

PRIMARY RESEARCH

Collaborate to innovate: Customer value co-creation factors for small hotel businesses

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Abstract

The COVID-19 pandemic has affected not only the global tourism issue and small hotel businesses but also the long-term effects of changes in tourism behavior that have shifted to more individual-oriented tourism. The transformation of small hotels' business model emphasizes the customer value co-creation. They are supported by modernized technology. Consequently, small hotel entrepreneurs must adjust to survive, maintain their income levels, and seek new business opportunities related to accommodation and tourism through various activities. Certain factors contributing to customer value co-creation among small hotel businesses and customer needs are thus supposed to be examined and identified. This study addresses such issues by focusing on factors from customers and entrepreneurs affecting small hotel businesses' customer value co-creation model. The research uses a qualitative research technique. The result of the study reveals three main factors of customer and four main factors of the entrepreneurial side. It is found that developing customer value co-creation for small hotel businesses is beneficial when applied in a practical environment. By having exposure to individual-oriented tourism and dealing with crises in the future, the results provide guidelines for small hotel entrepreneurs to see how they can contribute to the mutual value of their customers for sustainable small hotel businesses and continue to implement them for commercial use.

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INTRODUCTION

Hospitality and tourism industries have high potential and dynamic growth, generating economic value of up to 10.40 percent of the global GDP. The hospitality and tourism industries have also increased the employment rate to a maximum of 10 percent of the total employment rate ([World Travel & Tourism Council, 2019](#)). The growth of these industries is possibly and continuously growing in the future. Since 2020, there has been a corona-virus pandemic across the world, causing a severe impact on the economy. Industries worldwide, particularly in Asia, were affected by the pandemic.

The pandemic has led to a significant decrease in incomes from tourists who usually travel and need residence ser-

vices. Consequently, hundreds of hotel businesses saw their revenue streams receding. Some went bankrupt and ended up with business shut down. The domestic tourism policy plan had to slow down. Those with the most severe effects were small hotels. They cannot sustainably maintain their cash flow and funds to run their business. This situation is different from those in middle and large hotel enterprises. These challenges forced the small hotels to develop their business models with unconventional presentations that can reach and create a good relationship with customers to compete and survive in the after-pandemic market ([Salis & Williams, 2010](#)).

There is a research gap in value co-creation in web-based multisided platform: A conceptual framework and impli-

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cations for business model design of Kelly School of Business, Indiana University (de Oliveira & Cortimiglia, 2017); in addressing this research gap and helping small hotels to adapt and stay competitive by emphasizing and synthesizing factors that drive shared customer value for small hotels. The customer values co-creation in the service business requires three fundamental components: customers, business, and customer-business interactions. Based on the concept of value creation and the use of technology, the three elements of value creation (Ramaswamy & Guillard, 2010a) are value creation from the customer, the business or entrepreneurial side, and customer-business interaction. This study utilized the three main elements from the abovementioned theory to develop and extend the conceptual framework for managing customer value co-creation for small hotel businesses. The factors can be classified into two groups: customer factors and entrepreneurial factors. To build an innovative model of customer value co-creation for small hotel businesses, this study aims to explore the factors influencing customer value co-creation among small hotel businesses from qualitative research. Qualitative results will explore the situation with surveys distributed to those customers and generate quantitative results in the next phase. In the following steps, there is a need to design and develop a prototype of an innovative model that can be applied to small hotels for customer value co-creation. In short, it aims to identify the factors creating customer value co-creation for small hotel businesses. These factors will significantly empower the small hotels to differentiate themselves and offer new services based on customer needs. It is essential to enable businesses to survive in ever-changing conditions and create a strategic advantage in business competition in the long term.

LITERATURE REVIEW

Businesses that use the value creation concept can create products or services that differentiate themselves from competitors and add value for their customers. The formulation of this concept helps promote an exchange of values among the customers who participate in their shared experiences, recognize the values, and then create value co-creation. This connection, cooperation, confluence, or trade-off generates methods or processes that create new values (Galvagno & Dalli, 2014). This phenomenon is also an exchange of using knowledge-shared resources and building skills to benefit businesses and individuals (Vargo & Lusch, 2004; Jam et al., 2014). The ability to create business advantages and the network's success in creating shared value depends on the practical cognitive output.

This process involves several parties of more than two faculties, namely those in the business and customer-business relationship fields. Providing clients access to information for joint activities will yield advantages and values through transparency in communicating products and services to the public. Also, it will promote credibility as well (Pralhad & Ramaswamy, 2004).

