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# Service co-production with customers in the framework of service-dominant logic in application to the hotel industry in Tromsø, Northern Norway

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## ABSTRACT

This Master's research introduces the concept of service co-production with customers in the framework of service-dominant (S-D) logic as a research paradigm in marketing management. The concept of service co-production was integrated into a tourism management setting and researched in application to the hotel industry in Tromsø, Northern Norway. The aim of this Master's research was to investigate whether service co-production with customers is a part of the service/services of a 3 and 4 star chain of hotels in Tromsø, Northern Norway. Thus, six hotel managers of the hotels chosen as research participants were interviewed. The results showed that five of six hotels demonstrate cases of service co-production with customers where customers play an active role in being co-producers of a particular service/services. Service co-production with customers is represented, predominantly, in the form of self-service/services. The extent of service co-production with customers and the aims of its implementation depend on belonging of hotels to budget/full-service hotel category. Hands on managerial implications are provided in the closing part of the paper.

## ORIGINALITY

The thesis show industry specific research of service co-production with customers and has a clear focus on a narrow geographical location. The specificity of the thesis is that the categories of analysis of service co-production as applied in the hotels in Tromsø were theoretically predefined. However, in the process of data analysis, the category of Firm-Driven Service innovations emerged that was not predefined theoretically.

Keywords: Service co-production with customers, service-dominant (S-D) logic, co-creation, self-service technologies (SST).

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## I. INTRODUCTION

### 1.1 INTRODUCTION

The general aim of this Master's research project was to investigate service co-production in frames of service-dominant (S-D) logic applied to the hotel industry in Tromsø, Northern Norway. The hotel industry has been developing for centuries. In order to maintain and raise revenues, there is fierce competition in the hotel industry. By shifting focus from a goods-dominant (G-D) logic to a service-dominant logic, service science offers a new perspective on value creation of service experience. From this perspective, value is co-created by mutual engagement of the co-producer and customer during service production process.

This Master's thesis investigated whether service co-production with customers is a part of the service/services of a 3 and 4 star chain of hotels in Tromsø, Northern Norway. This research question was answered by analysing and discussing the existence of services co-produced with active customer engagement in each hotel chosen as a research participant, as well as the inner structure of such services and the leading aim of their implementation and development.

The structure of this Master's thesis begins by reviewing the theoretical knowledge related to service-dominant logic and the concept of collaboration as one of the key principles of the former. Further, it analyses and discusses service co-production with customers as one of two forms of collaboration along with its differences from the process of value co-creation.

The thesis aims to enhance theoretical knowledge regarding service co-production in the tourism and hospitality industry, as well as to advise hotel managers in Tromsø, Northern Norway how to successfully develop services that are co-produced with customers. Further, research in this field may influence future practices, especially, how to progress service co-production in the hotel industry in Tromsø, and also provide suggestions for future research in this sphere of study.

### 1.2 RESEARCH BACKGROUND

Despite the large amount of research on co-production within customer engagement in tourism and marketing science, there are few publications on co-production with customers in the hotel industry. Moreover, no research on service co-production with customers in the hotel industry was found as applied to Norway, and, in particular, the region of Northern Norway. Thus, in regard to hotel industry in Tromsø, Northern Norway, this study can be considered as one of

the first research of service co-production with customers in the hotel industry at the local perspective. The importance of the research reported in this Master's thesis is that the accepted models and concepts of the modern marketing science, particularly the concept of service co-production with customers, was tested in markets, such as Tromsø hotel industry in order to push the limits of existing theory.

Tromsø may be considered to be a relatively fast developing town in Northern Norway territory where the hospitality industry is represented by a widespread web of different type of hotels from budget no star hotels to luxurious 4 star categories. All around the world, the modern hospitality industry has realised that the development and flourishing of the activities they implement depends on the creation of positive customer experiences (Walls et al., 2011 cited in Chathoth et al., 2013: 11). The expectations of customers regarding services offered are constantly changing given the circumstances of modern economies where hospitality industries should respond to their customers' expectations in order to provide positive customer experiences. "However, the ability to anticipate such changing expectations so that organizations can create and offer unique service and product experience is a challenging task that requires a systematic and strategic approach to cooperating closely with customers" (Vargo et al., 2008 cited in Chathoth et al., 2013: 11).

In terms of service-dominant logic, the main emphasis in this research was based on customer collaboration as one of its key concepts. The notion of collaboration is discussed by illustrating the differences between value co-creation and service co-production as two key parts of the concept. Modern scholars argue the importance of distinguishing between these two phenomena. In this regard, the illustration of differences of co-production from co-creation concepts can provide a better understanding of service co-production and help to enhance knowledge about this theoretical concept as a key focus of future research.

In general, over the last decade, the hospitality industry was primarily oriented to the creation and offering of unique products and services. Their customer-focused orientation was based on the philosophy of "adaptation of goods or products" to target segment of customers, which contradicts the basic principles of a new type of logic where customers generate their own unique experience through close interaction with an organization (Chathoth et al., 2013: 12). "The adoption of a new service tradition means a radical change for an organization, involving the management of dynamics both inside and outside of the organization, changes in culture and philosophy, and the adaptation of organizational factors to changing circumstances" (Chathoth et al., 2013: 12). In this way, the focus on positive customer experience and the



achievement of competitive advantage highlight the importance of adaptation of the key principles of a new marketing logic in tourism and hospitality industries. The new logic allows hotel industries to keep pace with the constantly changing circumstances of modern markets, wherein the principle of collaboration and service co-production with customers are the leading elements.

A number of studies on customer experiences suggest that active customer engagement in co-production positively influences customer satisfaction (Bendapudi & Leone, 2003). Thus, co-production views a customer as an active participant in production of a service encounter, which is based on collaboration between companies and consumers, and generates value both for a firm and a customer. Value for a customer is the unique experience acquired, and value for a firm is the knowledge about this customer, upon which a company can create the best customer value supply in the market (Prahalad & Ramaswamy, 2000). Co-production processes allow firms to increase the percentage of successful services since a company knows the customer's needs and how to meet the customer's expectations in the best way. Moreover, customers actively engaged in the process of service co-production experience higher degrees of satisfaction with a service (Cheung & To, 2011). Co-production with customers is the next frontier to achieve competitive advantage for a firm. By involvement of the resources of customers in co-production, companies can increase productivity and deliver superior service (Bendapudi & Leone, 2003).

### 1.3 RELATION TO THEORETICAL FRAMEWORK

The theoretical background for this Master's research is service-dominant (S-D) Logic as a new shift in marketing paradigms. S-D Logic is

“a logic that is philosophically grounded in a commitment to collaborative processes with customers, partners and employees; ...a logic or perspective that recognizes the firm and its exchange partners who are engaged in the co-creation of value through reciprocal service provision. It is about understanding, internalizing, and acting on this logic better rather than the competition” (Lusch et al., 2007: 5).

In the framework of Service-Dominant logic, the leading theoretical focus of the study is co-production as one of the key foundational premises (FPs) of the new marketing paradigm (Vargo & Lusch, 2004; 2006).

Previous studies on service co-production in the hospitality industry primarily have a theoretical character and focus predominantly on distinction between co-production of services and value co-creation theoretical concepts. One such study by Chathoth et al. (2013) reviews the theoretical underpinnings of co-creation and co-production and discusses these service approaches in a hotel context (Chathoth et al., 2013). Their study overwhelmingly advocates a co-creation approach in hospitality industry and discusses the benefits for hotels of moving from co-production to co-creation. The process of co-production of services in the hospitality industry is not viewed as a separate, independent process but rather as a necessary intermediary step between treating customers as passive consumers of services and co-creators of value together with them. The definition of co-production given by Chathoth et al. (2013) emphasizes “an excessive focus on the firm’s value creation activities with customers playing a passive role” (Chathoth et al., 2013: 11).

Further, some attempts have been made to investigate customer involvement in service co-production and co-creation in hospitality industry. Shaw et al. (2011) provide a detailed discussion of the concepts of S-D logic in the context of tourism management and demonstrate the importance of Service-Dominant logic in uncovering the role played by co-production and co-creation in the tourism industry (Shaw et al., 2011). At the same time, the study developed by Shaw et al. (2011) predominantly focused on the co-creation approach in the framework of S-D logic because the study was conducted as empirical research of innovative technologies in the UK hotel industry (Shaw et al., 2011).

Despite the relatively small number of studies of service co-production with customers in tourism and hospitality industries, particularly, studies of services co-produced together with customers have been relatively developed in other spheres. For instance, Wang et al. (2015) investigated the link between customer-firm co-production and its factors in the financial service context. Their research suggests that customer-firm co-production is important to achieve competitive advantage (Wang et al., 2015). In addition, some attempts have also been made to investigate customer co-production as users of self-service technologies in commercial air travel (Huotari, 2012). The latter study’s empirical findings aimed to understand customer’s choice of SST (self-service technology) and find sources of satisfaction and dissatisfaction in the airline industry (Huotari, 2012). In this way, the research identified groups of incidents leading to customer satisfaction and dissatisfaction in their use of SST in commercial air travel. Further, research on co-production with customers is also represented in other spheres of knowledge, such as health care and hospital delivery systems. For example, Edgeren (1998)

applied the approach of co-production from service management theory to describe and analyse the hospital delivery system for patients recovering from myocardial infarction (Edgeren, 1998). The study found that short and intense periods of hospital inpatient stays make it advantageous to consider the patient as an active part in the caring process (Edgeren, 1998).

#### 1.4 AIM OF THE RESEARCH

The aim of this Master's research was to investigate whether service co-production with customers is a part of the service/services of a 3 and 4 star chain of hotels in Tromsø, Northern Norway by exploring:

1. The presence of services co-produced with customer engagement
  - The identification of services that are co-produced with customers in each particular case study
  - The identification of the extent of customer co-production in the process
2. The structure and nature of services co-produced with customers
  - Which services are co-produced by active customer engagement
3. The aims of hotels in these services implementation
  - The investigation of the goal of customer services co-production of each hotel case from a managerial perspective.

## II. THEORETICAL FRAMEWORK

### 2.1 S-D LOGIC: EVOLUTION OF THE APPROACH

Since its introduction by Vargo and Lusch in 2004, the S-D logic approach has developed comparatively recently as a theoretical framework (Olexova & Kubickova, 2014). The American scientists, Vargo and Lusch (2004) published their ground-breaking paper, which outlined the new marketing concept: service-dominant logic (S-D logic), which was “based on the expressed need for a new marketing perspective that considers services rather than goods to be fundamental to economic exchange” (Olexova & Kubickova, 2014: 100). The S-D (Service-Dominant) theoretical approach influences such fields as service science and marketing. Despite many papers on this theory being published, scientific conferences focussing on the service-dominant logic concept involved vigorous discussions of this new type of marketing thinking. Subsequently, “S-D Logic still has not been established as a holistic theory” (Olexova & Kubickova, 2014: 99).

Vargo and Lusch (2006) define the concept of S-D logic as a departure from the traditional, foundational, goods-dominant (G-D) logic where the main focus was the exchange of goods to a new type of marketing paradigm where specialized skills and knowledge are the focus of economic exchange and one of the fundamental foundations upon which society is built (Vargo & Lusch, 2006). The traditional logic (G-D) is a logic that marketing inherited from economics around a hundred years ago. This dominant logic focused on tangible resources, embedded value and transactions (Vargo & Lusch, 2004). In its most rudimentary form, the goods-centred view postulates the following foundations. The purpose of economic activity and at the same time its result is to make and distribute goods, which must offer superior value to the consumer in order to be sold. In the process of production the firm should set all decision variables at a level that enables it to maximize profit from the sale of output. Moreover, in order to maximise production control and efficiency, goods must be standardised, produced away from the market, further inventoried and then delivered to the consumer at a profit (Vargo & Lusch, 2004).

In their further development of the theory of S-D logic, Vargo and Lusch (2006) characterise it as a reflection of the transition from an Industrial Era to a Service Era (Vargo & Lusch, 2006). This was one of the most consistent misunderstandings of this statement in the S-D thesis; because nowadays services dominate many economies so it is appropriate for marketing to adopt models that reflect this transition (Vargo & Lusch, 2006). S-D logic implies that service is the foundational base for all exchange processes where goods represent only a special case

of service provision, a small subset of it, and the main function of goods is to enable service (Vargo & Lusch, 2006).

Vargo and Lusch went further in their article in 2011 and stated that all economies are service-providing and value creating economies because S-D logic broadens the perspective of exchange so that all economic actors (as firms, customers etc.) become engaged in exchange processes. All enterprises are, hereby, viewed as service organizations and all types of exchange can be considered as B2B (Business to Business) (Vargo & Lusch, 2011). The original S-D logic theory espoused eight theoretical principles or foundational premises (FPs) as they were called in the article by Vargo and Lusch (2004). Since its first introduction, twelve years have passed and the S-D logic marketing perspective has undergone certain changes, evolved and been improved. However, “as Vargo and Lusch repeatedly stated, they planned the theoretical concept of S-D Logic as an open-source framework based on collaboration, shaped by criticism and further suggestions” (Olexova & Kubickova, 2014: 100). Despite huge interest in S-D logic, generally, it is not viewed as a complex holistic theory because it lacks “stronger empirical research to support its premises in practice” (Olexova & Kubickova, 2014: 100).

In comparison to a goods-centred view of marketing, a service-centred view considers marketing to be a continuous series of social and economic processes on operant resources, which are used by a commercial organization to provide better value propositions than the competitors. Service-centred logic is based on the following three foundations. First, the core competences, fundamental knowledge and skills of an economic entity must be developed and can lead to competitive advantage. Second, an economic entity should identify potential customers that could benefit from these competencies and implement collaboration with them by involving customers in customized, irresistible value propositions to meet their needs. Third, an economic entity should conduct evaluation of a market place and feedback by analysing financial performance and getting new knowledge about how to improve a firm’s offering to customers and improve firm performance (Vargo & Lusch, 2004).

By researching and describing the goods- and services centred marketing views, Vargo and Lusch (2004) differentiate these approaches and treat them as opposites (Vargo & Lusch, 2004). In their initial article (2004), which introduced the beginning of the service-dominant logic approach development, the researchers stated six differences between the goods- and service-centred dominant logic, all of them centred on the distinction between operand and operant resources (Vargo & Lusch, 2004).

The first principle of differentiation is primary unit of exchange. From the perspective of traditional G-D logic, people exchange for goods, which are predominantly operand resources. S-D logic views exchanging knowledge and skills (operant resources and services) to be the fundamental unit of exchange. The second differentiation principle is based on the role of goods. In the framework of G-D logic, goods are viewed to be operand resources, which are at the same time the end product of exchange, while S-D logic view goods as transmitters of operant resources, so called intermediate products that are used by other operant resources (customers) as tools in value creation process. The third principle of differentiation between marketing views is the role of customer. Goods-centred marketing view treats customers as bare recipients of goods, who producers deliver end products for, in this way, a customer is an operand resource. In a service-centred view, a customer is an active participant in product/service production at all levels, thus, being operant resource.

The next three differentiation principles are based on determination and meaning of value, the nature of firm-customer interaction and a source of economic growth. G-D logic claims that only a producer determines value, while in S-D logic value is perceived and determined by a customer on the basis of “value-in-use”. In the latter, value is a result of mutual application of operant resources, where firms can make only value propositions but not define value. According to the differentiating factor, firm-customer interaction, a G-D marketing view treats a customer as an operand resource who acts just to create transactions with resources. The logic of a service-centred view orients towards a customer as an operant resource – an active participant in co-production and relational exchanges. The sixth differentiating factor implies that in comparison with a goods-centred view where economic growth is gained through owning, controlling and producing operand resources, whereas a service-centred view implies that wealth may be gained through the application and exchange of specialized knowledge and skills and represents the right to the future use of operant resources.

Based on these six attributes of differentiation between goods-centred and service-centred marketing view, Vargo and Lusch (2004) founded eight theoretical principles or foundational premises (FPs) that helped to ground the basic theoretical framework of the new marketing logic – Service-Dominant (S-D) logic (Vargo & Lusch, 2004; 2006).

FP1: The application of specialized skills and knowledge is the fundamental unit of exchange: service is exchanged for service



FP2: Indirect exchange masks the fundamental unit of exchange: Microspecialization, organisations, goods, and money obscure the service-for-service nature of exchange

FP3: Goods are distribution mechanisms for service provision: Goods (both durable and non-durable) derive their value through use – the service they provide

FP4: Knowledge is the fundamental source of competitive advantage: operant resources, especially know-how, are the essential component of differentiation

FP5: All economies are services economies: Service is only now becoming more apparent with increased specialisation and outsourcing; it has always been what is exchanged

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

FP7: The enterprise can only make value propositions: Since value is always determined by the customer (value-in-use), it cannot be embedded through manufacturing (value-in-exchange)

FP8: A service-centred view is customer-oriented and relational: Operant resources being used for the benefit of the customer places the customer inherently in the centre of value creation and implies relationship.

Shaw et al. (2011) applied the three key aspects of service-dominant logic including the ideas that knowledge is the fundamental source of competitive advantage (FP4), a service-centred view and buyer-centric business model (FP8) and the principle that the customer is always a co-creator (FP6) to tourism management settings on cases from the hotel industry (Shaw et al, 2011). Their research demonstrates the significance of S-D logic in uncovering the role played by co-production and co-creation in the tourism and hotel industries providing a fresh perspective on service development in tourism. The research considers consumer experiences to be “at the very heart of the tourism industry” and that “S-D Logic provides a conceptual framework for understanding how the consumer is becoming central to the development and marketing of tourism products” (Shaw et al, 2011: 213).

## 2.2 CO-PRODUCTION VERSUS CO-CREATION: A COMPARISON OF THE TWO CONCEPTS

Hilton and Hughes (2013) specify the importance of distinguishing between co-creation and co-production because “the terms are not interchangeable within S-D logic”. There currently

exists no shared understanding of the terms and in the framework of S-D logic, the concepts of co-production and co-creation remain ambiguous (Hilton and Hughes, 2013: 863). One of the foundational premises (FP) of S-D logic is the concept that a customer is always a collaborator and collaboration provides firms with opportunities for increased competitive advantage (Lusch et al., 2007). However, it is often not recognized that there are two components of collaboration. These two components are co-creation of value and co-production (Lusch et al., 2007).

The concept of co-creation is a rather radical movement from a goods-dominant (G-D) logic, which views value as something that is added to products or service in the process of production (Lusch et al., 2007). In the framework of S-D logic, value can be determined only by a customer, subsequently, value locates at the intersection of a service producer, customer and other value-creation partner (if here are any) (Lusch et al., 2007). Thus, the concept of value co-creation is closely associated to “value-in-use” (Lusch et al., 2007).

