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The influence of customer engagement in value co-creation on customer satisfaction

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Searching for new forms of co-creation in the Russian hotel industry

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Abstract

Purpose – This paper aims to define relevant forms of co-creation activities and customer engagement in value co-creation geared toward increasing customer satisfaction and loyalty in the Russian hotel industry.

Design/methodology/approach – Secondary data analysis of hotels' websites, annual reports and published interviews was conducted to investigate how hotels co-create the experience environment. Also, content analysis of tourist comments in social media was conducted to assess the relationship between customer engagement in value co-creation and customer satisfaction. The sample for this study includes hotels located in Moscow using customer experience as a source of value creation.

Findings – Based on the analysis of best practice of customer engagement in value co-creation in the hotel industry, a classification of co-creation activity forms was developed. Five forms of co-creation activities have been identified: feedback, co-production, firm-driven service innovation, customer-driven customization and co-creation. Applied data also provide insights on the development of the hotel industry in Moscow. The majority of hotels engaging customers in value co-creation in Moscow are international. Hotels more often use customization, service innovation and especially co-production than co-creation, as co-creation is a new market strategy for the Russian market. The high-price-segment hotels more often use customization, whereas hostels usually implement value co-creation with clients. It can be explained by the difference between the target audience and the resources available. This study helps to understand whether forms of customer engagement in value co-creation in the Russian hotel industry match international experience and findings of theoretical studies.

Research limitations/implications – The sample group represents only hotels in Moscow, and the study utilizes only qualitative techniques. An increase in both the sample size and geographical diversity and a study using both qualitative and quantitative techniques may generate more insights relating to customer engagement in value co-creation in Russian hotels.

Originality/value – This is an insightful comparative study of customer engagement in value co-creation practices of hotels with different attributes, and the study identifies new opportunities to engage customers in value co-creation in the hotel industry.

Keywords Hotel industry, Value co-creation, Customer loyalty, Content analysis, Customer satisfaction, Customer engagement

Paper type Research paper



1. Introduction

The concept of customer engagement in value co-creation has been widely covered in the marketing literature. Interest in this topic is driven by business needs to find new ways of stimulating value creation for customers. Despite the fact that the notion of “engagement in value co-creation” emerged in the professional literature about 10 years ago, there is still no consensus on a unanimous definition and classification of customer engagement in value co-creation. Further, both academic research and business use different methods, and so there is no single approach to assessing the impact of customer engagement in value co-creation on customer satisfaction and loyalty. In this paper, we investigate customer engagement in value co-creation in the Russian hotel industry.

In recent years, there has been rapid growth in the hotel industry in Russia. These changes are characterized by quantitative growth in the number of hotel operators (Sheresheva *et al.*, 2012) and by changes in the strategic behavior of operators in the market. Such development is largely due to the recent entrance of international hotel chains with extensive experience in marketing. The survival and profitability of a company in the hotel industry is directly related to its ability to meet the needs of target customers. Therefore, the current trends of market development in the hotel industry cause companies to focus their attention on enhancing customer satisfaction, developing long-term mutually beneficial relationships with customers and building customer loyalty. One of the newest means of offering unique customer value is customer engagement in value co-creation (Pralhad and Ramaswamy, 2000). Customer engagement in value co-creation affects customer satisfaction and loyalty as it allows customers to personalize the content of their experience (Pine and Gilmore, 1999). Hotel services rely on direct interaction with customers, and so the hotel industry is a perfect field for customer engagement in value co-creation.

2. Literature review

2.1 Customer engagement in value co-creation

The concept of customer engagement in value co-creation is based on the idea of open innovation (Chesbrough, 2003), relationship marketing (Gordon, 1998) and the service-dominant logic of marketing (Vargo and Lusch, 2006). Within the model of open innovations, a firm develops and commercializes the ideas developed both outside and inside the company so that the boundaries between the company and its environment are removed (Chesbrough, 2003). Combining internal development with ideas from outside, companies seek to integrate their experience and skills with customers, as well as with external companies and communities. According to the service-dominant logic, value should be created together with a customer, rather than inside the company, so customer-focused companies are encouraged to engage customers in value co-creation (Vargo and Lusch, 2006). Thus, the customer becomes a direct actor in the process of value creation, production and distribution of goods (Gordon, 1998).

The authors of the concept of co-creation defined it as an active, creative and social process based on collaboration between companies and consumers that is initiated by the firm to generate value both for the firm and the customer. Value for the customer is unique experience acquired, and value for the firm is the growth of knowledge about the customer based on which a company can create the best customer value supply in the market (Pralhad and Ramaswamy, 2000). When investigating customer co-creation,

we refer to customer value as to all the material and to the emotional gain a customer obtains or creates in cooperation with a company.