Creating a shared value requires the application of Service-Dominant Design Logic (SDL), which focuses on the process of value creation formulated by the customers and the business. After that, it will enhance interaction between the services, the offerings, collective agreements, and value acceptance. Creating a shared value requires interaction and synthetization of insights to enable an efficient process of creating shared value (Grissemann & Stokburger-Sauer, 2012; Rerkklang, 2018). The process should involve people and business, leading to co-creation and mutual development (Ind & Coates, 2013). When businesses can create co-production in the value-creation process, it can lead to service innovation.

It was discovered that creating shared value focuses on maximizing business benefits and creating benefits for stakeholders that affect the stability of business operations and continually help society. In the previous study, a concept of creating shared value was proposed. It created shared value with communities to offer something that helps customers benefit and generate business for them (Porter & Kramer, 2011a) That also emphasized the development of technologies that yield enhancement, productivity, service quality, and sustainability (Porter & Kramer, 2011b). Thus, this concept will help businesses innovate new ways of working through marketing and value chain management (Kramer & Pfitzer, 2016; Tung et al., 2018).

While another study considered an extension of Co-Creation Strategic Architecture by building business capabilities to understand and build relationships between customers, businesses, stakeholders, and community networks (Pralhad & Ramaswamy, 2004), businesses must create superior experiences and synergize values. The way toward that creation involves stakeholders from customers, service providers, and the network in which the business is located (Pralhad & Ramaswamy, 2004). The value creation focuses on co-creating experiences that concentrate on interactions between businesses and customers (Ramaswamy & Guillard, 2010). When customers were creating a shared value, the Customer Participation Behavior and Customer Relationship Behavior were the determining behavioral factors that would affect customer value creation by engaging customer behaviors. Customers will likely explore helpful

information to create shared values, knowledge-resource engagement, and interaction (Yi & Gong, 2013). As the customers play an essential role in the value creation process, good or better service of the hotels will be possible by this process.

The characteristics of operators or service providers are also important factors that foster interactions of shared resources. As for the co-creation process and business value generation (Shaw, Bailey, & Williams, 2011), constantly looking for business opportunities and new possibilities to create benefits for businesses and being strong and ready to face problems and obstacles will encourage entrepreneurs to create value and step towards success in their business. Knowledge management is another influential factor contributing to the creation of shared values since knowledge helps solve problems that arise in complex situations to achieve better management (Wiendahl et al., 2007). Business efficiency and knowledge sharing result in an exchange of learning and knowledge transfer under shared experience (Weyrich, 2005). A cognitive factor affected the process of creating shared values by designing structures and processes of value creation structure acting as a knowledge intermediary to formulate a knowledge connection among the network system. In order to successfully create a mutual value for both service providers and users, the body of knowledge as an intermediary to connect resources within the business network system with stability and sustainability through primary value-adding activities is required (Krenz, Basmer, Buxbaum-Conradi, Redlich, & Wulfsberg,

2014).

Promoting the development of entrepreneurship and technology-enabled and innovative entrepreneurship leads to the success of the shared value creation (De Silva & Wright, 2019). The partnerships between business and locality are conducive to business Kramer and Pfitzer (2016) and will enable the market to acquire suppliers and create benefits to meet customer needs. This concept of partnerships becomes another factor that businesses can apply in their operations to create value with customers. The Ecosystem of Shared Value that creates shared value is a business opportunity to tackle the challenges emerging in society. Businesses can create a competitive advantage via collaboration from business policies and practices to create value with other businesses in the community that coexist to meet customer needs and overcome business challenges that arise in the community (Kramer & Pfitzer, 2016).

Based on the concept of value creation and the use of technology, the three elements of value creation (Ramaswamy & Gouillart, 2010a) are value creation from the customer, the business or entrepreneurial side, and customer-business interaction. This study utilized the three main elements from the abovementioned theory to develop and extend the conceptual framework for managing customer value co-creation for small hotel businesses. The factors can be classified into two groups: customer factors and entrepreneurial factors.

