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Co-creation of value or co-creation of experience?
Interrogations in the field of cultural tourism

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Abstract

There is growing discussion among researchers relating to how consumers engage with producers to co-create meanings, values, and experiences through consumption. This debate is particularly relevant in the field of tourism. We are in this research at the confluence of two major paradigms: Service Dominant Logic, and Consumer Culture Theory, Arnould (2007). Our goal is to examine and understand the concept of co-creation in the field of cultural tourism. How can we define the value? And how value emerges in the co-creation process? Finally is it about co-creation of value or rather co-creation of experience? This work presents a theoretical foundation and identified future research investigations.

Keywords: co-creation of value, value-in-experience, service-dominant-logic, consumer-culture-theory, cultural tourism

Introduction

Tourism experiences are no longer just provider-generated but co-produced. For Prahalad and Ramaswamy (2004b) the transformation of tourists from ‘passive audiences’ to ‘active players’ is due to a new thinking on consumer-driven value co-creation. Shaw et al. (2010) and Li and Petrick (2008) note the relative failure of tourism research to incorporate research paradigm like the service-dominant logic (S-D Logic) Vargo and Lusch (2004). This debate is particularly relevant in the field of tourism. The aim of this paper is to link tourism studies with these fields (Service Dominant Logic, and Consumer Culture Theory) in order to integrate these new frames in further research. The tourism industry works on a goods-dominant logic (Li & Petrick, 2008: 240). At the same time, marketing has moved from a goods-dominant logic to a service-dominant logic (Vargo and Lusch 2004:2). For Prahalad and Ramaswamy (2004a, 2004b, 2004c) “the consumer is networked, active, informed and involved in consumer communities, and co-creation is the result of the changing role of consumers “, Prahalad and Ramaswamy (2004c: 5). The ability of consumers to actively participate in product design and to reinterpret the meaning of
products as trademarks redraws the rules of encounter between actors of “supply and demand”. This principle of co-creation has contributed to the emergence of several theoretical trends in marketing. What are the implications for the definition and creation of customer value? Are we talking about co-creation of value or rather co-creation of experience? This paper seeks to provide a framework that will help to identify the major challenges we face in tourism research.

The logic of the Service-Dominant Logic
Vargo and Lusch (2004, 2008a, 2008b, 2008c) have discussed in several of their studies about service-dominant logic as a challenging approach to the traditional goods-dominant logic of marketing. One of the central aspects of service-dominant logic is the proposition that customers become co-creators of value, Vargo et Akaka (2009), Vargo et al. (2008). Hence, the service-dominant logic emphasizes the customer perspective, and the customer interacts with suppliers during product design, production and consumption (Payne et al., 2009). Numerous theories are dealing with the new role of the consumer in the market process: consumer empowerment, consumer agency, consumer tribes, consumer resistance, prosumption, Cova and Dalli (2007, 2009). Service-Dominant Logic (hereafter S-D logic) is view as “an emerging thought” in the marketing discipline. We will first try to summarize S-D logic, (Vargo and Lusch, 2004a:2) by defining the new paradigm as service dominant:

“Briefly, marketing has moved from a goods-dominant view, in which tangible output and discrete transactions were central, to a service-dominant view, in which intangibility, exchange processes, and relationships are central.”

To clarify their position, Vargo and Lusch first have presented S-D logic through eight Fundamental Premises (FPs):

<table>
<thead>
<tr>
<th>Table 1: Fundamental Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP1: The Application of Specialized Skills and Knowledge Is the Fundamental Unit of Exchange</td>
</tr>
<tr>
<td>FP2: Indirect Exchange Masks the Fundamental Unit of Exchange</td>
</tr>
<tr>
<td>FP3: Goods Are Distribution Mechanisms for Service Provision</td>
</tr>
</tbody>
</table>
FP4: Knowledge Is the Fundamental Source of Competitive Advantage

FP5: All Economies Are Services Economies

FP6: The Customer Is Always a Coproducer

FP7: The Enterprise Can Only Make Value Propositions

FP8: A Service-Centered View Is Customer Oriented and Relational


They added a ninth fundamental premise to these in their 2006 paper ‘Service-Dominant Logic: What It Is, What It Is Not, What It Might Be’ (2006: 53)

FP9: Organizations exist to integrate and transform micro specialized competences into complex services that are demanded in the marketplace

And modify their FP6:

FP6: The customer is always a co-creator of value: There is no value until an offering is used-experience and perception are essential to value determination.

