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What's in it for me?

Managing value co-creation from an intermediary perspective

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Summary

Title of thesis: What's in it for me? Managing value co-creation from an intermediary perspective

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Statement of purpose: The aim of this thesis is to examine how the value co-creation concept can be applied to firms with intermediary roles, exemplified by the Swedish travel agent industry.

Methodology: Qualitative interviews have been the main method used in this thesis. The interviews were conducted with the branch managers for six Swedish travel agents (see Appendix 1). The empirical data was gathered in the Helsingborg/Lund area of Sweden. A theoretical framework by Payne et al (2008) serves as the model for the analysis, and theories that support the framework have been added.

Results: A prerequisite for successfully implementing the co-creation philosophy is to recognize the customer as a co-producer and a source of knowledge. The co-creation relationship rests upon a mutual understanding that both customer and intermediary will benefit from each other's efforts. What appears difficult for intermediaries is offering their customers any yield for participating in a knowledge exchange. Co-creation processes occurring within the service encounter, presupposes that the supplier allow the customer to reconfigure the service so that it matches their needs and scope of use. However, this ability is limited in an intermediary context due to the fact that they do not own the products sold. Instead, intermediaries can use the customer knowledge collected in the service encounters as an asset to develop and refine value propositions over time.

Keywords: customer role, customer value, intermediary, Service-Dominant logic, S-D logic, travel agent, value co-creation

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1. Introduction

1.1 Background

"Encouraging customers to be "co-producers" is considered to be the next frontier in competitive effectiveness. The perception of the customer as a co-producer- participating in such activities in the value creation as product development, design, production, marketing etc - is today commonplace in researches. The customer is considered to have potential to make contributions to value creation that are of mutual benefits to all actors in the value creating system" Yiyi & Ronqiu 2008:1

Have you ever made your own stuffed teddy bear from scratch, and not just purchased an already finished product? That is, choosing a model, record your own greeting message that will play when a button is pushed, together with a store employee stuffed the bear and finally dress the bear to your liking? This is the concept conceived by Build-A-Bear, a worldwide retail workshop that through their in-store workstations offer an experience out of the ordinary that allow customers *to enjoy the highly visual environment, the sounds and the fantasy of this special place while they create a memory with their friends and family* (Build-A-Bear Facts Sheet 2009: 2). Or have you perhaps driven to an IKEA store, picked out a bed with the mattress, bedstead and legs, and then picked up separate parts in a big warehouse and assembled the bed at home yourself?

Both examples illustrate the quote on *value co-creation*, which basically means that value is not simply provided for one party in the service encounter, but a result of inputs and outputs that both the customer and supplier bring to the table. It involves among other things inclusion of the customer in the production process, room for customization and knowledge management. The given examples show that the firms engage in value co-creation through logistics, product design and manufacturing with the agenda to differentiate their value proposition from the competition. Since customers today have access to a wide array of knowledge and seek to affect the products and services offered to a greater extent in order to better suit their needs, firms need to adapt to these demands (Bryson et al 2004; Prahalad & Ramaswamy 2004; Campbell A.J 2003).

To create value together with the customer and to include the customer in the production process originates from the *Service-Dominant logic (S-D logic)* perspective as proposed by Vargo & Lusch (2004). The S-D logic was conceived to deal with the inabilities of the traditional 4P in explaining modern market processes.

The main problem with the 4P model is that it is product-centric and thus fails to acknowledge the important aspects of interaction in value creation or that the customer can



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affect the value proposition (Mossberg & Nissen Johansen 2006). This goes against more recent findings that suggest that value is co-created with the customer, as debated by authors such as Gustavsson et al (2004), Grönroos (2002) and Normann (2000). It also fails to recognize how intangible assets such as customer knowledge can be used as competitive advantage.

While Payne (2008) stresses the importance of listening, customizing and co-creating services other scholars have emphasized that firms should leverage external resources such as customer knowledge in order to gain a competitive advantage. Surely all firms have the ability to listen to their customers, but the issue of customizing appears ambiguous for intermediary firms that mediate services, who do not own the service and have little possibilities to affect the produced service. Many service-oriented firms operate in this manner stretching from real estate brokers, staffing consultants, financial brokers and travel agents. The question then arises how these firms can engage in value co-creation if the customizing aspect is disputed. Is it even possible, if so, to what extent?

This study focuses on how Swedish travel agents as intermediaries are managing these issues. The travel agent market serves as an arena for three major players, which can be categorized as the principal i.e. the producer, the intermediate i.e. travel agent and the customer (Palmer & McCole 1996: 35). The intermediary role is multifaceted one, among other things it makes the travel agency share the risk with the providers, creates relationships, provides "after sales" services as well as sales support at the point of sale (Fyall & Garrod 2005: 114-116). Thus, there is more to travel agencies than simple sales, they are entities involved in a complex network of actors which are interdependent of each other. By providing offers from several suppliers, the agent is also perceived to an extent as being more objective, thus some customer may feel more confident in dealing with them (Morgan & Trivedi 2007: 145).

A travel agency or travel bureau is according to the Merriam-Webster dictionary defined as *an agency engaged in selling and arranging transportation, accommodations, tours, and trips for travelers* (Merriam-Webster online dictionary). The Swedish Travel Agent Association (SRF) have 115 members from the travel agent industry which employs about 3300 people they and claim that around 85 % of the sales generated in Sweden, come from their members (SRF website 2009). What differs the travel agent from other intermediaries such as financial brokers, real estate brokers and staffing consultants is the difficulty to persuade customers of the mediating fee in addition to the actual travel cost (Phone interview with SRF CEO conducted in 2009).

Previous research in the field of travel agents seems in many cases to be oriented around the Internet, which tend to focus on strategic actions and opportunities and the acceptance, use as well as implications of Internet booking solutions (Badnjevic & Padukova 2006; Dolnicar & Laesser 2007; Homayooni 2006). Added to this, studies examining the customer perception of online agencies and the operations of those agencies have been undertaken (Kim et al 2007) as well as research on factors that influence the customer choice of either a physical or online travel agent (Cheyne et al 2006). However, few if any have gone into any greater depth in problematising the intermediary role. Komulainen et al (2005) have touched upon the subject in their study of mobile advertising. In relation to the magnitude of value co-creation debate we believe that there is much room for further academic exploration.

As intermediaries in value co-creation remain relatively unexplored, this thesis will make a contribution that clarifies how intermediary firms create value with their customers. In today's society more than ever, there is a need for individuals to express themselves and some companies have evidently responded with customization solutions. Some have implemented this more successfully than others, and it should prove interesting to study what happens when firms are not in control of the service and products that they deliver.

Statement of purpose

The aim of this thesis is to examine how the value co-creation concept can be applied to firms with intermediary roles. The thesis takes a firm-centric perspective and is exemplified by the Swedish travel agent industry.

Issues of matter

- What role do customers play in the Swedish travel agent industry?
- What tools and opportunities can be beneficial for travel agents when engaging in value co-creation?

1.2 Disposition

After the presented introduction, we hope that the reader has gained insight in the issues facing travel agents in the co-creation process since they do not own the products that they sell.

The second chapter will give insight to how we gathered relevant theories and empirics for our thesis and discuss our empirical sources of information: qualitative interviews. In the third chapter, will revisit the intermediary role and how travel agents operate against this background. Further, we present a discussion of the value concept and how it has lead Service-Dominant logic perspective. The latter part of this chapter will give an overview of the theoretical framework used in the analysis part.

The following two chapters are designed to analyze the empirical data against a theoretical background, and this analysis is divided into two parts. The fourth chapter analyzes the customer processes, while the fifth chapter analyzes the suppliers processes.

The sixth chapter summaries our findings and discusses them in a wider context. This chapter also presents suggestions for future research.

2. Methodology

The methodology section describes against which background we chose the field of study, followed by how our contribution is meant to fill a gap in the current research field. Further, we explain what theoretical viewpoints were chosen and how they are relevant to the subject at hand. Also, the empirical data gathering and our method of choice, qualitative interviews is reviewed. Concluding this chapter is a brief critical discussion regarding the theoretical application in this thesis.

2.1 Choice of subject

As the economy shifted from product-orientated to service-orientated, many scholars agree that since goods can relatively easy be copied, service and customer value is what can provide a competitive edge (Grönroos 2002). Service and the knowledge economy is tightly knitted together, as it enables suppliers to utilize more distribution networks, keeping records of customer preferences and create services to match this while customers are empowered with increased information about suppliers and can seek solutions that maximize their value (Bryson et al 2004). The service dominant logic perspective has in recent years gained recognition and criticism in the way it portrays the value creation process. Value co-creation is relevant for firms since it generates more profound customer knowledge by continually integrating the customer in the production processes contrary to previous perspectives.

Databases searches in ELIN, XERXES and Google Scholar in the spring and summer of 2009 revealed that there have been only a few empirical case studies conducted in the field. Only one dealt with intermediaries and value co-creation and this article only studied inter-firm processes, ignoring the business to customer aspect of the phenomenon (Komulainen et al 2005).

In light of these fact that, we found a void in the literature as to how value is created in business to customer markets. The authors' personal interest in the travel industry played a significant role when choosing the industry as a case study.

2.2. Choice of method

Our thesis consists of theoretical material combined with empirical survey in the form of qualitative interviews, a review of strategic documents from the different travel agents, annual reports and information from the agents' respective websites. The website information and content used from annual reports was comprised of general facts described in the firms presentations. The strategic documents revealed information about which explicit value



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foundations that are in use among the agents, which in turn gave us insight in how the firms related to value and their customers as part of the value process.

We choose to write from a business perspective, focusing on how the travel agents perceived value co-creation, how they perceived customer value and what tools and opportunities that are beneficial when engaging in value co-creation. The business perspective allowed a more practical implementation of the value concept to be discussed in contrast to conducting a customer-focused study which would have been more philosophical in nature.

2.3 Theoretical frame of reference

In order to analyze the phenomena we have chosen to use the Service-Dominant logic framework developed by Payne et al (2008). The S-D logic perspective of value creation is chosen since the framework is rather new with the empirical data not tested to any greater extent, thus there is room for gaining more insight in the practical application of such framework. While Vargo & Lusch (2004, 2006, 2008) conducts more of a theoretical discussion on the subject, Payne et al (2008) strive to bridge the gap between theory and empirics. The work of Payne et al (2008) led us to investigate keywords mentioned in the framework relating to co-creation. These keywords included customer integration and experiences (Ramaswamy 2004, 2008, Michael et al 2007), organizational learning (Xiang & Rongqiu, 2008, Yiyi & Rongqiu 2008) and value definitions (Holbrook & Hirschman 1982, Holbrook 2006 Grönroos 2002, Gummesson 2005). These are some of the main authors mentioned within the subject at hand, however the thesis does not solely portray their point of view. Even though the mentioned authors originates from different disciplines, their work fits well with the reasoning of S-D logic and will provide a more holistic perspective on the subject of choice.

The thesis examines the value co-creation concept, mainly through a model developed by Payne et al (2008). The theoretical framework discusses customer and supplier processes, which nourishes value co-creation. Our interpretation of the model differs slightly from the original in a dispositional manner, since we have chosen to not treat the encounter processes separately. We examine the encounter process (communication encounters, usage encounters and service encounters) through the customer and supplier processes undertaken by the firms.

