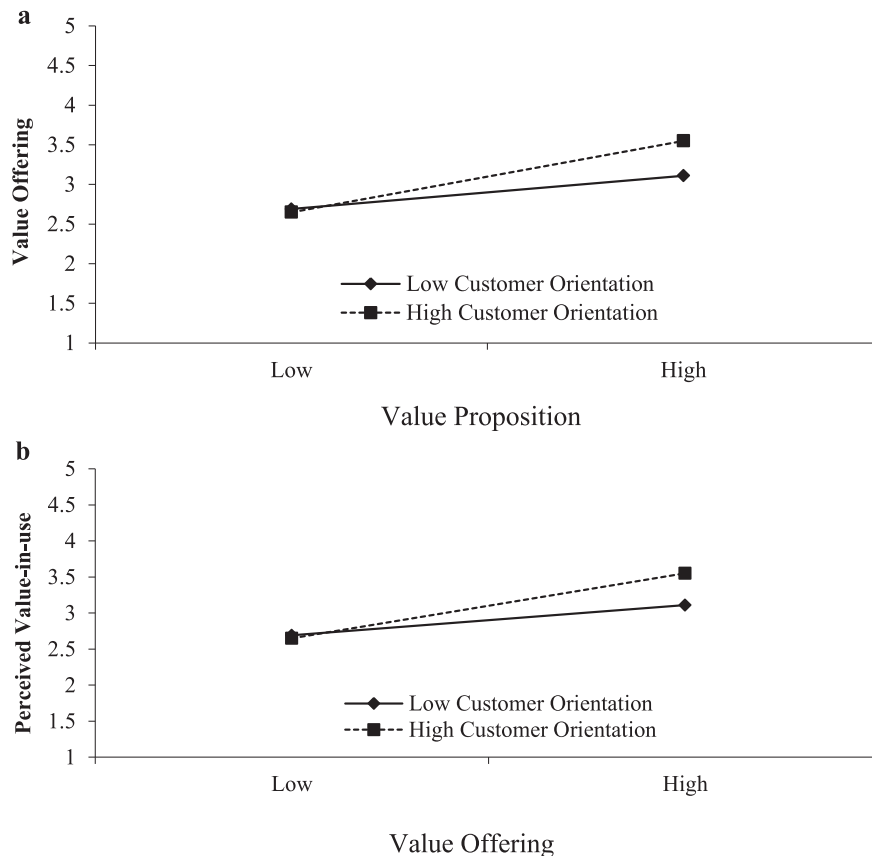
Variable	CR	Mean	STD	1	2	3	4	5
1. Customer orientation	0.88	5.01	0.90	<b>0.82</b>				
2. Value Proposition Strategy	0.93	4.94	0.80	0.18	<b>0.75</b>			
3. Value Offering	0.93	5.49	0.69	0.16	0.51**	<b>0.74</b>		
4. Perceived Value-in Use	0.93	5.06	0.74	0.17	0.19	0.39**	<b>0.73</b>	
5. Financial Performance	0.80	5.26	0.86	0.18	0.37**	0.51**	0.41**	<b>0.85</b>

**Notes:** Diagonal entries show the square roots of average variance extracted (in bold); CR = composite reliability; STD = standard deviation; \*\* correlation is significant at the 0.01 level (2-tailed).



**Notes:** H1, H2, H3, and H4 show direct effect; H5 and H6 show indirect effect; H7 and H8 show moderating effect; \*\* p<.01, \* p<.05.

**Fig. 3.** Results.



**Fig. 4.** a. Moderating effect customer orientation on value proposition – value offering relationship. b. Moderating effect of customer orientation on value offering – perceived value-in-use relationship.