The second component of collaboration is the process of co-production that involves the participation in the creation of the core offering itself. Lusch et al. (2007) argued that both “co-creation of value” and “co-production” view a customer as a core of the production process “they are different from the production concepts associated with G-D logic” (Lusch et al., 2007).

Early theorization of co-production distinguished two types of co-production: collective production versus company/consumer production (Humphreys & Grayson, 2008). “Collective production describes contexts in which consumers collaborate with other consumers to produce things of value to the consumer community” (Humphreys & Grayson, 2008: 15). Company/consumer production implicates the process of collaboration of consumers and companies to produce things of value, in this way, it is a collaboration between an organization and its consumers. “Previous research on co-production has either not distinguished between these two practices, or has assumed that both are equally beneficial for the end user”, however, the present distinction plays an important role and relates to whether the collaboration produces use value (co-production) or exchange value (co-creation) (Humphreys & Grayson, 2008: 15).

Chathoth et al. (2013) make the comparison between two notions of collaboration: co-production and co-creation and outline several key factors that differentiate these two approaches (Chathoth et al., 2013). “It is worthwhile to state that in much of the literature they are seen as interrelated phenomenon and less of distinctive processes” (Chathoth et al. 2013: 14).

The first difference was suggested by Lush et al. (2007) and is closely tied to the notions of usage, consumption, value-in-use, thus, value occurs during the process of consumption and experience of service or a product (Lusch et al., 2007; Chathoth et al., 2013). On the contrary, the co-creation process is connected to close interaction of a firm with its customers during which a customer generates his/her own experience. Thus, it creates a unique personal experience (Chathoth et al., 2013).

The second difference situates in a customer's role. According to Chathoth et al. (2013) in the co-production process, the role of a customer is relatively passive, while during co-creation the role of customer shifts from being a receiver of service to being a service co-creator (Chathoth et al., 2013).

The third difference between the two concepts is the degree of customer involvement or participation in the production process. In co-production, the customers' participation is limited to the development of a product implemented by a firm, thus, the key actors are a firm's managers and employees (Chathoth et al., 2013). Co-creation is characterised by the maximum involvement of customers at every stage of a product/service development (customers as operant resource), thus, the key actors are customers, managers and employees. However, the role of a customer in both co-creation and co-production of services is of primary importance, because in services like the hotel industry the production phase cannot be disconnected from the consumption activity – it is impossible for a hotel to provide a service to a customer without his/her participation in its production/creation (Chathoth et al., 2013).

The fourth difference between two concepts is the focus of the production/creation. Thus, co-production is viewed predominantly as firm-centric where the service process is linked mainly to a firm's own resources and competencies. While co-creation is customer or experience-centric engaging a high level of customer integration (Chathoth et al., 2013).

In co-production innovations are led by a firm, but co-creation allows a firm to co-innovate and co-design with customers, which helps to generate new knowledge and ideas in value co-creation processes (Chathoth et al., 2013).

In terms of communication, co-creation is more transparent than co-production which is mainly limited to getting feedback from customers, while co-creation is considered to base on ongoing and open dialog between service co-producers, customers, suppliers, partners etc. (Chathoth et al., 2013).

The traditional roles of consumer/producer and interrelation between them also underlie the distinction among co-production and co-creation processes. Speaking about the traditional roles of consume/producer, Humphreys and Grayson (2008) refer to the post-modern critique of production/consumption dichotomy, which states that consumption is a productive process because through consumption processes consumers construct their identity (Firat et al. 1996 cited in Humphreys & Grayson, 2008). In economic activities that value symbolic products like brands, fashion, advertising consumers are as productive as producers of these symbolic products are. Thus, a customer is not a simple consumer but an active participant of an organization's work, this kind of activity represents co-production (Humphreys & Grayson, 2008). "It is argued that, almost by definition, the more companies encourage product users to participate in the process of co-production, the less we will be able to distinguish between consumer and producer" (Humphreys & Grayson, 2008:6). They correspond co-production with the notion called "production for use" illustrating that consumers can and do work to create use value (Humphreys & Grayson, 2008:6). Co-production is an important step to reduce the cost of a product or service, particularly when producing services/products for mass production. But, if consumers take part in co-production for personal benefit, they may enjoy participating in that step of a value chain regardless of the cost because producing products for individual consumers frequently costs more than mass production. In such cases, consumers are often willing to pay more for the privilege of being more involved in the value chain (Humphreys & Grayson, 2008).

The production of exchange value is a fundamentally different from the process of use value (Humphreys & Grayson, 2008). The notion of exchange value corresponds to the process of co-creation where consumers may take over steps in the value chain and help a firm to become more successful in the marketplace (Humphreys & Grayson, 2008). Delimitation of use and exchange value is significant due to the miscellaneous nature of the two concepts (Humphreys & Grayson, 2008). First, the notions differ in their orientation: use value is directed towards the object while exchange value is oriented towards others (Marx 1867 [2001] cited in Humphreys & Grayson, 2008). As a result, the main goal of creating use value is to enjoy the outcome of production processes and the resulting object serves to satisfy needs of a particular individual (Humphreys & Grayson, 2008). On the other hand, the outcome of exchange value is the production of a good/service that can be sold and used by others, thus, "the resulting object therefore tends to embody social values and preferences" (Humphreys & Grayson, 2008:11). Second, use value and exchange value have a different type of relationship between object or

service produced and a person who produce it. An individual normally produces use value for him/herself and, as a result, people value objects they produce more than things created by others (Humphreys & Grayson, 2008). On the contrary, exchange value undermines a process when consumers produce something that they themselves do not use but which is then sold for exchange value. Hereby, the production of exchange value removes meaning from the production process by distancing workers from the ends of the value chain (Humphreys & Grayson, 2008).

A third and final difference between use value and exchange value lies in the distribution of value to the relevant parties. Use value is consumed by an individual who uses the object or experiences service, and accordingly, it belongs to that individual (Humphreys & Grayson, 2008). In contrast, exchanged value is created by groups of individuals collectively, thereby, the consumption of it by only one individual is a difficult issue (Humphreys & Grayson, 2008).

To this point, the chapter has discussed two elements of firm-customer collaboration co-production and co-creation. It has provided theoretical insights into understanding the difference between these two concepts. Despite a certain ambiguity of the terms in the S-D logic framework, the two phenomena must be viewed separately as two distinct conceptions. The research related to this Master's thesis focused on the process of co-production in service and considered it to be the part of service-dominant (S-D) logic.

### 2.3 THE MODEL OF CUSTOMER/CONSUMER INTERACTION

Chathoth et al. (2013) developed a co-production/co-creation matrix based on four types of company - consumer interactions depending on the location and type of co-created value: co-production, firm-driven service innovation, customer-driven customization and co-creation (Fig. 1) (Chathoth et al., 2013). The key differences between co-production and co-creation, such as whether value creation is delivered through a production or consumption process, whether the involvement and communication between firm and customer is overwhelmingly firm- or customer-driven, and whether that involvement/communication is sporadic or continuous formed the basis of the matrix (Chathoth et al., 2013).

<b>Involvement/Dialogue Type</b>	<i>Customer-Firm: Continuous</i>	Customer-driven Customisation	Co-creation Approach
	<i>Firm-Customer: Sporadic</i>	Co-production Approach	Firm-driven Service Innovation
		<i>Production Process</i>	<i>Consumption/ Usage Process</i>
		<b>Primary Value Creation</b>	

Fig. 1. Co-production to co-creation matrix

Source: copied from Chathoth et al. (2013)

The matrix is represented by two key elements: value creation and involvement/dialog type; and the relationship to co-production, customisation, service innovation and co-creation—the four “ideal types” of approaches to service production processes (Chathoth et al., 2013:16). The value creation element includes three components: 1. consumer participation in both production and consumption stage; 2. whether the role of customer context has been integrated; 3. the degree to which customers’ needs are met (Chathoth et al., 2013). The involvement and dialog element, in its turn, relates to: 1. whether innovations are implemented and developed with customer engagement; 2. passive/active role of a customer; and 3. the transparency of the dialog with a customer – a sporadic dialog or a continuous one (Chathoth et al., 2013).

Chathoth et al. (2013) argue that in early literature co-production and co-creation were viewed as dichotomous approaches to service production while the authors regard service production approaches as a continuum, with co-production at one end and co-creation at the other where service production approaches, such as customization and service innovation are viewed in the middle of this continuum (Chathoth et al., 2013). For co-production and customer-driven customization service production, the process of value creation is derived primarily through the production process rather than the consumption process, on the contrary, for firm-driven service



innovation and co-creation service production, value creation is obtained primarily through the consumption/usage process (Chathoth et al., 2013).

A firm-driven service innovation and co-creation approach requires a greater focus on value-in-use, further, the involvement/dialog element of the matrix defines if the process is firm-driven service innovation or co-creation (Chathoth et al., 2013). If the production process is defined by a firm as sporadic, it means that emphasis is made on the engagement of customers in the production process over a limited period to allow for review and testing of potential service innovations (Chathoth et al., 2013). In contrast, if the involvement/dialog element is described as continuous, the process can be represented in the form of a customer-driven customization or consumption-oriented co-creation approach (Chathoth et al., 2013). The last factor separating customer-driven customization and co-creation is whether value creation is based on production or a consumption process (Chathoth et al., 2013).

The term firm-customer is used in the matrix in order to highlight the firm-centric view of customer involvement in the service production process, while the term customer-driven customization is the determinant of the opposite customer-centric approach that is necessary for customizing of services (Chathoth et al., 2013).

Chathoth et al. (2013) claim that the co-production to co-creation matrix helps to clarify two intermediate service production processes, that is, firm-driven service innovation and customer-driven customization: “because co-production and firm-driven service innovations are more firm-centric in nature, these two service production approaches are more transaction based, resulting in a predominantly ‘best available’ concept” (Chathoth et al., 2013:16). Thus, an example of co-production in a hotel service environment can be illustrated by a case when a hotel provides pillows on the bed and extra pillows in the closet for guests to use. It represents the hotel’s best available pillows resources and a customer should choose between the pillows that come close to meeting his/her expectations (Chathoth et al., 2013). The opposite phenomena of customer-driven customization and co-creation are customer-centric in nature and, thus, based on increasing degrees of customer engagement and consumption-derived value (Chathoth et al., 2013). However, as the present research centers on the co-production process, these two phenomena are not relevant and accordingly, are not discussed in detail during the study.

Depending on marketing strategy, leading market segment orientation, hotel category and type, and other factors, the hotels represent different types of service production processes. The co-

production/co-creation matrix discussed in this chapter has particular significance for this Master's thesis research. It is used as a tool for analysis of services with active customer involvement implemented in each particular hotel case. At the same time, the key emphasis is service co-production with customers as the leading research question of this thesis.

#### 2.4 PROCESS OF CO-PRODUCTION IN THE FRAMEWORK OF S-D LOGIC

FP6 - is the sixth theoretical principle of service-dominant logic initially introduced by Vargo and Lusch (2004), that being that the customer is always a co-producer (Vargo & Lusch, 2004). The principle implies that from a service-centred marketing perspective with a focus on long-term processes, a customer is always involved in value production while traditional goods-dominant view treats a producer and a consumer as two independent and separated actors (Vargo & Lusch, 2004). Even tangible goods from a S-D logic perspective are not the end of the manufacturing process; their production is an intermediary process where goods play the role of tools or appliances that provide services for and in conjunction with consumers (Vargo & Lusch, 2004). However, in order for these services be delivered, the customer must learn how to adapt these appliances for his/her own use, unique needs, situations and behaviours (Vargo & Lusch, 2004). "In summary, in using a product, the customer is continuing the marketing, consumption, value-creation and delivery processes", such is the main implication of value co-production with a customer as described by Vargo and Lusch (Vargo & Lusch, 2004:11). Specifically, a customer becomes primarily an operand resource (co-producer) rather than an operand resource ("target") and may be involved in the entire value production chain by acting on operand resources (Vargo & Lusch, 2004).

The next step in the development of thought about value co-production was made by Vargo and Lusch in their articles published in 2006 and 2008. The foundational premise (FP6), which stated "the customer is always a co-producer" had been changed to "the customer is always a co-creator of value" (Vargo & Lusch, 2008). The term co-creator of value is used instead of the original term co-producer because the term co-producer "brings too much of a goods-dominant and production-oriented logic" (Vargo & Lusch, 2006). Such a change took place to underline the interactional and collaborative nature of value creation where a customer plays an active role but "that emphasis could easily become lost in the connotations of "production" (Vargo & Lusch, 2008:7).

Despite the change of terms in FP6 from co-production to co-creation of value and their statement that co-production is distinct from co-creation, they argue that co-production “has a place in S-D logic” (Vargo & Lusch, 2008:8). Further, they determine the position of co-production as being “a component of co-creation” and captures participation in the development of the core offering itself, specifically, “when goods are used in the value creation process” (Vargo & Lusch, 2008:8).

The research that informs this Master’s thesis focussed on FP6 in its original understanding as per the study developed by Vargo and Lusch (2004). Despite the changed wording of the FP6 from understanding the customer as co-producer to the customer as a co-creator, the research focus was the process of service co-production in the theoretical framework of S-D logic due to the fact that co-production can be considered to be the component of co-creation and, accordingly one of the aspects of S-D logic. In this regard, the thesis treats co-production as the process of customer participation in the development of the core offering in application to the hotel industry. The core offering of hotels is service, which is the foundation of every hotel in hospitality industry. In modern economies, the hospitality industry must provide high quality service to achieve competitive advantage in the ever-growing pace of competition. The competitive situation has fundamentally changed and will continue to change in the future. These changes are characterized by quantitative growth in the number of market actors as well as by significant changes in strategic behavior of market actors (Korelina, 2015). No longer it is enough to only provide service to customers in hospitality industry. The emphasis should be made on customer satisfaction and loyalty to achieve competitive advantage in the market and guarantee a hotel’s future survival in the highly competitive hospitality market. Co-production of services together with customers is the solution to this problem, because co-production affects customer satisfaction and provides possibilities for customers to personalize the experience of staying in a hotel (Bendapudi & Leone, 2003; Claycomb et al., 2001; Mills & Morries, 1986; Cheung & To, 2011; Wang et al., 2015).

## 2.5 THE ROLE OF A CUSTOMER IN CO-PRODUCTION PROCESS

Hilton and Hughes (2013) postulate an active co-production role of customers for the achievement of value, because one of the foundational premises of S-D logic (FP9) states that “all social and economic actors are resource integrators” (Vargo & Lusch, 2008; Hilton & Hughes, 2013:863).

Cova and Dalli (2009) in their study of the concept of “working consumer” state that the customer role is changing and that the marketing literature attempts to capture these new consumer roles: prosumer, protagonist, post-consumer, consum-actor, etc. (Cova & Dalli, 2009). The terms describe more active and constructive consumers, their market experience and relationships with companies (Cova & Dalli, 2009). There are several research streams, which consider the active role of a consumer in the market; one of them is co-production in the service encounter (Cova & Dalli, 2009). Many marketing theories identify the core elements of the evolving consumer as a producer but they do not address a key point: consumers are not producers in the full sense of the word. Producers receive the revenue derived from the market, while consumers do not; besides, although they do not produce in the traditional sense, consumers do work. Thereby, Cova and Dalli (2009) define them as “working consumers” (Cova & Dalli, 2009).

The consumption process is a significant way to express consumer’s self-identity. In this way, the demand to identify himself or herself through consumption explains a consumer’s willingness to participate in the production process. The more a consumer is engaged in the process of service production and service delivery, the greater the perceived value and satisfaction (Cova & Dalli, 2009). Personal and emotional interaction with a service provider is another factor that influences customer satisfaction positively in many settings (Bitner et al., 2000; Pugh, 2001; Auh et al., 2007; Ching-Jui et al., 2007; Jayawardhena et al., 2007 cited in Cova & Dalli, 2009). Another explanation of this phenomenon is that consumers, who are engaged in co-production of their services feel involved and construct positive affective evaluations of both the service and the company; in this way, consumers increase their loyalty, willingness to buy, etc. (Cova & Dalli, 2009).

The increase in perception of service-value can also be viewed from the perspective of customer-customer interaction. Some studies indicate that the more positive interactions occur between customers, the higher the perceived value of service in terms of satisfaction, positive word-of-mouth, etc. (Moore et al., 2005; Rosenbaum and Massiah, 2007 cited in Cova & Dalli, 2009). Subsequently, when customers are engaged in both industrial and financial service co-production at the collective level by improving the service quality through customer-customer interaction, this simultaneously enhances collaboration between a customer and a company (Cova & Dalli, 2009).

Summing up, the active role of a customer in service encounters provides value for both a customer her/himself and a service provider, such collaborations may lead to customer

integration through participation (Cova & Dalli, 2009). In this way, “consumers (as individuals and as a group of interacting subjects) become partial employees and employees become partial consumers” (Cova & Dalli, 2009: 319).

Consumer Productivity of Co-production in Service Encounters (Cova & Dalli, 2009:324)

- What are consumers producing? - The service
- With whom? – Alone and/or with company employees
- For what consumer purpose? – Customization of product/service
- For what company purpose? – Increased consumer satisfaction and cost reduction.

Despite the fact that several research streams considered that the active role of a consumer in the market is rooted in different theoretical backgrounds and deal with specific consumption practices, these approaches together with co-production in service encounters have some important elements in common (Cova & Dalli, 2009).

First, “consumers actually work” (Cova & Dalli, 2009). It implies that customers undertake activities that directly or indirectly increase the value of the offering of whatever the market provides. They collaborate with service co-producers to customize the service they need, interact critically with the market for the purpose to transform the service into something more valuable for them from economic–functional, cultural, and ideological perspective and contribute to their satisfaction through co-production/co-creation process (Cova & Dalli, 2009).

Second, in order to create innovations, individuals should work in collaboration with each other and contribute to the social and cultural capital of the community (Cova & Dalli, 2009). Consumers also collaborate with companies and their personnel by means of enabling technologies, companies in their turn provide support, resources and direct reward dependent on circumstances (Cova & Dalli, 2009).

Third, consumers “pursue personal purposes”. Consumers work in order to feel satisfied, gratified on the personal level, and socially recognized (Cova & Dalli, 2009). These purposes are primarily oriented towards the value increase of resources on which consumers work, such as predominantly goods and services but they are not usually measured in strict economic terms (Cova & Dalli, 2009).

Fourth, “companies often participate in the performance of these activities”. In the majority of cases, companies should interact with consumers and coordinate their actions as

well as provide support for them in order to achieve the market value, otherwise, the firm rejects the value produced by their customers (Cova & Dalli, 2009).

