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A STUDY OF TRAVEL AGENCY COLLABORATION AND CO-CREATION IN THE TOURISM INDUSTRY

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ABSTRACT

This study explores the dynamics of collaboration between travel agencies and their suppliers in co-creating value with their customers. It examines the relationship among six collaboration elements (co-creation dynamics), service innovation, competitive advantage, technology adoption and environmental change, and the moderating effect of trust on the co-creation elements and service innovation. The effects of technology adoption and environmental changes on the six elements were also examined. Results indicate that all the above effects are significant, and trust enhances the effect of the elements on innovation for Taiwan travel agencies. However, technology adoption and trust differed for the Malaysian travel agencies.

Keywords: Co-creation Dynamics, Relational view, Service Dominant Logic.

INTRODUCTION

Continued growth in the global tourism industry has opened vast opportunities to many businesses in the tourism and hospitality industries. In the first two months of 2011, international visitor arrivals already had surpassed those of the previous year same period by 5 million. Total international tourism receipts in 2010 were estimated at US\$919 billion, which represents a 5 percent increase over 2009, and with the current growth rate estimated at 6 percent, receipts could reach US\$975 billion (World Tourism Organization, 2011). The top five global 'biggest spenders' countries that have mainly contributed to this growth currently rank as (from largest) Germany, US, UK, China and France, and are tied to increases to their citizens' disposal incomes (CNNGo.com, 2010). Being one of the largest worldwide industries and the most complex as it overlaps many industries, including, accommodations, transportation, restaurants, etc., tourism supports more than 258 million jobs and generates approximately 9.1 percent of the global gross domestic product (World Travel & Tourism Council, 2011). Growth can also be attributed to advances in web and information technology (IT) that have changed the service landscape to favor consumers through e-marketing and social networking. The consumer can shop online to find the best perceived value, and review the comments and experiences of others. However, tourism trends have shifted from mass traveling to individually customized and thematically oriented with the rise in personal wealth and leisure time (Chen et al., 2009). As businesses in the tourism industry jockey for position to lure potential customers and take advantage of these trends, several will join forces and collaborate to offer customized services

that may exceed their (customers') expectations. Furthermore, interacting with them (customers) will lead to opportunities to co-create extraordinary value that enhances the travel experience.

Value co-creation involves the customer deriving value through his/her use of a product or service offering, and his/her involvement in the co-design and co-production of the offering (Michel, Brown and Gallan, 2008). It is defined as "a constructive customer participation in the service creation and delivery process requiring meaningful and cooperative contributions" (Auh et al., 2007, p. 367). The value of a product or service is no longer defined by the producer or provider, but by the level of satisfaction a customer attains as a result of using the offering (Gummesson, 1995). With the advent of value co-creation, the dominant marketing logic has clearly shifted to service-dominant (S-D) logic, which emphasizes the integration of goods with services (Vargo and Lusch, 2004). Under S-D logic, regardless of whether the offering is a tangible good or a service, it becomes a vehicle that enables customers to pursue their individual satisfaction through the accomplishment of a task or gains in efficacy (Michel, Brown and Gallan, 2008). Thus, service is now the common denominator to any offering (Payne, Storbacka and Frow, 2008). Vargo and Lusch (2004) define services as "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself" (p. 2); this provides the philosophical foundation for S-D logic.