Value co-creation has been criticized by various authors such as Roderick et al (2006) for neglecting the service brand in the S-D logic perspective, which they argue is an essential part in the service debate. We agree that brands play an important role when customers assess



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value, however this critique would have proved more crucial if we had focused on customer perceptions which include brand awareness.

2.4 Practical approach

Following a theoretical review of the S-D logic perspective, we decided to gain further knowledge of the travel agent industry. To begin with, a pilot survey in the form of two qualitative interviews was conducted with the Director of Sales and Marketing at Resia and the Vice President of Sydafrikaresor. The objective was to gain further insight in the travel agent industry. According to Gummesson (1999) it is essential to form an image of the subject at hand before investigating it further (Gummesson 1999: 15). The pilot studies also provided an opportunity to revise the initial interview guide. Since we did not wish to be bound by neither theory (deductive approach) nor empirics (inductive approach), we chose an abductive approach, which is a combination of both perspectives. In contrast to the deductive and inductive approaches, the abductive approach allowed us to seek out new theoretical material as the study progressed. This shows that despite basic assumptions, we displayed an openness towards the subject at hand. Also, because the theoretical material has been adjusted during the course of the study in order to accommodate new findings, it is our opinion that a more correct view is given (Alvesson & Sköldbberg 2007).

The information we retrieved consisted of insight about the service aspects that travel agents implement, their customer management systems as well as giving inspiration for narrowing down our field of study.

The main empirical evidence is composed of qualitative interviews. The interviews were conducted with managers from six travel agents in the Helsingborg/Lund area. The travel agents were selected in accordance with the definition given by SRF (The Swedish Association of Travel Agents). SRF draws a distinction between travel agents and tour operators in the sense that travel agents are retailers, selling the selection of products and services from multiple tour operators (SRF website 2009). The selection was primarily made through a geographical convenience sample, however all of the the surveyed firms are represented in several areas of Sweden with the exception for Sydafrikaresor. It should be noted that our study is focused on the leisure segments and thus we have excluded specific business travel related questions in our interview guides. The questions can be found in Appendix 2 and 3. The questions in the interview guides are meant to study value co-creation throughout the whole consumption process.

2.5 The interviews

Our interviews consisted of semi-structured qualitative interviews with the branch managers from the travel agencies listed. Qualitative interviews provide versatile and profound knowledge about the subject at hand (Kvale 1997: 36). The semi-structured was chosen since it allows a more flexible type of interview, allowing the interviewer to ask followup questions, generating more profound knowledge (Bryman 2003:312).

All of the interviews followed an interview guide, which the authors based on different stages described in the co-creation process model as described by Payne et al (2008). The model by Payne (2008) contained key words relating to the processes, and we chose to expand these key words with the research of authors mentioned in 2.3 in order to construct the interview guide.

The reason for interviewing branch managers was because they possess more tactical knowledge about the daily operation than the sales force and a greater overview perspective of the offices, something we sought to obtain in this study. Thus if practical implementation of co-creation processes were to occur, the managers would have the primary responsibility to implement these strategies at the local office.

We avoided asking leading questions since if the respondent becomes too aware of what the interviewer seeks to explore, the respondent may try to give answers simply to satisfy the interviewer which will affect the credibility of the study (Kvale 1997). Since all the managers spoke Swedish natively, all the interviews were conducted in Swedish, recorded on a dictaphone and transcribed into Swedish. Relevant quotes examined in the analysis were then transcribed into English. In addition to the material gathered from the interviews, e-mails were sent out to the respective firms to gain some clarification and additional empirics.

2.6 Document and web content review

The document review relates to documents provided to us by the firms upon requests. What we have sought to gain from the documents is information that relates to the firm's perception of value and what qualities that have been emphasized in a value creating perspective. This information was attributed to the annual reports and value foundation. The document review is complementing the interviews and only in instances where the interviewees referred to their value foundations, we used the information in the documents to give depth to the analysis.

A review of the websites, gave an indication if any technological solution that would facilitate value co-creation (presented in the theoretical part) had been implemented.

One difficulty that we encountered along the road was that we were not given access to all relevant material. More specifically, strategic documents relating to sales and educational efforts were not available due to the sensitive content. Overall, this did not affect the study to any greater extent since this sales education was only a small part of the value co-creation survey.

2.7. Reflections

We are aware that there always is a possibility for interviewers to evaluate the data incorrectly. This reason for this is because the interviewer has his or her own set of preconceived ideas and frame of reference. Recognizing this issue, we chose to record all interviews so that the empirical data could be discussed and understood by both authors.

The interviews were conducted in Swedish and when translating the data into English, there is always the possibility of content loss. Again, since we used a dictaphone to record the interviews, the authors have had an opportunity to thoroughly examine the data and determined that there have been no loss of content.

Qualitative material can be criticized for being more difficult to generalize than quantitative studies, because it is more difficult to measure (Alvesson & Sköldbberg 2007; Silverman 2005). In this context, Silverman (2005) instead mentions empirical satiation as the equivalent to generalization in qualitative research (Silverman 2005: 248). Our study has examined the Swedish travel agent industry, by taking the largest firms in the country, as well as firms that are present in several cities. All of the studied firms operate against a business model presented by their respective central organizations, thus the results would have been the same regardless of the quantity of interviews and location in Sweden. This concludes that our findings meet the criteria for empirical satiation.

We have chosen a model adapted to the S-D logic paradigm that analyzes three processes: the customer, the encounter and the supplier. Since we adopted a business perspective, we chose to view customer processes as to how businesses perceive them. The casual reader might call attention to the structure of the model and claim that the each process should be conducted against two target groups. However, the model by Payne et al (2008) does not explicitly say that customer processes require a separate customer survey, thus the authors see no problem in using it in the manner proposed in this thesis.

3. Shifting paradigms of service

This section will explore the Service-Dominant (S-D) logic perspective from a practical framework. To start with, a brief insight into the travel agent business is given to the reader. Then a discussion of the service debate is reviewed. This is followed by a presentation of the S-D logic framework as a means to evaluate the S-D logic concept, which incorporates customer, supplier and encounter processes.

3.1 The travel agent

Agents differ from other economical entities in the sense that they do not own their products and service that they sell on the market. In order to conduct their business they are dependent on the customer and the producer. The agent serves as an intermediary in a conflict of interest between two actors which both seek to capitalize on the relationship with each other. On one hand, the customer strives to find a value proposition that is cost efficient and on the other hand the supplier strives to present a cost efficient value proposition. Thus a natural conflict arises. For the customer, the travel agent creates value by presenting a large selection from different suppliers, minimizing the customer's uncertainty through expertise and dialogue. From the supplier's point of view, the travel agents serve as a distribution channel and link to the market.

In recent years the traditional role of the travel agent as mediator of information has been disputed. The increasing flow of information within the marketplace has demolished barriers that earlier separated the supplier and customer from each other (Barnett 2001; Bonn 2001).

Regardless of the transformation the travel agent is still an intermediary, which has to address issues concerning risks within the service production. Since the agent is an extended representative of the suppliers, failure in the service delivery caused by the supplier will affect the travel agent in a negative way. Thus it has become vital for agents to manage the portfolio of suppliers, picking out the bad seeds before ruining the crop (Morgan & Trivedi 2007).

Apart from the external risk associated with the intermediary role, the travel agent has undergone an internal change provoked by the new business climate. As a consequence, many travel agents have redefined themselves as travel managers, seeking a more dynamical business model which emphasizes on solving problems and understanding the customer to a greater extent than before (Dolnicar & Laesser 2009). The remainder of the thesis will focus on how the intermediaries can proceed in order to gain and exploit customer knowledge for the purpose of producing accurate value propositions.

3.2 The new logic

Before further addressing the challenges facing the travel agents in 3.1, we will briefly examine the theoretical landscape concerning service. It is our belief that such a discussion is relevant since the perspectives on value propositions and consequently value creation has changed in latter years as a response to the shifting paradigms of service.

Service is a term that has an ambiguous definition, as noted by O'Halloran & Hensarling (1991). Though people will define it differently O'Halloran & Hensarling (1991) concluded that in the widest sense "*service should be the act of treating people, as the people would like to be treated*" (O'Halloran & Hensarling 1991: 169-170). However, in practice this is seldom the case, as many service industries use systems that are on their terms and favor their own interests and well being as opposed to that of the customers.

Regarding the quality of services, Grönroos (2002) notes that service quality is mainly how the customer perceives the presented or executed service, and he presents two dimensions of service quality; the first being *what* customers receives in terms of service quality (technical quality) and the second *how* it is conveyed (functional quality). Strategies relating to the technical dimensions of services are difficult to turn into competitive advantages due to fact that competitors can often easily copy them with little effort (Grönroos 2002: 75-79).

Thus it is the actual *process* behind the end product that is what separate one service business from the next in terms of advantage. This is confirmed by Kotler et al (2006) whom argues that functional quality (exemplified by the many employee interactions that a customer has go to face) is more important than technical quality by stating "*excellent functional quality may make up for a (hotel) room that is not quite up to expectations. If functional quality is unpleasant, a high quality room might not overcome the guests' previous dissatisfaction*" (Kotler et al 2006: 407). We agree with this statement, because the initial impression with the intermediary's service delivery may influence total travel experience as argued in 4.1.

As acknowledged by Pyon et al (2009), there is a correlation between increased customer knowledge and increased functional service quality i.e. delivery. The more information about the customer available to the intermediary the more thorough and efficient the service delivery can become. This reasoning is also present in the Service Dominant Logic (S-D logic). S-D logic implies that value is co-created with the customer, a view is consistent with other authors' views such as Gustavsson et al (2004), Normann (2000) and Grönroos (2002), who sees value creation as created partly by the customer and partly in the supplier-



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customer interaction (Grönroos 2002: 35-36). The Service Dominant logic shift focus from traditional Goods Dominant Logic where value is embedded in products and instead views knowledge as the source from which value can be derived (Vargo & Lusch 2004).

The original definition provided by Vargo & Lusch (2004) states that S-D logic is “the application of specialized competences (operant resources - knowledge and skills), through deeds processes, and performances for the benefit of another entity or the entity itself” (Vargo & Lusch 2007: 26). Intermediaries, whom mediate the suppliers' services and products, primarily sell their knowledge and skill about those products, thus the S-D logic perspective is highly relevant to our study. There is a need to clarify the value concept, since recent research has contested the traditional definition.

So why should firms engage in co-creation? As acknowledge by Xiang & Rongqiu (2007), customer participation in the production process is one important way of achieving product and service differentiation. According to Kumar (2007):

As the customer is being increasingly integrated into product and process design, customer-driven innovation has become a keystone of strategic advantage (Kumar 2007: 542)

Thus it can be said that integrating the customer will help the firm to stay competitive on the market. Increased customer integration will result in increased customer knowledge. As with all dominant logic perspectives, Prahalad (2004) claims that clinging to one particular logic will only benefit firms in the short term, since dominant logic “limits our peripheral vision” and fails to acknowledge new opportunities in a constantly evolving world (Prahalad 2004: 178). The S-D logic has also been criticized for focusing too much on the firm (Prahalad & Ramaswamy 2004a; Woodruff & Flint 2006). Even though this might be the case, our study takes a firm focused perspective thus the critique should not interfere with our results.