The fifth point is the importance of individual and social rewards that consumers seek when they become involved in co-production such as personal gratification, higher satisfaction from their purchases, social recognition, etc. (Cova & Dalli, 2009).

## 2.6 CUSTOMER INVOLVEMENT AND MOTIVATION TO SERVICE CO-PRODUCTION PARTICIPATION

The process of involving customers in production processes is not new but recognition that co-production with customers is the next frontier in competitive advantage is a relatively new notion - companies may use the talents of their customers to increase productivity and to deliver superior service (Bendapudi & Leone, 2003).

Bendapudi and Leone (2003) conducted the first empirical investigation into a customer's psychological response to participation in production (Bendapudi & Leone, 2003). The results showed that customer participation in production affects the link between outcome quality and satisfaction with a firm: a customer is subject to a self-serving bias and this tendency is reduced when a customer has a choice of whether he or she will participate in production (Bendapudi & Leone, 2003). The participation in co-production, hereby, directly influences customer satisfaction with a service and an organization itself.

A similar study has been conducted by Cheung and To (2011) who investigated the link between customer involvement (a psychological state) and perceived service performance in situations with high or low levels of co-production (Cheung & To, 2011). Other studies highlight that customer involvement is an influencing factor of customer's decision and that it can be treated as a motivational state of mind that is goal directed (Engel et al., 1982; Zaltman & Wallendorf, 1983; Cheung & To, 2011). From a managerial perspective, if customers make inputs to the co-production of service, providers have a better opportunity to tailor the needs of customers and, thereby, promote a favourable perception of service performance (Claycomb et al., 2001; Mills & Morris, 1986; Cheung & To, 2011). The results of this research supported the hypothesis that a high level of co-production helps to strengthen the effects of customer involvement on perceived service performance; hence, customers who are highly involved in



co-production process are more likely to enjoy services that they have taken part in (Cheung & To, 2011).

Lusch et al. (1992) and Etgar (2008) investigated factors influencing customer participation in the co-production process. The factors-expertize, control, physical capital, risk taking, psychic and economic benefits explain not only the motivations of customers to be involved in co-production but may also help to identify how much the customer wants to be part of service operations (Lusch et al., 1992; Etgar, 2008). When a supplier intends to develop an innovative service strategy or wants to work out a co-productive service together with customers s/he can use each factor.

Wang et al. (2015) argued that customer motivation to participate in co-production is important for its effectiveness. These researchers proposed a model of co-production and investigated the link between co-production and its antecedent factors such as customer expertise and interpersonal relationships (Wang et al., 2015). The results of their survey purport that factors, such as communication between customers and service providers, provider and customer expertise, interpersonal relationships and dependence of co-production from its participants (service provider and consumer) influence the process of co-production with customers (Wang et al., 2015).

The first factor, communication is a way of socializing customers by helping them to identify with their roles in the co-production, which is critical for its effectiveness, thereby, the degree to which customers identify themselves as co-producers has an effect on their willingness to participate in co-production (Wang et al., 2015). The second factor that influences customer's motivation to participate in co-production is provider expertise that may be characterised as provider's knowledge or expertise about customer questions and concerns (Wang et al., 2015). Experts are more influential than non-experts, and the more a provider is able to enhance the role of customer clarity and the satisfaction of customers towards a service provider, the more a service provider motivates customers to participate in co-production (Wang et al., 2015). Interpersonal relationships and regular and frequent interaction between customers and service employees positively influence co-production (Wang et al., 2015). Co-production implies such features as company-consumer interaction or social exchange and adaptation for the purpose of attaining value, generally speaking, co-production is used to refer to the "interactive nature of services" (Yen et al., 2004; Wang et al., 2015). The last factor that was extracted and supported by the research was dependence, it influences customer motivation to participate in co-production of service together with all the factors described below (Wang et al., 2015). The

factor of dependence implies that when clients are dependent on service provider's advisories, the client's satisfaction with a service provider's expertise and communication will influence co-production. Dependence moderates the relationship between co-production and its determinants (factors), thus, when dependence is at a high level, the connection between a service provider's expertise, communication, other determinants and co-production will accordingly be stronger than when dependence is low (Wang et al., 2015).

Summing up, customer co-production in service processes leads to a higher degree of customer satisfaction that was supported by a range of research. As long as customer satisfaction is considered to be the important element of co-production processes, the present Master's thesis analysed customer satisfaction factor as one of the possible purposes of service co-production implementation in the hotel industry in Tromsø, Northern Norway.

## 2.7 A BROAD AND NARROW VIEW OF SERVICE CO-PRODUCTION

This section of the chapter presents broad and narrow theoretical insights into co-production making with an emphasis on the process of service co-production as the main subject of the present research. The broad and narrow approaches to the service co-production concept discussed in this part of the thesis provide theoretical principles that were used to identify the approach to service co-production developed by hotels in Tromsø in the research that informed this thesis.

The customer has always been the key focus of marketing activity, but the way how commercial organizations view customer relationships is changing from "making a sale" and "gaining a client" to making a customer a "co-producer" (Trinh et al., 2014). A traditional (non-co-productive) view treats a customer as a recipient of production who does not take part in service or goods production, that is, a product or a service is delivered to the customer (Sampson & Money, 2015). On the other hand, customer co-production means a customer is an active participant in the production process of a firm (Sampson & Money, 2015). There exist various ways a customer may participate in co-production process. A customer may provide specifications for the offering, may assist in designing the offering, a customer may act as production labour, thus functioning as a provider. A customer may act as an object of the production process, meaning that a customer her/himself experiences a transformation through the production process, additionally, a customer may assume responsibility for monitoring the quality of a service production process (Sampson & Money, 2015).

Speaking about the process of co-production in service encounters that has specific relevance for this Master’s research, Trinh et al. (2014) characterise this process as a result of technological, economic and institutional influences (Trinh et al., 2014). From this perspective, technological influence determines whether both a customer and an organization contribute to the output, while economic and institutional approaches determine whether there are effective solutions under the co-production function (Trinh et al., 2014). Generally speaking, co-production represents itself as the combination of productive efforts of firm and customer/customers by way of directly coordinated efforts during the same production process or indirectly by related efforts of a firm and customers (Parks et al., 1981; Trinh et al., 2014).

In modern marketing science literature, there are many definitions of co-production depending on the approach of scholars, type of commercial organisation where co-production occurs, dominant marketing logic, etc. This Master’s research focuses specifically on service co-production in hotel brunch and discusses broad and narrow theoretical approaches to co-production in service encounters.

Sampson and Money (2015) developed a broader view of co-production, which is characterised as “customers providing some essential resource to the production process of the specialized provider, which could be a human resource (such as customer labour), a physical resource, and/or an informational resource” (Sampson & Money, 2015:628). Taking into consideration the co-productive nature of service, they applied an established theory of co-production, the Unified Service Theory (UST), to the international service context and developed a UST service co-production relationship model (Sampson & Money, 2015).

Model of UST co-production (Sampson & Money, 2015:629)

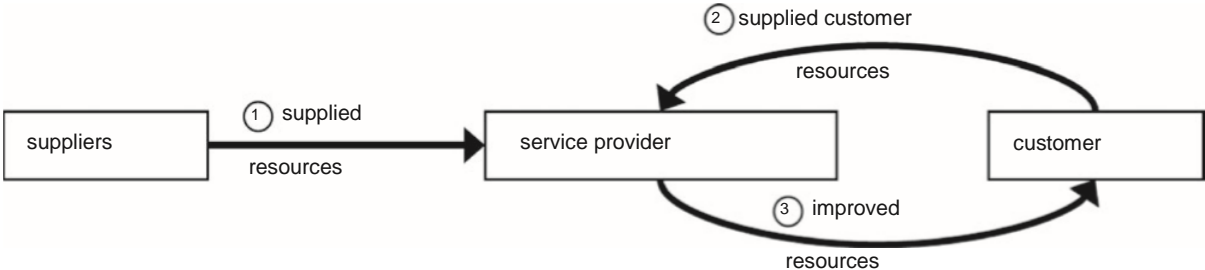


Fig. 1 A UST service co-production relationship

Source: Copied from Sampson and Money (2015)

“The UST defines services as processes wherein each customer provides one or more input resources to the provider for use in that customer’s production” (Sampson & Money, 2015:628). The UST emphasizes that a provider’s service processes are dependent upon customer resources and are not able to produce desired outcome results without resources of customers. Hereby, the model of UST co-production implies service processes to be a “bidirectional supply chain” because the resources go first from customer to provider, then, subsequently or simultaneously from the provider back to the customer who is at the same time a resources supplier (Sampson & Money, 2015).

Chathoth et al. (2013) together with Yen et al. (2004) argued that the term co-production implies “interactive nature of services” and highlights simultaneous consumption and production characteristics of service (Yen et al. 2004; Chathoth et al., 2013). However, Chathoth et al. (2013) note that co-production to the firm-centric view of customer involvement is marked by that and that co-production is mainly an initiative of a service provider for customer involvement in the production of service (Chathoth et al., 2013). Hereby, although a co-production approach offers theoretical and practical implications, it partly ignores the importance of reciprocity between firms and its customers and their interdependence in service production (Chathoth et al., 2013).

Lovelock and Gummesson (2004) describe co-production in its narrow view as a transfer of work from the provider to customer considering the customer as a partial employee. In this regard, “co-production means that customers engage in self-service, using systems, facilities, or equipment supplied by the service provider” (Lovelock & Gummesson, 2004:29). Self-reservation, self check-in and check-out, self-service (restaurants, etc.), participation in hotel green programs, participation in hotel competitions (best photo, etc.) are the processes of service co-production in its narrow sense (Korelina, 2015).

Summing up, the difference between broad and narrow views of a service co-production approach lies in the relationship of the customer to the development of the core offering itself. Despite the definition given by Lusch and Vargo (2006) that co-production means customer “participation in the development of the core offering”, the narrow approach implies that customers are not involved in actual production of the core service activity (Vargo & Lusch, 2006:284; Lovelock & Gummesson, 2004; Sampson & Money, 2015). While the broader perspective to co-production considers the co-productive nature of service to include the customer providing resources that are essential to the production process, and resources are improved through the service process (Sampson & Money, 2015).

## 2.8 SELF-SERVICE TECHNOLOGIES AND SELF-SERVICE AS THE APPLICATION OF CO-PRODUCTION

The active role of a customer in service co-production process can be traced in the example of Self-service technologies or SST. Self-service technologies are an important contemporary phenomenon, which occupies a separate niche in service co-production (Hilton & Hughes, 2013). SST increases the degree of co-production required, specifically and quite deliberately increases the customer co-production role. The customer co-production role in its turn affects the resources that customers and service organizations contribute to the integration process. When a customer uses self-service technologies, the degree of customer co-production increases through the transfer of service task performance from employee to customer, thus, the role of a customer transfers to what can be viewed as “partial employee” (Hilton & Hughes, 2013: 863). In this way, the implementation of self-service technologies by firms enables them to replace the operant resources of their employees with the more widely available and less costly operant resource of their customers, and operant resources (intangible resources: knowledge, skills, labour) are considered to be the fundamental source of competitive advantage (FP4) (Hilton & Hughes, 2013; Vargo & Lusch, 2008).

The outcome benefits of SST usage are treated as evaluation factors of value of using SST from customer perspective (Hilton & Hughes, 2013). Thereby, speed, control, reliability, in common, better satisfaction of customer needs than the non-service alternative, are found to be important components of successful SST usage (Hilton & Hughes, 2013).

From a managerial perspective, SST must provide results that customers may value and view commensurable with their increased co-production role. On the one hand, the implementation of SST may be money and time consuming for an organization. It can provide greater accessibility to services due to the increased role of customers in co-production as “partial employees”; however, organizations adopting SST must be able to fulfil customer generated requests as completely as those generated by employees (Hilton & Hughes, 2013).

One of the challenges for firms, who have implemented SSTs and moved elements of the production process from their own employees to customers is that the true costs may be hidden, besides, customers who use SST play a new role for themselves and this role requires certain new knowledge, aptitudes and skills – a new set of operant resources that organizations will need to manage (Hilton & Hughes, 2013). Therefore, customers acting in the role of active co-production participants and being “partial employees” will require managing in different ways

from a firm's employees in any way (Hilton & Hughes, 2013). For example, firms adopting SST "will need to design the SST to accommodate diversity in the physical operant resources available to customers, such as eyesight and dexterity, as well as cognitive resources, such as familiarity with technology and material resources including computer/broadband access, credit cards, and bank accounts" (Hilton & Hughes, 2013:873).

Several research streams of co-production consider self-service and self-service technologies as the realisation of co-production in service encounter in its narrow view (Lovelock & Gummesson, 2004; Korelina, 2015). The research undertaken for this Master's thesis discusses and analyses self-service technologies (SST) and realization of different types of self-service in application to the hotel industry in Tromsø, Northern Norway. SST in the hotel industry can be accessed by customers within the operating sites of hotels, as in self-serve check-outs and self-serve check-in, or remotely, through the Internet (Hilton & Hughes, 2013). The most important aspect of application of SST is the requirement for a customer to provide the operant resource at the point of transaction. In the frames of S-D logic, an operant resource, in its turn, is a key to gaining a competitive advantage (Hilton & Hughes, 2013). Thereby, the implementation of self-services and SST in hotel's service can be considered as a source of achievement of competitive advantage.



### III. METHODOLOGY

#### 3.1 INTRODUCTION

In this chapter, the methodology of the research process that informed this thesis is discussed. In particular, how the research was conducted and structured within the framework of qualitative inquiry. The observation of the information presented on the web sites of hotels in Tromsø, Northern Norway within the 3-4 star chain category based on the presence of services where customers could participate in service co-production was chosen as the method of sample selection. The choice of a qualitative methodology in data collection and analysis is linked to its ontological, epistemological and methodological relevance to the research question stated in the Introduction chapter and pursued through the entire study. Qualitative in-depth semi-structured individual interviews were chosen as the leading method of data collection as the most suitable technique to investigate service co-production in hotel industry from managerial perspective. All semi-structured individual interviews were organised around an interview guide where the questions were predetermined in accordance with the theoretical inquiry of service co-production process discussed in chapter 2, Theoretical framework. The design of interview guide is presented in Appendix 3. This chapter also provides a detailed description of data collection. Following this chapter, the criteria for selecting the target group are described and explained in the subchapter Sample characteristics.

This chapter also considers research ethics principles related to the Master's research that informs this thesis.

#### 3.2 QUALITATIVE METHOD

Post World War II, scientific, quantitative methods have dominated, and much tourism scholarship, which has been based on cross-disciplinary influences reflects a bias towards rigorous, quantitative scientific methods (Walle, 1997). However, in recent times, tourism and disciplines close to tourism (such as marketing) are increasingly embracing qualitative techniques and models. "Such an expansion of the methodological toolkit of legitimate research can and should be applied to tourism scholarships" (Walle, 1997: 526).

Social researchers are familiar with both concepts of quantitative and qualitative research, and both methods are commonly treated as "useful" and "legitimate" (Walle, 1997: 524). The distinction between qualitative and quantitative methods plays a central role in research methodology. Generally, the choice between qualitative and quantitative method cannot be made in the abstract, but must be linked to the research question and research objects (Alvesson

& Skoldberg, 2009). However, it has been argued that the dividing-line between quantitative and qualitative methods has become a little blurred, however, this does not prevent it from being useful (Alvesson & Skoldberg, 2009). A range of discussions has suggested that qualitative research makes significant and valuable contributions to knowledge bases (MacClearly, 1992; Dann, 1988 cited in Riley & Love, 2000).

This thesis uses a qualitative methodology as the framework for data collection and analysis using a qualitative interview technique. One of the significant features of qualitative methods generally is that they start from the perspective and actions of the subject studied, while quantitative methods typically begin with the researcher's ideas about the dimensions and categories, which form the central focus of the research (Alvesson & Skoldberg, 2009). Subsequently, a qualitative method was used because the main aim of this Master's research was to gain in-depth information about the subject of service co-production, its development and realisation, structure of services co-produced, and the leading purpose of their implementation.

Quantitative techniques often face the problem of context stripping and focus on a selected subset of variables, which necessarily "strip" from consideration alternate findings and ensure generalizability. Alternately, qualitative methods, may fix such an imbalance by providing contextual information, thus, helping to avoid generalization and ambiguity of individual cases (Guba & Lincoln, 1994). In the frames of this study, which investigates the process of service co-production in application to the 3-4 star hotels in Tromsø, Northern Norway; the main objective was to avoid generalizability and achieve in-depth detailed information about service co-production phenomenon. Qualitative methods of data collection and analysis are also useful for uncovering emic views in grand theories with local context: the etic/emic dilemma because the etic (outsider) theory may have little or no meaning with the emic (insider) view of researched groups, individuals, societies and cultures (Guba & Lincoln, 1994). As long as this thesis has a narrow geographical perspective, generalizability avoidance and "the consideration of open, equivocal empirical material, and the focus on such material" has particular significance in order to gain a full overview of the studied concept (Alvesson & Skoldberg, 2009: 35).

In this Master's thesis' research, a scientific, quantitative approach is neither a relevant method of data collection nor analysis because the usage of a quantitative approach does not correspond to the research question stated for the thesis. A formal/scientific methods would not result in the in-depth data needed for the thesis research and the data collected could not be analysed by

formal models of quantitative methods (Walle, 1997). Consequently, a further emphasis was made on the use of qualitative research as the main method of investigation.

This Master's research study developed from a managerial perspective. In pursuing this, the process of customer service co-production was able to be understood and discussed from the point of view of hotel managers, the participants in this research. A qualitative approach was extremely useful because it allowed phenomenon to be interpreted "in terms of the meanings people bring to them, humanizing problems and gaining an 'emic', or insider's, perspective" (Phillimore & Goodson 2004: 4; Denzin & Lincoln, 2005).

In many areas of theoretical and practical knowledge, a qualitative method of interview has been widely applied across studies of service co-production with customers. A qualitative method of semi-structured interviews was also applied as the method of data collection in this Master's research. Such an interview method allowed me to construct knowledge while interviewers and informants negotiated meanings and understandings (Hannam & Knox, 2010). In this regard, the thesis research was conducted using the method of in-depth, semi-structured individual interviews to obtain detailed and contextual information about the structure and development of service co-production with customers in each hotel case as perceived from a managerial perspective.

Despite the large number of studies of customer service co-production in different disciplines, service co-production with customers as an individual entity separated from co-creation in the hospitality and tourism industry is still limited. Nonetheless, no studies were located during the literature search, which measured the degree and ways of implementation of services co-created together with customers with respect to the hotel industry, and in particular to Northern Norway. Consequently, this Master's thesis research studied customer services co-production in the hotels of Tromsø, Northern Norway, how they were implemented, developed as well as measures of the degree of co-production of such services based on the data collected using the method of semi-structured qualitative interviewing.