The tenth fundamental premise is added in their 2008 paper and most of the others premises are modified.

### Table 2: Ten Fundamental Premises

| FP1          | “service is the fundamental basis of exchange.”                  |
|------------|----------------------------------------------------------------
| FP2          | “Indirect exchange masks the fundamental basis of exchange.”     |
| FP3          | Goods Are Distribution Mechanisms for Service Provision          |
| FP4          | “Operant resources are the fundamental source of competitive advantage.” |
| FP5          | “All economies are service economies.”                           |
| FP6          | The Customer Is Always a Co-producer                            |
| FP7          | The enterprise cannot deliver value, but only offer value propositions |
| FP8          | A service-centered view is inherently customer oriented and relational |
| FP9          | All social and economic actors are resource integrators          |
In this paper we focus specifically on the **FP6: The Customer Is Always a Co-creator of value.** What are the implications of such a proposal?

In the 2004a version, the sixth fundamental premise is based on the fact that (page 11):

> “The customer becomes primarily an operant resource (co-producer) rather than an operand resource (“target”) and can be involved in the entire value and service chain in acting on operand resources”.

This distinction between operant and operand resources is underlined: the consumer is viewed as a set of operant resources: a set of skills, knowledge, expertise, skills (Arnould et al., 2006; Baron and Harris, 2008). In the 2006 version of Vargo et Lusch paper (page 44):

> “Value, then, becomes a joint function of the actions of the provider(s) and the consumer(s) but is always determined by the consumer”

In a goods-centered view, companies focus on operand resources in order to produce goods and services. By contrast, S-D logic shifts the focus to operant resources. Companies have to focus on understanding how consumers engage in the value creation process by viewing consumers as one of their operant resources. In this logic, companies have to employ their core competencies to co-create value with consumers by interacting with them through the “value proposition”. Peñaloza and Venkatesh (2006:300) believe that Vargo and Lusch framework does not go far enough, and the first re-conceptualization they propose concerns “the necessity of re-visioning the creation of value in markets to include meanings” and the nature of value creation. We are here in the heart of our central question: what is value, value creation and the value-generating process. For Grönroos (2008, 2009) we are talking about offering value proposition, and not value-added, the value-in-use can only emerge when goods and services are consumed. For Grönroos (2009:304)
“When customers are using resources they have purchased value is created as value-in-use. Value-in-exchange is a function of value-in-use. Theoretically, the former only exists if value-in-use can be created. In practice, goods and services may have exchange value in the short term, but in the long run no or low value-in-use means no or low value-in-exchange. Hence, value-in-use is the value concept to build upon, both theoretically and managerially.”

For Ballantyne and Varey (2008:5), co-production and co-creation are different concepts:

“...One subtle but important point of difference is that they use the term ‘co-creation’ as a rubric, with co-production as one sub-category of co-creation ... that co-creation is a distinct form of collaboration. It results in unique value, perhaps starting with a spontaneous idea achieved through dialogical interaction.”

The frames of the "new consumer" in the market process

Hence, the service-dominant logic emphasizes the customer perspective, and the customer interacts with suppliers during product design, production and consumption (Payne et al., 2009). For Prahalad and Ramaswamy (2004a, 2004b) the market is view as a forum, a space of potential co-creation, through the Dialog-Access-Risk benefit-Transparency, named DART system (Prahalad and Ramaswamy 2004b:8). Co-creation of value is then the result of the changing role of consumers. As Prahalad and Ramaswamy (2004c: 5) underline:

“...The consumer is networked, active, informed and involved in consumer communities, and co-creation is the result of the changing role of consumers...”