3.3 Creating value - is it worth it?

“Firms can only make value propositions; the customer must interpret and co-create that value” (Michel et al 2008)

The quote suggests that the value concept is of a relational nature, thus indicating that value is created together with the customer, more specifically from the customer's experience. Holbrook (2006) provides an interesting perspective on experience (Holbrook 2006 in Vargo & Lusch 2006a: 208-223). He argues that customer value involves and emanates from relationships; hence value is a product of the customer and producer interaction.

This train of thought is shared with a number of CRM scholars, concluding that the hunt for value is shared by both the producer and the customer (Grönroos 2000 in Payne et al 2008: 87). Thus we conclude that the value proposition manifests itself in a combination of quality and customer satisfaction, which the customer can either accept or reject. Further, relationships are vital in affecting the value, and do not necessarily have to be supplier-customer based, but may evolve into third-party relationships and even larger, complex networks in certain situations (Gummesson 2008: 143, 150-151). It becomes apparent that firms should design and implement strategies that supports and nourishes customer satisfaction. In order to execute such strategies efficiently, firms should engage in processes that increase knowledge about the customer base and anatomize the attributes that are embedded in the customer's value creation process. A first step towards success is defining the notion of customer value.

Marketing scholars have over the years been keen to portray value from the firm's perspective (Gupta & Lehmann 2004; Griffin & Hauser 1993; Zeithaml 1988). This train of thought has served as a foundation for many marketing strategies, emphasizing that customers assess the overall perceived value by the price in relation to the product/service and the quality of the service embedded with the sale. Even though marketing research over the last decades has concluded that matching quality services, sold at lower price generates high customer satisfaction, scholars have begun investigating other variables to identify which attributes that constitutes value (He & Song 2008: 318-319; Frank & Enkawa 2008: 73). Such reasoning is based upon the contribution by Zeithaml (1988), which acknowledges that there is a gap between the perception of value among firms and customer (Zeithaml 1988: 2-22). In order to narrow the "value" gap and identify such attributes, it is a prerequisite to engage in dialogue with the customer and identify what customers perceive as value.

Vargo & Lusch (2006a) contributes an interesting remark to the value debate, conceptualizing on value as something that resides in a experience of consumption rather than an actual object. They define customer value as value in use. This concept is in contrast to other customer value definitions, effectively meaning that the customer evaluate value by usage of the service/product bundle in situations of personal importance, thus value is not considered to reside in an object, it resides in the experience which is generated when the customer consume the product/service (Vargo & Lusch. 2006a: 185). This latter definition serves this thesis well as the focus is placed on how the customer evaluate and perceive the produced service in a relationship sense, taking steps of the "producer perspective path" and focusing on processes that nourishes the customer and producer relationship. Since



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intermediaries emphasize on co-creating value with customer and matching value propositions with customer needs, the value in use definition is appropriate. In order to facilitate the mapping of value and service in the production chain, the next subchapter will review the S-D logic from a model perspective, and this will also present the reader with the main theoretical findings.

3.4 The S-D logic framework for service processes

Payne et al (2008) presents a S-D logic framework that can be used by businesses to take strategic action and manage the co-creation of value. A journey is in many ways the consumption of experiences, and the model stresses the importance of mapping the underlying processes of experiences occurring within the technical and functional service process. By adopting the S-D logic philosophy, business managers may differ themselves in a marketplace characterized by homogenous products. For travel agent operating in this business climate, functional service is what differs one actor from the competition. The framework identifies three individual areas that are connected to each other: customer, encounter and supplier processes, each containing various attributes relating to value co-creation (Payne et al 2008). Though S-D logic itself have been explored and criticized by previous scholars, the practical use of the perspective, operationalized through this framework has not been studied. And it should be, since *by defining co-creation and identifying the knowledge required to engage in these processes, marketers could prevent potentially costly and unnecessary investments in IT* (Payne et al 2008: 90). The framework by Payne et al (2008) is presented on the following page.

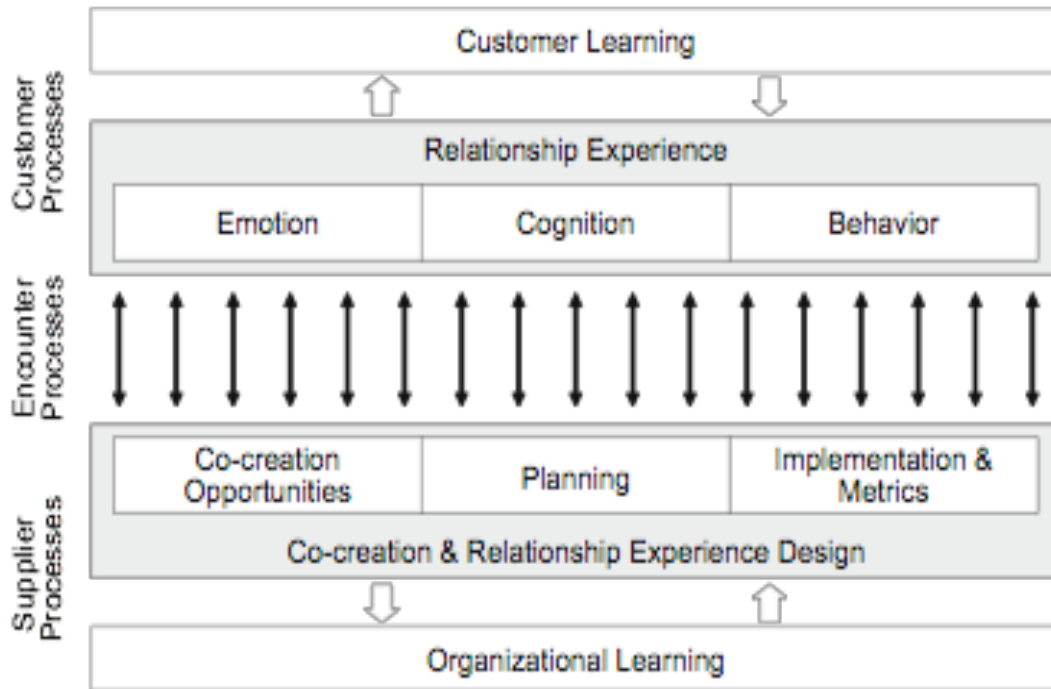


Figure 1. A conceptual framework for value co-creation by Payne et al (2008).

As shown by the model, value co-creation takes the form of two entities, the customer and the supplier and a third encounter process when the two meet with their respective inputs and outputs.

4. Customer processes

This part will examine the firm's perception of the customer's cognitions, emotions and behavior in the consumption process. Understanding this is a prerequisite in order for the firms to engage in co-creation activities. This will be examined by analyzing the empirical material gathered from the travel agents against the theoretical background mentioned in 2.3.

4.1 Cognitions

Customer processes		
Cognitions	Emotions	Behavior

A presumption for the model to be applicable is that the customer is consent and enlightened enough to realize what benefits and opportunities that are embedded in a service or relationship (Grönroos 1997, 2000 in Payne et al 2008: 87). This suggests that the customer probes available information and evaluating different alternatives and ultimately deciding whether or not to purchase a service. Thus the customer is said to be participating in a *cognitive process*, making judgment decisions on the foundation whether the past, the present or future experiences will constitute value (Oliver 1999: 44). From a producer perspective, it becomes evident to “get inside the customer’s head” in order to extract information that signals whether the customer perceives the presented offerings as valuable.

Getting inside the customers head is often rewarding since it provides the producer with valuable and insightful information. This is common knowledge within the marketing field and businesses tend to evaluate performance by evaluating to what extent a service/product offering has fulfilled/unfulfilled the customers’ expectations and generate satisfaction or dissatisfaction (Vargo & Lusch. 2006: 185). Many of the available instruments that gather feedback information from the customer base emanates from this perspective. Traditionally such information is gathered through satisfaction surveys, the balanced scorecard and other instruments providing feedback such as mystery shoppers (Anthony & Govindarjan 2007: 463-464). Such methods and instruments are valuable since they provide the producer with valuable feedback on how the customer perceived the delivered service/goods. From a theoretical standpoint such information is important to monitor and absorb even though it fails to identify the customer's true goals and desires connected to the purchase.

At best, the customer complains as a result of an unsatisfying service brought to the table by the producer, and information gets absorbed by the survey/method which then either



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the local branch or the head office refine to knowledge which is spread through out the organization. Many managers agree that this type of feedback is lacking perspective on the positive actions undertaken by the travel agent since information tend to surface only when the customer has a bad experience. Further this type of surveys communicate intelligence on the "second" producer (i.e. the destination visited or the airline) not necessary the travel agents efforts.

Resia, for instance has acknowledged this issue and hired external consultants, so called mystery shoppers to evaluate the produced service. Such effort provides the firm with a form of "artificial customer knowledge", suggesting that the experienced service is evaluated through consultants that communicate a customer perspective. Such methods are pricy and even though they provide a set of customer goggles they do not provide the firm with the customer's thoughts (Resia 2009).

Kilroy on the other hand monitor the seller-customer phone call conversations, as a way of controlling and evaluating the sales force's performance (Kilroy 2009). In terms of integrating the customer Kilroy offers the customer to participate in a voluntary survey after the sales conversation (Kilroy 2009). Knowledge emerging from such situations can partially be assimilated into future guidelines and directives concerning sales and partially give feedback to the individual sellers' performance. Actors such as Big Travel and STA Travel neglect processes that evaluate the customers' perception of the produced service, even though they randomly ask the customer whether they had a fulfilling experience. In these latter cases there is a great risk that a lot of important information of the customers' mindset is lost and leaves not much clue of how the customer might act in the next Consumer-2-Business (C2B) contact (perhaps there is a minor but general discontent that attract the customers to a competitive business). The manager representing Ticket, Sweden's leading travel agent branch, dealt with these questions in an informal matter.

"There are no guidelines. The thing about taking notes (writing down what the salesman define as useful information) at this office is something we have come up with ourselves, and we then inform each other." (Ticket 2009)

Thus the office absorbed some "feedback" information from the customer and like their colleges in the other companies they failed to use proactive measures that enable the absorption of information that communicates the customer's notion of value and what attributes that constitute satisfaction. Information gathered from such activities can be used to



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refine the individual seller's techniques and be used to highlight good or bad dialog in the sales interaction (Danneels 2003). However, it does not communicate any intelligence on how well the producer presents offerings that match the customer needs and scope of use, mainly because information is only gathered post-purchase. This is especially important in an intermediary context, because the customer may only evaluate the technical service, which in fact is beyond the travel agents direct control (for example the service produced at the hotels and airlines). Thus, the functional service dimension, which is delivered by the intermediary, might be neglected. The activities undertaken by the firms (mystery shopping, sales monitoring and informal controls) share a common attribute, which emphasize on improving already existing service offers or routines through feedback of customer feedback, internal revision or external revision.