### 4.3. Mediation effects

To test the mediation effects (hypotheses 5 and 6), the procedure recommended by Baron and Kenny (1986) was adopted. To establish mediation, according to Baron and Kenny (1986), four conditions must be met. First, the independent variable must be related to the dependent variable. Second, the independent variable must be related to the mediator. Third, the mediator must be related to the dependent variable. Fourth, when the mediator is entered in the model, the effect of the previously significant independent variable must drop significantly (but remains significant) for partial mediation and becomes insignificant for full mediation. In hypothesis 5, it was predicted that VO mediates the relationship between VP and PVI. As shown in Table 2, VP was found to be significantly related to PVI (path coefficient of 0.22,  $t$ -value = 3.12;  $p < 0.01$ ) and VO (path coefficient of 0.51;  $t$ -value = 7.95;  $p < 0.01$ ). VO was also found to be significantly related to PVI (path coefficient of 0.38,  $t$ -value = 4.25;  $p < 0.01$ ), but when VO was entered the relationship between VP and PVI became insignificant (path coefficient of 0.02,  $t$ -value = 0.32;  $p > 0.10$ ), thus supporting hypothesis 5.

In hypothesis 6, it was predicted that PVI mediates the relationship between VO and financial performance. As shown in Table 3, VO was found to be significantly related to financial performance (path coefficient of 0.53,  $t$ -value = 8.63;  $p < 0.01$ ) and PVI (path coefficient of 0.39,  $t$ -value = 4.92;  $p < 0.01$ ). PVI was also found to be significantly related to financial performance (path coefficient of 0.26,  $t$ -value = 2.89;  $p < 0.01$ ), but when PVI was entered the relationship between VO and financial performance became less significant (path coefficient of 0.43,  $t$ -value = 5.29;  $p < 0.01$ ), thus partially supporting hypothesis 6.

## 5. Discussion of findings

### 5.1. Research contributions and implications

By integrating the Service Profit Chain theory with elements from existing value creation frameworks, this paper contributes to the field of value creation in tourism and marketing research in several ways. First, to-date, no theory has been advanced in relations to the value creation phases in tourism services. Hence, the findings (H1 – H4) provide insight in value creation theory which has so far reached little consensus on how value is created and offered in the context of multi-phase approach as highlighted in this study and how this multi-phase approach impacts financial performance in tourism services.

The theory developed and the findings address what might be termed value constellations by moving from the traditional view of service that addresses the dyadic one-to-one service encounters to a more encompassing view of service within the service systems that support a value creation constellation in the context of multi-phase, multi-party tourism services. Further, picking up on the points made by Tuunanen and Cassab (2011) and Sampson (2012)

this study shows that tourism services involve multiple phases of interactions among multiple stakeholders.

The study provides a foundation for exploring how different stakeholders in the tourism services can be engaged in multi-phase, multi-party value creation at different points of the value creation phases. Within the value creation context, the VP proposed by the firm provides the guidance and support to employees of what service value needs to be delivered to customers. When service value delivered in tourism settings to customers in the form of VO which meets the needs of customers, it will complement the customers' PVI attached to the services. Elaborating on our findings, it is argued that customers assess the service value with respect to the degree to which they are in concert with the firm's VO and employees' value creation efforts in the form of the VO. In addition this study also addresses earlier calls by Bowman and Ambrosini (2000), Lepak et al. (2007) and recent calls by Sok and O'Cass (2011) for more work on value creation in an effort to more fully understand the concept. By addressing these calls tourism research now takes a leading position in addressing a highly relevant and hotly debated issue of major importance across a range of scholarly disciplines.

The findings indicate that tourism as a study context can make a theoretical contribution to value creation, especially the value creation phases as articulated in this study. This study's focus on integrating the producer side and the demand side addresses the recommendations by Priem et al. (2012) and Sok and O'Cass (2011) that integrating the producer and the demand side is critical if scholars are to better understand the specific managerial judgments that are most likely to lead to the on-going strategic success of tourism based firms. Given that tourism research on value is largely dominated by the customers' perspective, our focus serves as a starting point to move tourism's contributions to value creation in a new direction.

