

CO-CREATING TOURIST EXPERIENCES TO ENHANCE CUSTOMER LOYALTY AND TRAVEL SATISFACTION

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Abstract

Purpose – The purpose of this paper is to highlight the need for cooperation between tourists and travel professionals in creating a memorable visitor experience. The objectives of the study are twofold: first, to explain the concept of tourist experience co-creation and, second, to explore the relationships among tourist experience co-creation, customer satisfaction, overall travel satisfaction and customer loyalty towards travel professionals.

Methodology – The study uses constructs from past literature. A survey was conducted on a convenience sample of 422 Croatian residents who had travelled at least once in the year prior to the study. The hypotheses were empirically tested and validated by partial least square structural equation modelling (PLS-SEM).

Findings – Participation in the co-creation process of an experience, together with travel professionals, positively affects customer satisfaction. Further, customer satisfaction with co-creation has a positive effect on overall travel satisfaction and customer loyalty to travel professionals. There is also evidence that overall travel satisfaction positively affects customer loyalty to service provider.

Contribution – This study contributes to the knowledge of tourist experience co-creation within the theory of service-dominant logic and customer behaviour. The scientific contribution is found in testing the influence of tourist experience co-creation on tourist satisfaction and loyalty. The applicable contribution emphasises the necessity to include tourists as an active, involved and participating part in the process of providing services. Their involvement in this process will positively affect their satisfaction and loyalty.

Keywords: co-creation, tourist experience, customer satisfaction, customer loyalty

INTRODUCTION

Recent studies indicate that experiences are what modern tourists expect from, and are looking for, in a tourist destination, and product/service quality is no longer a crucial factor in decision making regarding travel (Oh, Fiore and Jeoung, 2007). The tourism product needs to be created as a set of specific experiences. New tourist demands should become the starting point of marketing decisions made by all those involved in creating a destination's tourism offering to ensure products and services are developed that will provide tourists with unforgettable experiences. Satisfaction with tourist experiences will enhance both the level of loyalty to tourism suppliers and the satisfaction of tourists with the overall trip. Namely, for successful destination marketing it is important to build overall tourist satisfaction as this will influence destination selection and the decision to return (Yoon and Uysal 2005).

Authentic tourist experiences can be delivered by involving tourists in different creative processes which will result in a tourism product or service and enable service providers to gain and keep competitive advantages. Hence, tourist experience co-creation creates value for all stakeholders included in process of co-creation. Thus, the service provided will have greater value after different stakeholders have contributed to service provision (Mathis et al, 2016).

Co-creation of the tourist experience has mainly been explored from a theoretical perspective. Grissemann and Stokburger-Sauer (2012) point out that empirical evidence of co-creation research in tourism is scarce and a number of research questions are still unanswered. This makes an argument for conducting the study presented in this paper.

The present paper has two main objectives. The first is to explain the concept of tourist experience co-creation, and the second, to explore the relationships among tourist experience co-creation, customer satisfaction, overall travel satisfaction and customer loyalty towards travel professionals.

The paper is organized as follows. First, a theoretical framework supporting our study is presented. Next, based on the reviewed literature a conceptual model is developed and research hypotheses, formulated. Then, the methods used are explained and research results, presented. The last section concludes the study, discusses the limitations of the study and offers suggestions for future research

1. LITERATURE REVIEW

The following section provides an overview of the literature with focus on the concepts of tourist experience co-creation, satisfaction with the co-creation experience, customer loyalty and travel satisfaction.

1.1. Tourist experience co-creation

There are numerous definitions of the tourist experience in recent literature, but there is no single theory that defines the meaning and extent of tourist experiences (Volo, 2009). According to the Mossberg (2007), there are two approaches to the study of tourist experiences: first, the social science approach which indicates that tourists prefer to experience something different from their daily routine and second, the marketing/management approach which highlights that tourists are recognized as consumers because they are involved in different exchange relationships or interactions related to tourism provision. Namely, tourists subjectively construct their personal experiences through interaction with a service provider, by using different elements of products/services and reassembling them as they choose (Kim 2010).

The tourist experience is subjective and varies from one individual to another. Repeat visits to a specific destination will depend on the quality of the experience. The aim of any tourist travel is experience, which has been described in the tourism literature as a “subjective mental state felt by participants” (Otto and Ritchie 1996, in da Costa

Mendes et al. 2010, 112). In the present research, tourist experience is considered as an individual perception generated in the context of interactions and resource integration in a tourism context (Bjork and Sfandla, 2009 in Mathis et al. 2016, 63).