None of the actual travel agents engaged in any formal activities, which started from the customer when trying to refine or develop new services. One exception was Kilroy Travel that embraces a customer centered philosophy. This will be examined later on in this chapter.

Redesigning the feedback gathering process can create more interaction opportunities between the firm and the customer. One way of dealing with this issue is to launch strategies which emphasize on maintaining dialogs that combine both pre- (e.g. focus groups) and post sales encounters (traditional feedback) (Prahalad & Ramaswamy 2004). By considering each and every transaction between the buyer and seller as an opportunity to enhance customer knowledge and support such processes/strategy with proper resources the firm could harvest valuable information which could be reinvested within the organization, stimulating the firms performance and accuracy in producing valuable offers (Danneels 2003). In turn, the interactions leads to a more intimate relationship which according to Danneels (2003) generates a better understanding of the customers needs and a "a closer tailoring of products and services, higher customer satisfaction, [and] easier forecasting of demand" (Danneels 2003: 568). This suggests that there is a correlation between increased organizational activity and increased understanding of the customer's cognitive processes.

With regards to relevant theory brought to the table by Holbrook (2006), thinking and acting in a customer oriented manner should begin with identifying what needs and goals that are of importance and relevance for the customer, not necessarily what attributes of already existing offerings or processes that matches the customer's goals and needs (Holbrook 1982 in Vargo & Lusch 2006). Such organizational behavior origins from depth and is the product of the businesses value foundation, suggesting that the lack of satisfying feedback instruments and the inability to integrate customer knowledge in existing and new offerings origins from



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the firms essential value foundations. The characteristics of the travel agents feedback instruments communicate that they from a theoretical point of view have not fully have grasped the full potential of acting in a customer-oriented manner. Even though the firms proclaim that they are customer oriented they still operate under the traditional assumption that value is derived from the firm's service offering (Zeithaml 1988: 2-22). Zeithaml's (1988) observation is very illustrative since it captures the firm's perception of the customer as a passive receiver.

However, implementing instruments, which simplifies the process of collecting information, will require a substantial redesign of value constellations and a consequential practical realization. In reality this can be accomplished by adopting interactive approaches as suggested by Michel et al (2008), that emphasizes on understanding the service that a customer requires from an offering. Such actions postulate that the producer redefines the customer not only as a payer, user and buyer but as a empowered co-producer (Michael et al 2008: 7).

For example, Nike created an *experiential* arena, a virtual community with activities for customers, interaction with other people, the ability of influencing products and contributes to the creation of future running shoes through contests. By letting the customer add information about themselves to the community, Nike was able to learn from the customers directly. Also surplus value was created by connecting running and music (through a collaboration with Apple and the iPod), as well as providing related information about running which reduced the risk of customers injuring themselves and associating the injury with running (possibly Nike) (Ramaswamy 2008: 22). A similar train of thought can also be applied to the travel agent context.

The process of gathering information does not solely rely on the organizational collective nor the office manager. The seller, which has the most customer contact, should be trained in ways that enables absorption and interpretation of the customers "voice". In practice this achieved when the travel agent through dialog extract information. The information that is gathered usually serves as guidance, directing the sale in a certain direction. All of the respondents admitted that educational efforts was of great importance, and the sales staff was in general the object for the education which related to either enhance the knowledge about product and services or to refine the sales force skill set in selling the products.

What differs between the travel agent firms is their attitude towards the concept of education. Kilroy for instance seem to have a very healthy stance and a rather dynamic view on education which is captured in the quote:

“The first thing you go through here at Kilroy is an internal training programme and it never really ends” (Kilroy 2009)

This indicates that educational efforts are frequently deployed, and majority of the responders said that education is key in order to master the wide service portfolio (some portfolios contain hundreds of destinations). Refining the sales staff's knowledge occurs in different forms, some firms tend to emphasize on educational trips to the new destinations, while others performing business on a tighter budget educates their staff with seminars. However, all of the respondents share a common belief that the customer is a payer and a user of the service and products provided by the agents, thus they stress educational tactics/strategies that facilitates processes of satisfying the customer as such. While knowledge about the products is good, it does not necessarily equate value co-creation.

The sales staff should be trained in techniques that enable them to absorb relevant customer knowledge as well as provide the customer with general product knowledge. Also, there is a willingness among the respondents to label themselves as customer oriented, however it seems peculiar that hardly any included the customer in their definition of customer value. When asked how the travel agents created customer value the majority referred to the value foundations and the resources at hand (human capital and product portfolio) as the distinguished ingredients to create customer value. What differentiated the firms in terms of resources such as human capital was very little. All of the firms proclaimed that they had a superior sale staff that was either younger, older, more experienced, more educated, had greater social skills and better listeners than the competition. They argued that such resources served as a seedbed when sowing customer value. Consequently the customer is simply not able to affect value according to their point of view, but instead value is produced by the travel agent, as illustrated by the following quote:

“We have an extremely wide selection of products, we have many airline tickets that are adapted to the type of travel that are undertaken by students and young people, with another flexibility than standard airline tickets...using a large organization with mostly young people...you have the possibility of customizing your tickets for a low price without using standard routes...” (STA Travel 2009)



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This suggests that *availability*, a *wide* and *specialized selection of products* are key components when creating value. Resia, on the other hand, claimed that *educational efforts* and *competence* were of the main source when creating customer value:

“(Value is created) by offering our customers a wide selection, through competent personal. At the Helsingborg office many of the sales staff have worked over 20 years, which involve a lot of wide knowledge” (Resia 2009)

Price flexibility was acknowledged by Big Travel as a dominant factor:

“Working with price, position ourselves under the competition price wise, be perceptive with the customers and to be able to adjust the price if necessary” (Big Travel 2009)

These statements confirm that customer value is spawned from within the organization, which excludes the customer as an active contributor in the value process, something that proved to be the majority of the responses. The only firm that stuck out in their value definition was Kilroy:

“The basic thing in our industry is to satisfy the customer's needs. Through dialogue with the customer sketching the entire experience and not just the matters of transportation and thereby helping the customer to get a holistic view.” (Kilroy 2009)

Thus customer value from the majority of the respondents' frame of reference refers to an inside-out perspective. This suggests that they aim to create value by integrating internal resources in the service bundle, which is rooted in a philosophy that the firm itself is the creator of value and the customer is only a buyer and a user of the end product. Kilroy on the other hand uses an outside-in perspective, thus acknowledging the customer as a co producer of value and plays an highly active role in the value creation process. This is further illustrated in the following quote:

“We have in consultation with the customer and the supplier developed and designed new adventure packages” (Kilroy 2009)

This philosophy of creating value stretches across other product segments and acknowledges the customer as a co-producer of the service (Kilroy 2009b). To accomplish this, Kilroy use the sales encounter as an opportunity to learn from the customer and not only as an opportunity to make a sale. The gathered knowledge is discussed on a weekly basis, after which the branch office manager forwards to a central product manager with the agenda to refine the technical service dimensions.

Other firms should take notice and early on recognize the customer as an integral part of the value creation so that their educational and sales efforts can be adjusted to support this new value perspective. As Ramaswamy (2008) argues *migrating to the Co-Creation Paradigm requires an inside-out transformation of organizational capabilities towards becoming co-creative organizations* (Ramaswamy 2008: 20). Previous chapters have debated that service innovation originates from the exploitation of new ideas, which traditionally emerges from the organization. Since the majority of the respondents fail to acknowledge the customer as an organizational member/team player they fail to exploit ideas originating from that group. The travel agents that served as empirical base for this thesis were all keen to communicate that they were very customer oriented. However, the degree of which the travel agents are customer oriented can and should be questioned.

The majority of the agents in question proclaim that they occupy solid customer knowledge, yet at the same time they have a hard time defining customer knowledge and describing how it is used in their line of work. Customer knowledge according to their Weltanschauung is synonymous with information extracted through behavior analysis in the sales dialog.

The customer knowledge is extracted through dialog, a common tool is to use what the industry refers to as demand analysis. Such an analysis is rather simple and supplies the seller with important customer information that simplifies the process of presenting an offering that is coherent with the customer's desires and goals. Information within this line of work relates to attributes of the trip meeting the customer's desires and missions through variables such as activities, budget, weather, culture and so on.

"We try to early on get (customer knowledge) through a thorough behavior analysis." (Resia 2009)

While such processes are beneficial in daily operations when satisfying customers, customer knowledge extracted from sales dialogues which could provide useful knowledge that the firm can act on is not collected. This could be used when refining the functional aspects of service



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and be beneficial for the firm in the long run by for example spawning innovative services. Consequently, the firm can enhance the understanding of what perception the customers have of the firm's value proposition and what the customers value by getting inside the customer's head. Further, this kind of knowledge serves as a foundation for organizational learning which is debated in the supplier process part of the analysis.

4.2 Emotions

Customer processes		
Cognitions	Emotions	Behavior

However, there are more variables to the customer value creation process than cognitive processes. As mentioned previously the travel agent core business is mediating experiences which are intangible in nature. The *emotional* aspect of the relationship experience is founded in the experiential perspective of consumption which first was highlighted in a pioneering article by Holbrook & Hirschman published in 1982 (Holbrook & Hirschman 1982). They concluded that fantasies, feelings and fun are vital components of consumption. Thus the experiential perspective emphasize on emotions and contextual aspects of consumption, proclaiming that the customer finds value in the *consumption experience* rather than the actual object. (Holbrook & Hirschman 1982; Payne et al 2008: 87)

By acknowledging that cognitive and emotional processes are important aspects of the customer’s consumption experience, the producer can begin to unfold the mystery surrounding the customer’s value creating process. In general, the service encounter constitutes an opportunity for the producer to refine and customize the offering. In order to achieve success, the producer has to be responsive and embrace a philosophy that focuses on the customer.

One way of achieving the desired goal is to adopt a customer oriented culture i.e. focusing on the customers need and deploying resources in order to satisfy those needs (Saxe & Weitz 1982). A first step towards doing so is to manage the skill set of the sale force, facilitating the understanding of the customer’s feelings and the inclination to understand the customer’s thoughts. Usually this is achieved through educational efforts.

There are numerous sales techniques available that emanates from the customer’s feelings and emotions. It is our belief that the customer oriented sale technique is well suited



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for travel agents who strive for superior performance. Ultimately this sale approach requires devoted sales personnel that “engage in behavior that increase long term satisfaction and avoiding feelings leading to customer dissatisfaction” (Dunlop et al 1988: 178). This postulates that the seller is able to identify emotional information communicated by the customer and respond appropriately. The seller must then help the customers to assess their needs and offer products that will satisfy customers' needs. In practice this is achieved when the seller recognize the customer as unfulfilled or confused by the presented offer and act accordingly to satisfy the customer. The sale style is characterized by avoiding high pressure selling, not manipulating the customer, describing service and products in gratifying way and assisting the customer to make satisfying purchases. If such selling techniques are executed efficiently they could result in satisfied customer and strengthen the relationship between the seller and customer (Kidwell et al. 2007: 3; Saxe & Weitz 1982). Consequently such efforts refine the human capital inherent among the firms if executed properly.