### 3.3 PROCEDURE OF DATA COLLECTION

The period of data collection commenced 18<sup>th</sup> January 2016 when the first interview with Thon Hotel Tromsø was held and concluded 3<sup>rd</sup> March 2016 when the last interview with City Living Hotel & Apartments was conducted.

All the informants were sent a letter inviting participation in the study and were informed that no personal information except their job position and the name of the hotel would be mentioned in the study. All participants were given the opportunity to refuse participation. The informants were asked for permission to record interview conversations and were informed that the recording of interviews and transcriptions ensured precision in data analysis. The interviews lasted from 30 minutes to one hour. The informants were asked to be open and forthright and were never told that there was “a right answer to the question” (Shenton, 2004). When interviews were transcribed expressions, repetitions and words such as “hmm” and pauses were not included in transcriptions and analyses (Huotari, 2012). It was emphasised that the researcher was independent and the data collected would be used for a Master thesis at the Arctic University of Norway (UiT). Moreover, all the research participants were ensured that no direct data would be available to unauthorised sources.

Generally, the types of interview used by researchers are classified according to the degree of structure imposed on them (Hannam et al., 2010). Semi-structured interviews or general interviews guide approaches that situate between two types of interviewing: structured and unstructured (Hannam & Knox, 2010; Turner, 2010). A semi-structured interview is considered the most common approach to interview methods in research projects (Hannam & Knox, 2010). A qualitative method of semi-structured interview was chosen as the leading method of data collection for this Master’s study. “Semi-structured interviews result in social construction of knowledge as interviewers and interviewees negotiate meanings and understandings” (Hannam & Knox, 2010: 182). They offer some of the advantages of both ways of interviewing method in that it is relatively informal, open to the input of both an interviewer and an informant, and is partially structured through the use of an interview checklist or interview guide (Hannam & Knox, 2010). During the collection process, the researcher interacted with research participants in an informal manner. In doing this, it was possible to learn more about the in-depth experiences of respondents regarding service co-production with customers in the hotels chosen for the research; as well as the construction of knowledge by negotiating it with informants. In implementing this technique, the researcher avoided presenting her own interpretation of respondents’ behaviours and motivations as the ‘truth’ by enabling informants to speak throughout the research project (Hannam & Knox, 2010).

Semi-structured interviews enable a shifting of focus as conversations unfold and enable follow-up questions to be asked or to pursue previously unexpected answers (Hannam & Knox, 2010). In the process of an interview, iterative questioning can be used if an informant gives

vague answers and in case of misunderstanding questions, which occurred mostly in the beginning of an interview when informants were not “warmed up” and not prepared enough. The interview technique also allowed the opportunity for interview participants to extend previous answers, when new information or details came to mind during the interview process. In the case of misunderstanding questions or if the answer was not fully covered, the researcher used more detailed explanations of questions and provided some common examples. These techniques were used in order to ensure reliability of data and to omit details, which were not relevant for the present study.

The way that questions were asked and worded depended upon whom the researcher was conducting the interview. Lack of consistency in asking research questions is one of the obvious issues with a semi-structured interview. Such informal environments allowed the researcher to ask a range of pre-constructed questions that prepared the informants to further constructed questions detailed on the interview guide (Turner, 2010). In this regard, each interviewee was asked introductory questions about history of the hotel, general marketing strategy and hotel’s policy orientation. The information elicited from these questions generated findings related to the previously stated research question, as well as provided additional support for informants to be open for further interview questions and other relevant information. Every hotel that participated in the research was unique, despite, three of them being part of the Nordic Choice group; however, the group includes hotels that belong to different hotel chains. Each of research participants had services that were not represented in the others’ hotels or were developed differently. Thereby, the researcher asked additional questions that were unique for each research participant regarding services or programs in which the researcher was particularly interested. These included questions about how the Green Program was represented and the role of customers in it; self-service check-in and check-out systems; express check-in and check-out service; as well as the breakfast service and laundry service for customers. These services and programs were of particular significance for this Master’s study because in several cases they represent co-production with customers. Such a method of conducting interviews allowed the researcher to explore an approach that was more personal for each interview participant and achieved in-depth detailed information about service co-production based on managerial perspectives, which was the focus of the research.

An interview guide was used to maintain structure and ensure that all informants were asked the same questions. It provided more of a focus on the research issues than an unstructured interview but still allowed degrees of freedom and adaptability in getting necessary information

from informants (Turner, 2010). In terms of the current study, the interview guide was primarily used to inform the structure of interviews, limit unnecessary facts and bound the information that was relevant for the present research, however, any insights connected to the research question were greatly appreciated.

The interview guide was divided into three main parts; each contained a set of sub questions dedicated to a particular aspect of service co-production with customers in the hotel industry. The first set of interview questions was devoted to service co-production with customers and its development in hotels. The purpose of the first part of each interview was to find the information about the existence of services that are co-produced with customers in each particular hotel. Additionally, the first set of questions elicited information about the general policy of the hotel towards its customers, what role customers play in services implemented in the hotel, their duties and responsibilities in hotel's services, and also the readiness of the hotel to treat its customers as co-producers. The second part of interviews was a set of questions that were focused on customer feedback, ways of measuring customer feedback and guests' motivations for leaving all types of feedback including both positive and negative. Mutual feedback is an integral part of co-production of services. It reflects a hotel's willingness to include its customers in active co-production regarding how a hotel measures received feedback, how it copes with negative customers responses and if the hotel is ready to improve services in case of negative guests' experience. The third part of the interview guidelines was called "Knowing you customers". This part helped to get the necessary information about each hotel's orientation towards particular marketing segment/segments of customers and the reason why each research participant had chosen their respective orientations. This set of questions gained insights and a better understanding of the structure of services co-produced, what kind of customers they are oriented to and why. The final chapter of this thesis focuses on a range of collaboration possibilities for customers as part of services and co-production and the degree of their accessibility.

### 3.4 SAMPLE CHARACTERISTICS

The sample was selected based on the main principles and examples of service co-production with customer engagement as applied to the hotel industry in general. In the process of sample selection, the researcher observed the information presented on the web sites of hotels in Tromsø, Northern Norway within the 3-4 star chain category based on the presence of services

where customers could participate in service co-production. Possible customer participation could be expressed in various ways, such as providing specifications for offerings, assisting in the design of offerings, customer production labour, experiencing a transformation of service by a customer, and monitoring the quality of a service production process (Sampson & Money, 2015). Moreover, the choice of hotels was based on examples from previous research on service co-production in the hospitality industry. Specifically, Korelina (2015) described the processes of self-reservation, self check-in and check-out, self-service (restaurants, etc.), participation in hotel green programs, participation in hotel competitions (best photo, etc.) as the examples of service co-production in hotel industry (Korelina, 2015). The results of sample selection showed that all the hotels chosen as potential research participants demonstrated at least one of these examples.

Besides the previously described principles of sample selection, the choice of a group of 3 and 4 star chain hotels was made in accordance with the following suppositions that reflect the potential possibility of customer co-production implementation in services of the hotels belonging to this hotel group.

1. Chain hotels of the 3 and 4 star category are based on high service standard.
2. Chain hotels in the 3 and 4 star category are customer-oriented (more likely to involve customers in service co-production solutions).
3. Chain hotels in the 3 and 4 stars category have a good reputation in the hospitality market of Tromsø, Northern Norway.
4. Chain hotels in the 3 and 4 star category have high ratings at independent and world-wide known travel resources, such as TripAdvisor.com and Booking.com. and/or a long standing history in the Norwegian market.

Each hotel was chosen so that bias was reduced by selecting informants that met the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> represented requirements. The 2<sup>nd</sup> requirement was not possible to detect prior to the conduct of the interview, however, its presence or absence was determined in the process of analysing each of the participating hotel manager's interviews. Before inviting research participants to take part in interviews, each potential informant was checked with regard to the degree of satisfaction of declared conditions. The potential participants' reviews included examination of the main websites of every hotel, general information, ratings and customers' evaluation of each potential hotel research participant based on TripAdvisor.com and Booking.com. pages and reviews.

Through the sampling process, six hotels located in Tromsø, Northern Norway met the criteria:

1. Thon Hotel Tromsø
2. Comfort Hotel Express Tromsø
3. Smart Hotel Tromsø
4. Clarion Hotel the Edge
5. Quality Saga Hotel
6. City Living Hotel & Apartments.

Table 1. overviews the key informants, who were interviewed. Variations in emphasis may be expected relating to the different positions of interviewees, business concepts and leading marketing strategies of different hotel chains.

Table 1. Case study of the hotels from the Research Sample

Hotel Code	Name of the hotel	Category	Name of the Chain	Key informant
A	Smart Hotel Tromsø	3 star	Smarthotel	Hotel Manager
B	City Living Hotel & Apartments Tromsø	3 star	City Living Hotels & Apartments	General Manager
C	Quality Hotel Saga	3 star	Quality Saga	General Manager
D	Thon Hotel Tromsø	3 star	Thon Hotels	Booking Manager
E	Comfort Hotel Express Tromsø	3 star	Comfort Hotel	Barception Manager
F	Clarion Hotel the Edge	4 star	Clarion Hotel	General Manager

The selection of informants for the sample was based on convenience sampling meaning that the interviewer already knew the informants. The sample consisted of six informants, who occupied managerial positions in each hotel. Such informant selection is connected with the research question focus that service co-production with customers was to be viewed from a managerial perspective. The first informant occupied the position of Booking Manager in Thon Hotel Tromsø, the second informant was the Barception Manager in the Comfort Hotel Express, the third informant occupied the position of Hotel Manager in the Clarion Hotel the Edge, the



fourth informant was also the Hotel Manager of Smart Hotel Tromsø. Interview informant number five was the General Manager of the Quality Saga Hotel, and the sixth research informant occupied the position of General Manager of the City Living Hotel & Apartments Tromsø.

The sample size (number of informants) for this research was six people making the sample size relatively small but acceptable since a small sample size is expected for this kind of study as informants are required to describe service co-production with customers in sufficient details. Moreover, in this Master's research study, the qualitative techniques of data collection and analysis, particularly, the use of semi-structured interviews as the main method of data collection implies a small sample size (Hannam & Knox, 2010).

To sum up, this Master's research focused on the process of service co-production with customers in relation to the hotel industry in Tromsø, Northern Norway as per the leading research question. The research was conducted with participants from six hotels drawn from the 3 and 4 star chain category. The choice of research participants reflected match with the context of the leading research question that 3 and 4 star chain hotels are more likely to implement service co-production with customer engagement due to suppositions noted in chapter 3.4. All the research participants belonged to different hotel chains, which increased the possibility of shedding light on the research question from a range of perspectives, and thereby contributed to richer variations in the phenomena under study.

### 3.5 ETHICS

This study has been reviewed and received ethics clearance through Norsk samfunnsvitenskapelig datatjeneste (NSD). The ethics file number is 46236.

The researcher had no previous experience in co-production of services with any hotel so the interviewer had few services co-production biases. However, the researcher could have biases caused by previous investigations in the sphere of service co-production with customers.

The project did not provide directly identifiable personal information of research participants, such as names, social security number, phone or email addresses, however, the data collected included background information that may indirectly identify individuals. In particular, the data represents the name of hotels that took part in the research and the positions of interviewees within each of the hotels. Consequently, the informants are not directly identifiable, although it

is possible to recognize the research participants by working place and job position. Thus, the research that informs this Master's thesis does not provide full anonymity due to the small number participants and the nature of the research question. The general aim of the project was to identify which hotels in Tromsø co-produce services with customers and how co-production services were developed and implemented in each particular case. Information about participating hotels was vital for this study.

The personal information of the interview participants was not be registered either directly or indirectly, neither digital photos nor video files were used in order to register personal data.

Research data is completely protected from unauthorized access. Data gathered in the research process has been registered and stored manually on paper, portable storage devices, such as USB, private laptop, private smart phone. An authorized researcher, who conducted the interviews, gathered all data. Outsiders do/did not have any access to collected data. Furthermore, all information is stored on devices with no internet access, which provides additional protection from unauthorized usage and sharing.

With the exception of the researcher and the Master thesis supervisors, no other person is/was working on the project or have access to the gathered data.

The research does not contain information, which is subject to the duty of confidentiality; consequently, the researcher did not apply for dispensation. Assessment with regard to confidentiality was received from all research participants. In addition, access to information regarding the various hotels' service management strategies and their public relations strategies was approved by the participants.

Commencing 7 March, 2016, data was analysed, categorized, and classified according to conclusive results. Then, the data was published in the Master thesis within the Findings and Analysis chapters. After the period of its availability, all data gathered during the interviews process will be made anonymous.

## IV. DATA ANALYSIS

### 4.1. INTRODUCTION

Two qualitative analysis techniques were used in this Master's research: content analysis and cross-cases comparative analysis. The technique of qualitative content analysis was adopted since it is characterised by the three features: qualitative content analysis reduces data, it is systematic, and it is flexible (Schreier, 2014). This method of qualitative analysis technique helps with reducing the amount of material and requires the researcher to focus on aspects that relate to the overall research question. In this regard, it allowed to abstract from the specifics of each part of the gathered data and prevented the loss of concrete information relevant to the research question. The second feature of qualitative content data analysis and the reason of its adoption to the Master's research is that it is highly systematic (Schreier, 2014). The method requires the examination of every single part of the material that is relevant to the research question. In this way, adoption of method of qualitative content analysis allowed to reduce the danger of looking at the data only through the lens of the researcher's suggestions and expectations. The principle of flexibility implies that qualitative content analysis combines concept-driven and data-driven categories within one coding frame, which is the heart of the method (Schreier, 2014). The main categories of the Master's research were developed in concept-driven way which means "basing categories on previous knowledge: a theory, prior research, everyday knowledge, logic, or an interview guide" (Schreier, 2014: 176). In the Master's research the theory on co-production with customers and the interview guide were used for generating main categories. Further, concept-driven categories were combined with data-driven categories that emerged through the data analysis because concept-driven categories alone may leave part of the material unaccounted for (Schreier, 2014).

Content analysis of the gathered data related to the research question and enabled in-depth analysis and thick description of every case.

The second qualitative technique, cross-case data comparative analysis, was not initially planned by the researcher but was used in order to compare results that emerged through the course of content analysis.

### 4.2. QUALITATIVE CONTENT ANALYSIS

When performing qualitative content analysis, the main issue is to decide whether the analysis should focus on manifest or latent content (Graneheim & Lundman, 2004). Content analysis of this Master's research was focused on manifest content, which means the analysis of "what the text says and describes the visible, obvious components" (Graneheim & Lundman, 2004:106). The choice of manifest content was due to the theoretical orientation towards content analysis and the use of texts generated by semi-structured interviews.

Each unit of analysis, i.e. each interview, was read thoroughly and separately several times over, and, then coded according to the system represented in Table 1 (p. 34). The next step undertaken by the researcher was searching for content or coding units in each interview. Theoretically predefined categories and coding units that related to the research question were used in this step. The shortening of interview text and exclusion of information irrelevant to the research question was the next level of content analysis used in the Master's research (Graneheim & Lundman, 2004). This step is called reduction and refers to decreasing the quantity of interviews as well as the removal of concepts that are not relevant to a study. That being said, there was no impact on the quality of the unit of analysis that remained.

The next steps included abstraction of meaningful units and coding units, the grouping of those units under higher order headings and interpretation of them using a higher level of logic. Creating categories is the core feature of qualitative content analysis. Categorizing can be referred to as grouping content that shares commonality (Graneheim & Lundman, 2004). As already mentioned, the range of categories was theoretically predefined due to the nature of the theory oriented analysis of the research. However, several categories described in the Findings chapter emerged during the process of content analysis and provided the basis for cross-case analysis.

#### 4.3. QUALITATIVE CROSS-CASE COMPARATIVE ANALYSIS

As a result of content comparative analysis, two distinct groups of hotels were identified in terms of the extent of customer service co-production. The first group included hotels belonging to the full-service hotel type; the second group was represented by hotels, which had a budget orientation.

The results demonstrated a contrast in the approaches taken by the two groups of hotels in terms of customer service co-production. Due to a range of differences in approaches taken by the

two groups of hotels, cross-case qualitative analysis was undertaken. Cross-case comparative analysis is a comparative analysis qualitative technique.

Initially each hotel case was compared to each of the others to identify to which of the two distinct hotel groups it belonged - either the full-service or budget hotel group. As the content analysis demonstrated this distinction, it was vital for the research question and showed the extent of customer co-production, its structure and the general purpose of co-production implementation. The next step in the frames of cross-case comparative analysis was the comparison of each hotel case according to theoretically predefined categories within the two hotel groups. Thus, every one of the six hotel cases was studied through the following service co-production categories:

- *General orientation of the hotel's policy*
- *Aim of the introduction and development of services that were co-produced with customers*
- *System of customer feedback and encouragement to leave feedback*

The results of cross-case analysis are examined in detail in chapter 5.2. Cross-case analysis findings, and are schematically represented in Table 2.1 (p. 56).

Besides the three main service co-production categories, the Master's research involved hotel case analysis according to two subcategories that had indirect relevance to the leading research question:

- *Type of the hotel, leading business concept and general marketing strategy*
- *Leading customer segment*

These subcategories were also theoretically predefined. They were analysed together with the main categories; however, they do not have a direct relationship to the research question. Despite this fact, they do provide additional in-depth information that helps to identify the nature of services co-produced with customer engagement and the reason for its implementation. Findings based on these categories are accessible in Appendix 2.

## V. FINDINGS

### 5.1 INTRODUCTION

This chapter of the thesis contains a broad analysis of the primary data collected. The chapter includes content analysis findings and cross-case analysis findings that are further reviewed in separate subchapters. The findings are represented in accordance with research question and sub-questions identified in introductory chapter. Quotations from the research participants' semi structured interviews are marked "GM", "BM" and "HM" (General Manager, Booking Manager, and Hotel Manager, accordingly).

### 5.2 CONTENT ANALYSIS FINDINGS

As was stated in the introductory chapter, the aim of the research that informs this thesis was to investigate service co-production together with customers in relation to 3 and 4-star chain hotels in Tromsø, Northern Norway

- to identify if customer service co-production was implemented in each case and the extent of co-production in the process
- which services were co-produced by active customer engagement
- to investigate the general purpose of customer services co-production of each hotel case from a managerial perspective

The analysis of service co-production with customers in relation to the hotel industry in Tromsø, Northern Norway was developed through the following categories:

- General orientation of hotel's policy
- Services co-produced with customers/self-services
- Aim of introduction and development of services that were co-produced with customers
- System of customer feedback and encouragement to leave feedback

#### 1. General orientation of the hotel's policy

The general orientation of a hotels policy in relation to the customers was represented by two dichotomous hotel's policy directions: if a hotel is primarily customer orientated/successful-selling of services orientated.