The ability of consumers to actively participate in product design and to reinterpret the meaning of products as trademarks redraws the rules of encounter between actors of “supply and demand”. This principle of co-creation has contributed to the emergence of several theoretical trends in marketing: co-creation of value, co-creation of experience, consumer empowerment, consumer agency, consumer tribes, consumer resistance, prosumption… Customer participation per se is
not new, but as Bendapudi and Leone (2003:14) explicit, what is new is the recognition that encouraging customers to be co-producers is the next frontier in competitive effectiveness. Bendapudi and Leone (2003:16-17) present a chronological review of the literature on customer participation in production. Bendapudi and Leone (2003:26) assert that:

"Consumers are not just passive receptacles of brand identities projected by marketers; they are active co-producers of brand meanings"

Cova and Dalli (2008:5) have synthesized most of these various streams of research in the following table:

<table>
<thead>
<tr>
<th>Research stream</th>
<th>Consumer-producer relationship</th>
<th>Central topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption experience</td>
<td>Immersion</td>
<td>Appropriation by consumers</td>
</tr>
<tr>
<td>Co-production</td>
<td>Service encounter</td>
<td>Integration through consumer participation</td>
</tr>
<tr>
<td>Service dominant logic</td>
<td>Co-creation</td>
<td>Consumer as resource integrator</td>
</tr>
<tr>
<td>Collaborative innovation</td>
<td>Collaboration</td>
<td>Consumer as developer and marketer</td>
</tr>
<tr>
<td>Consumer empowerment</td>
<td>Power</td>
<td>Responsibility of consumers</td>
</tr>
<tr>
<td>Consumer agency</td>
<td>Narrative re-framing</td>
<td>Performance of consumers</td>
</tr>
<tr>
<td>Consumer tribes</td>
<td>Collective actions</td>
<td>Consumers as competitors</td>
</tr>
<tr>
<td>Consumer resistance</td>
<td>Subversion</td>
<td>Hijack by consumers</td>
</tr>
</tbody>
</table>


For Cova and Dalli (2007, 2009) eight theoretical trends (lead users, service encounter, consumer resistance, consumer communities, consumer empowerment, consumer agency, and working consumers) have shaped the consumer figure as collaborator. The stream of lead users (Von Hippel, 2005) considers the relationship as a cooperation manifested by the co-development, co-design, co-production highlights consumer mobilizing
creative abilities. The service encounter is the moment of truth that requires consumer participation, Bitner et al. (2000:139).

Concerning consumer resistance, Cova and Dalli (2008:5) suggest that:

“Today consumers are more apt to resist corporate marketing actions and possess greater expertise in terms of their consumption and in regards to the products and brands they consume”.

When this movement is a collective one, we then talk about "brand hijack" (Wipperfürth, 2005). In their study, Schau, Muniz, and Arnould (2009:41) emphasized the fact that consumers can co-create value within brand communities:

“Value is manifest in the collective enactment of practices, which favor investments in networks rather than firm–consumer dyads; ceding control to customers enhances consumer engagement and builds brand equity; and firms derive added brand value by creatively using willing customer (operant) resources.”

As managerial implications, Schau, Muniz, and Arnould (2009:41) advise companies that want to encourage co-creation to foster a broad array of practices, and not merely customization. These brand communities are somewhat like spokespersons, prescribers and opinion leaders of the mark. Because of the strong personal and emotional involvement of consumers in the product life, the balance of relations in business-related individuals is changed. Furthermore, for consumers this role typically involves producing goods and services for own consumption, i.e. what Toffler (1980) referred to as “prosumption” which is an acronym for the combined activities of PROduction and conSUMPTION. Xie et al. (2008:110) define presumption as:

“Value creation activities undertaken by the consumer that result in the production of products they eventually consume and that become their consumption experiences.”
It is also a creation process of socio-psychological experiences that allows us to construct and maintain our self-identity and social image Xie et al. (2008:111), which is consistent with the notion of value co-creation of Lush and Vargo.

The theoretical stream of consumer empowerment (Denegri-Knott et al. 2006) argues for a rebalancing of power in the relationship and encourages consumers to control their choices and to control the relationship by taking part in defining its terms.

