

## From logic to profit: a reflection on the applicability of service-dominant logic to the hotel industry

Da lógica ao lucro: uma reflexão sobre a aplicabilidade da lógica dominada por serviço ao ramo hoteleiro

De la lógica al lucro: una reflexión sobre la aplicabilidad de la lógica dominada por servicio al sector hotelero

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**Abstract:** The Service-Dominant logic (S-D logic) has gained importance in Marketing Science for offering an alternative perspective on the understanding of social and economic exchanges. For this, the study of economic systems is redirected from a materialistic focus to a post-materialistic one in which operant resources are essential, and service is exchanged for service. This paper intends to elucidate, through pondering, the main issues raised by S-D logic, especially considering the service ecosystem concept, and evaluating/proposing the application of the S-D logic concepts to hotels. One of the S-D logic's propositions that can be applicable to hotels is the one concerning value co-creation - in which guests are treated as co-creators. Value co-creation results from resources integration from multiple actors in their interactions, both in direct and indirect exchanges.

**Keywords:** The Service-Dominant Logic (S-D Logic). Service Ecosystem. Hotel Management.

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**Resumo:** A Lógica Dominada por Serviço (LDS) obteve importância na ciência de marketing por oferecer uma perspectiva alternativa para a compreensão das trocas sociais e econômicas. Para tanto, o estudo dos sistemas econômicos é redirecionado de um foco centrado tão somente na materialidade do produto para outra lógica, pós-materialista, em que os recursos operantes são essenciais e o serviço é trocado por serviço. Este ensaio científico pretende elucidar, mediante uma reflexão, os principais pontos levantados na LDS, considerando especialmente o conceito de ecossistema de serviço, e avaliando/propondo a aplicação dos conceitos da LDS ao ramo de hotelaria. Uma das proposições da LDS aplicáveis às empresas hoteleiras diz respeito à cocriação de valor, em que hóspedes são tratados como cocriadores. A cocriação de valor resulta da integração de recursos de múltiplos atores em suas interações, tanto nas trocas diretas quanto indiretas.

**Palavras-chave:** Lógica Dominada por Serviço (LDS). Ecossistema de Serviço. Gestão de hotéis.

**Resumen:** La Lógica Dominada por Servicio (LDS) obtuvo importancia en la ciencia de marketing por ofrecer una perspectiva alternativa para la comprensión de los intercambios sociales y económicos. Por lo tanto, el estudio de los sistemas económicos es redireccionado de una perspectiva centrada tan sólo en la materialidad del producto hacia otra lógica, postmaterialista, en que los recursos operantes son esenciales y el servicio es cambiado por servicio. Este ensayo científico pretende aclarar, mediante una reflexión, los principales puntos señalados en la LDS, considerando especialmente el concepto de ecossistema de servicio, y evaluando/proponiendo la aplicación de los conceptos de la LDS al sector hotelero. Una de las proposiciones de la LDS aplicables a las empresas hoteleras se refiere a la cocreación de valor, en la que los huéspedes son tratados como cocreadores. La cocreación de valor resulta de la integración de recursos de múltiples actores en sus interacciones, tanto en los intercambios directos como indirectos.

**Palabras clave:** Lógica Dominada por Servicio (LDS). Ecossistema de Servicio. Administración Hotelera

## 1 INTRODUCTION

This study draws on the ideas of Stephen Vargo and Robert Lusch in the paper *'Evolving to a New Dominant Logic for Marketing'*, published in the *Journal of Marketing* in 2004. In this work, the authors aim to elucidate the evolution of marketing thought towards a new logic for the exchanges phenomena. From this seminal contribution, the authors and a great number of other academics have carried out research under this new approach. As a result of these studies, Vargo and Lusch published in the same year the book *'The service-dominant logic of marketing: dialog, debate, and directions'*, compiling contributions from distinguished academics, such as Shelby Hunt, Philip Kotler, Evert Gummesson, and Richard Oliver.

After ten years of steady advances

and debates, in 2014, Lusch and Vargo issued the book *'Service-dominant logic: premises, perspectives, possibilities'*, whose objective was to consolidate the theoretical progress, adding new perspectives, and contributing to the broad spread of their ideas about what they understand to be an emerging paradigm of social and economic exchanges, which is supposed to overcome the traditional goods-dominant logic (G-D logic).