Second, the findings (H5 and H6) provide further advancement on value creation theory as a series of phases in which each phase contributes to the development of the other to better understand the strength of the connections (or congruency) across phases. In this context, the firm's VP results from both situation and action (c.f. Gelfond & Lifschitz, 1993). The findings show that the VP specifies an occurrence that is dependent on a particular situation or the performance of actions by employees and customers. The tourist service provider is no longer restricted to developing the VP only, but can engage itself in customers' PVI (i.e. value fulfillment) through employees (see also Grönroos, 2008). Contrary to prior studies (i.e. O'Cass & Ngo, 2011) which suggests the VP drives the firms' financial performance, this study suggests that tourism service providers cannot rely on a predetermined VP as a driver of their financial outcome. It is contingent on the actions of employees in transforming the VP into value deliverables to customers in the form of VO, as well as the actions of customers in judging the firm's VO in the form of PVI which then results in financial outcomes.

In addition, theorists have long suggested that firms that are customer oriented are better positioned to achieve long-term

**Table 2**  
Results of mediation test for H5.

Variables	Model 1	Model 2	
	Perceived value-in-use	Value offering	Perceived value-in-use
Value proposition strategy	0.22**	0.51**	0.02
Value offering	–	–	0.38**
R <sup>2</sup>	0.05		0.16

Note: \*\* $p < 0.01$ ; \* $p < 0.05$ .

**Table 3**  
Results of mediation test for H6.

Variables	Model 1	Model 2	
	Financial performance	Perceived value-in-use	Financial performance
Value offering	0.53**	0.39**	0.43**
Perceived-value-in-use	—	—	0.26**
R <sup>2</sup>	0.32		0.38

Note: \*\*p < 0.01; \*p < 0.05.

success than those that are not customer oriented (i.e. Deshpande et al., 1993). Despite the recognized contributions of ECO in the context of tourism services (e.g., Tajeddini, 2010), the present study identified areas in need of examination, specifically the largely neglected role of ECO in facilitating the value creation phases. While the findings (H1 – H6) shows connections between the firm's VP – VO – customers' PVI and firm's financial performance, this study also recognizes that it can be difficult for tourism service firms to manage the complexity of the interrelations between VP-VO and VO-PVI and control the service development and delivery process to ensure a value constellation that meets the value needs of all parties in the context of value creation.

To address this issue, tourism service firms need to cultivate employees' desire and ability to understand the needs of the customer and expectations of the firms as well as understanding their roles in connecting the firm and customer together. The findings (H7 and H8) suggest that ECO plays a much greater role in the tourism service providers than has been understood. The findings suggest that employees who are customer oriented excel in tourism service settings that allow them to not only develop and deliver better service value to their customers, but also tailor the service which has a meaningful impact on how consumers perceive the level of value they receive. Such firms are in a better position than tourism service providers whose employees are not customer oriented to facilitate the development and delivery of superior customer value. This is important given that many tourism market segments (e.g., hotels, restaurants) have reached saturation and customers (tourists) are becoming more demanding, and therefore a higher priority needs to be given by tourism firms to understand customers' value expectations and how they manage the value creation phases to compete more effectively and in this effort employee customer orientation plays a key role. This study also demonstrates that for tourism service firms, the actions of service employees who engage deeply with the customer because of their higher levels of customer orientation to deliver service are a key to unlocking value creation. The consequence of employees understanding both the VP and customers' needs creates a greater congruency between VP-VO-PVI.

Further, conceiving value as experience has the capacity to synergize value theory allowing both sides to be conceptually the same, yet account for the input–output notion. In this sense experience encapsulates value as an experience based on the interaction between a subject and an object. Thus, the value of an object is dependent on the personal comparative context in which the judgment occurs in tourism settings. Through adopting the service-centric and relational views and setting these within value creation phases we conclude that tourism service firms can gain a competitive position to compete on value. In tourism settings, employee behavior (i.e., being customer oriented) can influence customers' perceptions of value as they are largely responsible for delivering the experience. Employees' customer orientation is a critical leverage for the tourism service provider's financial success because of their role in connecting VP to PVI through VO.