For Holt (2002), in the Consumer Culture Theory (Arnould and Thomson 2005), the co-creation value is viewed in terms of a cultural framework that focuses on how consumers perceive, interpret, understand, and interact with the market offering. It’s called consumer agency (Arnould et al., 2006), consumers in the communities do not only add holistic values to the process: they co-create value for each other. Eckhardt et Mahi (2004:137-138) define consumer agency as the ability to transform meanings, they argue that:

“Consumers act in an agentic way to shape market preferences while being influenced by the market themselves”.

By sharing its experiences with other consumers of the brand, the consumer becomes directly involved in the life of the product. It gives meaning to the brand in co-creating his identity and symbolic value. Working consumers depicts consumers who, through their immaterial labor, add cultural and affective value to market offerings. For Cova and Dalli (2009), by this, consumers increase the value of market offerings.

Co-creation of value or co-creation of experience?
A number of research streams point toward an increasing involvement of consumers in the value creation through marketing processes. In addition these proponents of the collaboration/co-production/co-creation model suggest that integrating customers in the production of market value is not only economically necessary and strategically effective, but, most of all, essential for maintaining competitive advantage through innovation (Prahalad and Ramaswamy, 2004). While
previous marketing research and practices have focused on value-in-transaction (economic value) through the exchange process. S-D logic proposes value-in-use or service (Vargo and Lusch, 2004a), as a focus of the value co-creation process, but they neither define this term nor develop an argument as to how it can be assessed. This raises the question of the nature of customer value and how it can be assessed.

Definition of value is one of the most controversial issues in marketing literature, Day and Crask (2000), and Day (2002). Through a review of literature Day and Crask (2000:53-55) present 7 tenets: (1) no accepted definition of value exists; (2) value is a unique concept, but the term is often mistakenly interchanged with other concepts; (3) Value is perceptual; (4) Value is situationally and temporally determined; (5) Consumers make tradeoffs when assessing value; (6) Value is created by consumption or by possession; (7) Multiple Costs and benefits contribute to value. By extending the prior work of Woodruff (1997), Sánchez-Fernández and Iniesta-Bonillo (2006:55) define consumer value as:

“A cognitive-affective evaluation of an exchange relationship carried out by a person at any stage of the process of purchase decision, characterized by a string of tangible and/or intangible elements which determine, and are also capable of, a comparative, personal, and preferential judgment conditioned by the time, place, and circumstances of the evaluation.”

According to Grönroos (2008:303), the concept of value is difficult to define, and he indicates by a very simple definition where a process of value creation is directed:

“Value for customers means that after they have been assisted by a self-service processor a full-service process they are or feel better off than before”.

Holbrook, (2006:213) deepens this notion:

« Value resides not in an object, a product or a possession but rather in and only in a consumption experience ». 
Moreover it’s a complex and multi-dimensional concept (Sánchez-Fernández and Iniesta-Bonillo 2007; Sánchez-Fernández et al. 2009). A numerous number of definitions and categories of value have been proposed, but three perspectives emerge while synthesizing academic literature in marketing:

- Value in exchange is the earliest and most widespread view, customers perceive value in the exchange of a product for the price they paid (Zeithaml 1988).
- Value in possession, when customers perceive value in the public and private meanings of possessions (Richins 1994).
- Value in use: customers perceive value through the use or consumption of a product or service (Woodruff 1997). Building on Vargo and Lusch (2004) as well as Woodruff (1997) and Woodruff and Flint (2007), Value in-use is defined as a customer’s functional outcome, purpose or objective that is directly served through the product/service consumption.

Therefore, it is important to underline that the notion of value in S-D logic corresponds to what Vargo (2008:213) and Vargo and Akaka (2009: 39) call “value-in-context” as the situational context of the service encounter:

“Value-in-context highlights the importance of time and place dimensions and network relationships as key variables in the creation and determination of value. Thus, value-in-context is uniquely derived at a given place and time and is phenomenologically determined based on existing resources, accessibility to other integratable resources, and circumstances.”