In the G-D logic the production and exchange of goods are the pillars of economy and businesses, defining the purpose of the firm and the function of economic exchange in terms of manufacturing and products distribution – mostly tangibles. According to G-D logic, the firm is the proactive actor, i.e., the innovator, developer, producer, distributor, and goods promoter. It is a closed entity whose aim is to produce and sell goods that

carry certain value to existing markets that aggregate consumers with needs.

In opposition, Vargo and Lusch advocate a new logic, dominated by service, a term that must be understood as the application of competencies, skills, and other resources for the benefit of the actors involved in interactions. According to the S-D logic, knowledge, information, skills, and other active or operant resources are the main determinants of value.

Hotels are multi-service companies, whose final result for customers depends on its physical infrastructure, information systems, and, above all, the employees' competencies and knowledge, and their willingness to act as servants. Due to the nature of a hotel and the difficulties in its operations and management, we aim to evaluate in this study whether the service-dominant logic foundational premises can be applied to this type of organization.

Ritzer (2015) brings to hospitality the concept of 'prosumerization', which means the combination of production and consumption. For example, on the Internet, blogs readers also produce content. Under the concept of prosumerization, users can proactively take part in the design and production of services that they themselves consume, at the same time acting as collaborative producers and as consumers, in the sense of work co-production and value co-creation.

Recently, S-D logic has been used as the theoretical framework for studies in the hospitality industry and tourism. Based on the S-D logic premise that service value is always co-created, Morosan and DeFranco (2016) use data from a sample of US hotels

customers to build and empirically validate a conceptual model which recognizes the pivotal customers' contribution in service value co-creation through mobile devices.

FitzPatrick, Davey, Muller, and Davey (2013) employ the S-D logic to uncover the foundations of intellectual capital in the hotel industry. The authors call for more awareness about the bases of value creation, going further the mere recognition of the importance of brand value. According to the authors, this conceptual openness is possible by means of the development of sophisticated constructs to the effective management of intangibles assets, taking Service-Dominant logic as the theoretical framework.

Using S-D logic, Cabiddu, Lui, and Piccoli (2013) discuss how information technology (IT) makes the value co-creation in tourism feasible and why some actors apparently benefit most from co-created value than their partners, attributing this result to their superior strategic adjust to the objectives of the initiatives of co-creation, synergy with other actors of the ecosystem and readiness to use IT in their business electronic management.

For a better understanding of the potential of S-D logic in tourism, we present its foundations in the following section.

## 2 INTRODUCTION TO THE SERVICE-DOMINANT LOGIC

The service-dominant logic is considered by Achrol and Kotler (2012) as part or sub-phenomenon of marketing (customer experience), consisting of an alternative approach to the understanding of the world of the social and economic exchanges among

human actors, both individually and in groups. The leaders of this line of thought, Stephen Vargo and Robert Lusch, advocate a new perspective or an alternative approach to Goods-dominant logic (G-D logic), the current institutional logic.

From the deconstruction of the dichotomy between producer and consumer – now both understood as actors – and the linear vision of production chains, Vargo and Lusch (2014) analyze the social and economic systems as collaborative environments in which actors co-create value based on the integration of many resources in the processes of exchanging service for service.

Co-creation has two components. The most comprehensive one is the value co-creation, in which actors mobilize and integrate resources, bringing forth results, whose meaning and importance are unique for each actor. The second component of co-creation can be called as co-production. It can occur by means of shared innovation, co-design, or the shared production of relating goods, involving other actors or partners in the network. These interactions and/or networks play a central role in the creation of value in use and exchange value in such a way that marketing is seen as social and economic processes (Lusch & Vargo, 2006).

With a slightly different approach, Grönroos and Voima (2013) evaluate the co-creation process in distinct spheres (the producer sphere, the conjoint sphere, and the consumer sphere) and discuss the importance of optimizing and combining operant and operand resources for the firm in such a way that it manages to offer the highest possible value to consumers, both in the

conjoint sphere and in the sphere of the consumer.

In Goods-dominant logic, services are intangible goods in an exchange relationship. Operations and service marketing involve difficulties due to IHIP factors (Zeithaml 1981), an acronym for intangibility, heterogeneity, inseparability, and perishability.