O'Hern and Rindfleisch define co-creation as a collaborative new product development (NPD) activity in which customers actively contribute to and/or select the content of a new product offering. Here, emphasis is placed on the fact that co-creation results in a new value offering (O'Hern and Rindfleisch, 2008).

Many companies do not know what knowledge and experience their customers have, so they need to attract customers and create an environment for open communication that enables consumers to implement their knowledge for the benefit of other participants and the company (Pralhad and Ramaswamy, 2004). Co-creation increases the likelihood of having a higher percentage of successful new products, as the company knows its customers' needs and how to meet them in the best way so that the problem of information asymmetry between producers and customers is solved (Thomke and Von Hippel, 2002).

Jaworski and Kohli observe that because the offer is co-created, it is certain to meet customer needs. Therefore, a rise in co-created offers is supposed to increase customer satisfaction (Jaworski and Kohli, 2006; Payne *et al.*, 2008). The process of co-creation increases the tendency to repeat positive experience on the part of the customer because the firm generates unique insights into co-creating customers' sources of value (Randalla *et al.*, 2011). Therefore, co-creation represents a source of significant competitive advantage due to increased customer satisfaction and its positive impact on customer loyalty.

Value co-creation is inextricably linked with customer engagement in interaction with the company. Brodie *et al.* explored the concept of engagement as a linking concept in the service-dominant logic of marketing (Brodie *et al.*, 2011). Ashley *et al.* consider customer engagement in interaction with the company as part of relationship marketing (Ashley *et al.*, 2010).

The term "engagement" began to show up in the marketing literature about 10 years ago, but there is still no consensus among theorists and practitioners on the definition of this concept. Higgins and Scholer defined customer engagement as a state of being involved, occupied, fully absorbed or engrossed in something (i.e. sustained attention), generating the consequences of a particular attraction or repulsion force (Higgins and Scholer, 2009). The more engaged individuals are in approaching or repelling a target, the more value is added to or subtracted from it. According to Vivek *et al.* customer engagement is the intensity of an individual's participation and connection with the organization's offerings and activities initiated by either the customer or the organization (Vivek *et al.*, 2012). Other authors consider customer engagement in value co-creation as the level of a customer's motivational, brand-related and context-dependent state of mind characterized by specific levels of cognitive, emotional and behavioral activity in brand interactions (Brodie *et al.*, 2011). Lusch and Vargo (2010) consider customer engagement as customer experience co-created with a company (Lusch and Vargo, 2010). The most general definition of customer engagement was given by Brodie *et al.* (2011): customer engagement is an interactive process characterized by different intensities of customer engagement, occurring at different stages of the customer-company interaction.

The process of customer engagement consists of several stages (Brodie *et al.*, 2011). According to the service-dominant logic of marketing, a study of the company-

customer interaction is required from value production to its acquisition (Nuttavuthisit, 2010).

As to Bowden, customer engagement leads to customer loyalty while forming trust, commitment and customer satisfaction (Bowden, 2009).

We conclude that studying the relationship between customer engagement in value co-creation and customer satisfaction is relevant and worthy of attention. Since 2010, the Marketing Science Institute has defined customer engagement in value co-creation as one of the priority research areas and emphasized on the need for further research in this direction. Moreover, co-creating values, as defined by the American Marketing Association, has become a buzz word in the industry, and researchers believe that it is much more than a superior system to existing market research systems. At the same time, the existing theoretical and empirical research bases still do not give practical guidance on customer engagement in the hotel industry. There are only a few empirical studies on customer co-creation activities and their consequences for firms in a service and travel services context (Auh *et al.*, 2007; Carbonell *et al.*, 2009; Li and Petrick, 2008; Shaw *et al.*, 2011, Grisse mann and Stokburger-Sauer, 2012). At the same time, similar studies are practically absent in Russia. In view of this, the existing practices of customer engagement should be systematized and adapted for use in the hotel activity.

2.2 Customer engagement in value co-creation in the hotel industry

Research on customer engagement in value co-creation has recently been one of the top research priorities in studies dedicated to the hotel industry (Grisse mann and Stokburger-Sauer, 2012; Shaw *et al.*, 2011; Verhoef *et al.*, 2010; Chathoth *et al.*, 2013). The hotel industry is increasingly based around the customer experience, and such suppliers and consumers interact more closely together at all stages of their relationship (Shaw *et al.*, 2011).

Both searching for and booking tourism experiences is increasingly done online. These changes were largely influenced by the development of information technology, which adds value to the end-user, as up-to-date information and prices can be compared before booking. Consumers assessing value pre-purchase can choose a higher-priced hotel if non-price information about this hotel suggests a superior experience during the stay there (Noone and McGuire, 2013). It also forces companies to compete even more keenly – not only on price but also on the ability to co-create unique experience. Value co-creation is essential to hotels; however, hotel managers are usually not aware of its existence or do not call it co-creation (Komlosi and Gyuracz-Nemeth, 2010).