Prior empirical studies have focused on the relationship between a seller and consumers in a business to customers (B2C) context (e.g., Chan, Yim and Lam, 2010). However, few studies have examined the relationship between a seller working collaboratively with multiple suppliers and consumers. This study examines the dynamics of collaborations between travel agencies and their suppliers to innovate and co-create value with customers in Taiwan and Malaysia. In recent years, consumers have gained an upper-hand in travel shopping through the advances in web and information technologies. They have enabled and given consumers the advantage to easily search different sites to locate and purchase the deal that might best match their travel needs through online bookings in the comforts of their home. Yet, in spite of this convenience, this was often not the case. Consumers often lack critical pieces of information or the knowledge an experienced travel agent will possess. As such, travel agents still play an important role in the tourism industry (World Tourism Organization, 2006). Collaborations throughout the tourism supply chain using the same technology that has enabled

consumers may return the advantage to travel agents, but in the role of travel consultants. Yet, the dynamic nature of both tourism and IT may affect the collaborations between travel agents and their suppliers as there needs to be a common ground on which they can build their collaborations. Thus, the adoption to technological changes and market shifts are predicted as essential collaboration success factors.

BACKGROUND

Service dominant (S-D) logic (Lusch and Vargo, 2004) and the rational view of cooperative strategy (Dwyer and Singh, 1998) provide the conceptual foundation for this study. The intersection of these concepts lies service, the primary determinant of competitive advantage (or failure). Both assume that regardless of whether a business offers a product or service, the offering must envelop a service which creates value (vs. embedding value during the time of production). As Gummesson (1995) states, “customers do not buy goods or services: they buy offerings which render services which create value” (pp. 250-251). Furthermore, value is no longer added through the production process, but through the customer’s use of the product or service. The challenge lies in discovering and understanding what the customer perceives as value and how to derive it.

Service Dominant (S-D) Logic

As marketers have adopted a customer-centric focus (Sheth, Sisodia and Sharma, 2000), learning (Slater and Narver, 1995) and market driven orientations (Day 1999), a customer centricity and service-centered view of marketing has emerged. In contrast to the traditional good-based marketing practices (i.e., good dominant logic) that embrace a product- or production-orientation (i.e., manufacturing-based model), customer centricity and service-centered involve continuous collaboration with customers to learn and understand of their needs (Gummesson, 2008; Vargo and Lusch, 2004) through relationship development, communicative interactions and knowledge renewal (i.e., knowing how to improve customer experiences) (Ballantyne and Varey, 2006). The result is a customized offering that best meets and satisfies the customer in utility and value. Thus, with collaborations, the customer becomes the co-designer and co-producer of the offering, regardless of whether it is a product or service, and co-creator of value (Vargo and Lusch, 2004). Under a services view, “physical good marketing and services marketing converge, but services-oriented principles dominate” (Gronroos, 2000, p.88), and the service that the offering renders creates value. Placing the focus on the customer has now become the prerequisite for survivability and profitability (Gummesson, 2008), and co-creation becomes the basis for value (Prahalad and Ramaswamy, 2004).

S-D logic incorporates collaborative processes among customers, partners and employees, reciprocity in service provisions between a business and its exchange partners while engaged in co-creation, commitment from

management to service all stakeholders, and the adoption of the new service paradigm to its practices (Lusch, Vargo and O’Brien, 2007). It comprises nine foundational premises: the application of specialized skills and knowledge is the fundamental unit of exchange, indirect exchange masks the fundamental unit of exchange, goods are distribution mechanisms for service provision, knowledge is the fundamental source of competitive advantage, all economies are service economies, the customer is always a co-producer, the enterprise can only make value propositions, a service-centered view is customer oriented and relational, and organizations exist to integrate and transform micro-specialized competencies into complex services (Vargo and Lusch, 2004; Vargo and Lusch, 2006).

Vargo and Lusch (2004) also base S-D logic on a distinction between operand and operant resources. Operand resources refer to those that an operation or action is performed upon to produce an effect, and are characterized as physical (e.g., factories, materials, etc.). In contrast, operant resources produce an effect. They are typical human, organizational, informational, knowledge, and relational (Hunt, 2004). With a service orientation, operant resources are more capable of providing competitive value propositions and assessing marketing outcomes (Li and Petrick, 2008). As such, they point out that the business’ interactions with its environment increase its operant resources and enhance its ability to provide solutions.