## 2. Services co-produced with customers/self-services.

The existence of services co-produced with active customer participation and self-services, which customers produce by and for themselves is the main factor identifying and supporting the co-productive direction of each hotel (Hilton & Hughes, 2013; Cova & Dalli, 2009). In the process of content analysis, there emerged a range of services in each case that experienced certain degrees of co-production and that on the basis of which the analysis of the category *Services co-produced with customers/self-services* was structured:

- Organization of check-in/check-out process
- Breakfast type/other meals type (if represented)
- The Green program
- Service innovations (if represented)
- Other services (laundry, cleaning if represented)

## 3. Aim of introduction and development of services that are co-produced with customers

The findings of content analysis confirmed the theoretical foundation developed by Cova & Dalli (2009), which argues that the main aims for a company in introducing customer co-production in service encounters are increased consumer satisfaction and cost reduction (Cova & Dalli, 2009). The assertion makes sense for hotels that provide services co-produced together with customers.

The second finding that emerged from the content analysis of the data is that co-produced services are primarily developed for the segment of customers on which the hotel has a main focus.

In two hotel cases (hotel F and hotel A), certain services that can be designated in the category Firm-Driven Service innovations in the framework of co-production/co-creation matrix (Chathoth et al., 2013) were identified. In terms of the former hotel, case F, these services were represented by a chat service with hotel customers and the new hotel's smartphone application. In terms of the latter hotel case A, it is non-cash payment system. According to Shaw et al. (2011), innovation is an important source for a firm to gain competitive advantage (Shaw et al., 2011). "The increasing importance of IT provides opportunities for firms to gain competitive advantage through collaborative innovation" (Shaw et al., 2011:208). Competitive advantage, which is developed in the form of operant resources, particularly innovations is one of the Foundational Premises of S-D Logic (FP4) (Vargo & Lusch, 2004; 2006). Moreover, a firm

that is a prime integrator of innovation is in a stronger competitive position (Shaw et al., 2011) as in the case of hotel F, which is the first chain member developing the new hotel's smartphone application. Obtaining competitive advantage through innovations can be characterised as one of the main aims of Firm-Driven Service innovations.

#### 4. System of customer feedback and encouragement to leave feedback

Chathoth et al. (2013) highlight the reciprocal nature of co-production between firms and customers and their interdependence in service production (Chathoth et al., 2013). According to results gathered by Wang et al. (2015), one of the significant factors that effects the process of co-production with customers is communication, which is central to the establishment of a strong relationship and trust between co-production participants and helps customers to identify their roles in co-production processes, which are critical for its effectiveness (Wang et al., 2015). In turn, customer feedback is a central method of communication between customers and service providers in the hotel industry.

### 5.2.a FULL-SERVICE HOTELS GROUP FINDINGS

#### 1. *General orientation of hotel's policy*

Hotel C is predominantly service selling oriented and based on a high quality service standard. The management of hotel C focus on personal contact with customers during the implementation of services. Personal contact in services is a vital part of a high service standard. The majority of services in hotel C are traditionally organized, which implies a firm-driven service nature and exclusion of customers from co-production of these services. In this way, the majority of services that hotel C provides do not represent customer co-production processes because it refers to the "interactive nature of services" (Yen et al., 2004; Wang et al., 2015).

Hotel D is a representative of a conservative approach to service development as no self-services or services where customers could participate as co-producers were detected. Hotel D identifies with a hotel chain that is characterised by a high degree of centralization. Located in Tromsø, Northern Norway, hotel D depends on policy and regulations taken by the head office of the chain and makes no decisions independently. "The general hotel in Oslo has the main quarters; they do all the marketing and all the advertising. We do not do any of anything ourselves. Every services are implemented in Oslo" (BM). Results depicted that hotel D is more service selling oriented in general policy direction, however, it is based on a high-quality



service standard at the same time. “You need to have a good product to begin with because otherwise no one wants to book at your hotel or come back” (BM). The hotel offers overwhelmingly full-service solutions organized in traditional ways where customers are mainly viewed as service consumers and the hotel provides rather than active co-production of services participants who embed their operant resources in service production process.

The third full-service hotel F develops two directions of customer policy, the first direction implies the guest attitude, which means that the hotel is constantly working on figuring out solutions to provide the type of service suitable for every customer: “guest attitude is really important for us, the guest is always right” (GM). The second direction of customer policy denoted by hotel F is “service with passion”, the conception implies a personal approach to every guest and every service the hotel develops for its customers. The hotel emphasized that being close to the guests was the correct way to make customer service better. Personality of employees of the hotel has particular meaning to put this approach in practice, thus, the hotel formed teams of employees comprising people of different cultures and having different backgrounds in order to better adapt to all customers needs and to provide a service of better quality. From an economic perspective, the quality of customer services was the primary focus of attention for the hotel. For hotel F, the successful selling of services it offers means being customer-oriented: “In our hotel we knew we open the hotel with facilities, for us to earn money is all about the customers and that’s our main focus. And we are telling to employees and ourselves that the customer is always right. So, for us, it is definitely the customer” (GM). According to the results of the content analysis, hotel F is a service-oriented hotel based on a high-quality service standard where customers play a relatively passive role. However, in the case of hotel F, two services were detected that enter the firm-driven service innovations category (Chathoth et al., 2013) rather than co-production approach category.

## *2. Services co-produced with customers/self-services*

According to the results gathered, full-service hotels offer for the most part firm-driven services where customers play passive roles. Hotel D demonstrates examples of firm-driven services, such as the breakfast, which is entirely served by the hotel staff-food is cooked by the chefs and served by the waiters, the process of check-in and check-out is organized in traditional ways where all the check-in/out procedures of the hotel’s guests are executed by reception staff. No other services that are realised through co-production with customers were identified in the case

of the hotel D, except part of the Green program, where customers can play an active role by sorting the garbage into paper, plastic, carton and the organic waste. However, the Green program service as a whole cannot be characterised as a case of service co-produced with customers.

Despite their full-service hotel type, some research participants developed a range of services based on customers' participation in their production. Being a full-service hotel, hotel C organised the majority of its services in a traditional hospitality industry way where services are provided by hotel and customers play role of consumers. The Green Program, laundry service and cleaning are examples of such services where customers do not participate as co-producers but as consumers (Trinh et al., 2014; Humphreys & Greyson, 2008). There were no detectable self-service check-in/check-out systems in hotel C. The checking-in/out of customers was conducted by receptionists. However, full-service hotel C integrates services where customers take active part in their production. Specifically, hotel C offers its customers a buffet where the guests serve themselves breakfast and the evening meal. Besides, the two types of buffet meals, hotel C offers facilities such as coffee machines and soft ice which can be used by customers as a self-service. "Grab and go breakfast" is one more self-service concept implemented by hotel C for customers leaving before the normal breakfast time. "Grab and go breakfast" represents self-served food that can be taken away in spite of having the normal breakfast in the hotel. Every day at 3 p.m. hotel C also provides food ingredients and equipment for making free waffles and coffee for the customers. The service is a tradition in hotel C for many years that has received a high evaluation from tourists. "They love it because they can go and make it by their own" (GM). Cova and Dalli (2009) noted that a high evaluation of self-services from a customer's point of view results in the activity being undertaken by customers in the co-production process having an increased value of offering (Cova & Dalli, 2009). Thus, customers contribute to the pleasure they feel in the consumption process in a way that the value of their experience depends on their contribution. This provides additional value for the service they co-produce.

According to the form of services implementation, the third hotel that belongs to the category of full-service hotel type assumes an intermediate position between the previous two hotels. Analysis shows that hotel F predominantly has full-service solutions due to its main business concept of being a full-service conference and congress hotel. However, in the process of data collection, several services were discovered that were co-produced with customers of the hotel. Thus, hotel F offers a buffet breakfast where customers serve food for themselves. The buffet

breakfast is included in room price that is a typical feature of full-service hotels in Scandinavia. The reason why hotel F takes an intermediate position with regard to service development is that the hotel hires staff in case of additional help requirements during breakfasts. The hotel provide waiters for additional customer help, particularly, when there are people who have allergic reactions to specific products. Moreover, hotel F has no intention to exclude personnel completely even from customer self-services, because the hotel relies heavily on the human factor and a personal approach to every guest in its policy of guest attitude. The human factor is the distinctive feature in the type of services implemented in the hotel. It is possible to claim that services realized customers by and for themselves are partially co-produced due to the availability of hotel personnel taking part in these services development. “We would never take away people. People are people and we always need them, that’s what we do” (GM).

In addition to the regular buffet breakfast, the hotel also has a service of “grab and go breakfast” that is organised in the form of ready-made packages with food that customers can take away when they do not have time for the normal breakfast. This breakfast is also included in price and can be taken from 4 a.m. to 6.30 a.m. In comparison with hotel C, the concept of “grab and go breakfast” offered in hotel F is not implemented as a service co-produced with customer participation but one that is firm-driven.

Hotel F is in the process of developing two innovative services such as the hotel’s application for smartphones and the chat service with customers. The invention and development of customer chat service belongs to the hotel F. However, in the case of successful implementation, the service will probably be integrated in all hotels in its chain. The service has been developed to offer opportunities for online chatting between reception and customers of the hotel. Hotel F believes that in the era of high technological innovations, it is easier to reach customers online. The hotel F has a marketing team of experts who are working on project development. However, customers will participate in testing the new service in its second stage. Despite check-in and check-out in the hotel being organised in the regular way, hotel F is working on an idea to make an application for a smartphone to provide easier access for customers to online booking, self-service check-in and check-out. The first version of application is planned to appear in June 2016, after which it can be updated to the latest version.

The analysis of these two examples of innovations through the matrix developed by Chathoth et al. (2013) depicts that the services of customer chat and smartphone applications are examples of firm-driven service innovation rather than a co-production approach due to several reasons (Chathoth et al., 2013). First, the services were implemented through the initiative of

the hotel, which emphasises its overwhelmingly firm-customer direction of involvement/dialog type. Second, the two services were developed predominantly through a consumption/usage process rather than production because, as it was stated earlier, customers do not participate in the production stage but they are involved in the stage of service testing. The smartphone application of the hotel chain is still in the development stage, however, this leading innovation may serve as an important resource for a further competitive advantage for the hotel and result in a more efficient process for customers for room booking, check-in and check-out.

### 3. *Aim of introduction and development of services that are co-produced with customers*

The general intention of the implementation of customer self-services in full-service hotels has a different nature; because full-service hotels, which participated in the research did not have budget orientation as their main business concept. On the contrary, almost all services provided by the hotels belonging to this group were included in the room price, therefore, the general aim of implementation of customer self-services in the full-service hotel type was connected to increasing customer satisfaction.

Thus, in hotel C, the nature of services where customers participate as co-producers had the main focus on business travellers' needs, which was linked to the business concept and marketing strategy of hotel C that was directed towards the business travellers market. Hotel C offers its customers buffet meals, which are self-serve breakfasts and self-serve dinners. The reason for the implementation of self-serve buffet breakfasts is that hotel C tries to meet needs of all customers staying in the hotel. Some guest have special diet or specific food needs, the majority of customers of hotel C also stay for long periods, which also requires a special breakfast approach. The evening buffet is not included in the room price but is sold separately. Many business customers or corporate workers travel alone and often for long time periods, and, cannot always afford to have evening meals outside the hotel. These research findings confirm that co-produced services are primarily developed for the segment of customers that the hotel has as its main focus.

The nature of the two innovative services in hotel F, the hotel's application (app) for smartphones and the chat service with customers was described by the category *Services co-produced with customers/self-services*. The service is developing of the opportunity for online chatting between reception and customers of the hotel. Hotel F believes that in the era of high technological innovations, it is easier to reach customers online. For that reason, the two

innovative services can be included in the category firm-driven service innovation of the co-production/co-creation matrix (Chathoth et al., 2013); the services are more transaction based and developed because of a predominantly “best available” concept. In this way, the chart service is implemented to get wider and easier access to the customers online in an era of high technologies; while the leading innovation of smartphone app solution provides possibilities for competitive advantage of the hotel and offers more efficiency for customers in the process of room booking, check-in and check-out.

#### *4. System of customer feedback and encouragement to leave feedback*

Hotel C uses a 3-level system of getting feedback from customers (key clients additionally), and widely encourages clients to leave any type of feedback to benefit from the collective wisdom of its customers:

1. Onsite application or questionnaire, the method of collecting responses from customers used by all the hotels belonging to the Nordic Choice group
2. Notes from customers, a note is written by a customer and sent or delivered to reception
3. TripAdvisor and Booking.com as an important resource of getting feedback from the customers, particularly from international visitors.

The managerial staff answer all commentaries hotel C receives personally, thus, personal contact with customers is significant feature of getting feedback in the hotel. It also utilizes the help of key clients if the hotel plans to implement new services or make any changes in services that the hotel offers. Utilizing key clients is one of the methods the hotel C applies to gain personal opinions from its customers. Hotel C encouraged customers to leave feedback and wants to benefit from the customers’ collective wisdom. “If we should not listen to our guests, we could not achieve anything, that’s no question about it” (GM).

The system of getting customer feedback applied in hotel D is realised by three methods. The hotel encourages customers to leave feedback both positive and negative and, as a result, benefits from the collective wisdom of its customers. The three methods are:

1. TripAdvisor internet resource in collecting visitors responses
2. Onsite questionnaire from members of the Loyalty program, the program of special bonuses, offers and discounts developed for regular customers

3. Facebook and Instagram as additional internet resources application to make information about hotel's offerings, innovations, new services more accessible for the customers.

The onsite questionnaire consists of an email letter where a customer has the possibility to evaluate the hotel and give a rate on several categories such as check-in, check-out, room conditions and facilities, breakfast etc. The hotel appreciated any type of responses and uses negative feedback from customers as a way for further improvement. "We use everything, especially when we get negative feedback it is good for us because thus we can check the case what happened and then communicate back to the guest. For us it is more valuable with negative and constructional feedback because we can do something about it" (BM).

The hotel F applies a three channel system of getting customers feedback comprising:

1. Instagram and Facebook social media resources where the hotel informs its customers about recent news and receives responses from the customers
2. Third-party channel TripAdvisor
3. Internal system of obtaining customer feedback

The inner system represents a request back where customers can rate the hotel and services it provides up to scale from 1 to 10 points. Besides, specifying a personal approach, the hotel workers always conduct a short interview with customers before and after their visit. The hotel welcomes any feedback received from guests because it is a basic way for improvement of the services it provides. Hotel F states that feedback from customers enables the hotel management to view its services or particular situations from a different perspective that helps to avoid "blind spots". "Feedback for us is what makes our success" (GM). Subsequently, customer feedback serves as an important resource to establish a better quality of services offered and to attract new customers.

## 5.2.b BUDGET HOTELS GROUP FINDINGS

### 1. *General orientation of hotel's policy*

The direction of the hotel's A policy can be characterised as predominantly customer-oriented rather than service selling focused. Belonging to the budget hotel type, hotel A is highly based on customer self-services that imply a high degree of active customer participation in the production of services. According to the obtained results, hotel A is the hotel of a budget type

focused on a high-quality service standard. The hotel realizes service co-production with customers to a particular degree, and offers a range of customer self-services: breakfast and dinner buffet, self-service check-in and check-out, customer participation in the Green program. The general reason for implementation and development of services where customers play the role of co-producers is the hotel's policy and the concept to keep the budget level as well as reduction in the price for a stay. "We are trying to keep the cost down and this is, of course, to be able to sell rooms as cheap as we do" (HM).

The same type of policymaking is observable in the case of hotel B, which is almost totally based on customer self-service and is largely oriented to services that are co-produced with customers. In this way, hotel B can be characterised as more customer-oriented than service selling-oriented. In this master's research, the notion of a service-selling orientation correlates with a goods-centred view upon service production where customers act as operand resources, which is examined, analysed and then promoted by products. However, in this case, the term goods-centred is not relevant because no goods are co-produced in the hotel industry. The term customer-oriented correlates with a buyer-centric business model where customers are viewed as operant resources, and which is focused around consumer preferences.

K: "Does the hotel benefit from self-services? What are the pros and cons for the hotel's economy?"

GM: "As for the hotel's economy, it would be more economic not to have them. I think we need to have something extra, because we see TripAdvisor and the feedback we get by the form in the rooms that people are happy with this self-service."

In the case of hotel E, the direction of the hotel's policy developed towards a more customer service-oriented due to the budget concept of the hotel and the absence of extra services that could be sold by the hotel. There is only one service in the hotel E that is co-produced with customers albeit has a significant meaning for the hotel's business conception.

## *2. Services co-produced with customers/self-services*

Data analysis demonstrates that the hotels that belonged to the category of budget hotel type are preliminary based on a different nature of services, particularly, on services co-produced with active customer participation and self-services where customers play a main role in producing services for and by themselves using facilities provided by the hotels.

Hotel A is the first representative of the hotel chain associated with the budget hotel type. The hotel's service structure implies a set of self-services, which customers of the hotel implement for themselves. The hotel offers two types of self-serving buffet: breakfast and dinner not included in the price per room. This is one of the concepts of hotel A that customers can purchase breakfast for an extra cost and include breakfast at the moment of arrival or booking the hotel room. The main idea of implementation of such a breakfast type in the hotel is the cost reduction of staying because hotel A characterise itself as a budget hotel: "This is exactly about to meet clients needs who want to come to Tromsø. In the hotels not everybody is eating breakfast. You pay for breakfast but you don't eat it often... You can include it if you want. This is to meet our clients. You can choose" (HM). The conception of implementation of the dinner buffet is linked to the idea of being attractive for customers who do not have the possibilities or willingness to have an evening meal outside of the hotel. Particularly, the dinner buffet is designed for the needs of business customers who stay for long time periods. Hotel A claims that these two types of self-serving meals allowed the hotel to benefit in a way of attracting new customers and retaining regular clients. "For sure, we have gotten more clients because we have these services, and services at night particularly" (HM).

Besides buffet self-service, the hotel has the self-service system of check-in and out and a reception staff working 24 hours. Notwithstanding providing self-service check-in/out, the hotel is sceptical about replacement of the reception staff by self-service machines, arguing that the hotel still needs the human factor: "A hotel is still people, you still want to be checked-in and checked-out by the staff. But those who have stayed here many times and have used them, that is the benefit you just check-in and check-out when you want" (HM). As in the case of full-service hotel F, the human factor plays a significant role in the structure of service realization of a check-in/check-out system. However, in case of hotel A, the human factor is not necessary part of the check-in/out service, the hotel provides the possibility for customers to choose between two variations of the same service.