Co-creation is the joint creation of value by the company and the customer (Prahalad and Ramaswamy, 2004), which is the underlying premise in the service dominant logic (S-D logic) of marketing. The new S-D logic concept recognises the consumer as an active, involved and participating part (Vargo and Lusch, 2004) and the foundational idea in S-D logic is that customers are co-creators of value. Co-creation is also approached as high level of customer participation in customizing the product or service, which requires collaboration with customers for the purpose of innovation (Chathoth et al. 2013, 13). Hence, collaboration between the company and its customers is inherent to value co-creation (O'Cass and Ngo, 2011). This value co-creation concept, if transferred to the relationship between tourists and travel professionals, can be seen as a process that helps tourists to build better tourist experiences.

Co-creation of experiences approaches the consumer as an active participant in consuming and producing values and means that the customer is involved in defining and designing the experience with a product or service (Prebensen and Foss, 2011). In the tourism context, the focus is on the joint effort of and collaboration between service providers and tourists, in order to provide experience value for the tourists. According to Mathis (2013, 11), tourist experience co-creation can be described by four concepts: 1) it involves collaboration between the service provider and the tourist; 2) it emphasizes the co-production of new and improved products and services; 3) value-creation is moving from a goods-dominant logic to a service-dominant logic; 4) it is ongoing, adaptable, personalized and unique.

The specific characteristics of tourisms with regard to co-creation can be described as follows (Grisse mann and Stokburger-Sauer 2012, 1483): 1) cooperation among tourists and travel professionals in creating travel arrangements helps tourists to create a unique experience, 2) co-creation activities help travel professionals to regain tourists as they help them get travel arrangements tailored to their individual needs, 3) tourists, through online sharing of travel experiences, create value also for other companies included in travel arrangements and for the community. By sharing their travel experiences through online social networks, tourists help to shape the future behaviour of other online community members.

Chathoth et al. (2013, 14) highlight two ways in which service providers can collaborate with customers in the hospitality and tourism industry: 1) through a value creation process which leads to value-in-use and 2) through shared inventiveness, co-design or shared production that leads to customer engagement. In this value creation process, the customer is a collaborative partner who creates value with his own resources (e.g. knowledge, effort, money, time), and as a result value-in-use is created. The concept "pinpoints value creation as an outcome of interaction and considers value to be realised once it is consumed" (Minkiewicz, Evans and Bridson 2014, 34). Hence, relationships and mutual collaboration facilitate the creation of value for tourists and

with tourists and, from the S-D logic perspective; tourists are seen as co-producers of service (Shaw et al., 2011).

1.2. Tourist satisfaction and loyalty

Customer i.e. tourist satisfaction and loyalty have been widely explored in the tourism marketing literature (e.g. Yoon and Uysal 2005). Tourist satisfaction is understood as “an individual’s cognitive-affective state derived from a tourist experience” (del Bosque and San Martin 2008, 553). Although previous studies have evidenced the relationship between tourist experience and tourist satisfaction (Chan, Hsu and Baum 2015; Chen and Chen 2010; Manthiou et al. 2016; Prebensen, Kim and Uysal 2015; Triantafillidou and Petala 2016), there is very scarce research related to the relationship between tourist experience co-creation, satisfaction with co-creation performance and travel satisfaction (Mathis 2013; Mathis et al. 2016; Grisseman and Stokburger-Sauer 2012). For the purpose of this study, satisfaction with the co-creation experience is defined as “the satisfaction with the customers’ participation in the creation of the service offering” (Grisseman and Stokburger-Sauer 2012, 1486).

Furthermore, satisfaction with co-creation and travel satisfaction can lead to customer loyalty to the service provider. According to Manthiou et al. (2016), customer satisfaction is an antecedent of customer loyalty. In this study, customer loyalty to a service provider refers to the “customer who repurchases from the same service provider whenever possible and who continues to recommend or maintains a positive attitude towards the service provider” (Kandampully and Suhartanto 2000, 346). Namely, tourists’ ability to co-create with a service provider, in order to create personalized experiences, can contribute to travel satisfaction and loyalty to the company, as shown in past research (Grisseman and Stokburger-Sauer 2012; Mathis et al., 2016). If a tourist is satisfied with the co-creation experience, they are likely to return to the same service provider and recommend the company to others (Mathis et al., 2016; Prebensen, Kim and Uysal 2015).