In the tourism industry, S-D logic has been tied to knowledge building and exchange as they are a source of competitive advantage and economic growth (Li and Petrick, 2008). Because tourism is a service-driven industry (Seaton and Bennett, 1996), advances in IT have enable interactive dialogues and direct interfaces between buyers and sellers (Palmer, 1996; Sheth and Parvatiyar, 1995), and the service provided throughout the tourism industry can be characterized as knowledge embedded, customer oriented and technology driven (Lohr, 2006), S-D logic appears to be a natural fit (with the tourism industry). National tourism organizations (NTO) find it critical and of particular importance to create, share and utilize customer information to streamline marketing communication, improve product innovation, and enhance destination-traveler relationships (You, O’Leary and Fesenmairer, 2000).

Relational View

Typically, businesses secured a competitive advantage by accumulating resources and capabilities that were rare, valuable, non-substitutable and difficult to imitate (Barney, 1991; Dierickx and Cool, 1989; Rumelt, 1984). Yet, in many cases, these resources extend beyond the business’ boundaries. The resource-based view (RBV) assumes a single business owns and controls the resources and capabilities. However, businesses that collaborate and combine their resources in unique ways may reap non-duplicable advantages (Dyer and Singh, 1998). In contrast to RBV, the relational view focuses on dyads/networks,

and proposes that maintaining inter-organizational relationships will generate competitive advantages through operant resources that an individual business cannot create by itself (Dyer and Singh, 1998). Four potential sources of relational rents or performance gains through inter-organizational collaborations identified by Dyer and Singh (1998) include: (1) relation-specific assets, (2) knowledge sharing routines, (3) effective governance, and (4) complementary resources and capabilities. Relation-specific assets are specialized assets, and may include production site proximity of the businesses, capital investments in a physical asset that is specific to the relationship, and complementary knowledge embedded in human assets of the businesses (Williamson, 1985).

Knowledge sharing routines are often the basis for innovation. Superior knowledge transfer mechanisms among suppliers, users and manufacturers through production networks have often led to businesses out-innovating their competitors (Von Hippel, 1988). Inter-organizational learning in the context of knowledge sharing has been identified as a critical component to competitive success (Levinson and Asahi, 1996; March and Simon, 1958; Powel et al., 1996). As such, Grant (1996) defines knowledge sharing as interactions that promote the transfer, recombination or recreation of specialized knowledge.

Value creation is frequently produced through effective governance between the collaborative partners as it focuses on minimizing transactional costs or providing incentives for value creation initiatives (Dyer and Singh, 1998). Because collaboration involves the efficient deployment of resources between partners, a governance structure that stipulates the conditions and terms of their agreements and the means for value creation must be put into place.

Lastly, leveraging complementary resources and capabilities between two businesses can lead to synergistic outcomes that neither collaboration partner could have achieve by itself. Businesses achieve a competitive advantage when the outcomes are more valuable, rare and difficult to imitate (Dyer and Singh, 1998). Identifying complementarity weighs heavily in the collaboration's success (Dyer and Singh, 1998) as prior research suggests incompatibilities have led to failure (Buono and Bowditch, 1989).

Few studies have examined the relational view in the context of tourism despite the ubiquity and competitiveness of the industry. In one study that focused on the hotel industry, Rodriguez-Diaz and Espino-Rodriguez (2006) found that the success of inter-organizational integration of resources depends on the operational aspects that lead to additional rents (i.e., performance gains), improving the efficiency and effectiveness of processes, and trimming activities that do not create value to the consumer.

RESEARCH MODEL

Figure 1 depicts this study's proposed research model. The model suggests that six co-creation dynamics elements will positively influence the level of service innovation and in turn service innovation will increase competitive advantage. Technology adoption and environmental change positively affect co-creation dynamics, such that the more inclined a business is towards adopting new technology to leverage its resources and bridge relationships to advance its collaboration efforts, and adapting to environmental changes, the greater its ability to co-create. Trust as a moderator will enhance the relationship between the co-creation dynamics (elements) and service innovation. When trust is high, the co-creation dynamics will have a greater effect on service innovation. Five hypotheses are presented to determine the proposed model's predictability.