In the search for the determinants of customer satisfaction, researchers proposed customer engagement in value co-creation as one of the main components. For instance, customers are more satisfied when they voluntarily participate in green programs requiring some sacrifice (Giebelhausen *et al.*, 2013).

Chathoth *et al.* studied customer engagement in value co-creation in the hotel industry and developed a co-production/co-creation matrix. This matrix describes four types of company – consumer interactions dependent on a primary value-creation driver and customer involvement/dialogue type: co-production, firm-driven service innovation, customer-driven customization and co-creation (Chathoth *et al.*, 2013) (Figure 1). The authors state that the co-production versus co-creation concepts create a continuum, and service innovation and the customization of service production are

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

Figure 1.
Co-production/
co-creation matrix

conceived as lying somewhere between co-production and co-creation on this continuum.

The value creation element relates to participation by the consumer in not only production but also the consumption stages; whether the role of the customer in a context has been integrated; and the extent to which customer needs are met. The involvement and dialogue-type element relates to whether innovations are generated with on-going customer engagement; the passive or active role of the customer; and the transparency of communication and whether dialogue involves listening to the customer, a sporadic dialogue or a continuous one (Chathoth *et al.*, 2013).

Hence, co-production is a service production characterized by a firm-centric view of customer involvement when value creation is derived primarily through the production process. Firm-driven service innovation is a service production which is also characterized by a firm-centric view of customer involvement, but value creation is derived primarily through the consumption/usage process. Customer-driven customization is a service production characterized by a customer-centric view of customer involvement when value creation is derived primarily through the production process, and co-creation service production is characterized by a customer-centric view of customer involvement when value creation derived primarily through the consumption/usage process (Chathoth *et al.*, 2013).

Co-production and firm-driven service innovation imply that the service production process is defined by the firm as sporadic in which the emphasis is on engaging the customer in an interactive process over a limited period. In contrast, customer-driven customization and co-creation imply a continuous involvement of customers.

Chathoth *et al.* consider co-creation as a strategic perspective for the hotel industry and claim that firms benefit if they move toward co-creation.

To tackle management problems, chief executive officers (CEOs) in the hotel industry have to offer a means of integrating customers with the company's value creation chain. Despite considerable potential for this in the hotel industry, Russia is currently lagging behind the developed countries in this aspect.

To conclude, despite the large amount of research on customer satisfaction and loyalty in the hotel industry, there are only a few publications on unique experiences and their relationship with customer satisfaction. Also, there is no consensus among

scholars and practitioners on precise definition of customer engagement in value co-creation. Thus, the proposed study can be considered an effort, firstly, to examine the role of customer engagement in value co-creation and the peculiarities associated with using it in the hotel industry, and, secondly, to investigate how customer engagement in value co-creation is connected with customer satisfaction. The research will introduce new ways to involve a consumer directly in the value chain development.

The purpose of the study is to define relevant forms of co-creation activities and customer engagement in value co-creation in the hotel industry in Moscow so as to increase customer satisfaction and loyalty. We narrow the research domain to one of the largest Russian cities because Moscow is the leader in terms of the number of hotels in Russia.

The main purpose of this study subsumes several objectives:

- develop a classification of co-creation activity forms in the hotel industry;
- study how hotels in Moscow are ready to co-create the experience environment and involve clients in value co-creation;
- assess the relationship between customer engagement in value co-creation and customer satisfaction; and
- develop a conceptual model describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty in the hotel industry.

3. Methodology and data

This research proceeds through two stages. Firstly, secondary data analysis was conducted to investigate how hotels in Moscow co-create the experience environment. Secondly, a content analysis of tourist comments on social media (tripadvisor.com) related to hotels in Moscow that use customer experience as a source of value creation was conducted to assess the relationship between customer engagement in value co-creation and customer satisfaction.

4. Findings

4.1 *Classification of co-creation activity forms in the hotel industry*

The classification of co-creation activity forms in the hotel industry was based on a co-production/co-creation matrix developed by [Chathoth et al. \(2013\)](#).

To study if hotels are ready to co-create the experience environment, examples of customer engagement in value co-creation in the hotel industry in Moscow were analyzed. To do this, we drew on a number of case studies to illustrate marketing practices that use hotels to involve their clients in the value co-creation process. Our research methodology is qualitative and allows us to gather empirical information to understand a hotel's activities around co-creation.

We have found the following examples of service production.

4.1.1 *Co-production.* The elements of co-production in Moscow hotels are represented by self-reservation using websites or mobile applications, buffet breakfast in hotels and self-service in hostels.

4.1.2 *Firm-driven service innovation.* For instance, testing hotel websites and testing sleepboxes at Sheremetyevo Airport can be considered as service innovation. Because sleepboxes is a new business model for the Russian market, initially, it was tested at

Sheremetyevo Airport on a small scale. After that, taking customer needs into account, a hotel near the Belarusian railway station was included too.