2. HYPOTHESES DEVELOPMENT AND MODEL SPECIFICATION

The main purpose of this study is to explain the concept of tourist experience co-creation and assess the relationship among the main constructs: participation in the co-creation process, customer satisfaction with co-creation activity, customer loyalty and travel satisfaction. In following section, relationships among the main concepts of this study are hypothesized and a conceptual model is developed.

When tourists find the result of co-creation process to be satisfying, i.e. when travel arrangement cause them to be satisfied with travel, they are also more likely to be satisfied with the travel professional with whom they have collaborated. Hence, satisfaction with the result of co-creation is seen as satisfaction with tourist participation (Grisseman and Stokburger-Sauer 2012). Similarly, Bendapudi and Leone (2003) argue that customer, i.e. tourist, participation in the co-creation process has an influence on satisfaction with the organization or person with whom customers

are collaborating. Hence, we propose that: *The degree of co-creation is positively related to customer satisfaction with the co-creation activity* (H₁).

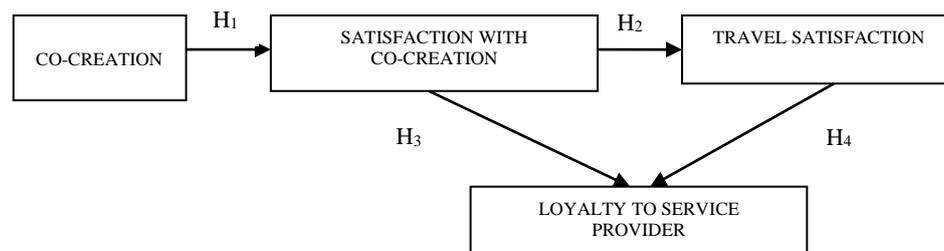
If tourists, as travel agency customers, are involved and collaborate with travel professionals in creating their trip, they will feel more content when the trip is over. Involvement and collaboration in preparing the trip brings the whole process to a new dimension and spills over to travel satisfaction. Moreover, customer satisfaction with the co-creation experience adds to travel satisfaction (Mathis et al. 2016). Therefore, we propose that: *Customer satisfaction with co-creation is positively related to travel satisfaction* (H₂).

Customer satisfaction is seen as an essential element of customer loyalty (Yoon and Uysal, 2005). Some authors assert that only completely satisfied customers can become loyal ones (Jones and Sasser, 1995). This also applies to the co-creation process and satisfaction related to it. Mathis et al (2016) therefore assert that customer satisfaction with the co-creation experience builds customer loyalty to the service provider. Hence, we posit that: *Customer satisfaction with co-creation is positively related to customer loyalty* (H₃).

Similarly, if a customer who is a tourist, is satisfied with travel experience he or she will be also more prone to return to the same travel agency and collaborate with the same travel professional. Satisfaction with travel arrangements evokes positive feelings toward the travel provider (Chan, Hsu and Baum, 2015) and positive feelings lead to choosing the same service or the same travel professional once again. Therefore we propose that: *Overall travel satisfaction is positively related to customer loyalty* (H₄).

Further to the above hypotheses, we propose a conceptual model as seen in Figure 1.

Figure 1: **The conceptual model of this study**



Source: Authors

Empirical research was conducted to test the formulated hypotheses and is explained in the following section.

3. METHODOLOGY

Empirical research was conducted to accomplish the objectives of the study. The conceptual model and hypotheses were tested using the data collected.

3.1. Measures

A three-part questionnaire was designed to collect data. The first part consisted of seven closed questions aimed at learning about the respondents' travel behaviour. The second part contained scales for measuring the main constructs, while the third part comprised demographic questions.

The questionnaire's central part included measurement scales taken from the existing literature. The degree of co-creation was measured using five statements taken from a study by Mathis (2013) and referring to the collaboration of respondents with a travel professional. Three statements, adapted from Grisseman and Stokburger-Sauer (2012), were used to measure the respondents' satisfaction with their collaboration with the travel professional. Three other statements, also adapted from Grisseman and Stokburger-Sauer (2012), were used to measure the loyalty to the travel professional/service provider. Overall travel satisfaction was measured by the statement: "In general I am satisfied with the whole trip". Respondents evaluated their agreement with the statements on a five-point Likert-type scale ranging from 1 "strongly disagree" to 5 "strongly agree".