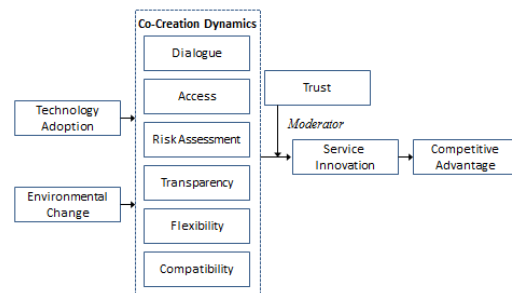


Figure 1. Proposed research model

The dynamic nature of market conditions and the ever-changing customer needs require continual interactions between a travel agency and its customers to learn and understand their (customers') needs, and engage in meaningful dialog to co-create value. Since travel agencies connect services to customers, they heavily rely on their supply chain. As the relational view suggests, collaborating businesses (i.e., a business and its suppliers) can reap non-duplicable advantages when they combine their resources and share their knowledge. This study defines co-creation dynamics as a process of value creation between a business and its suppliers through collaborative elements. It is characterized as a continuous social and economic process that begins with an interactive definition of the customer's problem (Deighton and Narayandas, 2004). Prahalad and Ramaswamy (2004) have identified four fundamental collaborative elements (or building blocks) of co-creation: dialogue (i.e., interactivity, engagement, propensity to act), access (i.e., sharing of information and knowledge), risk assessment (i.e., providing information to make informed decisions), and transparency (i.e., openness) (DART). These elements are crucial to the interaction process between the travel agency and its suppliers. By coupling them in different combinations (e.g., dialog and access, risk assessment and transparency, etc.), a business can apply them towards developing different strategies with its suppliers (Prahalad and Ramaswamy, 2004).

In a B2B setting, compatibility and flexibility reflect the fit of the relationship between business partners (e.g., travel agency and supplier) that are conducive to collaboration.

Flexibility defines the responsiveness of a business to adapt to changes in technology and market opportunities by introducing new offerings, broadening its product line, and upgrading its offerings with greater timeliness (Dwyer and Singh, 1998). The effect is to enhance co-creation between them. Often, efficient collaborations between a business and its supplier are the key success factors for providing superior service to customers in order to gain their satisfaction and loyalty. In the tourism industry, travel agents play an important role as the coordinator between their suppliers and customers.

In contrast, compatibility describes the extent to which orientations, abilities, and activities of the businesses play toward their successful integration. Also, the complementariness of their resource needs will affect their efforts to co-coordinate. In an inter-organizational context, Vargo and Lusch (2008) have found that the degree of compatibility between (among) partners can predict of the success or failure of joint ventures. Greater compatibility between partners segues to higher co-creation capability. From the customer's perspective, compatibility would appear as a seamless offering.

Service innovations can be defined as a new service experience or service solution that involves a new service concept (i.e., value that is created by the service provider in collaboration with the customer), a new customer interaction (i.e., the role customers play in the creation of value), a new value system/business partners, a new revenue model (i.e., new value system or set of new business partners involved in co-producing a service innovation), a new revenue model (i.e., developing the right revenue model to fit a new service concept), and/or a new organizational or a technological service delivery system (i.e., organizational or technology infrastructure), and leads to a new or renewed service function, experience or solution (den Hertog, van der Aa and de Jong, 2010). They (service innovations) often result from collaborative networking rather than a single source (Vries, 2006). For example, alliances allow businesses to acquire new skills and knowledge from other alliance members which opens opportunities for innovations (Hagedoorn, 1993; Hamel, 1991). The six co-creation dynamics elements provide the foundation on which productive collaboration between a travel agency and its suppliers can be built, and promote innovative thinking. The presence of these elements opens opportunities for greater service innovation. This study proposes that co-creation dynamics has a positive effect on service innovation.

