

**SERVICE-DOMINANT LOGIC AND VALUE IN TOURISM MANAGEMENT: A  
QUALITATIVE STUDY WITHIN SPANISH HOTELS MANAGERS**

TRAVIS B. HAYSLIP

*Postgraduate student in International Master in Business Administration (iMBA) - Universitat  
de Valencia, Spain*

[travishayslip@gmail.com](mailto:travishayslip@gmail.com)

LUISA ANDREU

*Departamento de Comercialización e Investigación de Mercados. Universitat de  
València. Avda. de los Naranjos s/n 46022 València. SPAIN (telph 34 96 382 83 12)*

[luisa.andreu@uv.es](mailto:luisa.andreu@uv.es)

MARTINA G. GALLARZA

*Departamento de Comercialización e Investigación de Mercados. Universitat de València.  
Avda. de los Naranjos s/n 46022 València. SPAIN (telph 34 96 382 53 80)*

[martina.gallarza@uv.es](mailto:martina.gallarza@uv.es)

## **SERVICE-DOMINANT LOGIC AND VALUE IN TOURISM MANAGEMENT: A QUALITATIVE STUDY WITHIN SPANISH HOTELS MANAGERS**

### **ABSTRACT**

With the award-winning article of Vargo and Lusch (2004), a new concept was introduced, called Service-Dominant logic (S-D logic). This paper aims to apply S-D logic to the tourism sector by determining if this new approach, by means of the importance of value co-creation, can affect the perceptions of value in the mind of the consumer and, thus, be used as a source of competitive advantage if adopted by tourism service providers. In this paper a conceptual framework is established through a literature review on both S-D logic and value in tourism. After a review of both topics, links between them are conceptually explored. With empirical research methods this study analyzed the applicability of the ten foundational premises of S-D logic in the tourist experience. Through exploratory research, we conducted in-depth interviews with hotel directors in the tourism sector in order to generate qualitative data and provide valuable knowledge to make conclusions on the managerial implications that the practical use of this new mindset would entail. Tourism managers should consider these new ideas in practice as a way to enhance value co-creation and differentiate themselves from the competition.

**Key words:** Service-Dominant logic, Value, Tourism, Hotels managers, Qualitative research

## **1. INTRODUCTION**

Recently, many marketers have noticed an increasing awareness of the value-creating potential that can be achieved through the application of the new ideas in service management (Li & Petrick, 2008; Grönroos, 2008; Chu & Shiu, 2009; Brodie, Whittome & Brush, 2009). Among them one of the most salient propositions has been the so-called Service-Dominant (S-D) logic presented in the *Journal of Marketing* by Vargo and Lusch in 2004. S-D logic has had a considerable echo in all service management literature (Ballantyne & Varey, 2008); nevertheless, the application of these new ideas in the tourism sector is still an emerging stream (Blázquez, Esteban, Molina & Díaz, 2011; Andreu, Campo & Okazaki, 2011). However, the proposition has great potential in the tourism sector because it is a composite service area where synergies can be obtained between the many different service providers. A tourism experience has been traditionally recognized in tourism literature as a lengthy process that is made up of the inputs of numerous services and interaction between provider and consumer (van Raaij, 1986; Weirmeier & Mässer, 1996), and therefore we believe it serves as an interesting area of study from the point of view of S-D logic. Among others, Li and Petrick (2008) directly engaged its prominent future in tourism literature and the possible influence that it could provide by opening tourism marketers to new ideas and ways of thinking. Furthermore, consumer experiences are central to the tourism industry and S-D logic provides a conceptual framework for understanding the co-creation of value between the service provider and consumers (Shaw, Bailey & Williams, 2011).

Focusing on the new ideas of S-D logic, this paper aims to apply this change of the dominant logic of marketing to the tourism sector. Specifically, our aim is to explore if this new mindset of S-D logic is useful for tourism managers for better understanding the role of tourists as value co-creators and the role of tourism providers as value facilitators and, then, be considered as a source of competitive advantage if this S-D logic is adopted by tourism service providers. Hence, this study analyzes the applicability of the ten foundational premises of Vargo and Lusch (2004), as potential value drivers in the tourist experience.

The novelty of S-D logic bestowed certain implications on how the research in this study could be designed and performed. Very recently, empirical studies on S-D logic applied to the tourism sector have been proposed (e.g. Blázquez, Esteban, Molina, & Díaz, 2011; Shaw et al., 2011; Andreu, Campo & Okazaki, 2011), where a very promising future for the tandem S-D logic and tourism is heralded. In our case, before undertaking any quantitative attempt, this research is carried out by the collection of qualitative data and will involve in-depth interviews of service providers in the tourism sector. Within the tourism sector this

research will target hotel directors as interviewees, because we believe that as a start, the accommodation service, gives a more complete approach to the tourism service than any other sector (agency, transportation, restaurants ...).

Evidently, the location of this study required a significant level of tourism development and therefore the region of Valencia (Spain), in the Mediterranean coast, was chosen. It is a prominent tourist destination within Spain, receiving more than 5 millions of international tourists in 2010: mainly British (39.4%), French (12.9%) and German (9.9%) (Instituto de Estudios Turisticos, 2011). Within the Valencian region, the city of Valencia frequently hosts special events that attract many tourists in several occasions such as the America's Cup or the Formula 1 World champion, special events being thus one of the key drivers of Valencia's economy.

## **2. LITERATURE REVIEW**

### **2.1. Service-Dominant Logic and Tourism**

There has been an increasing awareness of the value-creating potential that can be achieved through the application of S-D logic to the management of many different services, including tourism. Vargo and Lusch (2009) define S-D logic as "a mindset for a unified understanding of the purpose and nature of organizations, markets and society" (Service-Dominant, 2009). They describe it as a "new conceptual lens" through which exchange, markets, enterprise and competing can be viewed from a service science perspective (Lusch, Vargo & O'Brien, 2007). Following this approach, there is an exchange between the participating parties, of competences (knowledge and skills) and resources (operand and operant) (Tronvoll, 2007), which can only be presented as value propositions by the marketer (Ballantyne & Varey, 2008) because value for the customer is generated in self-service processes. This is why co-creation of value with the customer is important and where the focus of S-D logic marketing lies (Lusch, Vargo & O'Brien, 2007).