Concerning value typologies, there are a wide range of typologies in the literature. However, there are two classical approaches appears (Gallarza and Gil 2006): the acquisition vs. transaction value difference and the hedonic vs. utilitarian value dichotomy. Berthon and John (2006:204) present a typology based on seven dimensions, value is then an interaction from the consumer perspective of these dimensions: content, control, continuation, customization, currency, configuration and contact. We will emphasize on the Holbrook’s typology, because the conceptual delimitation developed by Holbrook (1994, 1999) is one of the more in-depth
proposals regarding the concept of value. Holbrook has developed a typology of value, which includes two or three dimensions. Holbrook (1994, 1996, 2006a,) identifies one more dimension and three discourses of value: extrinsic versus intrinsic, self oriented versus other-oriented, and active versus reactive). By combining these three dimensions we obtain eight types of customer value:

Table 4: Typology of customer value with three dimensions

<table>
<thead>
<tr>
<th></th>
<th>Extrinsic</th>
<th>intrinsic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self-oriented</strong></td>
<td>reactive</td>
<td>EFFICIENCY</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(O/I or O-I)</td>
</tr>
<tr>
<td></td>
<td>passive</td>
<td>EXCELLENCE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(quality)</td>
</tr>
<tr>
<td><strong>Other-oriented</strong></td>
<td>reactive</td>
<td>STATUS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(fashion)</td>
</tr>
<tr>
<td></td>
<td>passive</td>
<td>ESTEEM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(materialism)</td>
</tr>
</tbody>
</table>


Holbrook (2006b:715) proposes a typology of customer value based on two underlying dimensions: extrinsic value versus intrinsic value and the second dimension includes self-oriented versus other-oriented. Combining these two distinctions produces the following typology of customer value:

Table 5: Typology of customer value with two dimensions

<table>
<thead>
<tr>
<th></th>
<th>Extrinsic</th>
<th>intrinsic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self-oriented</strong></td>
<td>Economic value</td>
<td>Hedonic value</td>
</tr>
<tr>
<td><strong>Other-oriented</strong></td>
<td>Social value</td>
<td>Altruistic value</td>
</tr>
</tbody>
</table>
Holbrook, (2006:213) deepens the link between value (more precisely value-in-use) and experience: «value resides not in an object, a product or a possession but rather in and only in a consumption experience». More generally, in experiential consumption research and consumer culture theory, value is not in the object of consumption but in the consumption experience itself. Customer value is defined as “an interactive relativistic preference experience” Holbrook, (2006:212). Interactive means that no value exists without an interaction between a subject and an object. Relativistic means that customer value is comparative situational and personal. Value resides in and only in a consumption experience. What Holbrook calls ROSEPEKICECIVECI: Resource Operant-Skills Exchanging-Performance Experiencing-Knowledge Informed-Competence Enacting- Co-producer Involved-Value Emerging-Customer Interactive.

Chen (2009:927), while investigating the desires of and perceived values of contemporary art collectors and exhibit visitors, defines the experience in the object of value, and presents six dimensions (1) imaginary value, sentiments, and pleasure; (2) stimulation and hedonist value; (3) self orientation and interpersonal orientation; (4) social practice; (5) entertaining and aesthetic value, status, ethic, esteem, and spirituality; (6) and distraction, exhibitionism, and evangelism.

Vargo and Lusch (2008a, 2008b) have discussed about the value co-creation process, taking into account the dynamic and multi-dimensions of value, and assessing that it depends on how consumers interpret the consumption of objects through their experience. Vargo and Lusch (2008b:30-31) underline that:

“This partial shift to a value-in-use orientation can be seen creeping into marketing in general in the form of terms like ‘coproduction’ and ‘value co-creation’ and ‘experience economy’”.

In a cultural tourism context, Prentice (1996:169) emphasizes that:
“Museums, like many other heritage attractions, are essentially experiential products, quite literally constructions to facilitate experience. In this sense, museums are about facilitating feelings and knowledge based upon personal observation or contact by their visitors.”

We must admit that the dominant cognitivist perspective fails in understanding the experience of the public, or tourist, in consuming cultural objects, such as museums, monuments, or any artifacts (Holbrook and Hirschman 1982). For Doering (1999) visitors may be viewed as strangers (who are privileged to be admitted), guests (who gratefully receive what the museum has to offer), or clients (whom the museum is obliged to serve). One of the consequences of viewing visitors as clients, according to Doering, is that we need to understand the meaning and value of a museum visit from the visitor’s perspective.