All of the travel agents emphasized the importance of reading the customer, searching for attributes that they could interpret and use. The majority of travel agents do not seem to actively pay much attention to the customer's “feelings, moods and affect based personality characteristics” as described by Beckman (1989), unless it is evident that the customer is strongly under the influence of his/her emotions (e.g. stress). However, Kilroy and STA travel set themselves apart from the majority by first identifying what the customer wanted to experience as exemplified by this document from Kilroy:

“Our customers don't simply purchase a ticket, but also the expectation of an experience and an adventure...To create this surplus value in the customer's mind – to meet the customer's emotional need – is our way of making us a given choice for “The Young Independent Traveler” (Kilroy 2009b)

This indicates that these firms strive to identify and satisfy the customer's emotional need and with their advice and knowledge form the travel experience. From a value co-creation perspective such communication is compatible due to the fact that it strives to enhance the understanding of the customer's goals and mission related to the journey. In other words it sheds light on the underlying processes that determines whether an offering is valuable or not to the customer. Such reasoning might be dicey to understand, if for instance the firm define value as something that resides within an object (the physical trip) and not in the consumption experience (what feelings the trip aims to produce). The benefit of executing selling tactics which origins from the latter definition is that it acknowledges that customer value emanates from service usage in situations of personal importance to the customer (Vargo & Lusch



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2006a). This allows the sales force to perform a demand analysis that enables the construction of a value proposition that stretches beyond the traditional factors such as place, climate, language, geographic location etc. And accordingly present an offering that is coherent with the customer’s expectations and desires. This is what distinguishes Kilroy's and STA Travel's demand analysis from those of their competitors.

The competitors had a different view when dealing with customer's emotions. They focused on “traditional” attributes such as being friendly and compassionate, which is illustrated by Ticket in the following quote:

“We try to be nice and positive and sense how the customer is. You can feel if the customer simply wants information, and with another customer it can be nice to just talk about the weather and whatnot so that's one way of making them feel comfortable” (Ticket 2009)

This is coherent with their view of what encompasses customer orientation and thus their way of satisfying the customer's emotional need is barely scraping the surface, and from a co-creation perspective there is potential to satisfy the customer's emotional needs on a deeper level as promoted by Kilroy and STA.

4.3 Behavior

Customer processes		
Cognitions	Emotions	Behavior

By appealing to the emotions, cognitions and behavior of the customer the company could raise the switching costs and to a greater extent retain the customers. Switching costs are the one time costs facing the buyer of switching from one supplier’s product to another (Porter 1980:10). These costs can be economical and/or psychological in nature, and are there to make it more difficult for the customer to switch vendor (Burnham et al. 2003; Jones et al 2002). From a business’ point of view, this means minimizing the costs of hunting down new customers (which exceeds the cost to retain a current customer). With increased knowledge and information, customers are empowered and can minimize the switching costs, as exemplified via the Internet with abilities such as comparing products and services and identifying the best locations to get the job done while providing the most value to the customer (Goel 2007: 30; Jamal & Anastasiadou 2007: 399).



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The firms shared a common interest to influence their customers into staying within the respective company. By developing and nourishing a customer-seller relationship the firms can be said to create psychological switching costs for the customer. The general idea is that the customer will stay loyal if they consider the financial /psychological costs to be too great.

The more intimate the relationship between the customer and supplier is, the greater the psychological costs for the customer will be. None of the firm stressed any activities that sought to map or better understand why customers stay loyal to the firm or what emotions that trigger a “purchase behavior” apart from their informal methods of collecting feedback information. Even if the firms are successful in absorbing customer knowledge using the feedback approach, the information gathered is likely to be of negative nature (complaints). The absence of systems that absorb propositional customer knowledge rules out any attempt to identify what attributes within the functional and technical service that influence the customer's behavior. This is illustrated by the following quote:

“No, not systematically. There are no standardized evaluations. We try to ask how they've been, take the initiative to contact them via letters or e-mail.” (Big Travel 2009)

Since none of the travel agents had created a formal system that nourishes customer relationships apart from giving the customer a personal sales contact at the firm, it is our belief that there are few costs that prevent the customer from switching to a competitor. The lack of such system was expressed by the marketing director of Resia:

“We have no problems with the number of customers, the challenge is that I don't think we sell as good as we could to existing customers, the mentality is to sell to a new customer....it pretty much comes down to the lack of a developed CRM system” (Resia 2009b)

Even if switching costs can have a positive relationship with repurchases, it doesn't mean that customer satisfaction is positive (Dongjin et al 2008: 448-460). According to Kotler et al (2006) incentives such as frequent-flyer bonuses and other benefits of repeat purchase are thus essential for retaining customers while keeping them happy in the long run as well as gaining knowledge about ones customer to implement successful Customer Relationship Management (CRM) principles (Kotler et al 2006: 63). Among the surveyed firms, none had deployed any financial incentives or other loyalty programs for the customers to stay within the respective firm. From a co-creation perspective, such relationship building activities



would have been valuable since they also provide an opportunity for learning about the customers' needs.

We argue that the firms pay little attention to the customer's behavior and consequently stress little resources to influence the customer in a certain way. Instead there seems to be reliance among the interviewed firms to retain and attract new customers by focusing on their own behavior. In other words they are confident that customer value can be created by the firm alone. The two largest travel agents (Ticket and Resia) actively sought to improve their behavior towards their customers by the use of a behavioral norm for their employee, which is communicated through their respective value foundations. In contrast to the smaller firms whom did not communicate their value foundations as a background for value creation, Resia and Ticket emphasized their value foundations as a means to creating a competitive advantage and satisfied customers. When examining these closer a few common denominators are identified such as commitment, attitude and respect (Ticket & Resia documents 2009). These denominators, apart from serving as organizational guidelines, automate the service production and provide the staff with an approach towards its customers.

At a first glance such polices seems rewarding to the given background, however when integrating these findings with theories of value co-creation, we discover that the content may aggravate the exploitation of new ideas and innovation. Again, our train of thought originates from the Service-Dominant logic reasoning that the customer is a co-creator and an active team player, and if coached correctly produces valuable input which stretches beyond the monetary aspect. In conclusion, the firms' value foundations play a great role when dealing with the customers, and these firms should start by redesigning their current value constellations so that customer expectations can be exceeded in order to engage in value co-creation.

But even if satisfaction is high among customers, it is still no guarantee of retaining customers (Reichheld 1993,1996 in Foster & Newman 1998), and great attention has to be paid to selecting customers, employee and investors and *delivering superior value to retain them* (Foster & Newman 1998: 51). Due to increased competition in the travel agent business as well as lower provisional fees, the financial situation for the travel agents have become tougher. Thus it appears sound to retain and nourish existing customers. Firms that neglect to maintain the customer relationships thus become subject to a greater number of customer defection. In conclusion, creating high switching costs is of great importance in the travel agent context (Hankell 2008: 6).

4.4 Summary of customer processes

Throughout the analysis of the customer processes it has become quite evident that travel agents in Sweden view value as something that is created from within the company, a so called "inside-out" perspective on value. This also means that the customer is not considered to have an active role in the value creation process. Apart from Kilroy Travel, all the interviewed agents view the customer as a buyer and a user for the services/products, and consequently the firms are unable to absorb a lot of potentially useful information i.e. customer knowledge. Such input is valuable since it can be used for organizational improvement. Thus it appears valuable for firms to acknowledge the customer as a co-producer and not simply as a buyer and a user.

5. Supplier processes

The previous chapter discussed customer processes and what firms should take into consideration when dealing with co-creation. We concluded that cognitive, emotional and behavioral attributes plays an important role when the customer evaluate value propositions, thus firms should stress activities that absorb the “customer's voice” and strive to integrate them into new value propositions. The following part will review what opportunities (co-creation opportunities) and tools (planning and implementation & metrics) that are available to address these activities. The overall goal is to “assist co-creation through the design and delivery of relevant customer experiences and the facilitation of organizational learning” (our italics) (Payne et al 2008: 88).

5.1 Co-creation opportunities

Supplier processes		
Co-creation opportunities	Planning	Implementation & Metrics

The supplier can provide for co-creation opportunities by using new distribution channels, using technology, quickly acknowledging changing customer preferences and lifestyles and designing systems that deal with these issues. Apart from the sales encounter our research gave indication of a couple opportunities where value co-creation could take place. Opportunities can take the form of in-store events and theme nights (Resia 2009) where customers are invited and given the opportunity to interact with sales personnel from the producers (tour operators) to deepen the customer knowledge about product and service selection. Others feel that this type of activity seldom have had sufficient participation, and thus abandoned theme nights all together (STA Travel 2009). Two agencies have arranged field study trips for returning customers, where they in both instances were invited to go Copenhagen and visit a luxurious cruise ship, most expenses paid for including dinning.

“earlier this spring we invited customers to visit a cruise ship that was anchored in Copenhagen. The customers were contacted via e-mail” (Resia 2009)

“Last week we had a cruise ship display from Royal Caribbean at their new ship in Copenhagen so we invited customers and provided them with dinner and a train ticket” (Ticket 2009)

The customers are selected based on frequent returns (Ticket 2009), and on documented travel history within the company (Big Travel 2009). This kind of segmentation is based on customers that are more profitable to the firm than others. From a co-creation perspective these meetings could well function as an opportunity to gain customer knowledge such as information about the customer behavior, but the firms in general view these activities as a marketing opportunity to stimulate the customers interest for new products and traveling in general. Such occasions also enables a more thorough segmentation of the customer. When segmenting the customers, selecting active customers with high level of participation is crucial when extracting more profound knowledge.

According to Yiyi & Rongqiu (2008), there are four levels of customer participation, each level increasing the customer knowledge in the firm: the passive user, the active informer, the passive/active knowledge seeker and the collaborative creator. The level of participation can be seen to increase in scale as the customer in more actively involved, where collaborative creator is the most active role.

As a passive user the customer delivers information about him/herself but they are unaware of the fact that the information is used by the company thus the contents might not be as useful as it might have been if the customer was aware of how this could generate a better product, service or experience. Active informers provide feedback when interacting with the firm. By utilizing other sources of information and not simply settle with product and service information from the seller, customers are assuming the role of knowledge seeker, which provide a wider base for discussion. Customers can also be given access to database material (previously controlled only be the supplier) and thus interactively affect delivery methods and time and composition (Yiyi & Rongqiu 2008: 2-4).

Clearly, the more active a customer becomes, the more useful knowledge can be gained which in turn is to be assimilated into the organizational memory. For the intermediaries, it becomes important to facilitate for customers to become more active i.e. by creating arenas for information exchange and giving the customers an opportunity to ventilate their opinions. Customers that seem active experienced within the company and show a willingness to improve their own and the firm's value proposition might be suitable for participating in co-creation events on a more profound level. As indicated by Yiyi & Rongqiu (2008):

“When customers are actually involving collaborative knowledge co-creation the customer behaves as a partial employee who contributes efforts, time, or other resources in either design the offerings or perform some of the operations functions. The firm and customer enter in a learning relationship

where they both invest their time and effort in to a common objective. This interactive learning enhances the innovative capabilities of the producer and the competence of the user.” Yiyi & Rongqiu (2008: 4)

Thus the firm could identify and approach these “valuable” customers with the agenda to maintain a “knowledge” relationship with these customers. In practice such customer groups could serve as a major source of knowledge and provide improvements for the firm's technical and functional service quality.