When service sciences arose, service was applied to the traditional logic, or goods-dominant logic (G-D logic), of the manufacturing process that focused on the efficient production of tangible goods, profit maximization and the separation of producer and consumer for more production control (Lusch, Vargo & Wessels, 2008). S-D logic states that the customer is the judge of value in service exchanges (Ballantyne & Aitken, 2007) as well as an *operant resource* (Lusch, Vargo & O'Brien, 2007). According to Ranchhod and Gurau (2007) *operant resources* are intangible and distinctive, for example knowledge and skills, whereas *operand resources* are tangible and are acted on, like raw materials or machinery. G-

D logic focuses on the use of *operand resources*, which need resources to be added to them in order to create value. S-D logic focuses on those resources that are added, the *operant resources*. S-D logic distinguishes between these two types of resources because many service systems that use both resources are powered by the *operant resources* in value formation (Lusch, Vargo & Wessels, 2008). These two types of logic can be differentiated not only by the types of resources that they focus on but also by the different views on the nature of value.

There are two different ways to consider value and value creation: *value-in-exchange* and *value-in-use*. G-D logic states that value is created by the firm then distributed to the consumer in exchange for goods or money (*value-in-exchange*) whereas S-D logic considers the roles of the provider and consumer together, meaning that value is co-created through interactions between the two where the integration of resources and the utilization of competences takes place (*value-in-use*) (Vargo, Maglio & Akaka, 2008). This orientation from product to customer is not a new concept, but viewing the customer as a “collaborative partner” who co-creates value with the company is the innovation to this science that S-D logic provides.

## **2.2. Value in Tourism**

The concept of perceived value in tourism has been a topic of increasing discussion in tourism literature, constantly revisited and updated (Oh, 1999; Petrick, 2002; Gallarza & Gil, 2008; Nasution & Mavondo, 2008). It has also been considered as one of the most significant and determinate factors of purchase behavior and repeat visitation (Lee, Petrick & Crompton, 2007; Gallarza & Gil, 2006). Within general value literature, Zeithaml (1988) stated that value could be defined as “the consumer’s overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14). This relatively early definition of perceived value has been the most widely accepted one throughout the study of value in tourism (Chen & Tsai, 2008; Gallarza & Gil, 2008; Feng & Morrison 2007; Um, Chon & Ro, 2006; Petrick, 2004). This definition also fueled a great deal of literature on the “get versus give” trade off in the tourism experience (Gallarza & Gil, 2008).

The study of perceived value has frequently been combined or related to effects on or connection with service quality, customer satisfaction and loyalty (Gallarza, Gil & Holbrook, 2011). These studies have investigated the relationships in consumer perceptual concepts and thus have taken the so-called *inter-variable approach*. This is one of the two different approaches that have been identified within the research on value in tourism (Gallarza & Gil,

2006). The other is the *intra-variable approach*, which focuses on the dimensionality and combines the negative and positive inputs that influence perceived value. In accordance with the objectives of our work this paper takes the *intra-variable approach* in the attempt to apply the co-creation of value theory of S-D logic and establish a link between provider and consumer perceptions.

In last decade, there have been several studies investigating the different dimensions of value in tourism (Babin & Kim, 2001; Petrick, 2002, 2003; Al-Sabbahy, Ekinci & Riley, 2004; Duman & Mattila, 2005; Sánchez et al., 2006; Feng & Morrison; 2007; Gallarza & Gil, 2006; Sparks, Butcher & Bradely, 2008; Williams & Soutar, 2009; Wu & Liang, 2009; Kim, Kim and Goh, 2011). Many of these researchers have used or adapted the scales and/or typologies that have been applied outside of tourism (e.g. Holbrook, 1999; Grewal, Krinshnan, Baker & Borin, 1998; Sweeney & Soutar, 2001), and as Table 1 illustrates there are a variety of different dimensions that have been proposed. This table shows that the provision/preception of value are most frequently divided into groups, of different natures, and therefore it is plausible to think of processes of value co-creation analysed through the mindset of S-D logic.

Table 1: Literature in Tourism Concerning Value Dimensions

Authors	Number of Dimensions	Dimensions
<b>Crick-Furman &amp; Prentice (2000)</b>	2	1) Emotion-dominated & cognition-dominated; 2) Inner-directed & outer-directed
<b>Babin &amp; Kim (2001)</b>	2	1) Hedonic value; 2) Utilitarian Value
<b>Petrick (2002, 2003)</b>	5	1) Non monetary costs; 2) Monetary price; 3) Emotional response; 4) Quality; 5) Reputation
<b>Al-Sabbahy, Ekinci &amp; Riley (2004)</b>	1	1) Acquisition value; 2) Transaction value
<b>Duman &amp; Mattila (2005)</b>	3	(Affective factors) 1) Novelty; 2) Control; 3) Hedonic factors
<b>Sánchez, Callarisa, Rodríguez &amp; Moliner (2006)</b>	6	1) Functional value installations of travel agency; 2) Functional value travel agency personnel; 3) Functional value tourism package; 4) Functional value price 5) Emotional value; 6) Social value
<b>Gallarza &amp; Gil (2006)</b>	2	1) Positive values (efficiency, quality, social value, entertainment, aesthetic); 2) Negative values (risk, price, time)
<b>Feng &amp; Morrison (2007)</b>	2	1) Product value of travel clubs; 2) Membership value of travel clubs
<b>Lee, Yoon &amp; Lee (2007)</b>	3	1) Functional value; Emotional value; 3) Overall value

<b>Sparks, Butcher &amp; Bradley (2008)</b>	<b>8</b>	1) Product quality; 2) Gift; 3) Status; 4) Relaxation; 5) Flexibility; 6) Financial; 7) New experience; 8) Fun
<b>Williams &amp; Soutar (2009)</b>	<b>4</b>	1) Functional value component (functional value and value for money); 2) Social value; 3) Epistemic value; 4) Emotional value
<b>Wu &amp; Liang (2009)</b>	<b>4</b>	1) Consumer return on investment; 2) Service excellence; 3) Escapism; 4) Aesthetic appeal
<b>Hyan, Kim &amp; Lee (2011)</b>	<b>2</b>	1) Utilitarian value; 2) Hedonic value
<b>Kim, Kim &amp; Goh (2011)</b>	<b>5</b>	1) Quality; 2) Emotional response; 3) Monetary price; 4) Behavioral price; 5) Reputation

The above table contains works strictly exploring the dimension of value; we now present Table 2 that shows how, throughout the tourism literature, empirical studies have predominantly been from the consumer point of view. There is a shortage of value studies from the managerial position that has resulted in a gap between these two positions (Garrigós-Simón et al., 2008). This gap comes from differences in the expectations of performance, actual performance and perceptions of the service (Nasution & Mavondo, 2008). For instance, a manager may view a certain service in the tourism experience as unimportant while a customer thinks that it is of critical importance. Therefore, this research will attempt to reduce that gap by studying the co-creation of value from the providers' point of view. Later, as a further orientation, additional empirical research could be proposed to make comparison between the view of the service provider and the view of the customer for the same service. Differences between the two perspectives will mean an additional Marketing Myopia as well as a bad comprehension of the S-D logic.