One more service that hotel A offers cannot be characterised as a case of customer co-production. As in the case of hotel D, hotel A also has a Green program where hotel guests can partly participate in service co-production. Customers are supposed to sort on their own the garbage they produce in glass, plastic and paper and place it in separate containers. The other parts of the Green program the hotel performs itself. Thereby, the only one part of garbage sorting is part of the Green Program that customers can actively participate.



Hotel A represents a non-cash payment service that can be traced to the category firm-driven service innovation in the co-production/co-creation matrix developed by Chathoth et al. (2013) (Chathoth et al., 2013). A non-cash payment system implies that payment transactions are realised through a non-cash payment method. The implementation of non-cash payment system was executed as a managerial initiative for safety of customers and the hotel. The value creation does not occur in the production process because in practice, this payment method produces no service. However, value is created in the process of using this system: the non-cash payment concept ensures the reduction of price due to the reason that ready cash is always extra cost. Moreover, the non-cash payment concept can be treated as additional evidence of hotel A's budget orientation.

Hotel B is the second representative of the budget hotel type, which is mainly based on customer self-service with the exception of the check-in and check-out service performed by the hotel reception staff. Instead of breakfast service or other food provision services, every hotel room is equipped with a kitchen and kitchen facilities required for self-service food preparation. The hotel offers its customers a free laundry self-service. The laundry room is located in the basement of the hotel, all the washing equipment is provided by the hotel except soap and washing powder that customers have to provide for themselves. The housekeeping staff of hotel B A undertakes a cleaning service once weekly. However, in case a customer needs cleaning services more than once per week, the hotel supplies facilities for a cleaning self-service. There is a trolley on the second floor of the hotel that provides toilet paper, clean bed sheets, clean towels, everything required for self-service cleaning.

The third budget hotel type representative hotel E offers basic services for a hotel business and excludes extra services. The hotel does not provide the normal breakfast for customers, thus, neither breakfast nor any other food service is represented in hotel F. Instead of the normal breakfast, the hotel introduced an "Express breakfast" that includes a ready-made package breakfast for additional price.

In comparison with hotel A, hotel E also offers the same system of a self-service check-in and check-out possibility whilst also providing at the same time a reception service working 24 hours. The procedure of checking-in can be performed by customers on iPads located on the first floor of the hotel. Self-service check-in has a range of advantages for the hotel and customers who use the system. The hotel emphasises that after the development of this self-service, the staff of the hotel get the opportunity to engage in personal contact with customers. This provides opportunities for personal communication instead of standard check-in

procedures. Moreover, the self-service provides unnecessary communication avoidance with working personnel if a customer does not want it. Additionally, the system helps to save time especially when a customer needs to be checked-out quickly. The main benefit of the new technology for the hotel is connected with a reduction in reception staff attending the desk at any one time; for a guest it provides one more opportunity to choose between full-service and self-service check-in. However, together with the obvious advantages and convenience of the new technology, the system presents several disadvantages. Thus, people who are not technology-friendly can experience some difficulties with self-service check-in. “People don’t understand because it’s a new technology, especially, older people are scared to try the new technology” (BM). When the reception is overcrowded it is difficult to help customers in the explanation of the new technology, as a result, guests have a bad experience waiting for help and may feel disappointed. Additionally, technical problems may occur when the technology does not function, the system can go to time out or the check-in system and payment operations do not function simultaneously. These difficulties of implementation of SST (self-service technologies) were discussed by Hilton & Hughes (2013) who argued that in cases of SST customers playing a new role for themselves that requires certain knowledge, aptitudes and skills – a new set of operant resources arise that organizations need to manage (Hilton & Hughes, 2013). Customers act as “partial employees” who require managing in different way from a firm’s employees (Hilton & Hughes, 2013). Despite the challenges that may take place, hotel E encourages its customers to use the self-service check-in system, the reception staff always introduces the system to customers because they have the guidelines to use it. The orientation towards this new technology and strong encouragement to use self-service check-in/out system is the main difference of hotel E from hotel A, which provides the same type of service. As was discussed earlier, hotel A recognized that developing this service relies heavily on the human factor that implies that the hotel still needs reception staff, while hotel E considers the possibility of the complete replacement of the reception staff by the high-technological self-service.

### *3. Aim of introduction and development of services that are co-produced with customers*

Results showed that the co-production of services was represented by a greater variety of services that are co-produced together with customers and, particularly, customer self-services in the budget hotels group rather than in full-service hotels. The findings can be explained by

cost reduction as the general purpose for a company introducing service co-production (Cova & Dalli, 2009).

Thus, the general purpose of hotel A's introduction of a self-serving buffet breakfast that is not included in the price per room is a cost reduction in staying because hotel A characterized itself as a budget hotel: "This is exactly about to meet clients needs who want to come to Tromsø. In the hotels not everybody is eating breakfast. You pay for breakfast but you don't eat it often... You can include it if you want. This is to meet our clients. You can choose" (GM).

The conception of implementation the dinner buffet is linked to the idea of being attractive for customers who do not have possibilities or willingness of having evening meal outside of the hotel. Particularly, the dinner buffet is specified for needs of business customers who stay for long time periods which confirms the second finding in this category that co-produced services are primarily developed for the segment of customers on which the hotel has the main focus. Hotel A claims that these two types of self-serving meals allowed the hotel to benefit in attracting new customers and retaining regular clients. "For sure, we have gotten more clients because we have these services, and services at night, particularly" (HM).

Hotel B is the second representative of budget hotel type, which is mainly based on customer self-service (kitchen facilities for food self-service, self-laundry service, self-cleaning possibilities) as the main aim to reduce cost per stay for customers. The second aim of the business concept of the hotel was that self-services attract customers who stay for longer. This goal was achieved by low prices affordable for long-term visits, and the low prices, in their turn, were accomplished by customer self-services.

The hotel E's core business concept is the focus on budget stays, the hotel has the lowest prices range in Tromsø by excluding a set of extra services (restaurant or café service, everyday rooms cleaning, diurnal change of towels in case of room occupations, minibars in rooms, food serving). Because of its budget orientation, hotel E generally offers basic services required for a hotel business. The idea of implementation of self-services occurred after the hotel's establishment and was connected to the business concept that the hotel should be oriented towards innovations, "high tech with people". Specifically, the recent innovation of a self-service check-in and check-out system takes central place among the services hotel E provides. The main purpose of the development of customer self-check-in service is comparative cost reduction in a way that there is no need for many of the reception personnel to staff the desk all the time. The new technological solution allows the hotel to establish personal communication

with customers and avoid it when customers do not want to communicate which leads, as a result, to increased customer satisfaction.

The implementation of non-cash payment system in hotel A executed by the managerial initiative for safety of the customers and the hotel along with the value creation occurs not in the production process because in this payment method no service is produced in practice. However, value is created in the process of using this system: a non-cash payment concept ensures the reduction of price due to the reason that ready cash is always an extra cost, which also serves as evidence of hotel's A budget orientation. In this way, in application to co-production/co-creation matrix developed by Chathoth et al. (2013), the technology of non-cash payment can be traced to the category firm-driven service innovation rather than a co-production approach due to two reasons (Chathoth et al., 2013). Firstly, as it was stated that the category of firm-driven service innovation is firm-centric in nature, and the implementation of a non-cash payment system was developed by the initiative of senior management executives of hotel A; secondly, the value is obtained through the consumption/usage process.

#### *4. System of customer feedback and encouragement to leave feedback*

Hotel A uses two channels of getting feedback from the customers' experiences of staying in the hotel.

1. Onsite questionnaire where every customer receives an email where he/she rates the hotel services like reception service, food quality, the room standard in several scale points
2. TripAdvisor and Booking.com international independent channels that are significant resources for recommending the hotel or giving reviews mostly by tourists rather than business travellers.

Hotel A benefits from customers' feedback with further improvements in services, the whole system and maintenance of good quality. When implementing new services and in case of new changes in already existing services, hotel A relies on feedback from a group of loyal clients. "We have clients that use us since we opened and still using us. Before we started this dinner we called some of our old clients and asked them what they think if it is good for us and for them" (HM).

Hotel B has two levels system of getting customer feedback.

1. Onsite questionnaire where customers can evaluate hotel services, give them score on the scale from 0 to 5, and give personal comments
2. TripAdvisor as a reliable resource for hotel B of getting customer feedback

Hotel B encourage its customers to leave feedback: “also we give these cards on the reception with them and in the rooms, TripAdvisor as well. It’s important for us” (GM). Customer feedback is a significant factor to improve the quality of services the hotel has: “of course, we are making business; we need to make money as well. But I think those two are hand in hand, the service and happiness of customers” (GM). Hotel B also use incentives and competition for working staff in order to improve the quality of services they provide. In case of implementation new services or changes in services, the hotel has it rely predominantly on feedback from customers rather than having key clients group.

Hotel E implements two main channels of getting customer feedback

1. TripAdvisor internet third-part channel
2. Onsite questionnaire after checked-out consisting of several questions by which customers can evaluate the services offered, room facilities, and the work of the reception staff according to the scale from 1 to 10 points.

When check-out the hotel staff always personally ask questions about guest impressions of staying in the hotel. Hotel E uses any type of feedback received from customers and uses it as a way for further improvements and corrections of mistakes. “By getting the feedback the feedback from the guests we actually in October 2015 got a much better system because of the feedback” (BM). Despite the information about service where customers can participate as co-producers is denoted on the web site of the hotel, it does not mentioned how it functions and the information itself is not easily understandable.

### 5.3 CROSS-CASE COMPARATIVE ANALYSIS FINDINGS

Table 2.1 illustrates the hotels classified into the full-service and budget type groups in accordance with service co-production categories that emerged as a result of content analysis.

Table 2.1 Cross-case comparative analysis findings

Full-service hotel				Budget hotel		
Service Co-production categories	C	D	F	A	B	E
<b>Hotel type</b>	Full-service conference hotel	Full-service hotel	Full-service conference and congress hotel	Budget hotel	Budget hotel	Budget hotel
<b>General orientation of hotel's policy</b>	Service selling, high quality service standard	Service selling, high quality service standard	Guest attitude, service with passion, customer orientation for successful service selling	Customer-orientation, high quality service	Self-service, customer-orientation	Customer service-orientation
<b>Services co-produced /self-services</b>	Breakfast and dinner buffet, "grab and go" breakfast, free waffles		Breakfast buffet (partly), customer chat service, hotel's app	Breakfast and dinner buffet, self-service check-in/out, non-cash payment system	Kitchen for food self-serving, laundry service, cleaning service (partly)	Self-service check-in/out
<b>Aim of service co-production</b>	Customer satisfaction		Customer satisfaction, competitive advantage	Cost reduction	Cost reduction	Cost reduction, customer satisfaction
<b>Customer feedback system</b>	Onsite questionnaire, customer notes, TripAdvisor, Booking.com, key clients	Onsite questionnaire, TripAdvisor, social media, Facebook, Instagram	Instagram, Facebook social media, TripAdvisor, Internal system	Onsite questionnaire, TripAdvisor, Booking.com	Onsite questionnaire, TripAdvisor	TripAdvisor, Onsite questionnaire

The results of cross-case analysis identified that the process of customer service co-production in hotels, which develop a certain degree of co-production, are implemented in an approach that can be characterised as narrow. Lovelock and Gummesson (2004) characterize service co-production in its narrow view as “co-production means that customers engage in self-service, using systems, facilities, or equipment supplied by the service provider” (Lovelock and Gummesson, 2004:29). The services co-produced with customer engagement in all hotels predominantly representing a form of self-services where facilities for their production are provided by the hotels included breakfast and dinner buffet (hotel C, F, A), “grab and go

breakfast” (hotel C), self-service check-in and check-out systems (hotel A, E), kitchenette for self-food serving, self-laundry service, and self-cleaning (hotel B). The facilities and equipment required for production of these services were provided by the hotels, the customers using these facilities act as producers of the services for themselves.

The case studies investigated in this chapter, Content analysis findings, provide evidence of the presence of a certain degree of customer service co-production in the range of hotels with the exception of hotel D where no evidence of services being co-produced with customer engagement were found. In two hotel cases (hotel F and hotel A), three types of services that can be designated in the category firm-driven service innovations according to the co-production/co-creation matrix (Chathoth et al., 2013) were identified. Hotel F implemented a customer chat service providing opportunities for reception staff with immediate internet connection with customers, moreover, hotel F is currently developing the new hotel’s smartphone application for easier access to online booking, self-service check-in and check-out possibilities. Hotel A, in its turn, developed a non-cash payment system that can be characterised as an evidence of its budget orientation.

The cases of these services enter the category of firm-driven service innovations due to several reasons. The services are developed by the managerial employers of the hotels, thus, their implementation is the initiative of senior managers in both hotel cases that emphasized firm-customer direction of involvement and communication between the hotel and customers. The second reason is the nature of consumption/usage processes of the services wherein both hotel cases the value was obtained by customers through service usage/consumption (Chathoth et al., 2013).

The analysis also represents several categories that are not discussed in this Findings chapter. Categories such as *Type of the hotel*, *Leading business concept and general marketing strategy* and *Leading customer segment* are characterised in the current research as subcategories because they do not provide directly relevant knowledge to the research question. These subcategories were predetermined by the interview guide. Questions about leading business concept, general marketing strategy and leading marketing segment were asked of all research participants.

The subcategories *Type of hotel*, *leading business concept and general marketing strategy* provide general information about the hotels investigated in the research that informs this Master’s thesis and made an impact on the identification of types of hotels and their further

subdivision into full-service and budget types. The subcategories also helped to form each hotel case description by providing additional knowledge about each hotel chosen as a research participant. During the analysis process, all three subcategories were grouped together in one general category due to the fact that they are interdependent. Results showed that the leading business concept and general marketing strategy were largely determined by the hotel's type as evidenced in the research findings. Analyses of these three subcategories separately did not make any significance, however, the three subcategories in combination helped to define the structure of services in each case and the reason for their implementation, which makes sense of the findings. Moreover, this category was used as a framework for analysis of customer co-production in the thesis research in a way that helped to understand the core nature of each service co-produced. The detailed analysis and description of these categories can be found in Appendix 2 of this thesis.



## VI. DISCUSSION

This Master's research was developed using the theoretical framework of service-dominant (S-D) Logic. S-D logic provides a framework for understanding how customers became central to the development and marketing of tourism products and provides significant perspectives to uncover the role of co-production and co-creation in tourism, and, particularly, in the hotel industry (Shaw et al, 2011). In the research that informed this Master's thesis, the process of co-production was viewed as a part of S-D logic and based on its Foundational Premise 6 (FP6) that states that a customer is always a co-producer and value is obtained only through offering usage (Vargo & Lusch, 2004; 2006). In this regard, this master's thesis contributes to S-D logic and service co-production theories. Specifically, it provides insights into service-co-production processes with customers applied in the hotel industry and these were demonstrated using examples from six hotels in Tromsø, Northern Norway. The thesis enriches the concept of service co-production with customers from a managerial perspective by demonstrating the possibility for the implementation of services co-produced with customer engagement in all hotel groups, the structure of these services, the general purpose of their implementation and benefits for the hotels.

The findings confirm the presence of services co-produced using customer engagement in five of six hotel cases with the exception of hotel D, where no services were detected as being co-produced with active customer participation.

The findings of the research indicate that the services co-produced through customer engagement can be described using the theoretical framework of service co-production in its narrow view (Olexova & Kubickova, 2014; Lovelock & Gummesson, 2004). Evidence of this phenomenon is the fact that the services co-produced with customer engagement in all the hotels were represented predominantly in the form of self-services where facilities for their production were provided by the hotels.

The results of the research also distinguish all the hotel cases into two groups with regard to extent of customer co-production. The first group includes the hotels belonging to the full-service hotel type, which included cases C, D and F. The second group of hotels, represented by cases A, B and E, had one key characteristic in common, that of being a budget hotel type. In terms of the extent of customer service co-production, it was useful to contrast the approaches taken by the two groups of case study hotels regarding the process of service co-production with customers. The findings demonstrated that the hotels, which represented the

budget hotel type exhibited a higher extent of customer co-production than the full-service hotels. Explanation of this phenomenon relates to the budget orientation of the budget hotel group and a general purpose of cost reduction for customer stays. Service co-production together with customers is, thus, a reliable method to reduce the cost of a product or service as was suggested by a range of researchers in the field of co-production theories (Humphreys & Grayson, 2008; Cova & Dalli, 2009). The services in hotels that enter the budget hotel category are generally based on the co-production process with customers. Thus, hotel B implemented services, except check-in and check-out systems, that have customer co-production as the key concept; every hotel room and apartment is equipped by kitchenettes for self-service food preparation, self-service laundry facilities and equipment as well as possibilities for self-cleaning if customers require it more than once a week. As well as hotel B, hotel A exhibited a high degree of customer service co-production, and had developed customer self-services demonstrated by self-service check-in and check-out systems, self-service breakfast and dinner buffets. Hotel E, which was the third representative of the budget hotel group had only one service that it had developed through the process of customer service co-production. However, this service took central place in the service system of the hotel due to the fact that the hotel had a policy strongly orientated towards this new technology and encouraged customers to use it.

On the contrary to budget hotels, the implementation of service co-production in full-service hotels (hotels C, D, F) was not generally driven by the aim of cost reduction. Except for hotel D, the hotels, which aligned with the full-service hotel category exhibited a certain degree of customer service co-production in order to increase customer satisfaction with implemented services. Thus, hotel C offered a breakfast and dinner buffet as well as a “grab and go” breakfast and free waffles in the form of customer self-service. However, in terms of this hotel case, such a type of hotel-customer co-production is not avoidable and is introduced for the main purpose of increasing customer satisfaction rather than cost-reduction. In this way, services are represented in the form of optional “add-on” co-productions according to a classification of dependence, sustainability and degrees of co-production developed by Alford (2015) (Alford, 2015). A range of research argues that active customer engagement in production processes positively influences the perceived value of service and customer satisfaction (Bitner et al., 2000; Pugh, 2001; Auh et al., 2007; Ching-Jui et al., 2007; Jayawardhena et al., 2007 cited in Cova & Dalli, 2009). This may serve as an explanation of the phenomenon that full-service

hotels introduce customer co-produced services without associating cost reduction as the general reason for doing so.