CONCEPTUAL FRAMEWORK

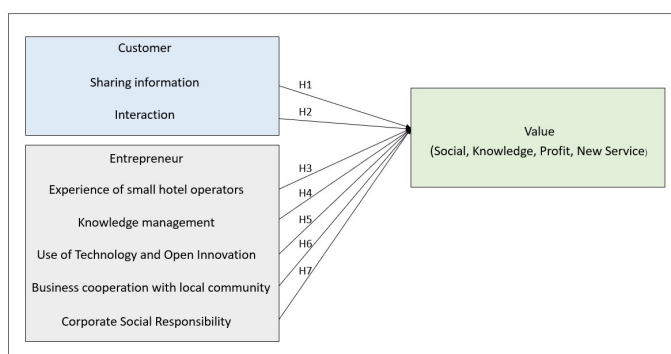


FIGURE 1. Conceptual framework

This paper studies the origin of understanding the current situation affecting customer value co-creation for small hotel businesses. We defined propositions and questions for in depth-interview as follows:

H.1: Sharing information to create mutual customer value that positively influences customer value co-creation for small hotel businesses.

H.2 : Interaction that contributes to the creation of mutual customer value that positively influences customer value co-creation for small hotel businesses.

H.3: Experience of small hotel operators that positively influences the customer value co-creation for small hotel businesses.

H.4: Knowledge management solves problems and in-

tegrates information of entrepreneurs that positively influences customer value co-creation for small hotel businesses.

H.5: Use of technology and open innovation by entrepreneurs that positively influences the customer value co-creation for small hotel businesses.

H.6: Business cooperation with the local community of entrepreneurs that positively influences customer value co-creation for small hotel businesses.

H.7 : Corporate social responsibility that positively influences the customer value co-creation for small hotel businesses.

METHODOLOGY

Fragmented literature is reviewed and synthesized to gain insight from the in-depth interview data from 20 respondents of 10 small hotel owners and 10 small hotel customers or users. The research uses a qualitative research technique. The nature of the research questions determines the research methods. We then establish the criteria to select the small hotel owners. These owners have been running their businesses for more than three years and have online secondary sources of information available. Eleven business owners and ten customers match our criteria. Ten owners and ten customers agreed to be the interview informants. The analysis uses ethnographic, in-depth interview data from small hotel owners and customers.

RESULTS AND DISCUSSIONS

For Sharing information (H1), we found that eighteen out of twenty participants agreed that sharing information on creating a shared customer value significantly influenced co-creation for small hotels. Creating shared values is determined as positive if the customer is impressed that the operator responds appropriately. For example, when the customers ask for specific information, the operator can provide helpful information and responsive answers perceived by the customer as a positive value. Small hotel owners are willing to write minor details in particular information to the customer.

The Interaction (H2) positively influences the customer value co-creation for small hotel businesses. In a sample group of eighteen out of twenty people, they will participate if the hotel organizes activities. For example, sometimes hotels may organize morning aerobics. Some customers may want to join, but others may feel embarrassed and reluctant toward exposing activities. From the customer perspective, it depends on the nature of that activity and how the innkeeper engages customers as guests to make it stand

out or be discrete. The activities should encourage the customers to seek more interactions with the business. For example, providing feedback through word of mouth will help improve and develop products or services that meet customers' needs. Some activities may interest customers. Some may need to be more exciting. However, they show that the owners prioritize customers' immediate needs and care.

Surprisingly, it was found that, with 14 out of 20 correspondents' ratings for this factor, giving back information to customers is another factor that positively influences the creation of shared customer value for small hotels. When customers ask questions, the customers expect to receive feedback immediately. It is a prioritized customer's expectation from the hotel. The responsive information should give customers what they need, while customers may also revert their feedback to the hotel. The customers have prior expectations before entering the hotel. If these expectations are not satisfied, the customers may not come back. Customers can also provide feedback that could tell the hotel how well the service or the hotel is operating. Alternatively, what needs to be added to make the services more satisfactory to meet customer satisfaction?

Factors from the operator side help the customers create a mutual value between the customers and the small hotel operators. The knowledge and experience of small hotel operators (H3) had no positive influence on the customer value co-creation for small hotel businesses. Experience may have both advantages and drawbacks if the hotel owners have been in business for a long time. The ideal experience may not be up to date. It is a new era of worldwide information sharing; for small hotels to survive, the old opinions may need to be more effective. The operator with much experience must also be resilient, keep track of changes, and keep things up to date. Small hotel entrepreneurs with much experience and rigid operation philosophies could be better. High levels of experience are good, but experience with new creative ideas is required.

The study found that the operator's problem-solving and information integration management (H4) positively influenced the customer-shared value creation for small hotel businesses. Eighteen out of twenty participants indicated local problem-solving and information integration knowledge of entrepreneurship was recognized as Local Expertise. Our study evaluates the impact on knowledge management. Customers sometimes need firsthand information from the staff or the owner, such as something that is not available on the Internet. They expect an insight from Local Expertise that is precise based on the local area. The

customers mostly expect some information like traditional culture and people's habitat.