In that context, Doering (1999:75) defines four types of experience in a museum: (1) Social experiences; (2) Object experiences; (3) Cognitive experiences; (4) Introspective experiences. The value must be examined from a relational approach, that is to say, in an experiential perspective. The notion of experience entered the field of consumption with Holbrook and Hirschman’s pioneering article of 1982. The notion of experience entered the field of consumption with Holbrook and Hirschman’s pioneering article of 1982 regarding the experiential aspects of consumption, since then the conceptualization of consumption experience has gained more attention (Carù & Cova, 2007). Bourgeon-Renault et al. (2006) and more recently Chan (2009) adopt this relational approach to the value, and underline that value is inherent in the consumption experience itself. As we have seen earlier, co-creation of products and services has been seen as a new way to create value, both for customers and for businesses, as the co-creation enables customers to co-construct the service or tourist experience to suit their purposes and needs (Prahalad and Ramaswamy, 2004). Value is seen to come more and more from the relationship and co-creation process between a supplier and a customer (Prahalad and Ramaswamy, 2004, p. 4) Customers can be involved in product and service development processes in different ways. In this context must we talk about co-creation of value or co-creation of experience?. Holbrook (2006a,b), Payne et al. (2008), Vargo and Lusch (2004a), Woodruff and Flint(2006) argue that value emerges at the point of consumption and that consumers
perceive value through the consumption experience. Holt (1995) shows that value emerges when consumers assign meanings or symbolic value to objects, we consume in four ways, as an experience, a classification, integration and to play. This view of consumption is derived from CCT and explains how consumers allocate meanings to material resources by negotiating between their cultural lives and social relationships (Arnould and Thompson, 2005). Involvement then emerges as a core concept (Caru and Cova 2007; Ramaswamy 2008). But as mentioned by Vargo et al. (2008:151) “This exploration of value co-creation raises as many questions as it answers. For example: What exactly are the processes involved in value co-creation? How can we measure co-created value and value-in-use?”

To conclude, in tourism literature, despite the potential benefits of its application (Li and Petrick, 2008), these new frames (Service Dominant Logic, and Consumer Culture Theory) have reached a reduced attention (Shaw et al., 2010). Shaw et al. (2010, p. 207) stated that

“the engagement of tourism management with research in what can be called ‘mainstream management literature’ remains highly uneven”.

In tourism and leisure, we are only at the beginning of exploring co-creation experience.

**Conclusion**

This research explores academic discourses on value, co-creation and experience in order to provide a more complete understanding of these concepts, within the field of tourism research. From Holbrook (1996) definition, to the Nordic interpretation of experience and co-creation of experience Grönroos (2008), we have tried to understand the role of value and experience in the co-creation process. More generally, in experiential consumption research and consumer culture theory, we have pointed that value is not in the object of consumption but in the consumption experience itself. For Chen (2009), the experience is the object of value. In a cultural tourism context, Bourgeon-Renault et al. (2006) and more recently Chan (2009) adopt a relational approach to the value, and that value is inherent in the consumption experience itself. For Day and Crask (2000), Day (2002), Sánchez-Fernández et al. (2009), value is an elusive concept, and further research is necessary in order to understand experience and categories of value.
Co-creation of services has been seen as a new way to create value, both for customers and for businesses, as the co-creation enables customers to co-construct the service or tourist experience to suit their purposes and needs (Prahalad and Ramaswamy, 2004c). Value is seen to come more and more from the relationship and co-creation process between a supplier and a customer (Prahalad and Ramaswamy, 2004c:4). Customers can be involved in product and service development processes in different ways.

This contribution presents a theoretical foundation and a holistic view of customer value, encompassing the large spectrum of consumer experience. We agree with Day (2006) and think that organizations in the cultural and heritage sector, that develop a better understanding of value, co-creation of value and experience may develop a significant advantage. Furthermore, destinations must be designed as generators of experience, and tourism providers need to create “experience environments”, integrating resources to co-create high value experience, and improving the way they manage all the process.

References