The results of content and cross-case comparative analysis confirmed two hotel cases engaged in services, which fitted the category of firm-driven service innovations according to the co-production/co-creation matrix developed by Chathoth et al. (2013). These findings emerged in the course of analysis processes and were not theoretically predefined. The services implemented in hotels A and F, such as the chart service (hotel F), the smartphone application (hotel F) and non-cash payment (hotel A) were identified as firm-driven service innovations due to several reasons described in the cross-case section of the findings chapter. First, these services were characterised by firm-customer direction of customer involvement and communication between the hotel and customers. Secondly, in both hotel cases, the nature of consumption/usage processes of services identified that value was obtained by customers through service usage/consumption. The analysis results confirmed that one of the leading purposes of Firm-driven Service Innovations in hotel F case was to obtain competitive advantage through innovations. Innovation is an important source of gaining competitive advantage, especially when the firm is a prime integrator of innovation (hotel F) (Shaw et al., 2011). Competitive advantage, which is developed in the form of operant resources, particularly innovations, is one of the Foundational Premises of S-D Logic (FP4) (Vargo & Lusch, 2004; 2006). The second reason for implementation of these services in both hotel cases (hotel A and F) was to increase customer satisfaction with the services implemented, according to a range of co-production theories, this is also one of the main reasons for customer service co-production.

Given the nature of the services co-produced, it is apparent that customer reactions needed to be fully gauged by constructing a reliable and practical system of customer feedback. Feedback is considered to be a vital method of communication process between service providers and service consumers. Each hotel case had an extensive customer monitoring system comprising, as a rule, a 3-level technique of getting customer feedback in cases of full-service hotels included onsite questionnaires, social network sites, particularly, TripAdvisor and Booking.com and social media resources, generally, Facebook and Instagram. In terms of the budget hotel group, the system of customer feedback included two main methods of feedback collection represented by onsite questionnaire feedback and the social network site, TripAdvisor. The feedback was scrutinised by management committees, which sought to improve and innovate the services provided. Hotel F and hotel C also practised face-to-face communication with each customer based on a personal approach to every guest as well as in

hotel E where personal communication was a significant factor. As was mentioned in the content analysis section of the findings chapter, the implementation of the innovative self-service check-in system provided more possibilities for interpersonal informal communication between customers and hotel employees. Additionally, hotel C also used focus groups involving key clients to achieve feedback on services innovations or implementation of new services.

These issues highlight the significance of this Master's research for service marketing and the hotel industry. Customer co-production is a central attribute of service offerings due to its production-consumption inseparability (Bateson, 1985; Eiglier & Langeard, 1977 cited in Zolfagharian & Sheng, 2012). Customer co-production is basic to service research since the nature of a service and its managerial consequences are mixed together (Zolfagharian & Sheng, 2012). This Master's related research was conducted from a managerial perspective to service co-production with customers. Thereby, the findings provide service managers in the hotel industry with assistance in resolving some strategic problems since, generally speaking, service managers' short- and long-term problems are linked to customer roles in the process of service provision (Zolfagharian & Sheng, 2012).

The result of this Master's research generated practical implications for service managers in the hotel industry. Despite service co-production being generally viewed as a firm-driven process, customer service co-production where customers act as active co-producers is an important process to increase customer satisfaction with services that are co-produced. Significantly, service co-production is often viewed as an important determinant of customer evaluation of service processes and outcomes including quality, value, customer satisfaction and loyalty (Zolfagharian & Sheng, 2012).

## VII. CONCLUSION

The small group of case studies introduced in this thesis suggests that those hotels, which aim to development services through hotel-customer cooperation and establishment of high quality service are indeed strongly reliant on implementing service co-production strategies with customers. Cases study of hotels in the budget category, in particular, indicate that such processes are highly complex and suggest that service co-production with customers is already relatively well advanced in hotel industry in Tromsø, Northern Norway, even if academic research lies behind in this field.

In this Master's thesis, all of the hotel cases associated into one of two groups with regard to the extent of customer co-production. The findings of data collection and analysis indicate that budget hotel types (hotels A, B, E) exhibit a higher extent of service co-production with customers in comparison with the hotels offering a full-service type (hotels C, F). The most common reason for this was a general budget orientation of the hotels, which belonged to the budget category. Budget hotels engage in co-production of services with customer engagement as a reliable method of cost reduction. By implementing and developing service/services that are co-produced with customers, the hotels provide lower prices to customer staying in their hotels. On the hand, in the full-service hotels, the range of services, such as self-service check-in, self-serving buffet etc. that may be potentially co-produced with customers were included in the room rate. The implementation of service co-production is, thus, not driven by only cost reduction. Two of three full-service hotels (hotels C and F) demonstrated a certain degree of co-production wherein established services were co-produced with an active customer role in service encounters with a main purpose of increasing customer satisfaction and attracting new customers to the hotels.

The findings confirmed that Firm-Driven Service innovations were implemented in two hotel cases (hotels A and F) with the aim of achieving competitive advantage in the case of hotel F as the prime integrator of such kind of services. The second reason for implementation of these services in both hotel cases (hotel A and F) was to increase customer satisfaction with the services implemented and to attract new customers. The category of Firm-Driven Service innovations was not the subject of this research, however, the finding offers possibilities for future studies into this occurrence in the hotel industry.

The thesis finishes by noting some limitations and making recommendations for future research directions. Moreover, it suggests managerial implications for customer service co-production that can help to increase the effectiveness of co-production processes.

## VIII. STUDY LIMITATIONS, STRENGTHS AND DIRECTIONS FOR FUTURE RESEARCH

The strength of this Master's level study was a clear focus on a single hotel industry category and a narrow geographical location, thus the study has a high internal validity. The research had a practical focus and provided practical implications for managers of 3 and 4 star category hotels.

The research was conducted using only qualitative methods of data collection and analysis. Qualitative studies are good for obtaining in-depth information regarding service co-production with customers in the hotel industry within a limited number of case studies as was the case in this study. In qualitative research, the concepts of credibility, dependability and transferability are used to describe different aspects of trustworthiness (Guba & Lincoln, 1994; Graneheim & Lundman, 2004). "Research findings should be as trustworthy as possible and every research study must be evaluated in relation to the procedures used to generate the findings" (Graneheim & Lundman, 2004:109).

Since this Master's research was conducted using qualitative data analysis methods, the aspects of research trustworthiness must be discussed. The first aspect of credibility relates to research focus and the degree of confidence that the data and processes of analysis reflect the intended focus (Graneheim & Lundman, 2004). The question of credibility arises in the initial stages, when making decisions about the focus of a study, selection of context, participants and the approach to data gathered (Graneheim & Lundman, 2004). The method of data gathering through semi-structure interview technique uncovered the structure of customer service co-production in each case study and the main aim of its implementation, which related to the sub-questions of the Master's research.

The second aspect of achieving credibility is linked to the most suitable meaning unit; there are always risks of losing meaning during coding and abstraction processes (Graneheim & Lundman, 2004). Meaning units that are too broad can be difficult to manage; on the contrary, too narrow a meaning unit may result in fragmentation (Graneheim & Lundman, 2004). The interviews were read through several times to obtain a sense of the whole. Initially, the meaning units of each interview were predefined by the prepared interview guide, and which ensured that interviews were conducted without losing relevant meaning units or including broad non-specific information that was irrelevant to the research question. These processes served to enhance the credibility of the research.

Credibility also reflects how well categories are selected and how themes cover data, that is, that no relevant data is systematically, incidentally or accidentally excluded or irrelevant data included (Graneheim & Lundman, 2004). The majority of findings' categories were theoretically predefined and illustrated in the interview guidelines, albeit that the findings included several categories that emerged during the analysis process. The study underwent two types of data analysis, which included content analysis and cross-case analysis in order to systematise findings relevant for the research and decrease the possibility of relevant data being excluded or the inclusion of irrelevant data.

Another aspect of trustworthiness is dependability, which means that both factors of instability and factors of changes must be taken into account (Guba & Lincoln, 1994; Graneheim & Lundman, 2004). The researcher must take into consideration that data changes over time and alterations can be made in the researcher's decisions during the analysis process (Graneheim & Lundman, 2004). The process of data collection extends over time, especially, when the data are extensive; and, it is important to question the same areas with all participants (Graneheim & Lundman, 2004). On the other hand, interviewing is an evolving process during which the researcher acquires new insights that may influence the study and follow-up questions (Graneheim & Lundman, 2004). Subsequently, the time period of data collection can be considered as relatively stable, and the conditions of data collection were the same for all research participants. These are important factors to achieve objective results. However, the researcher takes into consideration the possibility of changes and any upcoming new insights in the research process.

The third aspect of trustworthiness includes the aspect of transferability, specifically, the extent to which findings can be transferred to other settings or groups (Graneheim & Lundman, 2004). Researcher's as authors can give particular suggestions about transferability, however, it is predominantly the reader's decision whether or not the findings can be transferred to another context (Graneheim & Lundman, 2004). Thus, a possible way to facilitate transferability is to give clear and distinct descriptions of culture and context, the process of selection and characteristics of participants, data collection, and processes of analysis, rich and vigorous representations of findings together with quotations, which may enhance transferability (Graneheim & Lundman, 2004). In this thesis, the researcher made an attempt to expound as thoroughly as possible every step of research processes, and gave clear and full descriptions of all processes of research study from theoretical observation to analysis and findings procedures in order to achieve research trustworthiness.



As the method of data collection, semi-structured interviews provided informative in-depth data for the analysis of service co-production from a managerial perspective and led to the valid findings. Although being informative, findings were only based on six samples. Thus, all findings presented in this thesis should be used as starting material for further research. As already mentioned, the present thesis has a narrow practical and geographical orientation. Subsequently, it is possible to suggest future research of service co-production with customers in the hotel industry applied to other hotel categories, geographical location and larger sample sizes.

When researching a larger sample size, research of customer service co-production using a quantitative method may be more useful. In that case, it would be more relevant to use questionnaire surveys as the main method of data collection because “questionnaire surveys help us to get a small amount of information from a large number of people” (Hannam & Knox, 2010). Further research could integrate numerical results and show the amount of hotels in Tromsø or any other geographical area that have implemented services co-produced with active customer engagement in production processes based on questionnaire surveys as the data collection method and the use of quantitative techniques of data analysis. Further research could also compare different hotels with respect to the degree of customer co-production in each hotel case and the degree of dependence on co-production in those hotel categories.

Future research could also involve similar research but compare different hotel categories and types since the present study represents quite a homogeneous group of hotels belonging to the 3-4 star hotel chain category. The choice of sample should be based on analysis of hotel web sites regarding the presence/absence of services co-produced with customer participation and suppositions that reflect the potential possibility of customer co-production implementation in services of the hotels belonging to this group. Finally, there could be research on how profitability of a hotel is influenced by service co-production with customers, particularly, customer self-services in the hotel industry.

## IX. THEORETICAL MANAGERIAL IMPLICATIONS

Cases of service co-production were identified in both hotel types in the 3-4 star chain hotel category. This Master's research found that budget type hotels are ready to engage customers in service co-production in order to reduce the price for customers stays. This engagement is a part of services customers provide for themselves acting like service co-producers. In budget hotels, customers were easily engaged in service co-production due to flexibility in business processes. Full-service hotels, which implement service co-production, are less motivated by cost reduction as the main reason for its development. However, they are more concerned with achieving customer satisfaction when engaging in service co-production. As a rule, full-service hotels are less flexible in service co-production implementation as a business strategy because the price for a customer staying is normally higher in comparison with budget hotels; the services that can potentially be co-produced with customers are already included in prices. Nevertheless, customer service co-production is represented in both hotel types as an important part of marketing strategy in the hotel industry in Tromsø, Northern Norway.

Given the significance of service co-production for the hotels, hotel managers may promote the benefits of co-production to their customers. Thus, customers should have a clear understanding of how a service functions, their specific roles in that service and how they can benefit as an active participant of service encounter. For example, in hotel A, which has equipment required for self-service check-in personnel, this equipment does not motivate customers to use self-service technology and the majority of customers use the traditional means of checking-in. The types of benefits that can motivate customers to be engaged in service co-production are cost reduction of service, efficiency of service, efficiency of service outcomes and psychological benefits such as enjoyment and novelty (Cheung & To, 2011).

The findings of this Master's thesis demonstrated that in all hotel cases, the process of service co-production with customers was realised through a narrow approach to co-production, e.g. through the implementation and development of self-services and self-service technologies. Self-service technologies are generally represented by self-service check-in machines and online booking. Self-service technologies are a separate niche in co-production of services and service delivery in the framework of S-D Logic (Hilton & Hughes, 2013). S-D Logic theory provides new insights for understanding an important contemporary issue in service co-production and delivery: the application of self-service technology to customer service (Hilton & Hughes, 2013).

### **Practical Managerial implications in application to self-service technologies**

The following managerial implications were developed earlier by Hilton and Hughes (2013) in relation to the application of self-service technologies in service industries. In this thesis, the following implications are viewed as significant and applicable to the hotel industry in Tromsø, Northern Norway due to the fact that self-service technologies are represented in a range of hotels. Besides self-service technologies as a part of service co-production, the following managerial implications are applicable to Firm-Driven service innovations identified in two of the hotel cases in this Master's research.

### 1. Customers should be managed as operant resources

Self-service technologies transform the customer's role into an active operant resource that has to be managed as part of the resource integration process (Hilton & Hughes, 2013). Customers require a certain degree of training when using self-service technologies like self-service check-in equipment, online booking, hotel application for smartphones, etc., particularly, when the technology is innovative. This issue is also closely linked to trustworthiness and fear. Some customers especially of the older age do not use self-service technologies because of fear; people who have had no experience with such technologies perceive a risk of misunderstanding or losing their booked room in the hotel. Managers and employees can reduce this fear by providing clear information about how the technology functions and by assisting in the training of customer skills. By doing this, more customers could be persuaded to use self-service machines instead of traditional means of check-in and booking.

### 2. Operand resource (self-service technology) should be managed

Hotels adopting self-service technologies will need to be sure that such technologies are properly designed and function well. Hotel managers should make self-service technologies available for customers that are user-friendly. Thus, the technology must be available for operations in different languages, at least the most widely used languages in the world. There should be instructions on how to use the technology and employees should provide training and ongoing support to customers. Moreover, there should be information on the main web site of the hotels, which adopt this type of service that this type of service is offered in the hotel, with a detailed description of the technology and clear articulation of benefits for customers.

The hotels should provide directions to help-centres in case of technological error or in cases when customers do not understand how to use the technology. This is particularly important during night hours for the hotels, which do not provide 24-hours reception.

### 3. Value should be managed

Self-service technologies must provide outcomes that customers' value and consider commensurable with their increased co-production role (Hilton & Hughes, 2013). In particular, self-service check-in machines can be extremely useful in providing possible time savings in cases of long queues in hotels. Self-service check-in can free up employees to perform other tasks that customers consider to be more valuable. For example, research for this thesis found that hotels, which adopted self-service check-in equipment noted that since the introduction of the new technology, there appeared free time that could be spent on small talk with the guests, providing additional touristic information and information about the hotel. It was particularly valuable during high touristic seasons when the hotels experienced large touristic flows. Additionally, the self-service technology may provide opportunity for personal contact between the hotel employees and hotel guests that is in many cases strongly appreciated by customers and results in higher customer evaluation of the hotel itself.

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## APPENDIX 1

### HOTELS CASE DESCRIPTION

The Thon Hotel Tromsø was established in October 1989. Thon hotels has 27 years of history in the Norwegian and European markets, and consists of 73 hotels in Norway, Sweden and Benelux. Subsequently, Thon hotels has a long standing history (<http://www.thonhotels.com/>, access 16.03.2016). The hotel markets use three different concepts that allow its customers choice between these concepts: Budget, City and Conference (<http://www.thonhotels.com/>, access 16.03.2016). Thon hotels orientation presupposes a general customer-orientation in the Thon Hotel Tromsø. Thon hotels also claim high levels of employee expertise, staff flexibility and the ability to find good solutions (<http://www.thonhotels.com/>, access 16.03.2016). TripAdvisor.com and Booking.com, two travel internet resources, evaluate Thon Hotel Tromsø as a 3 star hotel, which has a general customer rating of 8.6 (fabulous)

([http://www.booking.com/hotel/no/thon-tromso.en-gb.html?aid=311984;label=thon-tromso;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dcid=1;dest\\_id=-284406;dest\\_type=city;dist=0;group\\_adults=2;room1=A%2CA;sb\\_price\\_type=total;srfid=4db10d83aa42685b782d04b4369efd404ce02c7eX1;type=total;ucfs=1&](http://www.booking.com/hotel/no/thon-tromso.en-gb.html?aid=311984;label=thon-tromso;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dcid=1;dest_id=-284406;dest_type=city;dist=0;group_adults=2;room1=A%2CA;sb_price_type=total;srfid=4db10d83aa42685b782d04b4369efd404ce02c7eX1;type=total;ucfs=1&), access 16.03.2016), ([https://www.tripadvisor.co.uk/Hotel\\_Review-g190475-d1597554-Reviews-Thon\\_Hotel\\_Tromso-Tromso\\_Troms\\_Northern\\_Norway.html](https://www.tripadvisor.co.uk/Hotel_Review-g190475-d1597554-Reviews-Thon_Hotel_Tromso-Tromso_Troms_Northern_Norway.html), access 16.03.2016).

Comfort Hotel Express Tromsø, a 3 star hotel, was established in October 2014, thereby, the hotel does not have a long history in the market of Tromsø. Despite its relatively recent establishment, the hotel was one of the most booked hotels in Tromsø in 2015 (<https://www.nordicchoicehotels.no/comfort/comfort-hotel-xpress-tromso/>, access 16.03.2016), (<https://www.nordicchoicehotels.no/comfort/comfort-hotel-xpress-tromso/>, access 16.03.2016). Comfort Hotel Express Tromsø was awarded as The Travellers Choice of 2016 (<https://www.nordicchoicehotels.no/comfort/comfort-hotel-xpress-tromso/>, access 16.03.2016) that may be attributed to a high service standard and good market reputation in Tromsø.