4.1.3 Customer-driven customization. More often, high-price-segment hotels offer clients customized services. For instance, the five-star hotel Crowne Plaza Moscow offers clients customized entertainment programs. A personal activities director and professional team help customers to develop, plan and manage the event.

4.1.4 Co-creation. Hotels being actively involved in consumer co-creation and characterized by keenness to innovate use several ways to involve consumers in value co-creation. The service “Dinner on the roof” was co-created by the five-star hotel “Swissotel” with clients. Many examples of customer engagement in value co-creation were found in hostels. Hostel “Fabrika” co-creates its design together with clients, providing free accommodation in exchange for painting. Hostels “Bear Hostel” and “Dom” involve clients in price-setting (co-pricing). “Bear Hostel” works on a “pay what you want” scheme. It offers clients competitive hostel rates online, and then backpackers get a confirmation from the hostel staff about the possibility of booking at this low price. Hostel “Dom” sets bike rental prices based on its customers’ feedback. “Da! Hostel” held an online competition for the best bike hostel name where customers could vote for the best ones or offer their own.

Secondary data analysis revealed that despite the fact that co-creation is not widespread in the hotel industry in Moscow and is not part of marketing strategy for many hotels in Moscow, hotels are paying a lot of attention to collecting and analyzing information about their clients. For this reason, feedback is viewed in this research as one of the types of engaging customers in value co-creation. Other authors also consider user-generated hotel reviews as a type of customer engagement behavior (Wei *et al.*, 2013).

4.1.5 Feedback. Almost all hotels of different categories analyze tourist comments in social media, hotel websites and specialized resources (such as tripadvisor.com) and react to them. High-price-category hotels have customer databases, where they keep the personal data of clients, information about the frequency of guest visits and their individual preferences. For instance, the five-star hotel “Ritz-Carlton” uses a database management system to customize guests’ experiences by documenting and retrieving specific guest preferences when they return – without specifically asking the guests for their preferences. Hotel employees make notes of individual preferences and enter them into a guest preference system. The value of customer databases increases especially for hotel chains when customers stick to those hotels they have already visited. The five-star hotel “InterContinental” also uses a customer database; distributes questionnaires to assess customer satisfaction; analyzes comments on its hotel website, Facebook and tripadvisor.com; and gives feedback and interviews clients staying for more than four days.

The outcome of the analysis of customer engagement examples in value co-creation in Moscow hotels is the classification of co-creation activity forms in the hotel industry (Figure 2). For the hotel industry, five forms of co-creation activities have been identified:

- (1) Feedback:
 - analyzing customer reviews;
 - customer database;

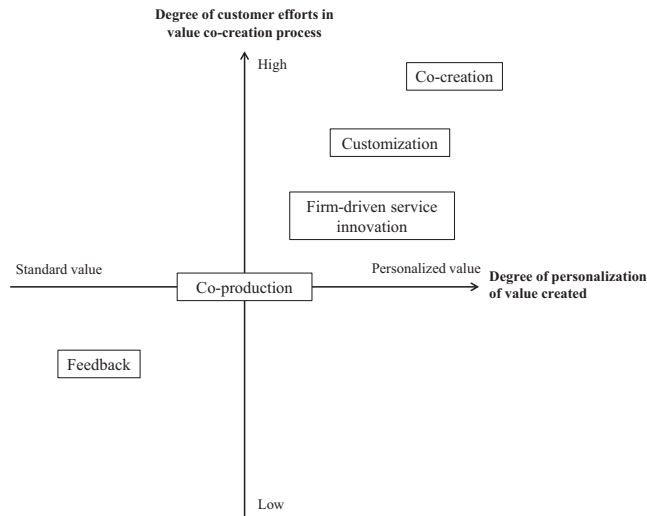


Figure 2.
Updated classification of co-creation activity forms in the hotel industry

- questionnaires to assess customer satisfaction;
 - client interviewing; and
 - focus groups.
- (2) Co-production:
 - Self reservation;
 - self check-in and check-out;
 - self-service (e.g. restaurant);
 - participation in hotel green programs; and
 - participation in hotel competitions (e.g. best photo).
 - (3) Firm-driven service innovation:
 - testing website/electronic applications.
 - (4) Customer-driven customization:
 - customized products and services (menu, entertainment programs, press, etc.).
 - (5) Co-creation:
 - co-creating hotel concept;
 - co-creating hotel design (idea generation/direct participation);
 - involvement in price-setting; and
 - creating online/offline customer communities.

Figure 2 shows how these five types of value co-creation differ in terms of the degree of customer efforts in the value co-creation process and the degree of personalization of value created.