As mentioned, technology can also be used as a means of co-creating value. Studies of technology in the travel agent business have previously been attributed to Internet booking systems, neglecting information systems that absorb knowledge through out the firm (Kim et al 2007; Badnjevic & Padukova 2006; Cheyne et al 2006; Homayooni 2006). All of the surveyed travel agents used similar web-based booking solutions in addition to their physical offices, so the issue of how to use technology to an advantage thus becomes relevant. An issue that has been brought up is that agents tend to think in traditional terms when designing and implementing website content, taking existing business models used in the industry and simply transfer them to an online form (Pinkerfield 2008: 20). This has become subject to critique, primarily for not providing a surplus value to the customer, and also increasing the risk of customer suffering from information overload due to poor implementation (Morgan & Trivedi 2007).

It is thus relevant to create more value to the customer than simply providing a booking site. Travel blogs is one of these methods, which also allows customers, current or prospects, to interact with each other and firm representatives. At the same time the blogs constitute an arena for Customer-2-Customer (C2C) interaction which can provide a surplus value for the customer. Travel blogs, a digital form of word of mouth communication can work as a marketing tool, however marketers should also take notice and collect of the contents in the blogs since they might prove room for organizational improvement (Pan et al 2007). Blogs function as an arena for customer to exchange recommendations and advice about travel experiences. In general, blogs have high credibility since advice and recommendation partially or entirely come from customers and not only suppliers (Schmallegger & Carson 2008: 100-101). Broillet & Dubosson (2008) suggests that firms actively participate in the blog so that they can react to the content being posted (Broillet & Dubosson 2008: 1884). This would imply that firms should monitor the blog so that the firm from a co-creation perspective can identify useful knowledge to be absorbed into the organizational learning.

STA Travel have through a separately registered website domain (statravelblogs.com) created a blog space for their customers. Here they can post and read blogs, upload photos and videos and publish reviews of sights, restaurants among other activities. The site also features a message system where people can post messages to the traveler and get responses, by clicking on a separate tab marked "Message Board" on the user profile. Kilroy Travel has a similar concept, while the rest of the agencies have yet to implement a system. According to Pan et al (2007) this creates an arena for *interaction* and by integrating customers they can exchange thoughts and gain further knowledge on a trip in real time. On one hand, the blog poster can gain access to tips and redesign his or her trip based on this new input. Potential travelers get an insight in what to expect given certain routes and choices. It is also an opportunity for the supplier firms to gain further knowledge on their customers; however it requires an active participation of the firm. This was not the case with Kilroy given the following statement:

"We read the blogs on a sporadic basis. Currently, we do not use the information in any other way than hoping that it will provide a pleasant addition of information to our customers on our website. If we find a nice blog with good information on e.g. New York then we may put up a link to this blog from our destination information on the website. However, we do not take any responsibility for the information published in the blogs, which is also stated on the website." (Kilroy 2009b)

The blogging concept barely scrapes the surface of the co-creation perspective and the involved firms do not use its full potential to provide for their customers nor gain innovations that might give them a competitive edge. An active participation from the travel agent could lead to improvements in the value proposition by continually absorbing the knowledge presented in the blogs.

Ticket has also realized the possibilities with customer and seller interaction and is currently investigating implementing a dialogue via established, popular internet community sites such as Facebook and Twitter. If co-creation is seen from the pre-purchase phases (eg. customer's goals in life and supplier support of guidelines) to the after sales phases, Ticket has also created other opportunities for customer interaction apart from the sales encounter. Ticket's offices are given customer contact lists from their headquarters, which the individual offices are supposed to phone up and wish a pleasant journey and also, when returning, greet them with a welcome home phone call. This gives the opportunity for feedback, but can also provide a continuing dialogue and maintaining the relationship with the customer which aligns with CRM and Payne et al (2008). Some agents even offers a personal seller whom the

customer may contact by phone or email. Those two combined events display co-creation opportunities in the relationship processes where the customer is involved to a greater extent.

5.2 Planning

Supplier processes		
Co-creation opportunities	Planning	Implementation & Metrics

Instead of simply doing an inventory of the firm's existing resources and perform marketing efforts from these, firms should instead create their strategies and plans by first understanding the process of value creation that the customers go through and then change the strategies accordingly. Thus, firms should pay attention to the previously mentioned customer processes and use tools that are adapted to these processes. The implementation of these tools together with creating co-creation opportunities aims to create profound customer knowledge that can be integrated into organizational learning (Payne 2008: 89-90).

One way of better understanding the customers in a travel agent context is using clubs. Zhang (2004) found that by having customers enlisted in clubs, making it a prerequisite for purchase, the supplier is able to categorize and thus offer customized solutions, regular and individual contact. Three major Japanese travel agents have implemented this and the organizational aspect is what separates marketing in the marketplace (physical world) and the market space (Internet, online). In reality, some customers are more important for the firm than others (e.g. returning, large spenders), and the enlistment process also helps the firm identify the ones that are more important and should be more focused on (Zhang 2004). By categorizing the customer in accordance their financial contribution to the firm can maximize its resource usage efficiency when stressing marketing activities. This approach of organizing the customers have not been implemented in the Sweden, but rather the online design allows direct booking without membership.

This can be seen as both positive and negative; on the positive side, booking becomes faster without having to log in (if no auto login feature is available), which can benefit both parties in the short term run as revenue is generated more quickly and customers won't get discourage by the implementation design. At the same time, it is harder to keep track off customer habits, personal preferences and instant changes to order, which the customer cannot do to an already placed order without a personal account platform, unless visiting, or contacting the agency by phone. The Japanese case study also indicated that the



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repeat purchase rate increased on their website. Customer contact can be facilitated and issued more frequently with the use of Information Communication Technology (ICT) but, perhaps more equally important, the membership bit also opens the door for better understanding individual customers needs as they may upload information about themselves and make changes to their order online as well.

The matter of properly identifying what customers want in the encounter process has been debated in the previous chapter. One way of addressing this issue is to implement technology that simplifies the identification of the customer's needs and also increasing the customer's level of participation in the service encounter (Yiyi & Rongqiu 2008). In a travel agent context there is the *Smartboard*, a touch-based monitor and computer system for *visualizing* the problems and solutions at hand for both the customer and supplier in real time.

This also includes the display of information such as reviews from third party sources (Novak 2009). The idea is to increase the degree of customer participation since customers may illustrate their desired journey on the monitor while adding services by clicking and dragging across the monitor in real time. The visual aspect also applies to the supplier side who, apart from describing with words, is enabled to display the supply side and possible alternatives through visual representations. This is a rather innovative technical solution to include customers in the co-production process. None of the surveyed agencies used this or a similarly design system. In fact, the only technological tools that are in use in the Swedish travel agent industry are the economy systems, booking systems and travel offers via email.

5.3 Implementation & metrics

Supplier processes		
Co-creation opportunities	Planning	Implementation & Metrics

Concluding the previous discussion, customer knowledge plays a significant role in the processes of value co-creation and can contribute to gaining a competitive advantage.

In past definitions, competitive advantage arises when organizations adjust to external change through internal adjustment or through technical- and strategic innovation. Technical innovation refers to new services and process that symbolize new ideas and knowledge. Within the travel agent business, innovation has typically been associated with technical solutions such as booking systems. Surely, innovation stretches beyond technical devices and



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systems and in recent years scholars have recognized service innovation as a powerful source of competitive advantage (Paton & McLaughlin 2008; Grant 2008).

By defining innovation as “the successful exploitation of new ideas” (Paton & McLaughlin 2008: 78) travel agents can be said to create value through knowledge, skill and competence. Biosot (1999) argues that knowledge assets are embedded in technology, competences and capabilities which can be found throughout the organization, and that knowledge indeed can be a source of competitive advantage, but only if firms know how to extract value from their knowledge assets. Also, not all knowledge is meaningful but has to be relevant to a certain context (Biosot 1999: 4-5, 70). This train of thought is similar to what Mokyr (2005) describes as useful knowledge, which in turn can be divided into *what* and *how* attributes. The ‘what’ aspect in this context relates to propositional knowledge commonly described as believes about natural phenomena and regularities (produced through observation, classification, measurement and/or cataloging). Propositional knowledge serves as a seedbed when broadcasting prescriptive knowledge (‘how’ attributes).

Mokyr argues that propositional knowledge is a sustaining key factor when developing ”techniques” i.e. skill and competences that stimulates economic processes (Mokyr 2005: 4-7; Vargo & Lusch 2004: 9). The “what” attributes could then be extracted in dialog with the customer base which management then refines in new “how” strategies and tactics, which falls in line with the innovation definition as mentioned by Paton & McLaughlin (2008) and should be regarded as a source of competitive advantage. Intermediaries are very knowledge focused and primarily deal with mediating knowledge to customer, thus identifying “what” knowledge is essential to produce new strategies in the form of “how”.

Currently, since the travel agents only to a minimum extent is involving the customer in the production process, the propositional knowledge is not forming a solid base to be converted into prescriptive knowledge, that is to say, the techniques that can be used by the local offices to provide for a better co-creation encounter. Consequently, the firms will find it hard to develop new exciting value propositions. This is especially important to absorb this type of knowledge in what Gremler (2004) refers to as critical encounters i.e. encounters that will ultimately decided whether the customer will return (Gremler 2004 in Payne et al 2008: 90). The sales encounter is a critical encounter in the travel agent industry, so as we have stated before, the implementation of formal systems that support the collecting of propositional knowledge would prove beneficial for the travel agents.

Ticket, being one of the larger firms does surprisingly not have a well developed system for collecting and processing the knowledge gained in the service encounters at their local offices, thus rendering the information gained in the customer encounter as tacit. In our interviews it was revealed that the local office themselves had taken the initiative to take notes in the customer encounter, if they found something that the seller thought to be useful to point out to another customer, but again this is informal and there are no formal support systems in use. While tacit knowledge is preferable to no knowledge at all, it is difficult to distribute and will most likely remain on a local office level (Polanyi 1967). There is also an issue of judging what knowledge is relevant. The lack of a formal system leaves it up to the individual sellers to evaluate what knowledge is being passed on to the central organization. There is no guarantee that the seller and headquarters have a shared view on what is to be considered as useful information, since they have different agendas that could be short and long-term respectively. This is the case with all the interviewed firms, there is basic information and contact details about their customers stored in the economy systems and databases, but this is not used to any greater extent.

Only one respondent indicated that the available information of the customer stored in computer systems could be used for providing value for the customer, while at the same time viewing each sales encounter as unique, thus entering the sales encounter openminded:

"...It is almost a prerequisite... where have you been, do you wish to go there again...We go through the database and see where they've gone, but we cannot see all the stops that they've made, at least not with backpackers. I view it as a new sales meeting every time, because most people say that they've done that and want to try something new" (STA Travel 2009)

With the database information available it should then be easier to read the customer and to present experiences, which are more adapted towards the customer. STA also offers a rather comprehensive network of offices throughout that world and thus the sales relationship does not necessary end in the customer's home country, but additional experience and service may be offered abroad in a face-to-face interaction.