Concerning intangibility, following the traditional paradigm of G-D logic, the value is defined by the service provider and it directly depends on the productivity of the operations. In S-D logic, the value is intangible, experiential, and co-created by the interacting actors. Regarding heterogeneity, in G-D logic goods can be made to obtain advantages in the standardization of the operating system and in the gains from the efficiency of mass production. But in S-D logic, each actor is unique so that the heterogeneity and personalized offers are common (Lusch & Vargo, 2014).

Regarding inseparability, while G-D logic preconizes the split between firms and customers to get the maximum productivity, in S-D logic the interaction among actors raises the effectiveness of service offers, taking into consideration that value results from co-creation. Finally, in the view of Goods-dominant logic, goods are as perishable as services. So, as the value co-creation contexts are variable and dynamic, experiences are equally perishable but can be remembered and shared.

As explained before in the introduction, in the new logic, the definition of 'service' (in singular) refers to the process of accomplishing something for the benefit of the other part, as the result of the union of the

exchanging actors and whose motivational underpinnings are the economic and social exchanges (Vargo & Lusch, 2014). In the context of S-D logic, services and goods are mechanisms of value distribution, and service should not be interpreted as intangible good as it usually is.

Another issue discussed in S-D logic is the relationship between the value in use and the exchange value. The value in use is defined according to the beneficiary actor, who determines the value in the moment of experiencing and of the value co-creation. On the other hand, the exchange value is an economic concept, which does not precisely translate the benefit obtained of the consumption of a certain service, because it is based on the utility created by the provider. So, the exchange value is also interpreted as the mechanism of exchanging service for the rights to get further service ('service rights') in future exchanges (Lusch & Vargo, 2014).

Therefore, an organization does not guarantee that its target market will get a product or service with some added value, which resulted from its process of production, extraction, or delivery. In fact, value proposals are offered as invitations for an actor searching for benefits to engage with the provider. A value proposition is not built only by a firm. Rather, it results from the cooperation of a community of other actors, such as suppliers, distributors, and even government agencies, which integrate resources and take them to the market to be integrated again (Vargo & Lusch, 2014).

These resources are classified as operand and operant (Lusch & Vargo, 2014). Operand resources are generally static and require some action to be performed on

them before they can provide value. On the other hand, operant resources can transform the operand resources to obtain the aimed effects. As S-D logic assumes expertise and the application of skills and competencies in own benefit or for the benefit of the other actor (Lusch & Vargo, 2014), the operant resources have an essential role in all value building, making possible that human beings increase the useful stock of natural operand resources.

After years of debate with academics and practitioners, Lusch and Vargo (2014) have developed a lexicon with four axioms and six derived foundational premises to encapsulate the structure of S-D logic. More recently, Vargo & Lusch (2016) added another premise, which they also considered as the fifth axiom. Axioms and premises are numbered and explained as follows:

**First axiom and first foundational premise: 'Service is the fundamental basis of exchange'.** Actors bring to market their mental and physical skills – operant resources - that are not homogeneously distributed in the population so that actors do not have all the necessary resources to make their system workable. Given the specialization of the actors in the provision of specific services, the exchange of service by service is essential for the viability of the exchange system considered (Lusch & Vargo, 2014).

**Second foundational premise: 'Indirect exchange masks the fundamental basis of exchange'.** When an actor does not directly interact with whom he or she is serving, listening to the beneficiary's voice is even more complicated. Service exchanges can be masked by exchanges in which what one of the actors offers is the payment of an

amount of money and the reception of goods or services in exchange. However, the fundamental process is not changed. Even so, the actors exchange collective or individual abilities with other actors so that money, goods, and services are only the vehicles or intermediaries (Lusch & Vargo, 2014).

**Third foundational premise: 'Goods are distribution mechanisms for service provision'.** Goods are vehicles which enable service exchange and work as distribution mechanisms for the distribution of applied skills to the extent that actors engaged in the production process have knowledge that can be transformed into goods (Lusch & Vargo, 2014). For instance, a medicine is a vehicle for delivering therapeutic service and, as a 'service', the medicine integrates pharmaceutical knowledge and biotechnology (operant resources).

**Fourth foundational premise: 'Operant resources are the fundamental source of competitive advantage'.** Raw materials, instruments, and other operand resources are static and passive because they are processed by operant resources, such as knowledge and human skills. Thus, only actors who own operant resources can obtain lasting competitive advantage (Lusch & Vargo, 2014).