Finally, the firms' VP connection through employees is critical because the VP is in reality an invitation from the firm's management as a key actor (see communication flow path 'e' and path 'a' in Fig. 2) to two other key actors' encompassing employees and customers to engage in tourism services. In this sense we show (in Figs. 1 and 2) that the VP communicated by the tourism firm (managers) is an invitation to multiple actors to serve one another in order to create and receive value, but specifically value driven by multiple components including service performance, service support, personal interaction and relationship value to a greater or lesser degree. The value proposition refers to how strongly it reflects an invitation from one actor to another to engage in service and from our findings it reflects the strength of the links between each of the phases (VP-VO-PVI).

When the VP and PVI are more congruent, the invitation is more relevant to an actor. In this sense, this study theorizes and shows that when the VP is understood by employees they are more likely to deliver on it in terms of the VO and customers are likely to be more receptive of it in terms of PVI. Furthermore, this study asserts that the VP invites engagement not only from customers, but also from a constellation of other actors such as employees. For these reasons, the VP intensity is important because in tourism service systems, VP offers connections among actors. These connections act as the conduits for tourism service experiences. Because of this, a well-grounded and intense VP is likely to be superior. As such, this study shows that when the VP is clear and well founded both employees and customers are better linked to ensure value is delivered and the VO-PVI are more strongly related.

## 5.2. Managerial implications

The findings of this study provide specific implications for tourism managers. First, although tourism service managers may understand that delivering value is the key to their firms' market success and profit, this research provides an understanding the role four specific components of value play. The profile of value creation that encompasses service quality, service support, personal interaction and relationship value investigated in this study can help managers to understand what constitutes value and how to assess value. Managers need to understand that maximizing value attached to tourism service is the primary indicator of business success.

Second, managers need to be aware that value cannot be concealed or be seen as imperceptible in services. The tourism service provider's value emerges in the customer's actual experience of the service offering and in many respects this is at the intersection where the employee and customer interact. When managers develop the value propositions underpinning the service offering, they must take into consideration whether mechanisms exist to support that value and whether the employees are able to develop and deliver the specified value to customers. If the value promised cannot be delivered it can result in customer frustration which could spread to other potential customers through word-of-mouth communication, creating loss of customer support and diminished

loyalty. Consequently, customer frustration may damage the tourism service provider's credibility and impact revenue streams. Linking the tourism service provider side of value creation activities to the customer side value perceptions, a tourism service provider can analyze which activities it performs well and which are vital for the creation of a competitive advantage.

Third, the findings also provide critical implications for tourism service managers who are charged with recruiting new employees. It should be noted that although employees may have similar training and experience, not all prospective employees will react and perform or deliver service in the same manner in customer contact positions. In addition to performing better on the job (e.g., [Brown et al., 2002](#); [Saxe & Weitz, 1982](#)), employees with high level of customer orientation can be expected to respond more favorably to ensure the firm's VP – VO as well as VO – PVI are consistent (congruent) than employees with low level of customer orientation.

Fourth, the findings have implications for the management of people and work tasks in tourism service firms. Prior literature has suggested that person–job fit is positively related to job satisfaction ([Kristof-Brown, Zimmerman, & Johnson, 2005](#)), which subsequently effects customer satisfaction ([Harter, Schmidt, & Hayes, 2002](#)). As such, it is critical that managers shift non-customer-contact tasks to employees with low level of customer orientation to fully capture the value of the most customer-oriented employees.

Fifth, the results highlight the importance of continuous training; in designing the training modules, it is important to stimulate the employees' orientation toward being customer-oriented. During the training employees should be provided opportunities to elaborate and discuss how to best to nurture and serve customers, accurately read customers' needs, develop a personal relationship with customer, and deliver quality services to customers, all of which are conducive to facilitate customers' experiences with the services offered.