The use of technology and open innovation by entrepreneurs (H5) positively influences the customer value creation for small hotels. Fifteen out of twenty participants reported that open-minded creativity can create new experiences and services. A better technological service should be in place to exceed customer expectations, impress customers, and induce a comeback. Innovations also help facilitate customers and reduce the manual service by staff. Innovation thus helps reduce costs.

Partnerships with local communities of entrepreneurs (H6) have a positive influence on customer value co-creation for small hotel businesses. Based on the interview with our correspondents, fifteen out of twenty entrepreneurs in the local community are innovating and aiming to share the local circular economy. Interacting with the community also helps the hotel with accommodation and customer activities, making the hotel more attractive. Cooperating with the community to organize events in the hotel or take out a tour of the community around the hotel helps customers gain knowledge and entertainment while staying there. Collaboration with other local partners, the ability to procure long-term concessions with government and local representatives, and a good business model will become essential to consider.

Operator Community Social Responsibility (H7) has positively influenced customer value co-creation for small hotel businesses. Fifteen out of twenty participants agreed that entrepreneurs are responsible for taking good care of the community, society, and the environment regarding socially responsible tourism. Green businesses and Sustainable Development Enterprise trends create new business opportunities for small hotel owners since some traditional entrepreneurs do not need help to develop a scalable and sophisticated business model.

CONCLUDING THOUGHTS AND IMPLICATIONS

The study collects information from twenty in-depth interviews and identifies the common patterns across the transcribed interviews. Customer factors include sharing information to create mutual value for customers, engaging in customer interactions to create shared value and customer feedback loops. As a result, customers seek more interactions with businesses to provide feedback and help improve and develop products or services to meet customers' needs through word of mouth.

While entrepreneurial factors consist of the local expertise of small hotel operators, knowledge management to solve

problems and integration of information, small hotel entrepreneurs' local expertise and knowledge sharing in the value creation network will help solve complex problems by linking scattered knowledge from the people involved. It will lead to the creation of shared values in the business network. Technology and open innovation, embracing business with the local community, and social responsibility to the community are the main factors that create mutual value between the customers and the businesses. Entrepreneurs must focus on customers as co-creators to create service experiences especially suitable for customers.

By engaging with the customers, small hotel businesses can help solve problems and offer products or services to customers that meet their needs. It is essential to allow the customers to share their opinions and encourage them to share their needs with the businesses. If it is valid and is something customers pay attention to, it will become a value that customers perceive as unique. Small hotel owners can also design marketing strategies to use the customer's result propositions. Therefore, customer value co-creation means building collaboration through the interaction of a combination of customers with small hotel businesses through open innovation as service providers and related stakeholders and local communities. Moreover, this concentrates on innovating and meeting customer needs to create a shared value for all parties. Thus, mutual value creation can occur from joint activities, and creating shared customer value is a multi-dimensional process.

Recommendation

The study identified the critical success factors that contribute to creating the customer value co-creation model for small hotel businesses. Even without these mentioned factors, small hotel owners can become successful in small hotel businesses if they follow these recommendations:

- Applying the customer and entrepreneurial factors to creating a mutual value for small hotels to sustain a competitive business: A hands-on learning from this study identifies and develops a concept in the system development process by taking data to create and develop a system to create shared values.
- Expanding the introduction of the feedback loop in the innovation prototype for small hotel business entrepreneurs: When retrieving what customers need, the entrepreneurs have local expertise and insights to put into the requirements.

In addition, during a crisis, businesses should have a service system for customers, including potential customers, by increasing awareness so that customers

can engage with services and activities that they perceive as valuable and unique. There are three ways to create shared value: gathering new services and experiences, redefining individual-oriented tourism services in the business value chain, and strengthening local business enhancement in community areas.

- Bringing technology to create the innovative model of customer value co-creation and its application will provide customers with information and receive customers' feedback on the information they need: This is attentive. It is about sharing customer information or the intention of providing customer information. Hotels should invest in this innovation. If customers want information about tourism and restaurants, they can request information from here. It is what small

hotel owners should prepare. It is one of the interactions needed.

The focal point of all engagements that small hotel operators will implement, develop, address, create value, and support engagement, as well as other related businesses, can initiate these offers and activities. The small hotel owners need to create more accessible opportunities for customer interactions. The study recommends that small hotel operators create a unique experience for customers in the changing situation that affects their way of life. It is elemental that it expresses the business ready to embrace changes. Businesses creating value together with society is good because they can take advantage of these activities to promote their competitiveness and the economic growth of local communities.

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