**Fifth foundational premise: 'All economies are service economies'.** The fundamental process of economic exchange refers to the application of physical and mental skills in service provision. Service and operant resources are the essence of economic activity, and as the exchanges are, in the end, service exchanges, all economies are indeed

service economies. Thus, the traditional classification of economy in primary, secondary, and tertiary sectors is dated (Lusch & Vargo, 2014).

**Second axiom and sixth foundational premise: 'The customer is always a co-creator of value'.** This axiom overcomes the concept of added value, which says that value is embedded in the production process, distribution, and marketing of goods, without consumer involvement. In the service-centered thought, goods are a means of service delivery, which generates value. So, the beneficiary continues the process of value creation when he or she uses the product or integrates it with other resources. The understanding of this axiom is facilitated by the adoption of the term A2A ('actor-to-actor') and when the necessity of actors' interaction to increase the feasibility of their systems is properly understood. To this end, human beings organize themselves in networks with the aim of connecting to resources that will connect them to other individuals and resources (Lusch & Vargo, 2014).

**Seventh foundational premise: 'The enterprise cannot deliver value, but only offer value propositions'.** As previously stated, an enterprise can offer a promise that can be fulfilled by its interaction with the beneficiary actor. The value proposition can be increased or partially experienced by users, depending on the way they integrate their resources (Lusch & Vargo, 2014).

**Eighth foundational premise: 'A service-centered view is inherently customer oriented and relational'.** The nature of co-creation is also relational since exchange ac-

tivities combine independently and interactively through time to co-create value. The service-centered view is intrinsically oriented to the customer and has a relational character. In G-D logic, relationship management promotes customer orientation, i.e., there is not a customer re-orientation. However, as S-D logic focus on actors' value co-creation, the relationship is not optional, considering that even when there is no economic transaction, there is still a relationship with the beneficiary actor (Lusch & Vargo, 2014).

**Third axiom and ninth foundational premise: 'All social and economic actors are resource integrators'.** According to Service-dominant logic, the actors trying to improve the viability of their systems by means of exchanges and the integration of market, public or private resources. The actors surpass immediate service exchange and create networks and resources to co-create value.

**Fourth axiom and tenth foundational premise: 'Value is always uniquely and phenomenologically determined by the beneficiary'.** In each case, value emerges in a different context, involving the availability, integration, and use of a peculiar combination of resources and actors (Lusch & Vargo, 2014). For each actor, this mix of actors and resources corresponds to a sense of value and satisfaction with his or her experience.

**Fifth axiom and eleventh foundational premise: 'Value co-creation is coordinated through actor-generated institutions and institutional arrangements'.** The institutions are the bases for cooperation and coordination in service ecosystems, making possible and potentializing exchanges, value co-creation, and resources integration. Exam-

ples of fundamental institutions: laws, monetary system, communication protocols, safety and quality standards, etc.

## 2.1 The approach of Service Ecosystem

Processes are created by actors to produce favorable results. However, these results are not the same for each actor because each one interprets the resulted value in a different way according to their own perspective of investments and results. Thus, ecosystems essentially are a series of processes, taken around a community of interest (Lusch & Vargo 2014). Processes and functions are ruled by a hierarchy both in organizational ecosystems or biological ones. Species and organizations are similar to the extent that both groups are made of actors and are related to other groups within the same ecosystem, in a complex web across organizations (Mars, Bronstein, & Lusch, 2012).

Therefore, ecosystems contemplate networks of interconnected actors that depend on each other to survive. But, the interdependency between two actors may be indirect (Lusch & Vargo, 2014). Mars, Bronstein, and Lusch (2012) compare biological and organizational ecosystems, pointing out their similarities and dissimilarities. The notion of organizational ecosystem acts as a useful metaphor to clarify systems of a network and the intriguing functions in the routine of complex organizations such as hospitals, companies, and schools. Despite the richness of interpretation of organizations and their relationships as ecosystems, the authors warn managers not to take this analogy as if being perfect since biological ecosys-

tems have idiosyncrasies that have not parallel in organizational ecosystems.