Table 2: Analysis of Empirical Works on Value in Tourism

Authors	Consumer	Provider	Services Investigated
<b>Kim, Kim &amp; Goh (2011)</b>	x		Food Events attendees
<b>Ho, Chung, Lin &amp; Chuen (2010)</b>	x		Tourists' express trains
<b>Chen &amp; Chen (2010)</b>	x		<b>Heritage sites</b>
<b>Williams &amp; Soutar (2009)</b>	x		4-Wheel Drive Adventure Tours
<b>Wu &amp; Liang (2009)</b>	x		Hotel Restaurants
<b>Hutchinson, Lai &amp; Wang (2009)</b>	x		Golf Travelers
<b>Lemmetyinen &amp; Go (2009)</b>		x	Tourism Business Networks*
<b>Sparks, Butcher &amp; Bradely (2008)</b>	x		Timeshares
<b>Gallarza &amp; Gil (2008)</b>	x		Destinations for students in packaged tours*
<b>Trivedi, Morgan &amp; Desai (2008)</b>	x	x	Hotels
<b>Nasution &amp; Mavondo (2008)</b>	x	x	Hotels

<b>Chen &amp; Tsai (2008)</b>	x	TV Travel Product Shopping
<b>Lee, Petrick &amp; Crompton (2007)</b>	x	Festivals
<b>Jensen &amp; Hansen (2007)</b>	x	Restaurants*
<b>Chen (2007)</b>	x	Destinations
<b>Lee, Yoon &amp; Lee (2007)</b>	x	Destinations (Korea)
<b>Moliner, et al. (2007)</b>	x	Tourism Package/Travel Agency
<b>Park (2007)</b>	x	Airlines
<b>Feng &amp; Morrison (2007)</b>	x	Travel Clubs
<b>Chen &amp; Tsai (2007)</b>	x	Destinations (Taiwan)
<b>Gallarza &amp; Gil (2006)</b>	x	Destinations
<b>Um, Chon &amp; Ro (2006)</b>	x	Destinations (Hong-Kong)
<b>Sánchez et al. (2006)</b>	x	Destinations (3 Spanish Cities)
<b>Duman &amp; Mattila (2005)</b>	x	Maritime Cruises
<b>Oh &amp; Jeong (2004)</b>	x	Website Experiment with Students
<b>Petrick (2004)</b>	x	Maritime Cruises
<b>Al-Sabbahy, Ekinici &amp; Riley (2004)</b>	x	Hotels & Restaurants
<b>Petrick (2003)</b>	x	Maritime Cruises
<b>Oh (2003)</b>	x	Hotel
<b>Petrick (2002b)</b>	x	USA Golf Resort
<b>Petrick &amp; Backman (2002)</b>	x	Destination & Hotel of Golf Resort
<b>Petrick (2002a)</b>	x	Maritime Cruises
<b>Flagestad &amp; Hope (2001)</b>	x	Winter Sport Destinations
<b>Babin &amp; Kim (2001)</b>	x	Destinations (USA sites & Hawaii)
<b>Petrick (2001)</b>	x	Entertainment Destinations
<b>Oh (2000)</b>	x	Hotel & Motel
<b>Crick-Furman &amp; Prentice (2000)</b>	x	Destinations
<b>Tam (2000)</b>	x	Restaurants
<b>Murphy, Pritchard &amp; Smith (2000)</b>	x	Hotels
<b>Oh (1999)</b>	x	Hotels

Within the study of value in tourism there have been many different areas of service chosen to perform the research. All of the literature in Table 2 comes from empirical research, but practically all of the research methods have been quantitative (stared entries \*=qualitative). Over half of the literature reviewed in this study has investigated either destinations or hotels, which agrees with other literature reviews in tourism (e.g. Ballantyne Packer & Axelsen, 2009). The other areas of service most commonly investigated are restaurants (e.g. Wu & Liang, 2009; Jensen & Hansen, 2007; Al-Sabbahy, Ekinici & Riley, 2004; Tam, 2000), transportation (e.g. Park, 2007; Ho, Chung, Lin & Chuen, 2010) and entertainment/activities (e.g. Williams & Soutar, 2009; Hutchinson, Lai & Wang, 2009; Lee,

Petrick & Crompton 2007; Duman & Mattila, 2005; Petrick, 2004, 2003, 2002a, 2002b; Kim, Kim and Goh, 2011).

### **3. SERVICE-DOMINANT LOGIC AND VALUE IN TOURISM MARKETING: CONCEPTUAL DEVELOPMENT AND RESEARCH QUESTIONS**

#### **3.1. Aim of this study**

As previously mentioned, Li and Petrick (2008) directly engaged S-D logic's prominent future in tourism literature and the possible influence that it could provide to open tourism marketers to new ideas and ways of thinking. The S-D logic approach can be related to tourism by evaluating through conceptual development how the ten foundational premises (FP) can be related to previous literature in tourism and be applied to the tourism setting, in a qualitative approach among hotels managers. This rationale is our research aim and would consequently give us the basis for our empirical section. A brief explanation of these Fundamental Premises is presented, followed by value propositions related to each of them.

***FP1: Service is the fundamental basis of exchange.*** In S-D logic service is said to be exchanged for service through the use of operant resources or one's knowledge and skills (Vargo & Lusch, 2008). This idea of exchanging service through knowledge sharing and management has been viewed as influential and in some cases beneficial by tourism researchers in the past (Li & Petrick, 2008).

***FP2: Indirect exchange masks the fundamental basis of exchange.*** The fact that service is the fundamental basis of exchange is not always clear because of the general complexity of service, which comes from the combinations of goods, money and various institutions (Vargo & Lusch, 2008). Within the tourism process there are a number of different institutions (transportation, accommodation, restaurants, entertainment, shopping, activities, etc.) which work with different goods at different prices and therefore, the fundamental exchange of service in tourism is also not always apparent.