With the introduction of a new form of co-creation (feedback), the basic co-creation criteria offered by Chathoth *et al.* had to be revised. To classify co-creation, we used two features. The degree of customer efforts in the value co-creation process characterizes the customer role in cooperation with a company. In case of a low degree of customer efforts, co-creation is initiated and operated by a company, which provides consumers with limited freedom of action for the establishment or improvement of existing services. In case of a high degree of customer efforts, a company gives its co-creation partners freedom of action and decision. This motivates customers to participate in co-creation to satisfy their individual needs. Thanks to motivation and customer interest in co-creation, they are willing to make more effort in co-creation.

Thus, the higher degree of customer efforts in value co-creation, the higher the level of personalization of value created. Co-creation reflects a more active side of customer engagement in value co-creation. The mentioned list of co-creation types does not cover all possible types of co-creation in the hotel industry but is still quite extensive and representative.

4.2 Conceptual model describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty in the hotel industry

To assess the relationship between customer engagement in value co-creation and customer satisfaction, we conducted quantitative and qualitative content analyses of tourist comments on tripadvisor.com related to hotels in Moscow that use customer experience as a source of value creation.

Content analysis proceeds through several stages:

- selecting content for analysis and defining units of analysis (using stratified sampling);
- estimating the tonality of tourist comments using a subjective rating scale (from -3 to 3 points);
- coding the content (emergent coding[1]);
- making mind-maps describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty using ATLAS.ti 5.0;
- specifying categories describing the relationship between customer engagement in value co-creation and customer satisfaction (piori coding[2]);
- applying coding to the data using categories; and
- data analysis, that is, performing frequency analysis and assessing the relationship between categories describing the research model (correlation analysis – Spearman correlation coefficient; Krippendorff, 2004).

The methodology developed by Krippendorff was used, as it allowed us to assess the relationship between components of the research model using only qualitative data.

To conduct content analysis, the sample of Moscow hotels was formed, which included hotels of different categories. Table I shows that the selected sample of case studies used in this paper represents a range from national independent hotels (medium-sized enterprises) to international hotel companies.

Site tripadvisor.com contains reviews both in Russian (r^+ positive, r^- negative and r^0 neutral, $r = r^+ + r^- + r^0$) and English (e^+ positive, e^- negative and e^0 neutral, $e =$

$e^+ + e^- + e^0$) for each hotel. In almost all cases, reviews in English were the prevailing mode. To make the sample representative, reviews in English were included in the sample in the amount equal to the amount of reviews in Russian, thereby maintaining the ratio of positive, neutral and negative reviews (Table II).

The number of selected reviews N is a sum of positive, neutral and negative reviews in English ($e_{sel}^+, e_{sel}^0, e_{sel}^-$, respectively) and positive, neutral and negative reviews in Russian ($r_{sel}^+, r_{sel}^0, r_{sel}^-$, respectively):

$$N = e_{sel}^+ + e_{sel}^- + e_{sel}^0 + r_{sel}^+ + r_{sel}^- + r_{sel}^0$$

where:

$$e_{sel}^+ = \begin{cases} r^- e^+ & \text{if } r \leq e \\ e^+ & \text{if } r > e \end{cases}, \text{ similarly } e_{sel}^0 \text{ и } e_{sel}^-$$

$$r_{sel}^+ = \begin{cases} e^- r^+ & \text{if } e \leq r \\ r^+ & \text{if } e > r \end{cases}, \text{ similarly } r_{sel}^0 \text{ и } r_{sel}^-$$

The results of reviews tonality evaluation are presented in Figure 3; 75 percent of the reviews (more than half) were positive, 12 per cent were neutral and 13 per cent were negative (Table II).

For each hotel, the number of positive reviews also exceeds the number of neutral and negative reviews (Table III).

Figure 4 shows the average rating of reviews tonality evaluation. However, it should be noted that a positive review can not clearly indicate customer satisfaction.

Figure 5 shows the mind-map describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty based on codes allocated during qualitative content analysis. The mind-map shows what factors shape customer satisfaction and loyalty. Combining the mind-map with quantitative study of customer satisfaction allows to determine problem areas that require improvement.

After that, the conceptual model of relationship between customer engagement in value co-creation and customer satisfaction and loyalty was developed (Figure 6).

Name	Category	Description
DA! Hostel	–	Hostel
Fabrika Hostel	–	Hostel chain
Hotel Bega	Three-star	National hotel
Aerostar	Four-star	
Moscow Marriott Grand Hotel		International hotel chain
Holiday Inn Moscow Lesnaya	Five-star	
Hotel Baltschug Kempinski		
Lotte Hotel Moscow		
Radisson Royal Hotel		

Table I.
Characteristics of
hotels

Hotel name	DAI Hostel	Fabrika Hostel	Hotel Bega	Aerostar	Moscow Marriott Grand Hotel	Holiday Inn Moscow Lesnaya	Hotel Baltichug Kempinski Moscow	Lotte Hotel Moscow	Royal Hotel Moscow	Radisson Royal Hotel Moscow	Total
Hotel category	Hostel	Hostel	Three-star	Four-star	Four-star	Four-star	Five-star	Five-star	Five-star	Five-star	
Total number of reviews	33	13	70	80	315	193	200	271	222	222	1,397
Number of Russian reviews	21	5	16	13	13	30	11	48	41	41	198
Number of English reviews	12	8	54	67	302	163	189	223	181	181	1,199
Number of analyzed reviews	24	13	32	26	26	60	22	96	82	82	381

New forms of
co-creationTable II.
Sample description

Constructs describing customer satisfaction and loyalty are based on the study of Pingitore *et al.* (2010).