In one interview it was stated that legal restrictions dictated for what purposes the information could be used (Resia 2009). Two of the respondent admitted that their financial systems (keeping track on sales) had potential to serve as a base for CRM campaigns, however they did not currently have any plans to operationalize such initiatives (Kilroy 2009b, Big Travel 2009). This supporting the assumption that the customer knowledge is not integrated very much into to the production process.



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However, the customer will not engage in activities that require resources such as time and energy without reaping any rewards, which falls in line with the principal-agent theory (Nygaard & Bengtsson 2002: 84). Thus, the firms must produce incentives for the customer. Traditionally, this is achieved when the firm creates surplus value for the customer. In practice this can be achieved by "relationship pricing", i.e. giving customers individual discounts on a certain service or product (Adams 2008: 48). Another way of rewarding the customer is through the customization of products/service based on the customer knowledge provided by the customer. Firms can use customized services as a means to differentiate themselves from the competition, but in this thesis the authors emphasize on customization as a reward for customers' contribution to the firm.

The sources of information seem to differ quite a lot among the interviewed agencies. When asked what resources were needed to produce high quality service, the answer in at least two instances was that central personnel department was feeding the organization with advice and support (Ticket/Resia), yet since knowledge is pushed out but not taken in to an equal amount, this information flow can seem one way. This also seems to be the case with the rest of the interviewed firms. Much important information about customers, risk being lost or stay at the local level. Again, this is explained by how the supplier perceives the customer, as a buyer and a payer and not a part time employee (Michael et al 2008: 7).

The central personnel department was in two instances credited for social competence and good service, illustrated by the following examples:

"(To provide social competence for the sellers), we have a very knowledge personnel department at the main office. There are very advanced interviews and tests" (Ticket 2009) (our parenthesis)

"We gave an amazing personnel department that feed support and advice to the organization" (Resia 2009b)

While these answers can be somewhat expected, they do indicate the reliance on a centralized knowledge entity that seem to rely mostly on one-way (trickling down) communication of knowledge. Surely there are risks with relying on a central department for providing the organizational body with knowledge. From a co-creation perspective the risk is associated with an organizational laziness. By this we argue that the sellers will not find an incentive in gaining customer knowledge within the service/sales encounter since they rely on all relevant knowledge to emerge from a central department. Also the organization fail to acknowledge



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the agents as a source of propositional knowledge, consequences of such actions has been debated for previously in the chapter.

A rather innovative model for organizational learning is Resia's internal blogging system that is due to be implemented throughout the organization and is intended to allow co-workers at different offices to share and absorb knowledge fast efficiently through internal blogs (Resia 2009). This is a time and cost efficient way of quickly spreading useful knowledge within the company. To extract any knowledge that is suitable for refinement i.e. prescriptive knowledge it postulates that the firm uses some sort of monitoring unit. Further, such communication system allows the firm to identify opportunities and problems early on. From a co-creation perspective an internal blogging system simplifies the spread of the knowledge retained from the customer's.

5.4 Summary of supplier processes

The final part of the analysis has emphasized the tools and opportunities available to the supplier in order to engage in value co-creation. Firms have to realize that traditional sales channels may also serve as arenas for absorbing information and consequently opportunities to engage in co-creation activities. We concluded that there are several tools that can facilitate and start a dialogue with the customers, further simplifying the process of collecting and evaluating the customer's voice. Once the information has been stored in the organization, challenges arise concerning how the information should be implemented into organizational learning and new refined value propositions.

6. Final discussion

The purpose of our thesis was to examine how the value co-creation concept can be applied to firms with intermediary roles. This was exemplified by using the Swedish travel agent industry as a case study. Our issues of matter are the following:

- What role do customers play in the Swedish travel agent industry?
- What tools and opportunities can be beneficial for travel agents when engaging in value co-creation?

We have investigated the issues of matter by applying the framework presented by Payne et al (2008), and expanded the original model with theories that give depth to the processes being discussed. The remainder of this chapter will present our answers to the issues of matter.

What role do customers play in the Swedish travel agent industry?

A majority of the respondents communicated a rather traditional view on their customers. Traditional in this context refers to a customer as a buyer and a payer. Even though some respondents indicated that they had a somewhat different idea about the customer, Ticket for instance, indicated that they had a view of the customer that was not coherent with firm's overall business philosophy. Thus they stressed some rather informal activities relating to absorbing information from their customer. However, they lacked a formal system to refine the information. As a consequence, the information remained on a local level and the firm failed to transform the propositional knowledge into prescriptive knowledge. We argued that the firm's value foundation, which originates from a firm centric perspective is contra productive and to some extent obstructs service innovation. This is interesting since the interviewed firms emphasized on portraying themselves as customer oriented.

We can conclude that customer orientation stretches beyond a friendly attitude and an inviting image. Surely such attributes play a significant role within the service encounter when pleasing the customer, however firms that feel satisfied with such a shallow customer perspective might not be able to adopt a more profound customer oriented approach. These firms might then be missing out on harvesting the benefits of identifying the customer as a team player, a co producer and a part-time employee.

However, not all of the respondents shared this view, one exception was Kilroy Travels. With regards to the given theoretical background on value co-creation, Kilroy appear as an exemplary actor within the industry. We base this assumption on a number of reasons,



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starting with their view on the customer as a co-producer of services and as a source of knowledge. In contrast to the other firms, Kilroy have embraced a much more perceptive attitude towards the customer, which according to Payne is a major prerequisite for engaging in any type of co-creation activity. As we argued in the theoretical part he stresses the importance of:

“...a change in the dominant logic for marketing from ‘making, selling and servicing’ to ‘listening, customizing and co-creating’ (Payne et al 2008: 86-89)

A second motivation of why we consider Kilroy to distinguish themselves from the other firm is their way of integrating the knowledge gathered from the market. In contrast to the other interviewed firms, Kilroy has a structure that actively absorbs customer knowledge in the service encounter, which then serves as a foundation to design new services.

With regards to early theories on co-creation processes scholars stressed the importance of tailoring services in the “moment of truth”, in other words in the actual service encounter with the agenda to create a surplus value. Within this thesis frame of reference, taking an intermediate perspective, we argue that the aspect of customization has to occur on in an earlier stage within the service production than if the producer would have produced the service itself. The problem of customizing the service offering on later stage in the service production was acknowledged by a majority of the firms.

The overall reason was that the intermediaries do not own the service themselves thus they lack the ability to adjust the service in any later stage of the service production. One of the firms had a rather unorthodox approach to the notion of customization in the service encounter. Big Travel embraced a model that allowed them to adjust the price of the service in relation to its competitors. Offering their customers a rather “customized” service offering in a sense since they allow the customer to co-create the value by indirectly affecting the price on a premise of the customer's budget and what competitors they have visited. Clearly, there are a few ways travel agents can affect the service offerings they are mediating, but the extent is limited.

In conclusion, we argue that a lot could be gained by reconsider the firms various value foundations and redefine their way of viewing the customer. Their current way of dealing with the customer excludes valuable and potent information which if absorbed could harvest service innovation. However their inability to recognize the customer as a source of knowledge aggravates such attempts.



What tools and opportunities can be beneficial for travel agents when engaging in value co-creation?

Since the traditional role of the customer as a buyer and a user is outdated in a co-creation context, the sales encounter can be viewed as an opportunity for co-creation. This, of course, presupposes that the customer is acknowledged as a co-producer. The sales staff should be trained in techniques to use in the seller-customer dialogue which retrieve information about the customer's goals, missions and feelings relating to the trip or traveling in general. The agenda behind such actions is to extract propositional customer knowledge that can be used in a more creative sense for facilitating value co-creation. It is our belief that such input is more valuable for value co-creation than the firm's current feedback approach on retrieving customer knowledge. This requires a set of communication tools that enable the information to be absorbed and spread throughout the organization, such as the internal blogging system implemented by Resia, making implicit knowledge explicit.

Other than the sales encounter, the analysis identified a few marketing events which could be used as value co-creation opportunities. For example, cruise ship excursions and in-store events. The firm's motive behind such events is primarily to stimulate the customers attention of an available product, however it is our belief that the full potential of these events are not realized. Again, firms need to embrace a long term perspective when dealing with its customers. These events can serve as an opportunity to identify and approach customers that possess useful knowledge for the firm. This is because the selected customers for these events are frequent travelers and likely to produce more profound propositional knowledge than less active customers. From a co-creation point of view, these customers could be asked to participate in focus groups or similar co-creation activities.

Opportunities for co-creation are not strictly limited to physical events and encounters, but as discussed, the Internet can also be used as a means of co-creation. Travel blogs is currently implemented in two of the interviewed firms, which allowed customers to interact with each other and exchange travel ideas and other information. However, the firms that used this method did not monitor the information to any greater extent and customer knowledge that could be used for organizational learning and the development of new product or ideas are thus not absorbed. The reason is because the firms view the blogs as a tool to create surplus value for their customers, but they do not realize that it is a possibility for the firms to learn more about their customers at the same time. The travel agents could potentially play a



greater role in these online communities, as an active participant and collector of customer knowledge.

Among the interviewed firms Kilroy distinguished itself from the competition in the way they manage the customer knowledge. In contrast to the other firms, Kilroy use the customer knowledge in a more creative manner, to refine and create new value propositions in conjunction with its supplier. They have acknowledged in statements and action that the customer is more than a buyer and a payer and thereby recognizes the customer as a co-producer and a part-time employee. In contrast, the other firms use customer knowledge as to enlighten the supplier whether there is something unsatisfying with the delivered service. While it is important to inform the suppliers of mistakes and complaints in order to improve the service. Intermediaries can listen and customize services over a period of time. However, due to the characteristics of their business models (the fact that they do not own the products), attempts to allow the customer to customize or co-create services in the short run (other than details concerning the technical service) appears limited.

In our opinion, it is best for intermediaries to find ways of absorbing customer knowledge that do not require any significant effort from the customers. Apart from reevaluating the role of the customer in the value creating process, this requires formal systems that can actively monitor specific knowledge for the firms in order to create new value propositions. Customer knowledge gained cannot be realized directly, but instead takes longer time to be refined into new products and services. The value creation process thus takes longer time in an intermediate context. Therefore issues arise about how to motivate customers to participate in the value creation process.