H1: *Co-creation dynamics have a positive effect on service innovation.*

"Innovation is a critical activity that is virtually important for most firms to embrace in order to create and sustain a competitive advantage" (Johannessen, Olsen and Lumpkin, 2001, p. 27). It has been identified as a key element to business success (Nonaka and Takeuchi, 1995). This is particularly true for the tourism industry where service innovation is crucial for gaining and sustaining a competitive advantage (Chen et al., 2009). Yet, service

innovations often provide only a short-term advantage as factors that were attributed to the past success may no longer be relevant (Sakchutchawan et al., 2011), and the need to sustain service innovations becomes necessary to retain competitive advantage. With value co-creation, the customer becomes an active participant in the production process, during which time the travel agency and its suppliers combine their resources to define the customer's needs (i.e., relational view) and innovatively work with the customer to produce a customized offering superior to everything else (i.e., S-D logic). Thus, competitive advantage can be tied to the distinctive value the customer realizes through the offering's use (Vargo and Lusch, 2004), which resulted from a service innovation. As such, service innovations will improve the competitive advantage of the business.

H2: *Service innovation has a positive effect on competitive advantage.*

Advances in information and web technologies have led to the quick and easy access of information that businesses can use to sense market opportunities and changes, and enable competitive advantages. As a result, IT has become a powerful means to gain competitive advantage by leveraging the business' resources (Powell and Dent-Micallef, 1997), and helping bridge relationships between a business and its customers to learn about and communicate with one another (Tippins and Sohi, 2003). It also plays a significant role in the process of value co-creation and inter-business relations (Della Corte, Savastano and Storlazzi, 2009). Prahalad and Krishnan (2008) indicate that advances in IT have enabled co-creation through global networks which in turn promotes innovativeness. Prior studies (e.g., Andreau et al., 2010; Chang and Wong, 2010) suggest that IT adoption in the tourism industry has led to significant performance improvements and increases. Businesses that have adopted technology and learned to leverage it have become astute in their practices of innovation and co-creation. Thus, those that are most successful at it will be better positioned as co-creators.

H3: *Technology adoption has a positive effect on co-creation dynamics.*

Periodic changes in the environment, such as changes to customer preference, the erosion of industry boundaries, changes to social values and demographics, the introduction and implementation of new government regulations, and advances in technology, will pressure businesses to commit to their strategic decisions or face failure (Damanpour and Gopalakrishnan, 1998). They suggest that businesses must adopt innovative solutions that are appropriate to the environmental conditions in order to survive. The changing competitive landscape has also forced businesses to seek creative and flexible methods to meet the challenges in building collaborative relationships with their customers and suppliers (Donney and Cannon, 1998). Therefore, those travel agencies that can quickly adjust to environmental changes will by their nature be more inclined in innovative practices as they

apply to co-creation dynamics.

H4: *Environment change has a positive effect on co-creation dynamics.*

Trust is a fundamental element in every relationship, and can be defined as the confidence a person places on another in an exchange relationship, such that the other person will not exploit his/her vulnerabilities (Dwyer and Chu, 2003). Because trust is built gradually and consistently over time through a process of interactions, it is earned and does not come easily (Bstieler, 2006). Prior studies suggest that trust can reduce search cost after acquiring trustworthy partners (Gulati, 1995), plays the role of an indicator of future transactions in a buyer-seller relationship (Doney and Cannon, 1997), and works as a reduction element in relational risk (Nooteboom et al, 1997). This study applies trust to inter-organizational relationships between partners, and is essential to their innovative service collaborations to assure each is working in the best interest of the relationship. Because greater levels of trust will enhance the effects of co-creation dynamics on service innovation, trust is proposed as a moderator of the relationship (between co-creation dynamics and service innovation). As proposed in this study, trust can enhance the relationship, such that the higher the level of trust, the greater productive output resulting in service innovation since partners will be less distrustful and suspicious of the intents of the other, and not hold back for fear of being exploited. In the tourism industry, collaboration can be the single most important aspect of effective management (Fyall and Garrod, 2005). Prior studies in tourism have identified trust as a necessary condition for successful collaboration (e.g., Bucklin and Senguta, 1993; Devine, Boyle and Boyd, 2009; Waddock and Bannister, 1991).