***FP3: Goods are a distribution mechanism for service provision.*** S-D logic states that goods generate value through the service that they provide (Vargo & Lusch, 2008). Even though tourism is serviced based there are a number of physical products used (hotel rooms, rental cars, souvenirs, etc.), which derive their value from the service that they provide (shelter, transportation, memorabilia) when they are used. Hence, the idea that *value-in-use* is a perspective applicable to tourism.

***FP4: Operant resources are the fundamental source of competitive advantage.*** As mentioned earlier, operant resources are the intangible resources including knowledge, skills,

know-how, experiences, etc. We can see a direct relationship in the research that Li and Petrick (2008) did on S-D logic, where they state: “it has been recognized that knowledge is the source of competitive advantage in the tourism industry” (p. 6).

**FP5: All economies are service economies.** Vargo and Lusch (2004) support this statement by suggesting that economies are characterized by “the expansion and refinement of some particular type of competence (operant resource) that could be exchanged” (p. 10). Today many service providers are not differentiated by what they offer because their offerings are very similar. They are instead differentiated by the supporting service that they provide along with the principle or primary service.

**FP6: The customer is always a co-creator of value.** This implies that the creation of value is interactional and performed in a joint effort (Vargo & Lusch, 2008). Considering all of the different services provided in tourism almost all of them are interactional. One could say that service in general imply interaction but in tourism we believe the engagement between provider and consumer to be more interactional than most due to the importance of relationships and nature of proximity and contact in tourism services.

**FP7: The enterprise cannot deliver value but only offer value propositions.** If value is always co-created jointly by the service provider and customer, than the provider cannot create value independently but instead only offer value propositions. Once accepted they can then work together to co-create value (Vargo & Lusch, 2008), if a consumer does not accept an offer then the service provider cannot create value without their participation. This is apparent in all service industries and therefore in tourism as well.

**FP8: A service-centered view is inherently customer oriented and relational.** S-D logic states that since the value of a service is determined by the customer and created jointly with them, that a service-centered view must be customer oriented and relational (Vargo & Lusch, 2008). This service-centered view has seen considerable growth in service marketing over the last several years especially in the tourism branch of marketing.

**FP9: All social and economic actors are resource integrators.** All members or organizations within a network can benefit and create value more effectively through collaboration and being resource integrators (Vargo & Lusch, 2008). This idea of working together, collaborating and pulling resources in a joint effort within a tourism network has been considered by many to be beneficial (Zhang, Song & Huang, 2009; Yilmaz & Bititci, 2006; Wynee et al., 2001). Lemmetyinen & Go (2009) developed four success factors, for the collaboration of different service providers with in a “tourism business network”. This

collaboration between different service providers within a specific destination is an ideal one but is considerably complicated to accomplish.

**FP10: Value is always uniquely and phenomenologically determined by the beneficiary.**

Vargo and Lusch (2008) describe value as idiosyncratic, experiential, contextual and meaning laden. They state that value is experientially determined by the beneficiary as long as the word experiential is meant in a “phenomenological sense” (p. 7). When tourists experience value, *value-in-use*, they are the beneficiaries and the ones who determine the extent of value that their experience provided.

### 3.2. Value driving propositions in tourism based on S-D logic

These ten fundamental premises are the foundation of S-D logic. If these premises were to be used, combined and considered for managerial purposes or management application, it is possible that they could generate ways to establishing competitive advantage. Considering this in the tourism setting, we have adapted the propositions that Vargo and Lusch (2007) developed as possible sources of competitive advantage that would spur from the combinational affects of certain fundamental premises if used in practice. These propositions are considered as potential sources to generate or drive value and are presented in Table 3.

Table 3: Value Driving Propositions and possible Sources of Competitive Advantage

<i>Proposition 1</i>	
Foundational Premise	Source of Competitive Advantage
(1)Service is the fundamental basis of exchange.	Since applied operant resources are what are exchanged in the market (FP1), they are the source of competitive advantage (FP4)
(4)Operant resources are the fundamental source of competitive advantage.	
<i>Proposition 2</i>	
Foundational Premise	Source of Competitive Advantage
(9)All social and economic actors are resource integrators.	The ability to integrate (FP9) operant resources (FP4) between organizations increases ability to gain competitive advantage through innovation
(4)Operant resources are the fundamental source of competitive advantage.	

### *Proposition 3*

Foundational Premise	Source of Competitive Advantage
(6)The customer is always a co-creator of value.	Reduced barriers to technology utilization combined with the trends of open standards, specialization, connectivity, and network ubiquity increase the likelihood of collaboration with firms and customers (FP6, FP8)
(8)A service-centered view is inherently customer oriented and relational.	

**Proposition 4**

Foundational Premise	Source of Competitive Advantage
(6)The customer is always a co-creator of value.	Because the customer is always a co-creator of value (FP6), and the firm is a resource integrator (FP9), competitive advantage is enhanced by proactively engaging both customers and value-network partners
(9)All social and economic actors are resource integrators.	

**Proposition 5**

Foundational Premise	Source of Competitive Advantage
(6)The customer is always a co-creator of value.	Since value is co-created (FP6) comprehending how customers combine resources (FP8, FP9) provides insight into competitive advantage
(8)A service-centered view is inherently customer oriented and relational.	
(9)All social and economic actors are resource integrators.	

**Proposition 6**

Foundational Premise	Source of Competitive Advantage
(6)The customer is always a co-creator of value.	Expertise, control, physical capital, risk taking, psychic benefits, and economic benefits influence customers' motivation, desire, and amount of participation (FP6, FP9) in service provision through collaboration (FP8) but always considering that value is determined by the beneficiary within a context (value-in-context) (FP10)
(8)A service-centered view is inherently customer oriented and relational.	
(9)All social and economic actors are resource integrators.	
(10) Value is always uniquely and phenomenologically determined by the beneficiary	

**Proposition 7**

Foundational Premise	Source of Competitive Advantage
(6)The customer is always a co-creator of value.	Appropriately shifting the economic risk of either firm or customer through co-created (FP6) value propositions (FP7) increase competitive advantage specially when considering that value is determined by the beneficiary within a context (value-in-context) (FP10)
(7)The enterprise cannot deliver value, but only offer value propositions.	
(10) Value is always uniquely and phenomenologically determined by the beneficiary	

**Proposition 8**

Foundational Premise	Source of Competitive Advantage
(9) All social and economic actors are resource integrators.	The ability to effectively combine micro-specialized competences into complex services (FP9) provides knowledge (FP1) for increased competitive advantage (FP4)
(1) Service is the fundamental basis of exchange.	
(4) Operant resources are the fundamental source of competitive advantage.	