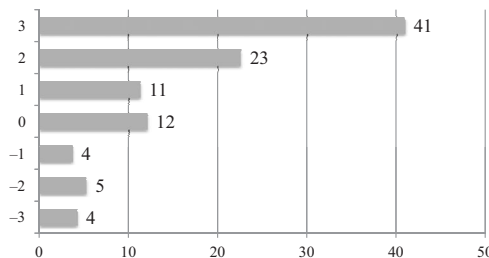
The model describes the relationships between the degree of customer efforts in the value co-creation process and the degree of personalization of value created by forming different levels of customer engagement in value co-creation. According to the model, the degree of customer engagement in value co-creation affects customer satisfaction and loyalty. We understand customer satisfaction as the customers' overall satisfaction with the hotel. Customer loyalty refers to the customers' return and recommendation intentions.

Further, we proposed four hypotheses to be tested empirically:

- H1.* The degree of customer engagement in value co-creation has a positive effect on customer satisfaction with the hotel.
- H2.* The degree of customer engagement in the value co-creation has a positive effect on customer loyalty with the hotel.
- H3.* The degree of customer efforts in the value co-creation process has a positive effect on customer engagement in value co-creation.
- H4.* The degree of personalization of value created has a positive effect on customer engagement in value co-creation.

Then, we specify categories describing the relationship between customer engagement in value co-creation and customer satisfaction using the proposed research model. Thus, we formed the following specified categories:

- customer engagement in value co-creation (co-creation);
- guest room;
- staff;
- a la carte service;
- reservation/check-in/out;
- hotel services;
- facilities;
- reputation of the hotel chain; price to value;
- purpose of stay; reason for preference;



Note: From -3 to 3 points

Figure 3.
Tonality estimation
of tourist comments
using a subjective
rating scale

Scale points	DAI Hostel	Fabrika Hostel	Hotel Bega	Aerostar	Moscow Marriott Grand Hotel	Holiday Inn Moscow Lesnaya	Hotel Balkschug Kempinski Moscow	Lotte Hotel Moscow	Radisson Royal Hotel Moscow
-3	4	8	0	8	12	2	5	2	6
-2	0	23	0	15	12	3	18	1	4
-1	8	8	0	8	0	3	5	3	4
0	13	15	0	15	8	22	9	13	10
1	4	8	19	35	0	23	9	2	10
2	8	31	28	19	38	32	23	11	26
3	63	8	53	0	31	15	32	68	41

New forms of
co-creation

Table III.
Tonality estimation
of tourist comments
per hotel (%)

- willingness to recommend; and
- willingness to return. After that, we conducted frequency analysis of categories described in the research model.

In total, 99 and 93 per cent of consumers mention the quality of food/beverage and guest room facilities, respectively. More than half of the analyzed reviews contained information about the personnel and reasons for preference and facilities. Also, 5 per cent of consumers mention customer engagement in value co-creation in their reviews (Figure 7).

To estimate the relationships between categories describing the research model, we calculated Spearman correlation coefficients.

The statistically significant but weak relationships between the following categories describing the research model were discovered: co-creation and purpose of stay (coefficient of correlation = 0.3); co-creation and reservation/check-in/out (0.2); co-creation and hotel services (0.2); staff and willingness to return (0.2); a la carte service and hotel services (0.3); and hotel services and facilities (0.2). The identified relationships help to better understand customer's behavior in the hotel industry. That helps hotels to plan their workload more accurately.

5. Implications and discussion

The classification of co-creation activity forms in the hotel industry was proposed on the basis of the systematization of types of customer engagement in value co-creation. We analyzed the examples of customer engagement in value co-creation in the hotel industry and conducted content analysis of tourist comments on tripadvisor.com related to hotels that use customer experience as a source of value creation. As a result, we developed the conceptual model describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty in the hotel industry.

Also, we obtained the following practical results providing insight into the development of the hotel industry in Moscow in the context of involving customers in value co-creation. The majority of companies engaging consumers in value co-creation in the hotel industry in Moscow are international. International hotel chains, with their extensive experience in marketing, are more likely to engage clients in value co-creation than national hotels chains which do not seem to be familiar with the idea of co-creation. Hotels more often use customization, service innovation and especially co-production than co-creation.