3.2. Sample and data collecting

Data were collected from October 2014 to January 2015 using a convenience sample comprising people who had, in the year prior to the survey, travelled or been on vacation that included overnight stays. A total of 525 questionnaires were gathered, of which 513 were properly filled out. Given that the study was focused on tourist experience co-creation, filter questions referring to the cooperation of respondents with travel professionals were used to exclude from further analysis those respondents who did not participate in tourist experience co-creation during their travels in the previous year. Thus, data analysis is based on a sample of 422 questionnaires, accounting for 80.38% of the collected questionnaires.

4. RESEARCH RESULTS

4.1. Descriptive statistics

The demographic structure of the sample is shown in Table 1.

Table 1: Demographic profile of respondents (n=422)

<i>Characteristics</i>	<i>Respondents</i>	
	<i>Frequency</i>	<i>Percentage</i>
<i>Gender</i>		
Female	267	62.8
Male	158	37.2
<i>Age</i>		
18 – 20	27	6.4
21 – 25	157	36.9
26 – 30	80	18.8
31 – 35	41	9.6
36 – 40	16	3.8
41 and more	104	24.5
<i>Level of education</i>		
Primary school	8	1.9
Secondary school	203	47.8
Higher education	208	48.9
MSc and PhD	6	1.4

Source: Research results

Women accounted for 62.8% and men for 37.2% of the sample. The age of most respondents was between 21 and 25 (36.9%), and 41 and over (24.5%). Almost the same number of respondents has secondary school (47.8%) and higher education (48.9%) qualifications.

The study included questions which explored the respondents' travel behaviour. In the year prior to the survey, all respondents had taken a trip that involved overnight stays. The results of descriptive analysis are illustrated in Table 2.

Table 2: Travel behaviour of respondents (n=422)

<i>Description</i>	<i>Respondents</i>	
	<i>Frequency</i>	<i>Percentage</i>
<i>Travel duration</i>		
2 days	70	16.6
3-7 days	242	57.3
8 or more days	106	25.1
Unknown	4	0.9
<i>Type of travel</i>		
City travel in Croatia	56	13.3
City travel abroad	110	26.1
Touring vacation	78	18.5
Outdoors vacation	16	3.8
Sun and sea vacation	70	16.6
Skiing and winter vacations	12	2.8
Cruise	4	0.9
Visiting friends and relatives	34	8.1
Business travel	20	4.7
Other	18	4.3

<i>Description</i>	<i>Respondents</i>	
	<i>Frequency</i>	<i>Percentage</i>
Unknown	4	0.9
<i>Accompanying person</i>		
Alone	32	7.6
Family	91	21.6
Partner	131	31.0
Friends	103	24.4
Organized group (tour, church, school, etc.)	57	13.5
Other	3	0.7
Unknown	5	1.2
<i>Organization of travel</i>		
Independent travel	221	52.4
Through a travel agency	128	30.3
Independent travel with some services provided by a travel agency	70	16.6
Unknown	3	0.7
<i>Travel professional with whom cooperation has been established before or during travel</i>		
Travel agent	73	17.3
Tour guide	55	13.0
Hotel staff	99	23.5
The accommodation owner	161	38.2
Other	34	8.1

Source: Research results

The duration of travel for most of the respondents was from three to seven days (57.3%). Travel largely involved city travel abroad (26.1%) and touring vacations (18.5%). The respondents mostly travelled with a partner (31%), friends (24.4%) or family members (21.6%). More than half of the respondents were independent travellers (52.4%) who cooperated with the accommodation facility owner before or during travel (38.2%).

4.2. Measurement model

The hypotheses formulated were tested using the Partial Least Squares Structural Equations Modelling (PLS-SEM) method. Since PLS-Path Modelling has been described as an important research tool in social sciences, especially for satisfaction studies (Mateos-Aparicio, 2011), we assessed the method as being applicable to this paper.

An evaluation of PLS-SEM results started with verification of the measurement model. As the measurement model has four constructs with reflective indicators, the evaluation comprises internal consistency, indicator reliability, and convergent and discriminant validity testing (Hair et al. 2014). PLS results for the measurement model are presented in Table 3.