*Proposition 9*

Foundational Premise	Source of Competitive Advantage
(4) Operant resources are the fundamental source of competitive advantage.	Since competitive advantage comes from the knowledge and skills (FP4) of the employees, it can be enhanced by servant leadership and continual renewal

According to this previous conceptual approach, to analyze how S-D logic provides new insights in tourism and, specifically, in the hotel industry, we propose a set of ten research questions. These ten research questions (RQ) were developed from the adaption and application of the ten foundational premises of S-D logic (Lusch & Vargo, 2008) to the tourism setting. These questions were presented as statements instead of formal questions, in order to produce points of discussion among the interviewees that did not have previous and precise knowledge of S-D logic.

**RQ1:** The basis of “good service” in tourism comes from the application of specialized knowledge and skills by the service provider during interaction with tourists.

**RQ2:** Service in tourism is very complex due to the combination of goods, money and different institutions and therefore difficult to manage during consumer/provider interactions.

**RQ3:** Physical goods/things that are used/consumed by tourist while on vacation (rental cars, hotel rooms, souvenirs, etc.) generate value for the consumer because of the service they provide (rental cars = transportation, hotel rooms = shelter, souvenirs = memorabilia).

**RQ4:** The “know-how” of one organization is what differentiates them from competition.

**RQ5:** Service in tourism is now becoming more of an important issue because of the specialization and outsourcing throughout the tourism system.

**RQ6:** Value during the tourist experience is generated not only by the service provider but instead with the consumer as a joint effort.

**RQ7:** If value for the tourist is generated by them and the provider together, then the provider cannot make value for the customer if they do not accept the offer.

**RQ8:** Because the tourist determines whether or not something is beneficial, all tourism organizations should be customer oriented and relationship based.

**RQ9:** All service providers, of different specializations, in the tourism system should work together and collaborate to learn from one another and combine resources.

**RQ10:** Value during the tourist experience is determined by the beneficiary.

#### 4. RESEARCH METHODOLOGY

To analyze the above-mentioned research questions, we propose to gather information by using qualitative techniques. Qualitative research methods are called for to build exploratory theory and when the focus of the research is on meaning and attitudes (Veal, 2006; Jennings, 2005). The in-depth interview has the capacity to deal with expected complicated and varied results (Veal, 2006), and therefore was chosen in consideration of the complexity of S-D logic.

Within the accommodation area, hotel directors of five and four star hotels were selected from the city of Valencia, Spain. The interviewing process was conducted in Spanish and lasted from 40 to 50 minutes, during which they were presented with the interview guide that contained several general questions about their background. As mentioned before, in the interviews, the research questions were presented as statements and specific points of discussion, and these were all analyzed on an individual basis. Table 4 presents the five interviewees' profiles.

Table 4: Interviewees' Profiles

INTERVIEWEE	SEX	AGE	EDUCATION	POSITION	HOTEL and CATEGORY
INT A	MALE	41-45	UNIVERSITY	MANAGER AND TOURISM CONSULTANT	Independent (4*)
INT B	MALE	36-40	POST-GRADUATE	MANAGER	Independent (4*)
INT C	MALE	31-35	POST-GRADUATE	MANAGER	Sol Melia (4*)
INT D	MALE	41-45	UNIVERSITY	MANAGER (ACCOMODATION AND QUALITY CONTROL)	Las Arenas (Leadings hotels of the World) (5*)

INT E	FEMALE	46-50	POST-GRADUATE	MANAGER	Tryp Azafata (4*)
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All of the participants' views and significant comments from each research questions were analyzed jointly in order to evaluate the similarities and differences. If apparent, specific trends and patterns are also recognized with the aim of establishing an overall idea of each statement.

The in-depths interviews were recorded and then transferred into transcript in order to evaluate them and convert the information into qualitative data. The findings derived from those interviews have been combined and presented according to each research question. Although some of the research questions achieved a lower level of agreement, all participants unanimously agreed upon most of them. Accordingly, it is reliable to consider the following results are representative to the fact that the research questions are comprehensible and practical to this study.

## 5. RESEARCH FINDINGS AND DISCUSSION

It is important to mention first, that none of the participants had any previous knowledge about S-D logic; however the findings from this study were sufficiently significant to establish a sound position on the viewpoints that the providers have towards these research questions. Additionally, specific trends and patterns were also recognized with the aim of establishing an overall idea of each statement.

***RQ1: The basis of “good service” in tourism comes from the application of specialized knowledge and skills by the service provider during interaction with tourists.***

This was the first statement that was presented to the participants and all of them seemed to be in accordance with the idea. There were a few specific points that some put more emphasis on than others while some of these emphasized points coincided in more than one interview. For example, two of the participants, INT B and INT E, agreed that along with the specialized knowledge and skills there was another important factor of technological development. They consider this factor of technological development to be important in most industries but they stress the importance of its presence in the tourism industry. Another important point that is emphasized in four out of the five interviews is how each individual consumer is different and that these services must be adapted to their liking. In order to do this, it takes a combination of both specialized knowledge and a certain degree of skill. INT B

and INT C both give examples of this in the catering or restaurant services. INT B considers it a skill to be able to determine how each client is different and how a service provider should act accordingly. In the case of a hotel restaurant INT B states:

*“you have to pay more attention to some and with others less, because there are clients who demand more of your presence and others who do not want to see you... then, there is a part of skill, that you have to know how to judge the person”.*

In this example the participant considers it skill to know what each customer wants while INT C declares that you must know what the consumer wants or have that specialized knowledge. INT C states:

*“In the end you have to be able to offer the client what they ask for. If you have a big breakfast for a conference for example and the majority of them are German, you have to know what the German preferences are for breakfast. You have to provide something in the buffet that you know that they will like”.*

From this we could say that adjusting to the needs and wants of each individual consumer is an important factor in offering a good service in the tourism sector and that it requires both skill and specialized knowledge; but where does this specialized knowledge come from? Two of the interviewees retain the opinion that this specialized knowledge can be taught. They point out the need to learn this knowledge in universities while the skills to delivering a good service come from the on-job experience. INT A states:

*“You can obtain the specialized Knowledge with studies but, of course, this is mainly with the experiences and abilities that you develop day to day”.*

Where ever the specialized knowledge and skills originate from it is apparent that they are both sufficiently significant in the delivery of a good service, therefore confirming RQ1. Even though some of the interviewees stated that there are many different factors that go into a good service, they all agreed that specialized knowledge and skills are of the utmost importance.