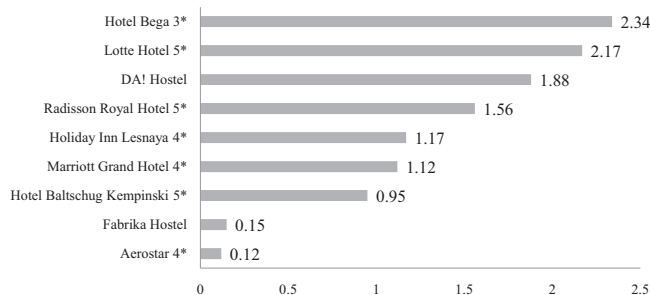


Figure 4.
Average rating of reviews tonality evaluation

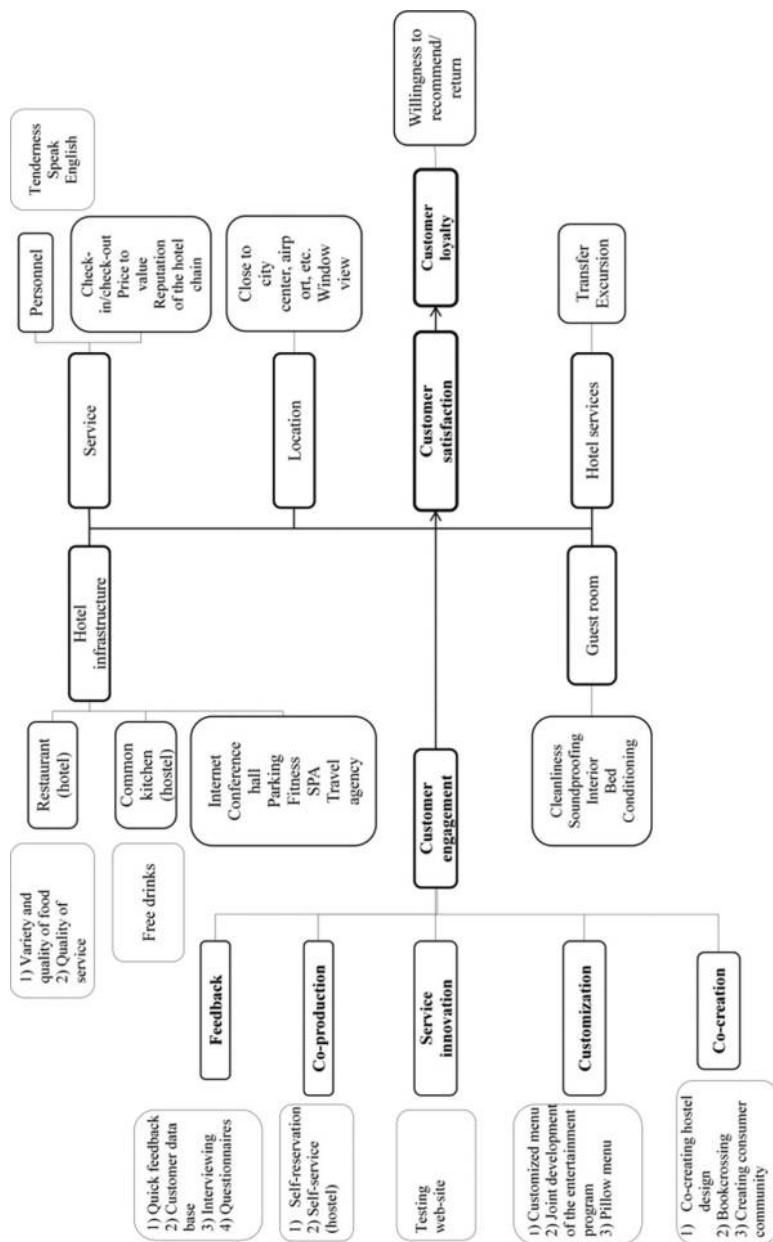


Figure 5. Mind-map describing the relationship between customer engagement in value co-creation and customer satisfaction and customer loyalty

Figure 6. Conceptual model describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty in the hotel industry