Table 3: PLS results for the measurement model

Constructs	Variable	Item	λ^*	CR	AVE
CO-CREATION	cocr1	Working alongside a travel professional allowed me to have greater social interaction, which I enjoyed.	0.822	0.893	0.627
	cocr2	I felt comfortable working with a travel professional during this activity.	0.835		
	cocr3	The setting of the vacation environment allowed me to effectively collaborate with the travel professional.	0.786		
	cocr4	My vacation experience was enhanced because of my participation in the activity.	0.803		
	cocr5	I felt confident in my ability to collaborate with the travel professional.	0.709		
SATISFACTION WITH COCREATION EXPERIENCE	sat2	Time spent in activities in which I collaborated with the travel professional paid off.	1.000	1.000	1.000
CUSTOMER LOYALTY	loy1	I am likely to do most of my future travel with this travel professional.	0.904	0.938	0.835
	loy2	If I had the opportunity to choose between the travel professional with whom I collaborated and some other person, I choose the professional with whom I collaborated on this trip.	0.922		
	loy3	I will recommend this travel professional to my friends.	0.915		
OVERALL TRAVEL SATISFACTION	travsat	In general I am satisfied with the whole trip.	1.000	1.000	1.000

* All factor loadings were significant at $p < .001$
CR stands for composite reliability; AVE stands for average variance extracted.

It is shown that all outer loadings of the reflective constructs are above the threshold value 0.708 (Hair et al. 2014, 103). Two variables which were below that threshold were removed: (1) the variable sat1 (“I am satisfied that I was able to cooperate with the travel professional.”) with the loading 0.673 and (2) the variable sat3 (“Generally, I am pleased that I undertook this activity in which I collaborated with the travel professional”) with the loading 0.667. The deletion increases the composite reliability above the threshold of 0.70 (Hair et al. 2014, 102). Semantic redundancy was not an issue since there were no loadings exceeding the threshold of 0.95 (Hair et al. 2014, 102). The composite reliability values between 0.893 and 1.00 demonstrate that all four

reflective constructs have high levels of internal consistency reliability. Convergent validity assessment is based on the average variances extracted (AVE). The AVE values (Table 3) are well above the cut-off of 0.50 (Hair et al. 2014). That indicates convergent validity for all constructs.

Discriminant validity was assessed using the Fornell-Larcker criterion which recommends that the square roots of AVE values for all constructs should be above the constructs' highest correlation with other latent variables in the model (Table 4) and the cross loadings (Table 5).

Table 4: **Discriminant validity**

	COCREATION	LOYALTY	OVERALL TRAVEL SATISFACTION	SATISFACTION
COCREATION	0.627	0.521	0.100	0.486
LOYALTY	0.722	0.835	0.120	0.473
OVERALL TRAVEL SATISFACTION	0.316	0.347	1.000	0.067
SATISFACTION	0.697	0.688	0.258	1.000

Source: Research results

Table 4 shows the results of the discriminant validity assessment, providing evidence that each reflective construct relates more strongly to its own measures than to the rest of the constructs. It is evident that the the AVE (diagonal values) of each construct is larger than its corresponding square of the correlation between coefficients, indicating adequate discriminant validity (Fornell & Larcker, 1981).

Table 5: **Cross loadings**

INDICATOR	COCREATION	LOYALTY	OVERALL TRAVEL SATISFACTION	SATISFACTION
cocr1	0.822	0.604	0.245	0.526
cocr2	0.835	0.646	0.299	0.541
cocr3	0.786	0.503	0.198	0.535
cocr4	0.803	0.591	0.231	0.618
cocr5	0.709	0.509	0.281	0.525
loy1	0.655	0.904	0.309	0.648
loy2	0.653	0.922	0.312	0.618
loy3	0.670	0.915	0.330	0.619
sat2	0.697	0.688	0.258	1.000
travsat	0.316	0.347	1.000	0.258

Source: Research results

It is evident that the outer loadings of all indicators on the associated construct are greater than their loadings on other constructs. The results confirm the discriminant validity of the measurement model.

4.3. Hypotheses testing

After evaluation of the measurement model we assessed the structural model. The first step in assessing the structural model is collinearity assessment. Only one latent variable (LOYALTY) is predicted by two constructs. The VIF value of 1.072 is far below the threshold of 5 (Hair et al., 2014, 189), therefore multicollinearity is not an issue.