***RQ2: Services in tourism are very complex due to the combination of goods, money and different institutions and therefore difficult to manage during consumer/provider interactions.***

This statement was met with a considerable amount of skepticism in more than one interview. While generally they all agreed that services in tourism were complicated, there were different views on the causes of the complexity. INT A and INT D both stated that services in general were complicated due to intangibility of a service and agreed that this was also apparent in tourism services. INT A also expressed that a cause of complexity,

specifically in the tourism sector, was due to the fact that there were factors that do not only depend on the business. INT A states:

*“If the street is dirty or clean, it affects tourist consumption and perhaps it does not depend on you as a tourist business, it depends for example on the city council or how they must improve the highways”.*

This opinion of the involvement of different organizations and lack of control as source of complexity was also maintained by INT C:

*“It is more complex because it involves many different services and many different businesses. It is not the same business that gives all the different services to the customer”.*

These two interviewees partially supported the statement by naming one, the different institutions, as a cause of the complexity, while the others named different origins. INT B and INT E both considered the interaction between provider and consumer to be the source. INT E states the need to adapt to each customer, much like some of the statements discussed in the previous section.

*“...we have to be very chameleonic like. We have to adapt to each one...”.*

While this second opinion on the source of complexity differs from the first, INT D had yet another opinion. INT D did not think that all of these components could be combined and that even though the services in tourism are complicated, they are not hard to manage. All of the interviewees considered the services in tourism to be complicated. Two of them specifically stated that the presence of different organizations in the tourism process contributed to the complexity of the service, but that is considerably insufficient. Therefore RQ2 needs further discussion because not one of the participants agreed that the combination of goods, money and different institutions were the cause of the complexity.

***RQ3: Physical goods/things that are used/consumed by tourist while on vacation (rental cars, hotel rooms, souvenirs, etc.) generate value for the consumer because of the service they provide (rental cars = transportation, hotel rooms = shelter, souvenirs = memorabilia).***

This research question is conveying the idea of *value-in-use* while applied to the tourism service encounter and specifically states that value is not generated until the tourism product is consumed and the consumer uses the services that the product provides. The interviews demonstrate that the idea of *value-in-use* is also shared by some of the different service providers in the tourism sector. All of the interviewees expressed their agreement with this statement and a few of them had their own points to add. After being presented with this statement and its meaning was fully understood the interviewees responded as follow:

*“Clearly, when you really evaluate the product, is when you consume it, before you cannot value it. Especially with the tourist product, it is not until you consume the product that you know that it has value, before you can only guess at the idea”.*

*“A car is a car and does not have value until it transports me; it is just like a souvenir: at the time of the purchase it is nothing, and it does not have value for the tourist until they arrive at their destination, at home. There is when the real consumption takes place”.*

*“No, (it is not the tangible, like the room, that gives the consumer value) it is the rest that they can obtain; it is how comfortable they find the room; it is the service that the waitress can provide in the restaurant”.*

*“Yes, it is when you receive the service...”.*

From these statements we can see that the interviewees had an understanding of the statement and that they agreed with its meaning. Additionally, INT A stated that what produces value in tourist consumption are the added values to the basic component or service of the product. INT E also stated something similar by stressing that the consumer begins to assess the service from the very first impression to the last moment of contact; for example, the consumer begins to assess the value of a tourism product from the time they call to make a reservation in a hotel to the time they check out. The time they have to wait for their call to be answered and the attitude of a receptionist at check out time effect their assessment of the value of the service. Overall, this statement and the idea of *value-in-use* was agreed upon and, therefore confirming RQ3.

***RQ4: The “know-how” of one organization is what differentiates them from competition.***

The fourth research question was constructed to gage the importance of *operant resources*, which S-D logic stresses, in the tourism industry and how they can be used to differentiated oneself from the competition. Three out of the five interviewees completely agreed with this statement and had no objections to its content or anything to add. The following were taken from these interviews:

*“Exactly, especially in tourist services because of the knowledge... we apply the knowledge that we have developed in more than one hundred historical cities across the world, that added value that I have, that “know-how” that we have created with those abilities are those that we apply to our clients”.*

*“If you have the knowledge and the experience you can distinguish yourself from the competition because you might have more information than they do or you might know the business better than they do”.*

Another interviewee, INT D, agreed with the statement but considered another factor to be influential when trying to differentiate from the competition, the simple fact that you offer a service that the competition does not, so part of “know-how” is knowing what services to offer and which to exclude. INT D stated:

*“...the “know-how” is what differentiates us and above all, to have distinctive services. In our case I know that we offer a service that our competition does not... They do not have it so that differentiates us”.*

The final participant, INT E, supported the statement; however they had a distinct understanding and perspective on the meaning of the word “know-how”. INT E believed that “know-how” was not only the knowledge and skills that one uses within their industry, but also how well one recognizes their own strengths and weaknesses and the abilities that they use to identify them. Following this understanding, she considered “know-how” to be what differentiates one from the competition. INT E explains:

*“...you can have an extraordinary “know-how” but it is important that your product can support all the “know-how” that you have.” “...if you know your product that much better, if you know your strengths and weaknesses better than the competition, even if you have a product that is worse than that of the competition, you can do it better”.*

The idea of incorporating knowledge of your own strengths and weakness into one’s “know-how” could be an additional *operant resource*, i.e. having a good understanding about your own knowledge and skills (*operant resources*) is an *operant resource* in itself. Regardless of the additions to the meaning of “know-how” the basic meaning was clearly understood. RQ4 is positively explored given that all of the participants verified the validity of the statement.