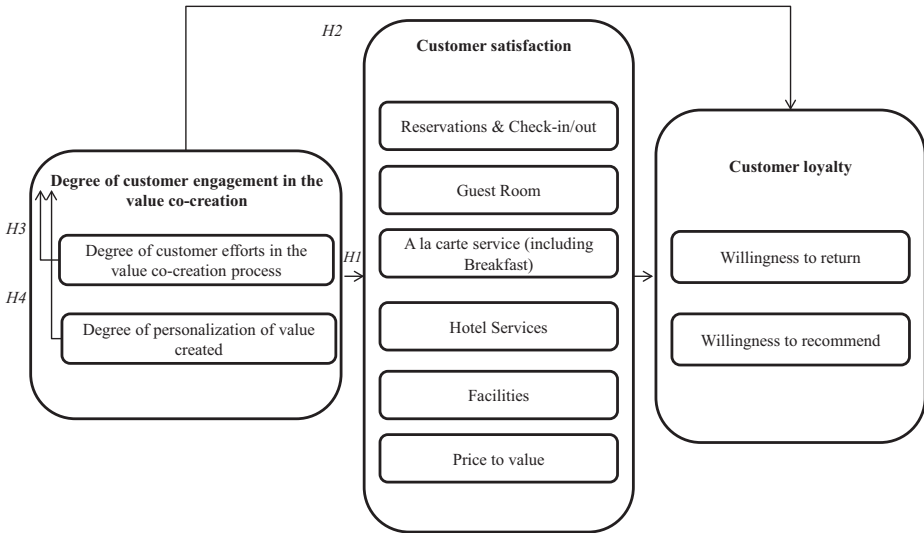
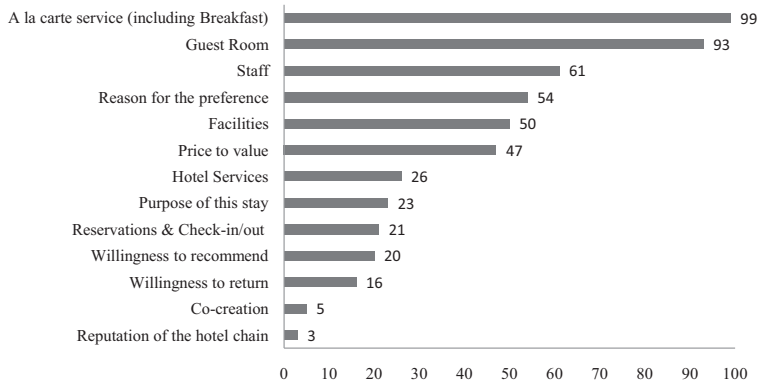


Figure 7. Frequency analysis of specified categories describing the model



In developed countries, hotels of all categories engage clients in value co-creation, whereas in Moscow, five-star hotels and hostels are more often co-creating the experience environment. Co-creation is a new market strategy for the Russian market. Five-star hotels are ready to implement value co-creation with clients as they have the necessary marketing resources, specialized organizational structure in the marketing department and experience in implementing marketing innovations. Hostels are able to engage consumers in value co-creation because of the flexibility in business processes.

High-price-segment hotels more often use customization, whereas hostels usually implement value co-creation with clients. It can be explained by the difference in the target audience and the resources available. Five-star hotels implement customization as they have the necessary resources to build and maintain customer databases

[customer relationship management (CRM) systems]. Investment in the development of CRM systems allows these companies to personalize their services to the customers' needs.

Hostels engage clients in value co-creation because the characteristics of their target audience as tourists staying there are active young people willing to participate in co-creation activities. Co-creation in hostels (the lower-price segment) has the greatest development prospects in Moscow because tourists staying at hostels do not expect to get the wow effect of being involved in value co-creation, so their willingness to recommend increases.

By means of customer engagement in co-creation, companies in the hotel industry allow clients to choose and manage the crucial component of customer value – customer experience. To successfully engage customers in co-creation, hotels have to choose the type of co-creation in accordance with the resources at their disposal and the characteristics of the target audience. The types of co-creation analyzed differ in terms of the degree of customer effort in value co-creation and the degree of personalization of value created. The company assessing the resources at its disposal can predict its ability to create standardized or personalized customer value. It analyzes target audience and estimates the degree of customer interest and inclination for co-creation. Thus, the variety of relevant forms of co-creation is limited to those providing higher value for the company and its clients. Consequently, the proposed classification of co-creation activity forms can serve as a method to determine under what conditions each type of co-creation would be the most promising for the company.

The limitations of our study are as follows. Firstly, it was rather difficult to identify categories describing the model of the relationship between customer engagement in value co-creation and customer satisfaction. We used these categories to code the data collected from social media. Hence, we suppose that examining this relationship through hotel customer poll or structured interviews helps to more accurately identify categories and their relationships. As in social media, respondents feel free to leave their comments, whereas in the case of an interview, an interviewer tries to extract information from participants. Secondly, increasing the sample size would yield more representative results.

The proposed classification of co-creation activity forms and a conceptual model describing the relationship between customer engagement in value co-creation and customer satisfaction and loyalty in the hotel industry need further empirical confirmation with larger samples of Moscow hotels and hostels. The next step is to take a quantitative approach using information from customers. So, the proposed hypotheses are planned to be empirically tested and validated via a hotel customer poll.

This study emphasizes that co-creation activities merit further examination in the hotel industry. It identifies important management implications such as key hotel satisfaction factors and principles relating to customer engagement in value co-creation.

Notes

1. Emergent coding – categories are established following some preliminary examination of the data.
2. *A priori* coding – categories are established prior to the analysis based on some theory.

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Further reading

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