Finally, as opposed to the common practices in service firms who may move the better customer-contact employees into supervisory positions, this study cautions that it can be counterproductive for the firms and for the employees themselves to move from a high-contact position to a position that has less direct customer interaction. Managers are therefore advised to look for alternatives to reward the productive and most customer-oriented employees.

## 6. Limitations and future research

The findings of this study should be considered in the light of specific limitations. A cross-sectional research design does not

offer the same insight into the dynamics of value creation, customer orientation, and tourism service provider performance relationships as a longitudinal design. Therefore, future research using longitudinal data may help evaluate the time horizons and sequencing of such relationships. Second, our study focuses on tourism service providers in a developing economy (Cambodia). Future research may focus on tourism service providers in other developing countries or developed countries to help establish the validity of the theory being put forward. Third, although the data has been gathered from the managers, employees, and customers, our model places its emphasis on a single level study. Although this approach is consistent with prior studies (e.g., [Zhou, Li, Zhou, & Su, 2008](#)) and given that value creation is a complex, iterative and multi-dimensional process, further research may consider replicating this study using a multi-level approach to help establish the validity of theory being put forward in this study.

In addition to alleviating these limitations, there are other fertile avenues for future research. First, although the focus here was on the value creation phases in the tourism context, the value creation phases articulated can conceivably apply to other tourism service contexts. Further research should examine and apply this value creation theory in other tourism service contexts such as airlines, tour services and travel agents and the like. Further, as employees play a critical role in the development and delivery of high quality services (i.e., value laden service), future research focusing on conditions such as employee perceived job satisfaction, employee empowerment, and leadership style have the capacity to act as critical contingencies within the value creation phases and warrant attention in tourism research.

Further research may focus on theoretically embedding value creation in social exchange theory. It may help to understand the importance of customer–firm interactions in the light of value creation. Social exchange refers to the deliberate actions of an indeterminate character that extend beyond necessary role obligations and suggest a personal commitment to the partner ([Bettencourt, 1997](#)). Further, [Bettencourt \(1997\)](#) identifies the concept of perceived support for customers as an important antecedent to social exchanges in consumption contexts which may help understand the value creation process across the phased approach we articulate. Finally, further research may examine the effects of the secondary path as highlighted in [Fig. 2](#) to further establish the validity of the theory being tested in this study.

## Appendix A. Measurement models.

Constructs and scale items (reflective 1st-order level)	AVE	CR	Loading	t-value
<b>Senior Manager Survey Items</b>				
<b>Firm's value proposition strategy<sup>a</sup></b>	<b>0.57</b>	<b>0.93</b>		
<i>In comparing this hotel/resort services against those of its competitors</i>				
<i>Service performance value</i>	0.77	0.85		
VP1: We seek to provide our customers with better service			0.84	38.75
VP2: We seek to provide our customers with more reliable service			0.93	41.20
VP3: We seek to provide our customers with service that meet the industry standard better			0.86	31.22
<i>Service support value</i>	0.76	0.84		
VP4: We seek to be more available for our customers when they need information			0.88	33.20
VP5: We seek to provide our customers with more appropriate information			0.88	31.04
VP6: We seek to respond faster to our customers when they need information			0.85	28.35
<i>Personal interaction value</i>	0.79	0.86		
VP7: We seek to have a better relationship with our customers			0.89	40.15

(continued on next page)

(continued)