Smart Hotel Tromsø is part of a small 3 star hotel chain and defines itself as a budget hotel (<http://smarthotel.no/>, access 16.03.2016). Smart Hotel has agreed to be part of Preferred Property program at Booking.com, which stand out thanks to its excellent service, and quality/price ratio with competitive prices. Program participation requires meeting a specific set of criteria and takes into account feedback from previous customers (<http://www.booking.com/hotel/no/smarthotel-tromsa.en->

[gb.html?aid=311984;label=smarthotel-tromsa-KRgkXds35I6nIXJPUADTOwS86565274965%3Apl%3Aata%3Ap1%3Ap2%3Aac%3Aap1t1%3Aneg%3Afi%3Atiaud-146342135830%3Akwd-49132076700%3Aip1011021%3Ali%3Adec%3Adm;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dcid=4;dest\\_id=-284406;dest\\_type=city;dist=0;group\\_adults=2;room1=A%2CA;sb\\_price\\_type=total;srfid=c1285c232033e16d8dd24cd95b1a4b7ecd05b1a3X1;type=total;ucfs=1&](http://www.booking.com/hotel/no/the-edge.en-gb.html?aid=311984;label=smarthotel-tromsa-KRgkXds35I6nIXJPUADTOwS86565274965%3Apl%3Aata%3Ap1%3Ap2%3Aac%3Aap1t1%3Aneg%3Afi%3Atiaud-146342135830%3Akwd-49132076700%3Aip1011021%3Ali%3Adec%3Adm;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dcid=4;dest_id=-284406;dest_type=city;dist=0;group_adults=2;room1=A%2CA;sb_price_type=total;srfid=c1285c232033e16d8dd24cd95b1a4b7ecd05b1a3X1;type=total;ucfs=1&), access 16.03.2016).

Clarion Hotel the Edge, is the largest conference 4 star hotel in Tromsø, which was opened in May 2014 (<https://www.nordicchoicehotels.com/clarion/clarion-hotel-the-edge/> access 16.03.2016). The hotel is also a Traveller's Choice 2016 according to TripAdvisor.com and has a ratio of 8.9/10 (fabulous) scored from 1214 reviews (<http://www.booking.com/hotel/no/the-edge.en-gb.html?aid=357019>, access 16.03.2016). Clarion Hotel the Edge has a 98.5% satisfaction rate based on real options from real customers (<http://www.booking.com/hotel/no/the-edge.en-gb.html?aid=357019>, access 16.03.2016). Besides, Clarion Hotel the Edge belongs to the Clarion Hotel chain, a chain consisting of 27 hotels operating in Scandinavia, which is a part of the Nordic Choice group, one of the largest in Norway (<https://www.nordicchoicehotels.no/clarion/>, access 16.03.2016).

Quality Saga Hotel was built in 1969 and it is one of the oldest hotels in Tromsø that has a long-standing history and has received millions of customers over the entire period of its functioning (<https://www.nordicchoicehotels.com/quality/quality-hotel-saga/>, access 18.03.2016). Quality Saga hotels also belong to the Nordic Choice group and is a part of the Quality Hotel chain. The long history of the hotel's existence in the market of Norway presupposes its good reputation among customers. Without satisfying customer evaluation, no one hotel can exist. The hotel is highly rated by customers who used Booking.com and TripAdvisor as internet resources when choosing a destination. Thus, Booking.com evaluates Quality Saga hotel by the ratio of 8.5/10 (very good)

[http://www.booking.com/hotel/no/quality-saga.en-gb.html?aid=318615;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dest\\_id=-284406;dest\\_type=city;dist=0;group\\_adults=2;room1=A%2CA;sb\\_price\\_type=total;srfid=0d951143ed87ea3c83740e51ba92517ffe8da6ceX1;type=total;ucfs=1&](http://www.booking.com/hotel/no/quality-saga.en-gb.html?aid=318615;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dest_id=-284406;dest_type=city;dist=0;group_adults=2;room1=A%2CA;sb_price_type=total;srfid=0d951143ed87ea3c83740e51ba92517ffe8da6ceX1;type=total;ucfs=1&), access 18.03.2016).

However, the number of stars assigned to the hotel differs in Booking.com and TripAdvisor websites as 3 and 3/5 accordingly

<http://www.booking.com/hotel/no/quality-saga.en-gb.html?aid=318615;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;src=clp;openedLpRecProp=1;ccpi=1>,

[https://www.tripadvisor.com/Hotel\\_Review-g190475-d206349-Reviews-Quality\\_Hotel\\_Saga-Tromso\\_Troms\\_Northern\\_Norway.htm](https://www.tripadvisor.com/Hotel_Review-g190475-d206349-Reviews-Quality_Hotel_Saga-Tromso_Troms_Northern_Norway.htm), access 18.03.2016).

City Living Hotel & Apartments is represented by a small chain located in Tromsø and Trondheim. The hotel in Tromsø was established in 2008 and is attractive to customers due to its concept, which is different from the standard hotel conception, which includes apartments besides hotel rooms (<http://www.cityliving.no/en/tromso-hotel-city-living>, access 18.03.2016). Booking.com gives 8.6/10 score (fabulous) and notes a 98.5% satisfaction rate by customers, who had previously experienced a stay in the hotel

([https://www.booking.com/hotel/no/city-living-tromso.en-gb.html?label=gen173nr-1DCAsoqgFCEmNpdHktbGl2aW5nLXRyb21zb0gzYgVub3JlZmliYgBAZgBLrgBCMgBD9gBA-gBAfgBAqgCAw;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dcid=4;ucfs=1;room1=A,A;dest\\_type=city;dest\\_id=-284406;srfid=0d032beea4835a20d8955366a93dca102d192e91X1;highlight\\_room=](https://www.booking.com/hotel/no/city-living-tromso.en-gb.html?label=gen173nr-1DCAsoqgFCEmNpdHktbGl2aW5nLXRyb21zb0gzYgVub3JlZmliYgBAZgBLrgBCMgBD9gBA-gBAfgBAqgCAw;sid=bf41cbf41d8a2ea4a84576a1fe3f0e16;dcid=4;ucfs=1;room1=A,A;dest_type=city;dest_id=-284406;srfid=0d032beea4835a20d8955366a93dca102d192e91X1;highlight_room=), access 18.03.2016).

## APPENDIX 2

### INDIRECT ANALYSIS CATEGORIES

Table 2.2 describes the subcategories *Type of hotel*, *Leading business concept* and *general marketing strategy* and *Leading customer segment* in the two hotels groups.

Table 2.2 Indirect Categories of Analysis

Full-service hotel				Budget hotel		
Service Co-production categories	C	D	F	A	B	E
<b>Hotel type</b>	Full-service conference hotel	Full-service hotel	Full-service conference and congress hotel	Budget hotel	Budget hotel	Budget hotel
<b>Leading business concept</b>	National and international conferences, business meetings	City business concept	Business conference market	Budget customer visiting	Budget customer visiting	Budget customer visiting
<b>Marketing strategy</b>	Business customers attraction	Central location for leisure travellers	Leisure tourists and local market	Budget long-staying visits	Budget long-staying visits	Lowest price by extra service exclusion
<b>Leading customer segment</b>	Business travellers, winter tourists	Business travellers, leisure groups and individuals	Business visitors, leisure tourists, local customers	Business travellers	Long-time staying individual travellers, families and groups	All tourists, business travellers, young people

The following theoretically predefined categories *Type of hotel*, *Leading business concept* and *general marketing strategy* and *Leading customer segment* were not discussed during the analysis procedure in this thesis. In the thesis, they are represented as subcategories because they do not directly relate to the leading research question. However, these subcategories are relevant for the research that informs this thesis because they provide additional information about the hotels, which participated in the present study and provide information for the identification of types of hotel and their further subdivision into full-service and budget types.

#### *4. Type of hotel, leading business concept and general marketing strategy*

In the analysis, all three subcategories were grouped together in one general category due to the fact that they are interdependent. Results showed that leading business concepts and general marketing strategies were largely determined by the hotel's type as was evident in the thesis' research findings. Separate analysis of these three subcategories did not find any significance, however, the combination of the three subcategories helps to define the structure of services in each hotel case study and the reason for the implementation of each service structure, which made sense for the findings. Moreover, this category was used as a framework for analysis of customer co-production in the thesis' research in a way that helped understand the core nature of each case of service co-production.

#### *5. Leading customer segment*

The category of customer segmentation defines a key group of customers, upon which each hotel primarily focused. According to the data analysis results, this category was also determined by hotel type and core business concept. Moreover, the category of customer segment had particular significance for defining the structure of co-production: with whom this or that service was co-produced. Following the conception of Lusch et al. (1992) and Etgar (2008), who investigated the factors for customer contribution in co-production processes, one of the six factors conditioning customer participation was expertize factor implying that customers require applicable expertize for the particular service operant resources to co-produce effectively (Lusch et al., 1992; Etgar, 2008). Every customer's knowledge and skills is no doubt a valuable contribution to the services hotels co-produce with customers. However, leading customer segment knowledge is more relevant for particular services wherein customers act as active co-producers because they provide knowledge for the services directed to them. This knowledge provides information for organizing the services aimed to a leading customer segment more efficiently. The leading customer segment, in this way, can be viewed as expert customers because they have specific operant resources (knowledge and skills) applicable to the services that each hotel develops according to this customer group's requirements and interests. In this way, a service co-production process "requires customers who are capable of making useful and timely contributions to organization activities" (Wang et al., 2015:150). Generally speaking, each hotel develops services primarily required for the group of customers to which the hotel is oriented.



## FULL-SERVICE HOTELS GROUP

### 1. *Type of hotel, leading business concept and general marketing strategy*

The data analysis identified three hotels as belonging to the full-service hotel type, among them, two hotels represented the conference and congress hotel category (hotel C and hotel F), thereby, having primarily a business directionality nature of services.

Hotel C offers full-service conference solutions and is primarily oriented to business and conference travellers. The main business concept is directed towards business market, national and international conferences and corporate meetings that is also supported by the hotel's policy orientation. "We are actually a business hotel which was established primarily for business travellers" (GM). The leading marketing strategy is determined by the leading business concept and, thus, bases on the business concept and can be characterised as the objective to attract business customers by high-quality services and facilities required for conferences and business meeting.

In comparison with hotel C, Hotel F represents the same hotel type and hotel category being a full-service conference and congress hotel type. However, the general marketing strategy subdivides into three different directions according to the segment of market each strategy covers. Hotel F defines three main marketing directions or marketing sub strategies oriented towards three different parts of the market in Northern Norway. Being primarily conference and congress hotel, it has the main focus on the business market. During weekdays from Monday to Thursday the customers of the hotel are overwhelmingly business travellers who visit the hotel for the reason of congresses and conferences. During the weekends time the hotel has the high flow of leisure travellers, "leisure traffic that is one of the most in Tromsø", hereby, the second marketing strategy can be characterised as organization of visit and activities for leisure travellers. The third customers segment and the direction of marketing policy is doing business for the local customer market. Hotel F characterise itself as to be the concert and cultural area during weekends for the local customer, what the hotel does is organising concerts, cultural events and different types of entertainment activities with invitation of national and international artists. "When we opened this hotel we had one goal and that was to be the meeting place, the first meeting place for everyone in Tromsø, and that means the local people and also the international guests who travel in Tromsø" (GM). Orientation to the local customers is one of the distinctive feature of hotel F; the principle makes the hotel different in comparison with other hotels in the chain. The focus on previously described customer segments is partly

connected with the policy of the chain; however, doing business on the local field is separate decision of hotel F that makes the hotel unique.

The result of the research shows that although hotel D belongs to the category of full-service hotels, the nature of leading business concept and marketing strategy differs from the first two full-service hotels. The whole chain business conception comprises three concepts of different orientation: Budget – Smart and simple, City – Comfort in central locations, Conference – Professional conference hotels. Hotel D that took part as a research participant in the current research belongs to City business concept, which implies the hotel's primary focus on city central location suitable specifically for business travellers. Thereby, the leading marketing strategy of the hotel D has the focus on the business travellers requirement and leisure travellers who appreciate additional comfort and proximity of the city sights, however, in comparison with two full-service congress hotels, hotel D has narrow specialisation and does not have orientation to organisation of conferences and business meetings.

## *2. Leading customer segment*

As it was mentioned before, core customer segment is largely determined by the hotel's business concept. In this way, hotel C and hotel F full-service hotels that have conference and congress business concept largely orient towards business market and business travellers customer segment, accordingly. Thus, 50% of the hotel's C market is business travellers who visit hotel C because of the conferences and business meeting. "We wanted for many years to try getting the business travellers" (GM). Besides business travellers, hotel C has winter tourism as the second vital component of customer segment in the market. "In winter the tourist are here for 3-4 days, pay what it costs and want to have experiences...So, we see that it is also a payable market in tourism" (GM). Thereby, hotel C orients predominantly on the two segments of customers in the market of Northern Norway business travellers and winter tourists. Hotel F has three leading marketing strategies directed towards the following groups of customers business visitors, leisure tourists and local customers.

Hotel D claims that it does not have the particular customers auditorium that it is mainly directed towards. On the contrary, the hotel targets to develop the service standard that suits every potential customer. "We don't go out to only one particular group we are open for everybody. We need to have something that fits almost everyone" (BM). However, certain patterns in customers flow can be traced among regular visitors of hotel D. During weekdays

the hotel has high occupation by business travellers and at the weekends the hotel overwhelmingly has leisure groups of visitors, tourists and leisure individuals. Besides, the hotel is usually fully-booked by national and international tourist groups and individual travellers during the high touristic seasons. The results also depicted that although hotel D has City concept that implies business travellers directionality, it does not implement services developed for specific customer group.

## BUDGET HOTELS GROUP

### *1. Type of the hotel, leading business concept and general marketing strategy*

According to the results gathered the leading business concept for all the hotels participating in the present research and representing budget hotel type is aimed to customer budget staying. The hotels that enter the category of budget hotel type are hotel A, hotel B and E.

The leading business idea of the hotel A is a providing of minimalistic design of hotel rooms and facilities required for budget customer visiting. “We don’t have all the extras in the rooms that you basically don’t need. It is supposed to be smart and it’s supposed to be of a good value...So, you have value for this small amount of money that you use to stay in our hotel. This is the idea” (GM). In comparison with hotel A, the concept of hotel B is realised in different form including the hotel itself and common apartments belonged to the hotel B. Despite different forms of hotel construction, hotel B develops the same business concept of customer budget staying. The mode of carrying out budget customer staying business concept is the orientation to customer self-service since the hotel’s B establishment. The reason of implementation this business concept orientation lies in the intention to find new market segment and provide the service concept that is unique for the hotel industry in Tromsø. “That was the idea from the beginning that we have something different because nobody else has it” (GM). Hotel F is the third case of budget hotel type and budget customer staying business concept. Such orientation of hotel F is connected to the reason that in full-service hotels people must pay for plenty of services that they particularly do not use. Thus, customers do not always have enough time for breakfast, they do not need to change towels every day or have daily room service, however, everything of these is included in the room price in full-service hotels.

The type of the hotel and the business concept of each particular case determine the sub category of leading marketing strategy. The core marketing strategies of hotel A and hotel B have identical directions and are orientated towards long-staying visits. Implementing budget staying

as the core concept, two hotels should compensate low prices by long time periods of customers staying. In case of hotel F, it develops the strategy of keeping the lowest price in the town by excluding a set of extra services that customers do not always use.

## *2. Leading customer segment*

The budget hotels A and B apply the strategies of long-staying customer visiting. Around 30% of customers that hotel A deals with are national companies, specifically, construction companies. Hereby, business travellers are one of the main customer segment in the market that hotel A is aimed to. “We have business people, those who come to Tromsø for business, not necessarily people of “high-end”” (GM). Besides long-time staying individual travellers, families and groups is the other segment of customers hotel B is oriented towards. The main difference of hotel B from other hotels in Tromsø is that every hotel room that hotel B offers has kitchenette for self-preparation and serving of food, rooms and apartments are spacious for family or groups staying. Moreover, during the tourism seasons there is high occupancy by international tourists in the hotel.

The customer auditorium that the hotel E is directed towards is mostly international tourists, especially during high touristic seasons; it has approximately 80% of tourists and around 20% of business travellers during these months. However, the situation changes during other seasons when customers flow predominantly constitutes business travellers and Norwegian tourists. “We’re doing better in half of the year when we only have tourists, because they like the concept, they want to spend money on their own and don’t need extra services as breakfast” (BM). Another one customer segment for hotel E is young people in the mid-20<sup>th</sup> and 30<sup>th</sup>, groups of friends or couples. One of the possible reasons for being attractive for the young auditorium is that hotel E widely uses internet channels such as Facebook and Instagram as the ways of communication with its customers and tools of advertisement. The hotel accentuates that their customers are those who save money, those who cannot afford more luxurious staying, and wealthy people who enjoy the chill atmosphere.

## APPENDIX 3

### INTERVIEW GUIDE

#### «SERVICE CO-PRODUCTION WITH CUSTOMERS IN THE FRAMEWORK OF SERVICE-DOMINANT LOGIC IN APPLICATION TO THE HOTEL INDUSTRY IN TROMSØ, NORTHERN NORWAY»

##### 1. Service co-production with customers and its development in the hotels

- Does your hotel engage its customers in services building and construction of customer experience?
- What are the recently introduced in your hotel special programs and offers for customers?
- What role do customers play in this services? What are their duties and responsibilities?
- Can you tell that the policy of the hotel is customer-oriented? How can you characterise the main marketing strategy of the hotel? Is it customer-focused or services-focused (is directed towards successful services selling for customers)?
- What kind of customer co-produced services are represented in the hotel?
- Are customer self-services presented in the hotel?
- Do you use motivation to enhance customers' willingness to co-produce? If yes, what incentives do you use to motivate them?
- Does the hotel benefit from self-services and other services co-produced together with customers?
- What positive and negative outcomes do such services have for the hotel's economy?
- How do co-produced services influence the hotel's profit and the quality of such services in comparison with other services represented in the hotel?
- Have the number of customers increased after implementation of services co-production in comparison with previous years when such services were not developed?

##### 2. Feedback from the hotel's customers

- Do you measure experience of different customers? If yes, how is it implemented?

- Do you communicate with your customers? Do the policy of the hotel welcome feedback from customers? What methods and tools do you use to get feedback from people?
- Do you encourage your customers to leave feedback about the services offered?
- Is your organization ready to use feedback even if it is negative?
- Are you benefiting from the collective wisdom of your customers?
- Do you get feedback from such independent and widely known internet resources as Tripadvisor.com and Booking.com? If yes, do you benefit from it?

### 3. Knowing your customers

- Do the hotel oriented to the particular auditorium of customers? For example, some hotels pretend to be “family hotels”, some are oriented towards business, corporate workers. Can you say that your hotel is oriented towards any customer segment? If yes, how can you characterise them? Do they belong to any particular category of customers? Why did the hotel choose to be oriented to this group of people? Is it connected with the hotel’s policy? (I suppose the customer segmentation can help to understand better the structure of co-produced services; who such services are oriented to and why)
- What access do your customers have to the collaboration possibilities in the hotel? Is such information presented in an accessible format for customers? Is it easily accessible on the hotel’s web page or during a guest’s checking in?
- Do the hotel’s management try to strengthen the connection between people’s experience of services co-produced and system priorities in order to achieve greater adaptive capacity?