H5: *Trust moderates the relationship between co-creation dynamics and service innovation.*

The proposed research model examines the effects of collaboration between (among) business partners (i.e., travel agencies and their suppliers) in their participation as co-creators with consumers on their ability to innovate to gain or maintain a competitive advantage. S-D logic and the relational view form the basis for a collaborative marketing paradigm that involves the customer as a co-creator of service and suppliers as collaborators (with travel agencies). Regardless of whether an offering is tangible or intangible, the customer seeks value through its use. Other factors that were examined include inclination towards technology adoption, adaptability to environmental changes, and trust.

METHODOLOGY

Data were collected through a survey of travel agencies in Taiwan and Malaysia. A questionnaire with forty-nine psychometric items that were adopted from prior studies (Table 1) and five demographic questions was developed. The items were measured on a five-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Because the

survey was conducted in Taiwan and Malaysia, Chinese and English (language) versions were developed. To ensure nothing was lost in the translation to Chinese (from English) and both were capturing the same measures, the questionnaire was translated back to English. When necessary, language adjustments were made to the Chinese version.

Lists of travel agencies were obtained from the Tourism Bureau of the Ministry of Transportation and Communication, Taiwan, and Tourism Malaysia. Travel agencies in Taiwan are categorized as consolidated (wholesaler), Class A, and Class B, the latter two being retailers and differentiated by their capitalization. For this study, only consolidated and Class A travel agencies were included in the survey. Only travel agencies in west Malaysia were targeted.

Six hundred sixty (660) questionnaires in Chinese were mailed to travel agencies in Taiwan and 458 in English to others in Malaysia. The questionnaires were addressed to the managing directors and general managers of the agencies, and were accompanied by a letter introducing and explaining the purpose of the survey and a pre-addressed stamped return envelope. To encourage participation among the Taiwanese travel agencies, a donation of NT\$100 (approximately US\$3.50) would be made to a charity of their choice upon the receipt of their completed questionnaire. After three months, 105 usable questionnaires from Taiwan were received, and 102 from Malaysia (for a total of 207), giving response rates of 15.9 and 22.3 percent, respectively.

ANALYSIS AND RESULTS

An exploratory factor analysis was conducted on the six co-creation dynamics elements. The maximum likelihood method was used to extract the initial factors. An oblique rotation method was applied to take into the account the correlations among the factors (Pedhazur and Schmelkin, 1991). Table 2 shows the results of the loadings and cross loadings.

A structural equation model (SEM) in partial least squares (PLS) was developed to assess the adequacy of the model through the examination of construct reliability, and convergent and discriminant validity. The data were separated by country for the analysis. As shown in Tables 3 and 4, all constructs exceed the recommended minimum cutoff of .70 for composite reliability (Straub, 1989). Cronbach alpha assessed the reliability of multiple scales, following the guidelines of Nunally (1978) and Churchill (1979). Except for environment change (construct), all Cronbach alpha values exceeded the recommended .70 (Nunally, 1978). Although the Cronbach alpha values (for both the Taiwan and Malaysia data sets) were below the recommended minimum, they are still within an acceptable range.