In conclusion, a co-creation oriented firm recognizes the customer as a source of propositional knowledge from which prescriptive knowledge can be derived. In order to accomplish this, firms need to reevaluate the way of conducting business and realize that the customer can provide other forms of value (such as inspiration on how to alter the value proposition) than financial benefits. New ideas can be extracted from the customers and it is the firm's challenge to exploit such input into new service offerings and strategies. However, such attempts might be tricky to realize in practice since the intermediary lack the authority and necessary tools to reconfigure/redesigning any dimension of the service late in the production process, such incentives usually serves as a prerequisite for the customer to engage in co-creation activities. Thus it appears risky to apply theories of value co-creation as presented by Payne et al 2008 on economical entities of intermediary nature, because the theories do not address these issues. If intermediaries try to extract knowledge from their



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customers without giving an incentive in return, there is a risk that the equilibrium in the co-creation relationship gets disrupted. The co-creation process assumes that both parties benefit by participating, but may in this scenario take place at the expense of the customer. Using logic reasoning, taking without giving anything back will eventually disrupt the fundamentals of value exchange and will most likely undermine the mechanisms of any sound relationship, consequently challenging the foundation of the service economy. It is our belief that if any parties self interest become too great, tensions will emerge due to differing interests between the intermediary and the customer. Once the tension surfaces there is a possibility that the effort which in first place was meant to strengthen the relationship may lead to destabilizing the relationship and co-creation thus becomes the destruction of value.

6.1 Future research

Our contribution to the service debate is two folded. Since, the framework developed by Payne et al (2008) does not address the problems that intermediaries face when customizing services, there is a void presented in the literature. The current S-D logic debate seems to assume that all firms have the capabilities of an end supplier, which is not the case in reality. Thus, future research should develop the existing framework to include the issues that intermediaries face.

Since we concluded that intermediaries will find it hard to instantly give something back to the customer, the equilibrium in the give and take relationship between customer-supplier will be disrupted. It would thus prove interesting to investigate what rewards and motives that incite the customer to deepen the customer-supplier relationship.

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Interviews

Kilroy Travel: Malin Fremling (Branch Office Manager)

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Sjöstrand (Branch Office Manager), Bo Jacobsson (Sales & Marketing Director)

STA Travel: Kristian Olsson (Branch Office Manager)

Sydafrikaresor: Johanna Härbst (CEO)

Ticket: Helena Ståhl (Branch Office Manager), Martin Durnik (completmenting commentaries via e-mail)

Big Travel: Marlene Lundgren (Branch Office Manager)

SRF: Tomas G. Olsson (Secretary General of the Swedish Travel Agent's Association)

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Appendix 1: Company presentations

Resia

Founded in 1974 by a few small travel agents and officially assuming the name Resia in 1989. Resia is today present in 60 Swedish cities with about 400 employees and net turnover of about 3 BSEK (2008). Their market segmentation consists of leisure and business customer in mid-sized cities. Since 1998 the company has implemented a franchise concept and currently (2009) 12 of the total 60 offices operate on this basis, while the rest are owned directly by Resia themselves. This is meant to give smaller travel agents the benefit of having a large organization and contact network to lean on, and also give Resia the chance to expose their product selection and brand in places where they normally would not establish an office of their own (Resia annual report 2008)

Ticket

Operating 95 offices in Sweden, Oslo and Finland with 56 of them being situated in Sweden, Ticket is the largest travel agent in Sweden with regards to sales (turnover of 4,189 BSEK with about 470 employees (Annual report 2008). The business model in Sweden is to operate their own offices in contrast to using a franchise concept. The company was founded in 1989 with the merger of two existing travel agents and is currently targeting two segments, Leisure Travel and Business Travel under the Ticket Travel Group brand. Sales channels are through the physical store, the website and by phone.

Sydafrikaresor (South African Travels)

A niched travel agent, Sydafrikaresor started its present business form in early 2009, but has existed as a subsidiary of Tjeckienexperthen for a long period of time. Their main products are trips to Southern Africa with focus on South Africa. Due to the recent separation of Sydafrikaresor from Tjeckienexperthen, there are no financial data for turnover currently available.

Big Travel

With a total of 32 stores, 30 of them located in Sweden while the remaining are divided in Norway and Copenhagen, Big Travel first started their operations in 1983 with their main office in Malmö. The turnover for 2008 was 0,847BSEK. (Annual report 2008)

Kilroy Travels

What was to become Kilroy Travels started out as 1951 as SSTS (Scandinavian Student Travel Service) and adopted the name Kilroy in 1991. In 2008 more than 300 people were employed by the Kilroy group with a turnover of 1,677 BSEK (Annual report 2008). Kilroy focuses primarily on students and young people and do not offer charter trips, but instead sell special flight tickets and be an aid for providing study trips and abroad work solutions.

STA Travel

STA Travel, founded in 1979, is present in 75 countries with more than 450 offices worldwide. In Sweden there are 4 offices, each located in the major cities. The main office is located in Zurich, Switzerland. Like Kilroy Travels, the focus is on young people and students which separate the two from the rest of the interviewed firms. The net turnover for the Swedish branch was 0,1289 BSEK for the fiscal year of 2008 (annual report 2008).

Appendix 2 – Interview guide used in preliminary survey

Intervjuguide - The Managers

Berätta kortfattat om eran karriär?

Vilken befattning har ni inom företaget?

Hur länge har ni arbetat inom företaget?

1. Hur skapar er organisation värde?
2. Hur skapar ni värde för kunden?
3. Hur arbetar ni med att skapa kundnöjdhet?
4. Har ni påverkats av lågkonjunkturen och i så fall hur har ni märkt av det?
5. Har det skett några organisatoriska förändringar som är relaterade till lågkonjunkturen.
6. Vilka direktiv har ni fått från ledning och ägare?
7. Upplever ni att dessa kolliderar med den dagliga driften, besparing paket till exempel?
8. Har arbetsbördan för personalen förändrats det senaste året/åren?
9. Vilka generella tendenser tycker du präglar branschen?
10. Har ni dragit ner på utbildningsinsatser, försäljnings kurser exempelvis?
11. Hur definierar ni service (vad är service för er)?
12. Är det viktigt? I så fall varför?
13. Hur skapar ni en god servicekvalitet?
14. Vilka resurser fodras för att producera hög servicekvalitet?
15. Hur jobbar ni med att skapa god service långsiktigt?
16. Hur jobbar ni med det i den dagliga verksamheten?
17. Vad upplever ni att kunden främst förväntar sig av verksamheten?
18. Om, hur mäter ni servicekvalitet?



19. Inom service brukar man tala om att kunden upplever tre komponenter. Dels miljön servicen levereras i, själva interaktionsprocessen fram till försäljning och själva slutprodukten?

- Hur skulle ni rangordna dessa i en skala av mest betydande?

20. Om, på vilket sätt differentierar ni er från konkurrenterna?

21. Vilka positiva effekter tror ni god service kan resultera i?

22. Upplever ni det som att kunderna efterfrågar andra produkter i tider om lågkonjunktur?

23. Upplever ni d som att kunderna efterfrågar en annan typ av service i tider om lågkonjunktur?

24. Om så är fallet, hur skulle ni beskriva att det skiljer sig från låt oss säga 5 år tillbaka i tiden.

25. Arbetar ni med någon form av lojalitets program?

26. Hur arbetar ni med att bibehålla kunder?

27. Upplever ni det som mer kostsamt att attrahera nya kunder eller värna om befintliga?

28. Kan ni kortfattat beskriva den marknad ni arbetar på, finns det några generella tendenser?

29. Om, har er roll förändrats i takt med att kunderna enklare kan kommunicera med producenten?

30. Fodrar det högre krav på er frontpersonal?

31. Om så är fallet, på vilket sätt?

32. Övriga kortsiktiga åtgärder (taktiska) och långsiktiga (strategiska) förändringar?

Appendix 3 – Main interview guide

Berätta kortfattat om er karriär?

Vilken befattning har ni inom företaget?'

Hur länge har ni arbetat inom företaget?

1. Hur skapar er organisation värde?
2. Hur skapar ni värde för kunden?
3. Hur arbetar ni med att skapa kundnöjdhet?
4. Varför ska jag som kund handla tjänster av er och inte direkt av producenten?
5. Upplever ni det som att kunderna efterfrågar andra produkter i tider om lågkonjunktur?
6. På vilket sätt har er roll förändrats i takt med att kunderna enklare kan kommunicera med producenten?
7. Hur fodrar detta högre krav på er frontpersonal?
8. Kan ni berätta kortfattat om ett kundmöte där kunden blivit positivt överraskad av era kunskaper?
9. Har ni fått tillfälle att förbättra er roll som säljare via arbetsgivaren?
10. Har ni fått tillfälle att bredda kunskapen om resmålen via arbetsgivaren?
11. Upplever ni att detta resulterat i att ni enklare kan tillgodose kundernas behov?
12. Hur? Var vänlig ge ett exempel.
13. Hur jobbar ni lokalt för att attrahera nya kunder?
14. Hur arbetar ni för att stimulera kundernas reseintresse?
15. Hur jobbar ni lokalt för att värna om befintliga kunder? Vänligen ge ett exempel.

16. Hur uppmuntrar ni ”gamla” kunder till nya köp? (Tema kvällar exempelvis)

- 17 a) Hur tar ni hänsyn till kundens dokumenterade rese historik (inom företaget) när ni inleder en dialog?
b) - Riktade erbjudande via email exempelvis? Alternativa medier/mjukvara annan mjukvara?

18. Anser ni er ha tillräcklig kunskap om vad kunderna efterfrågar?

19. Vart inhämtar ni kunskapen, var vänlig ge ett exempel?

20. Försöker ni initialt matcha kundens behov efter säljarens kompetens?
- Hur ter sig detta i praktiken?

21. Har ni något system för lagra information era kunder?

22. Tar ni hänsyn till kundens dokumenterade historia i det nya säljmötet?

23. Hur omsätter ni den informationen i det vardagliga arbetet?

24. Vilken information om kunderna värderar ni högst?

25. Hur arbetar ni för att kunden skall känna sig trygg/avslappnad vid försäljning/övrig kontakt?

26. Hur arbetar ni för att uppdatera kund om avvikande reseförhållanden? Vänligen exemplifiera?

27. Hur vägleder du en kund som är osäker på val av produkt?

28. Hur agerar du om du känner att din egen expertis inte räcker (konsultera kollegor, refererar till uttalande direktiv e.t.c.)

29. Hur utbildar ni kunden om destinationen / resmålet?

30. På vilket sätt är detta problematiskt?

31. Sträcker sig dialogen längre än vid försäljningstillfället? Var vänlig ge ett exempel?

32. Kommunikerar ni med kunden efter betalning och innan avresa?

Var vänlig ge ett exempel?

33. Vilken service kan ni bidra med efter betalning och innan avresa?

34. Har ni ingått några partnersamarbeten med andra företag med avsikt att skapa värde för era kunder?

35. A) Vilka möjligheter ger ni kunden att påverka era produkter/tjänster? Var vänlig ge ett exempel där kunden fått chans att utforma sin egen resa?

B). På vilket sätt utformar ni individuella erbjudanden till kunden med hjälp av it?

36. Vilken service ger ni under själva resan?

37. Hur arbetar ni för att säkra service kvalitén på de tjänster som ligger utanför den egna ”produktionen”?

38. Utvärderar ni på något sätt kundernas upplevelse av era prestationer?

39. Utvärderar ni på något sätt kundernas upplevelse av destinationen/leverantören?

40. Hur används denna information inom företaget?

41. Arbetar ni med någon form av lojalitetsprogram?

42. Ger ni kunden möjlighet till en personlig kontakt person på byrån?

43. Hur fungerar detta förhållande?