Constructs and scale items (reflective 1st-order level)	AVE	CR	Loading	t-value
VP8: We seek to ensure that our customers can address their problems more easily with us			0.92	41.54
VP9: We seek to give our customers a greater feeling of being treated as important			0.84	37.50
<i>Relationship value</i>	0.68	0.76		
VP10: We seek to provide our customers more benefits in our relationship			0.81	25.60
VP11: We seek to create more service value for our customers when comparing all costs and benefits in the relationship			0.82	27.45
VP12: We seek to provide our customers more valuable relationship			0.84	36.58
<b>Financial performance<sup>b</sup></b>	0.72	0.80		
<i>Our performance, compared to our stated objectives, in terms of</i>				
FP1: Profitability has been			0.79	24.10
FP2: Return on investment has been			0.90	39.61
FP3: Return on sales has been			0.86	32.43
<b>Frontline Service Employee Survey Items</b>				
<b>Value offering<sup>a</sup></b>	<b>0.55</b>	<b>0.92</b>		
<i>In comparing the services of this hotel/resort to those of other hotels/resorts offering similar services</i>				
<i>Service performance value</i>	0.74	0.81		
VO1: We provide our customers with better service			0.87	38.20
VO2: We provide our customers with more reliable service			0.89	39.14
VO3: We provide our customers with service that meet the industry quality standard better			0.82	30.17
<i>Service support value</i>	0.72	0.80		
VO4: We are more available for our customers when they need information			0.87	37.65
VO5: We provide our customers with more appropriate information			0.86	37.10
VO6: We respond faster to our customers when they need information			0.81	26.18
<i>Personal interaction value</i>	0.73	0.81		
VO7: We have a better relationship with our customers			0.82	30.51
VO8: Our customers can address their problems more easily with us			0.90	41.69
VO9: We give our customers a greater feeling of being treated as important			0.84	34.36
<i>Relationship value</i>	0.75	0.83		
VO10: We provide our customers more benefits in our relationship			0.91	43.50
VO11: We create more service value for our customers when comparing all costs and benefits in the relationship			0.86	38.46
VO12: We provide our customers more valuable relationship			0.83	32.25
<b>Customer orientation<sup>c</sup></b>	0.68	0.88		
<i>In relation to the customers of this hotel/resort</i>				
CO1: I try to figure out what a customer's needs are			0.82	31.30
CO2: I have the customer's best interest in mind			0.85	35.61
CO3: I take a problem-solving approach in selling services to customers			0.82	31.57
CO4: I recommend services that are best suited to solving problems			0.84	35.43
CO5: I try to find out which kinds of services would be most helpful to customers			0.78	24.10
<b>Customer Survey Items</b>				
<b>Customer's perceived-value-in-use<sup>a</sup></b>	<b>0.54</b>	<b>0.92</b>		
<i>In comparing the services of this hotel/resort to those of other hotels and resorts offering similar services</i>				
<i>Service performance value</i>	0.68	0.76		
PVI1: This hotel/resort provides me with better service			0.81	26.54
PVI2: This hotel/resort provides me with more reliable service			0.85	35.63
PVI3: This hotel/resort provides me with service that meet the industry quality standard better			0.81	24.68
<i>Service support value</i>	0.59	0.71		
PVI4: This hotel/resort is more available when I need information			0.75	22.15
PVI5: This hotel/resort provides me with more appropriate information			0.83	32.56
PVI6: This hotel/resort responds faster when I need information			0.73	19.89
<i>Personal interaction value</i>	0.62	0.70		
PVI7: I have a better relationship with this hotel/resort			0.81	29.64
PVI8: I can address my problems more easily with this hotel/resort			0.74	23.47
PVI9: This hotel/resort gives me a greater feeling of being treated as important			0.82	30.81
<i>Relationship value</i>	0.66	0.74		
PVI10: This hotel/resort provides me more benefits from the relationship we have			0.83	30.57
PVI11: This hotel/resort provides me more valuable relationship			0.81	30.31
PVI12: This hotel/resort creates more value for me when comparing all costs and benefits in the relationship			0.80	28.62

Notes.

AVE = average variance extracted.

CR = composite reliability.

<sup>a</sup> Adapted from O'Cass and Ngo (2011), and Ulaga and Eggert (2006); seven-point scale where 1 = strongly disagree and 7 = strongly agree.<sup>b</sup> Adapted from Morgan et al. (2009); seven-point scale where 1 = much worse than our stated objective and 7 = much better than our stated objective.<sup>c</sup> Adapted from Narver and Slater (1990); seven-point scale where 1 = strongly disagree and 7 = strongly agree.

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