Convergent and discriminant validity were assessed using average variance extracted (AVE). The average variance extracted (AVE) values for both data sets (Tables 5 and 6)

exceed the recommended minimum of .50 to demonstrate convergent validity (Barclay et al., 1995). This suggests that the measurement items within each construct are related to one another and support the theorized construct (Gefen and Straub, 2005). Tables 5 and 6 also show the AVE values are less than the squared correlations of the two compared constructs that appear along the diagonal. This demonstrates discriminant validity, and suggests the measure items are weakly related to other constructs (Gefen and Straub, 2005).

The partial least squares (PLS) method was used to develop a structural equation model (SEM) of the data sets since PLS has a high tolerance with small to medium sample sizes (Chin, Marcolin and Newsted, 1996). Three control variables, firm size, firm capital and firm age, were introduced to the model to verify that none has an influence on service innovation, competitive advantage and the outcome. For example, a business' age, size or capital should not be a determinant of its ability to innovate. The SEM results of the Taiwan data set appear in Figure 2 and Table 7. All path coefficients between the constructs are statistically significant which lends support to H1, H2, H3 and H4. Because none of the paths for the control variables is significant, firm size, firm capital and firm age do not influence the effects. Table 8 summarizes the moderating effect of trust on the relationship between co-creation dynamics and service innovation is summarized. Model 1 tests the direct effect of trust on service innovation and model 2 the interaction of trust and co-creation dynamics on service innovation. The significance of the direct effect in model 1 and the interaction effect in model 2 supports H5. Thus, trust enhances the effect of co-creation dynamics on service innovation: the greater the trust, the more likely collaborations between a travel agent and its partners will lead to increases to service innovations.

Figure 3 and Table 8 contain the SEM results for the Malaysia data set. With the exception of technology adoption, all path coefficients are significant and therefore support H1, H2 and H4. In contrast to the Taiwan model, firm age has a significant effect (.16, $p < .05$) on competitive advantage. This might suggest that other factors related to time may be giving established travel agencies a competitive advantage. These may include reputation, closeness to the community, and/or client base. Otherwise, none of the other control variables has a significant effect on service innovation and competitive advantage. The results of the test for the moderating of trust appear in Table 9. Because the direct effect of trust on service innovation is not significant, H5 is not supported.

DISCUSSION

This study examined the effects of six co-creation dynamics elements on service innovation, service innovation on competitive advantage, and technology adoption and environmental change on co-creation dynamics, and the moderating effect of trust on the relationship between co-creation dynamics and service

innovation. The co-creation dynamics elements embody the underlying collaborative principles of the relational view; businesses that combine their resources may gain competitive advantage through the uniqueness of their offering. Furthermore, the elements are directed towards co-creation based on the marketing paradigm of S-D logic. The results indicate that collaboration between (among) partners in the context of co-creation with customers and as represented by the co-creation dynamics elements will have a positive effect on their ability to innovate services (value), and consequently gaining or maintaining a competitive advantage. For meaningful co-creation to occur, particularly for customers seeking value through a travel experience, travel agencies must collaborate with their suppliers to examine numerous possible offerings that satisfy what the customer envisions. For example, in co-creating a travel package for a customer who is interested in backpacking and exploring geological formations in Malaysia, a travel agent might work with a hotel that would fit the travel theme (i.e., thematic orientation) and provide the type of lodging that would not only be consistent with the them, but also enhance the travel experience of the customer. A transportation service would be enlisted to eco-friendly travel that is also consistent with the them and enhances the travel experience. The collaboration between the travel agent and its suppliers would result in a service innovation in the form of a unique and customized offering to the customer. The success of such a travel offering lies in the degree to which the six elements of co-creation dynamics (dialogue, access, risk assessment, transparency, flexibility, compatibility) are present or combined to influence the outcome. While dialogue, access, risk assessment and transparency address the ability of the businesses to exchange and circulate information and knowledge between each other, flexibility and compatibility determine the extend to which they can work together in proposing a seamless offering to the customer.