***RQ5: Service in tourism is now becoming more of an important issue because of the specialization and outsourcing throughout the tourism system.***

According to Vargo and Lusch (2008), as specialization and outsourcing increase, the additional or supporting services that are offered with a product or service are becoming more apparent. This is the idea that the fifth hypothesis is based on and what the participants were asked to consider. There was a general consensus of agreement with this statement among all of the participants. INT A stressed the importance of these types of services in his work and attributed it to the increase in specialization. INT C also affirmed the validity of this hypothesis by expressing how specialized tourism products are differentiated by the services that accompany them. The other three participants affirmed this research question by stating the following:

*“...the additional services are what sell tourist products, today more and more”.*  
*“Today, we all practically offer the same... The way that we offer those services within an establishment is what differentiates us...”.*  
*“...there are many businesses that are much more specialized in a certain thing; the services that they provided are what differentiate them from the competition”.*

Since differentiation is considered as an important characteristic in general business, it can be understood that the participants consider supporting services as important. The findings from the participants affirm that services in tourism are becoming of more importance due to the increase in specialization and outsourcing, as RQ5 proposed.

***RQ6: Value during the tourist experience is generated not only by the service provider but instead with the consumer as a joint effort.***

The co-creation of value is one of the foundational ideas in S-D logic and that is what this research question represents. This idea states that the consumer and provider generate value together because if the product is not used or consumed there can be no generation of value. Therefore, there are certain factors that depend on the consumer. INT A expressed compliance by stating that even if the service provider does everything correctly in providing a good service there are factors of the consumer that you cannot control, these factors are considered as *operant resources*. This is the idea of co-creation but one of the key elements is the combination of the *operant resources* of both the service provider and the consumer. INT B states:

*“When I provide a service for somebody, the consumer, of course, must make an attempt to value it. For me the chain is broken when the product is not understandable by the consumer”.*

A part of the resources of the consumer is being able to understand and appreciate a product or service. If the consumer lacks this resource no value can be generated. INT B gives the example of an opera:

*“There is a very important value between production and client consumption because the monuments, the buildings, the supplier of the service, the client, are all interacting. However, if the client does not know anything about opera, or they are not interested in the story, even though the product is good, the interaction is cut off. The opera can be exceptional, the monuments can be exceptional, but the tourist who goes to that destination, after one hour, they are no longer interested. The product does not generate value there, even though it is a very good product”.*

This supports the sixth fundamental premise of Vargo and Lusch (2008) that without a joint input of resources on both sides no value is generated. INT C agreed with the sixth research question but his supporting arguments were congruent with the seventh research question, and therefore the fact that he affirmed this statement is excluded from the evaluation of RQ6. The other two participants had similar feedback for this statement; they took a more logical approach by conveying the idea that an interaction and the presence of both are required.

*“Value is generated on both sides, provider and tourist.”*

*“...the receiver has to feel like receiving the service; if not, there is no interaction”.*

INT D and INT E suggest that without the provider and consumer together there is no service encounter and no value can be created. This goes hand in hand with the consumer's willingness to accept the offer of the service provider and is the idea behind the seventh research question. Even though the supportive arguments from INT D and INT E are more congruent with the idea of co-creation than those of INT C, there is still a lack of a clear understanding. Therefore RQ6 needs also further research, given that, all of the participants affirmed the statement but only two of the participants demonstrated a sufficient understanding.

***RQ7: If value for the tourist is generated by them and the provider together, then the provider cannot make value for the customer if they do not accept the offer.***

Since value has to be co-created, the service provider cannot create the value for the consumer but instead offer value propositions. This research question is linked to the previous one and therefore many of the participants began to give responses that were congruent with RQ7 during the discussion of the previous. As a result of this occurrence, these two research questions were frequently discussed jointly. All of the participants were strongly in agreement with RQ7 and expressed the following:

*"If the consumer does not accept, value cannot be created".*

*"You as provider can offer many services or many things but if later the consumer does not want them or is not interested in them or able to enjoy what you are offering then there is no value for the customer because there is nothing that he wants or is looking for".*

*"The supplier can create value. They always can create value if the client participates and the do it together. But if the client does not want to, there will be no value of any type".*

*"...you can do things very well and offer a very good service but if the consumer does not receive it than there is no value".*

From these excerpts we could say that the participants understood and were in total agreement with the statement of RQ7 and that it is probable that many providers in tourism would also agree that a service provider in tourism cannot make value for the consumer if the offer is not accepted.

***RQ8: Because the tourist determines whether or not something is beneficial, all tourism organizations should be customer oriented and relationship based.***

The tenth fundamental premise of S-D Logic states that with a service-centered view a firm must be customer oriented and relationship based. This view and the general idea of relationship marketing have become more and more apparent in many of the different branches of marketing. It is possible that this type of orientation had already been recognized

by some of the participants. Since, this has been a general shift in marketing it was to no surprise that all of the participants supported the statement. To demonstrate the degree of supportiveness, the following responses to the statement are given:

*“Exactly, you have to establish a relationship with the customer and leave that satisfaction with them so that they return; you as a provider have to be interested in experience that the customer has”.*

*“Of course, in the end it is the customer that decides”.*

*“The orientation to the customer must be fundamental”.*

*“Absolutely, everything must be based on the relationships, and every day more and more. For me the subject of personal relationships is fundamental for the benefit of services”.*

*“Exactly, and now even more. With the excess of information that the customer has, he or she is who generates the image of the destination and who... never before have we depended as much as we do now of the opinion of the client”.*

With the last two excerpts we can see a similarity on how they emphasize that this type of orientation has been increasing and is continuing to do so. There was full agreement with RQ8 by all of these participants; we could also conjecture that this orientation is present in much of the tourism sector.

***RQ9: All service providers, of different specializations, in the tourism system should work together and collaborate to learn from one another and combine resources.***

This statement was constructed to evaluate how the participants' collaboration between service providers within the tourism system. From this collaboration the providers would be able to learn from one another and create synergies through the combining of resources. Although this task may be difficult due to the conflicting goals of different providers, all of the participants agreed that this method of collaboration should be exercised. Three of the participants express how collaboration can have a direct affect on the value that the consumer receives. INT B and INT D state:

*“The more united the service providers are, the more you are able to contribute value to the client”*

*“...we should all be connected so that we can provide a more valuable experience to the tourists that come to our destination”.*

INT E said that the value of a product or destination decreases when this type of collaboration is lacking. This is one of the reasons for the need of a collaborator within the “tourism business network” (Lemmetyinen & Go, 2009). INT A and INT C both coincide with this idea by saying:

*“... when there is a good manager you can see it, that the destination understands that everybody forms a part of a chain and that everybody can work jointly”.*

*“...there should always be an organization that brings everyone together”*

Furthermore, INT C and INT E, who are both in the same tourism network, acknowledge the presence of an organization that helps to unite the different providers in their network. However, while INT C states that he is in good relations with many of the tourism service providers, INT E expresses the need for the providers to be more united. Another interesting finding that was consistent in all of the interviews was the type of example used; all participants gave taxies or taxi cab companies as their first example of a different type of tourism service provider. The findings for this research question demonstrate that all participants coincided with the idea that the service providers in a tourism system should collaborate, positively adopting RQ9.