It should be stressed that organizational ecosystems are dynamic thus, firms that do not evolve for the overall social welfare are strong candidates to become obsolete and vanish. But, indeed, the consequences of competition are distinct in different ecosystems. While in biological ecosystems competition is always damaging for all involved species, in organizational ecosystems it can be either beneficial or deleterious depending on the circumstances (Mars, Bronstein, & Lusch, 2012). For example, Hunt (1999) states that competition among firms is an evolutionary process, source of disequilibrium, which is moved by endogenous innovation. However, in the future, new institutional logics will make environmental interventions increasingly explicit and guided towards win-win relationships of actors and ecosystems (Lusch & Vargo, 2014), because in long-term relationships, cooperation strategies tend to be more worthwhile to the actors than the opportunistic ones, which strive for the maximization of individual gains (Axelrod, 1984).

The concept of 'service ecosystems' was introduced by Vargo and Lusch (2014). They are self-adjusted systems of actors' resources integration, connected by institutional logics and value co-creation, through service interchanges. Thus, norms and institutions are necessary to the process of value co-creation, affecting and guided how an individual behaves and establishes relationships. At the same time, social norms and institutions are built from agents' market

practices, following the concept of structuration, and depend on the way actors group available resources in the ecosystem in which they carry out the exchanges (Vargo & Akaka, 2012).

Among the peculiar characteristics of service ecosystems, we can distinguish: 1) service is associated with the application of an actor's knowledge and competences to the benefit of others; 2) operant resources are the ones that can act on other resources to create value, and value is created by collaborative efforts between firms, consumers, and other actors; 3) this value is situational to the extent to which different cultural contexts (practices and routines) can reflect unique experiences; 4) service ecosystems can be seen under three dimensions of distinct interactions - the micro level between firm and consumer, the meso context involving additional actors and a special set of institutions, and, at last, the macro level of more stable systems, such as shared knowledge, lasting institutions and rules (Akaka, Vargo, & Lusch, 2013; Lusch & Vargo, 2014).

Vargo and Akaka (2012) highlight the importance of extending the perspective of value creation from the theory of structuration, systems, and service ecosystems, since these factors are fundamental in the value co-creation process. The authors also draw attention to the importance of social institutions and the way they affect the individuals' behavior. Besides, exchanges can occur in the cultural context and, therefore, can be considered more as a social or political arrangement, since they are an economic pro-

cess guided both by economic and non-economic institutions (Mars, Bronstein, & Lusch, 2012).

In this sense, the concept of 'value in cultural context', proposed by Akaka, Vargo, and Lusch (2013), extends the perspective of social context and includes signals and symbols that influence (or are influenced by) interactions and exchanges. The use of this construct foments a more dynamic cultural perspective than the traditional frameworks. Thus, the complexity of international contexts is both based on the increase of actions at the micro level and of the interactions between institutions at the meso and macro levels.

## **2.2 The Application of Service-Dominant Logic in the Hotel Industry**

In increasingly competitive markets, some hotel managers are already willing to implement strategies aimed at enhancing the general well-being of employees, their productivity and, consequently, the success of the organization (Castelli, 2003). Hotel companies are indeed reinventing ways of managing their businesses, reviewing old standards, and adapting them to the needs demanded by the environment, in the pursuit of competitiveness.

Mars, Bronstein, and Lusch (2012) have created a metaphor for organizations, viewing them as ecosystems. Thus, as in biological ecosystems in which the interconnection of species leads to their interdependence, the sectors, or functions of a hotel - reservations, reception, housekeeping, restaurant, warehousing, etc. - are interrelated and connected, although their relation is

sometimes not obvious or direct.

In the biological ecosystems, it can be observed that species submit to a predatory hierarchy, that is, prey and predator have ecological interspecific and intraspecific relationships. In the organizational context of the hotel industry, each department has a head, i.e., someone who is responsible for it and has subordinates and eventual collaborators in other departments, emulating what in biology is named as interspecific and intraspecific relationships, in case of involving respectively individuals of different species or of the same species. Moreover, it is known that all workers in a hotel, including departments' heads, are under the authority of its general manager. Thus, species and organizations are similar since both groups comprise actors and are connected to other groups in a common ecosystem, giving birth to strong ties among organizations (Mars, Bronstein, & Lusch, 2012).