The mixed results suggest trust will enhance (moderate) the effects of partner collaborations on service innovation under certain circumstances. As seen in the Taiwan data set, trust was a moderator of the relationship (between co-creation dynamics and service innovation). Yet, the Malaysia data differed and the moderating effect was not present. The measures of this study were not able to capture the reason for this mixed result, and future studies might include other variables to better understand the presence of the effect. Although prior studies suggest trust is a necessary condition for successful collaboration (e.g., Bucklin and Senguta, 1993; Devine, Boyle and Boyd, 2009; Waddock and Bannister, 1991), it may not be readily apparent for service innovation. Instead, partnerships may be more contractual to ensure the responsibilities of the partners are identified and each is held accountable to them. Yet, the positive results of the Taiwan data set suggests an encouraging sign.

In recent years, travel agents have been faced with new technological challenges. Online travel agents, such as Travelocity, Expedia and Orbitz, have been very successful in satisfying the increasing travel needs of

world-wide consumers. Their online services allow customers to one-stop-shop for airfares, hotels, car rentals, cruises and vacation packages, and self-assemble travel packages. Yet, in spite of their vast online offerings, they mass-market travel, compete on price, and provide little in co-creation. The more seasoned travelers and vacationers will seek value through their experience (i.e., as they partake in their travel). The difference between the two groups may be described as passive spectators vs. active participants. Thus, getting the customer involved in the creation process can lead to new services or service innovations that would in turn provide a competitive advantage through customized offerings that cannot be readily duplicated, imitated or substituted (Peppard, 2000). The results of this study lend support to this relationship between service innovation and competitive advantage.

Another new technological challenge travel agents face is social and consumer generated media. Information from these media have begun heavily influencing the travel plans of many travelers; 71 percent of the consumers are influenced by consumer generated media, and 66 percent by consumer reviews posted on social media (Vinod, 2011). Also, the trend towards individual customized and themically oriented travel due to increases in discretionary income and leisure time (Chen et al., 2009) has shifted the market away mass-travel. Thus, these changes to the market landscape and advances in technology have presented new challenges, and compelled travel agents and their suppliers to adopt to new business models to include collaboration based on the relational veiw and service-based co-creation embodied in S-D logic. As the data indicate, the ability to adapt to environmental changes will influence co-creation dynamics as it suggests a necessary alignment between the businesses that identifies their willingness to adapt, and bodes well for collaborative partners.

A difference in technology adoption appeared between the two data set. The Taiwan data suggest technology adoption plays importantly towards co-creation dynamics (collaboration). Yet, this is not seen in the Malaysia data. Generally, advances in technology have impacted the way business is conducted over all industries, often enabling and/or integrating businesses. However, technology adoption may depend on other factors as suggested by the strategic grid (McFarlan, Cash and McKenney, 1992). The degree to which businesses adopt technology may lie in the extend to which they assign technology to leveraging their business functions. Further investigation of this aspect is needed to determine the reason for the difference.

CONCLUSION

This study examined the collaborative relationship between travel agents and their suppliers to co-create offerings and value with their customers. Data were collected through surveys conducted in Taiwan and Malaysia. The results positively linked collaboration (co-creation dynamics) to service innovation, and service

innovation to competitive advantage. Six elements represented collaboration based on the relational view, four of which emphasized information and knowledge exchange and flow (dialogue, access, risk assessment, transparency) while the remaining two (flexibility, compatibility) their working relationship. Their readiness to adapt to changes due to market shifts contributed to their sucessful collaboration. Due to difference in results between the Taiwan and Malaysia data, the role of trust (as a moderator) and technology adoption play is uncertain.

In recent years, large online travel agents, such as Orbitz, Expedia and Travelocity, that cater to the masses have challenged small agencies to find better ways to meet the traveling public's need for individual customized and thematically oriented travel. The co-creation of offerings that provide value through their use has been based on S-D logic and collaboration between travel agents and their suppliers in the context of the relational view offer means for meeting these challenges.

References, figures and tables available upon request.