***RQ10: Value during the tourist experience is determined by the beneficiary.***

Since value is determined during consumption, i.e. *value-in-use*, the consumer is who determines the value of a tourist experience. The participants of this study were all in complete agreement with this statement, and therefore fully adopted RQ10. After evaluating all of the interviews, a pattern was found in most, as the participants emphasized certain similar points. Four of the contests specifically expressed that the service provider *thinks* or supposes that their service has a certain degree of value while the consumers assesses the service differently. They gave the following statements:

*“You can be the owner of a hotel and think that it is the best hotel in the world and that you offer the best value and as a client I say that’s not the case”.*

*“You can think you are doing things well but if the consumer or the tourist does not appreciate it the way that you are doing it then you are doing it badly”.*

*“Sometimes we think that we offer great service, but the customer might not receive it in the way we think. They might not feel the same way, then they leave unsatisfied”.*

*“...they (the consumer) are who decides, and something that you may not think it is so important, but for them it is very important”.*

This implies the presence of a misperception on the part of the provider that results in a loss of value for the beneficiary since they are the ones who determine the value. Another similarity can be found in two of the interviews. INT A and INT B both consider that while value is being determined by the beneficiaries there are multiple factors that they take into consideration. They indicate this in these excerpts.

*“...value is not something that gets accounted by itself but by all the parts of your experience”.*

*“...the value of an experience is a combination of many things, the structure, the form of life, the organization, the charisma of the services, many elements”.*

Regardless of how many elements are involved when determining the value of a tourist experience it is clear that all of the participants concur that it is in fact the beneficiary who determines the value.

## CONCLUSIONS

The ten fundamental premises of S-D logic (Lusch & Vargo, 2008) are what define the new concepts of this mindset, and to apply them specifically to tourism is a difficult task due to the idiosyncrasy of tourism services. However, from this application of S-D logic to tourism we can see the possibility of a connection and potential effect that this new concept could have on the current theories and practices that make up tourism marketing. Therefore, this paper contributes to existing knowledge on S-D logic showing how there are certain propositions that are more applicable to tourism than others, which our research has supported. For more holistic understanding, we present final conclusions be organized around six main points of S-D logic:

- *Value-in-use*: According to the interviews this requires a relationship orientation which many providers in tourism already practice, or think they practice; however, many of these providers fail to recognize that it is all in the perception of the consumer. These subjective orientations must be taken into consideration by managers in order to avoid any form of marketing myopia.
- *Value co-creation*: A provider must consider that the participation of the consumer is needed to generate value. By doing this the service provider takes the view that they are going to be a value facilitator and help the tourist experience in a way that generates value.
- *Operant resources*: If a service provider can use his or her skills and knowledge and those of their employees (considered as operant resources) and combine those with the skills and knowledge of customer, value can be created more effectively than when a service provider only uses their own operant resources. This is what can differentiate a firm from the competition, so service providers must try to find the skills and specialized knowledge needed.
- *Service complexity*: According to the results, the services within tourism are complex, as previously stated by most of the tourism literature reviewed; but this study has not pinpointed the exact cause of the complexity. A possible cause of the complexity

could also be the presence of various service providers as some on the interviews suggested, but to verify the true cause of complexity calls for further investigation.

- *Supporting services:* Managers agreed that today, many service providers in tourism offer the same product or core service that their competition does; for this reason the supporting services of that product or core service are becoming more important, as a differentiating aspects of the offering
- *Service provider collaboration:* There is an abundance of service providers with different specializations within a tourism network and as the analysis of the interviews demonstrates, they should all work together. For improving the overall value of the entire experience of a tourist in a specific trip or destination. Improvements would consequently also be seen in the image of that tourist destination. Even though this may be difficult because of conflicting goals it is something that service providers within a network must attempt to practice in order to compete with other destinations.

In conclusion, it can be said that the recent approach of S-D logic to service marketing will continue to change and develop in the future; it is part of the shift that marketing in general is facing. This requires managers and executives to adapt and search for new ways to gain an edge on the competition.

Some of the limitations to this study originate from the conceptual framework that was established, while others originate from the structure of the methodology. First, considering the conceptual framework, primarily it is very difficult to reach full conceptual closer due to the broadness and richness of the tourism literature. While the literature on value in tourism is very extensive, another limitation to be considered is the novelty of S-D logic and the absence of a profound conceptual basis on it in tourism literature. Second, taking into account the novelty of the topic and the broadness of the field, we concentrated our research in a preliminary qualitative study that will need further quantitative development. The use of such qualitative methods implies a sample size that is considerably small and insufficient to represent the population of hotel directors and therefore the findings of this study are strictly subjective.

The limitations among other factors present certain implications or opportunities for future research. First, there have been many studies on the perception of value in the tourist experience, especially from the side on the consumer. All the knowledge provided by this stream of research could be used for a more precise and deep understanding of S-D logic. The breath of tourism research on value and its richness for marketing implications is always encouraging novel and refreshing approaches to the tourist experience.

Second, the fact that this research was only conducted from one side of the consumer/provider interaction proposes another implication for future research that should engage the tourist and their perceptions on this topic, so as to reveal the similarities or discrepancies in the two points of view. We could take advantage of the previous knowledge on value related concepts from the consumer's perspective; however, research that engages the consumer would most likely be qualitative or conceptual at first because before any quantitative methods are used to research S-D logic in tourism, there is a need for a more profound base of conceptual understanding. Then, in a second stage, scales and structural models could be established in order to use quantitative methods. These quantitative methods can be applied to both the consumer and provider, as in Nasution & Mayondo, (2008), and compare the two different points of view. Similar methodological approaches could be undertaken regarding the foundational premises of S-D logic. From this application of S-D logic to tourism we can see the possibility of a connection and potential effects that these new concepts should have on the current theories and practices that make up tourism marketing, and thus continue to contribute to such a lucrative and alluring area for both managers and researchers.

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