The R^2 values can be used for assessing the structural model (Henseler, Hubona, & Ray, 2016). The obtained values of satisfaction with the co-creation experience (0.485) and loyalty (0.504) can be considered close to moderate since the value of overall travel satisfaction (0.067) is weak.

Table 6 presents the standardized path coefficient estimates, their respective t values, p values and the effect size and summarizes the results of hypotheses testing.

Table 6: Significance testing of the structural model path coefficients

Path	Path coefficients	t values	p values	Hypothesis
CO-CREATION → SATISFACTION	0.697	24.956	0.000	H ₁ : supported
SATISFACTION → OVERALL TRAVEL SATISFACTION	0.258	5.325	0.000	H ₂ : supported
SATISFACTION → LOYALTY	0.641	17.569	0.000	H ₃ : supported
OVERALL TRAVEL SATISFACTION → LOYALTY	0.181	4.717	0.000	H ₄ : supported

Source: Research results

As can be seen, all four relationships are statistically significant. In relation to hypothesis H₁, the results show that the degree of co-creation positively influences satisfaction with co-creation activities (path coefficient=0.697, t=24.956, p=0.000). *This result supports H₁*. Satisfaction with the co-creation experience positively influences overall travel satisfaction (path coefficient=0.258, t=5.325, p=0.000). *This finding supports H₂*. Further, satisfaction with the co-creation experience positively impacts customer loyalty (path coefficient=0.641, t=17.569, p=0.000) which *confirms H₃*. Also, overall travel satisfaction significantly impacts customer loyalty (path coefficient=0.181, t=4.717, p=0.000). *This finding supports H₄*.

The total effect of co-creation to loyalty is 0.479 (t=12.856, p=0.000) which is considered noticeable. On the other hand, the total effect of co-creation to overall travel satisfaction is 0.180 (t=5.055, p=0.000), which is considered medium according to Cohen (1988).

5. DISCUSSION AND CONCLUSION

The research presented has several implications for both theory and practice. It points out that the co-creation of tourist experiences heavily influences customer satisfaction with the co-creation process, consequently enhancing loyalty. If this co-creation process with travel professionals makes tourists satisfied, then is more likely that they will return and cooperate with the same travel professionals, thus manifesting their loyalty. Similarly, Mathis et al. (2016) point out that the co-creation experience positively impacts loyalty to a service provider.

Through satisfaction with the co-creation experience, overall travel satisfaction is enhanced as tourists have an active role in shaping their travel experience. Consequently they feel more satisfied with tailored travel that they have co-created with travel professionals. As Chan, Hsu and Baum (2015) note, positive feelings between tourists and travel providers are important for both tourists and travel professionals in continuing their collaboration in the future. Results also point out that travel satisfaction is related to building customer loyalty but to a lesser extent than satisfaction with the co-creation process. Therefore, to enhance customer loyalty more efforts should be put in improving the co-creating process with travel professionals.

The breadth of activities and possibilities related to collaboration and co-creation in making travel arrangements positively influences satisfaction with the co-creation activity. Because providing memorable tourist experiences has a positive effect on the intentions of tourists to revisit a destination, it is advantageous to ensure their involvement in co-creating such experiences. Similarly, Bendapudi and Leone (2003) note that participation in the co-creation process influences the level of satisfaction with an organization.

To create unforgettable tourist experiences, marketing managers need to design tourism products in collaboration with tourists. Authentic tourist experiences can be designed by involving tourists in a variety of creative or production processes of the tourism offering. Through the integrated action of all destination stakeholders (tourism enterprises, destination management organisations, local residents and others) and by engaging tourists in helping to design the offering, it is possible to create an authentic tourist experience that will satisfy the demands of modern tourists. So, to conclude with the observation of Majboub (2014), destinations need to create “experience environments” where co-creation is seen as a way of how to operate in the market.

The limitations of this paper are related to focusing research on only one country. Even so, because the respondents had travelled to various destinations, their responses were not related just to one country. It is possible that using covariance based SEM results would be somehow different and this also presents limitation of our paper. This limitation would be resolved in further publications using covariance based SEM. Nevertheless, further research in western European countries would be interesting to investigate whether any differences exist. As new scales for measuring co-creation are being developed, it would be interesting to test whether the application of different scales would result in the same conclusions regarding the relationships explored.

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