Another important point that requires attention is the existence of specific functions. Like in biological ecosystems, each department of a hotel firm has a peculiar but not isolated function. At this point, it is important to note that, in the ecological environment, when a species becomes extinguished, all the food chain can be affected, unbalancing the ecosystem (Mars, Bronstein, & Lusch, 2012). Thus, any ineffective hotel department can damage productivity due to interdepartmental connections and dependencies. In this sense, the difference between ecosystems is explained by how threats can be managed. In biological ecosystems, problems are naturally solved. In hotel organizations, purposeful and strategic interventions are needed to overcome unexpected difficul-

ties.

Furthering the metaphor of organizational ecosystems as biological ones, Mars, Bronstein, and Lusch (2012) note that ties or mutualisms are interactions that benefit biological species. In the hospitality context, mutualism would consider how actors see this phenomenon in relationships of exchange of goods and services, in which both parts (i.e., firm and consumer) can profit. In some sense, this mutualistic relationship is consistent with Lusch and Vargo's (2012) S-D logic first axiom and foundational premise: 'service is the foundational basis of exchange'.

According to this assumption, it can be observed that the main objective of hotel companies is to meet or exceed guests' expectations so that they reuse the service and engage in positive word-of-mouth, and, in turn, hoteliers receive the benefits of high occupancy rates, irrespective of seasonality, matching the axiom with the main objective of hotel organizations (Vargo & Lusch, 2014).

S-D logic second foundational premise states that the indirect exchange masks the fundamental basis of exchange. At first, in hotels, exchanges are essentially interpreted as the exchange of money for hospitality services. However, hotel exchanges also include customers' experiences in their interaction with employees and other guests. Because of this, the knowledge that guests obtain in their intangible exchanges is taken to other moments of their lives, as the result, for example, of practicing another language, trying new food, learning about another culture, etc. (Vargo & Lusch, 2014).

The third foundational premise states

that goods are distribution mechanisms for the service provision. Thus, all items offered to guests in a hotel, from a pen to fill up the check-in form to the "amenities" supplied in the hotel room, are vehicles for service promotion and can be a source of competitive advantage compared to same-standard hotels (Vargo & Lusch, 2014).

Regarding the fourth foundational premise, operant resources are the main source of competitive advantage. Thus, human skills and capabilities of the hotel industry's actors are the principal asset of the organizations. Consequently, managers should regularly invest in the training of hotel staff, for example, by distance learning or e-learning (Sanches & Silva, 2011).

The fifth foundational premise states that all economies are service economies. As service is the basis of exchange, the main economic phenomenon, all exchange systems and therefore all economies are indeed service economies. A hotel is a system for delivering services. Therefore, hoteliers must have a holistic view of service provision, since maximizing their profitability depends on the full use of resources (Vargo & Lusch, 2014).

According to the second axiom and the sixth foundational premise, the customer is always a value co-creator. Thus, in the hotel industry, guests must be seen as active actors in the search, creation and value consumption, through their participation in service delivery, that is, hotel managers should analyze and accept guests' relevant opinions and suggestions regarding the services provided. In fact, value co-creation concerns the process by which customers interact with the firm and generate their own experiences,

which form the basis of value and innovation (Prahalad & Ramaswamy, 2004a, b).

The seventh foundational premise states that a firm cannot deliver value, but only offer value propositions. In the hotel service, the value propositions can be expressed and made tangible in the quality of goods and services delivered. Hotel managers should pay attention to the way they are making hospitality feasible. Value co-creation is a dynamic process, interactive, non-linear and many times not planned, that is, it emerges more from the distribution process, which influences the importance of use value (Chathoth, et al., 2013).

The eighth foundational premise states that a service-centered view is inherently customer oriented and relational. So, the co-creation process must stem from a firm-centered view towards a customer-oriented view, and this change must be highlighted in interactions (Chathoth, et al., 2013). In hotel companies, hoteliers should follow this premise through the grouping of users according to gender, address, age, and other personal data and by monitoring users' behavior in accessing the hotel's website. All interactions between firm and customer should be managed so that the firm value could be improved from the customers' perspective in such a way that their engagement is increased to meet their own specific needs (Vargo & Lusch, 2014; Chathoth, et al., 2013).

According to the third axiom and ninth foundational premise, all economic and social actors are resource integrators. This leads to questions concerning organization-customer interactions to co-create value. These issues, according to Roser et al. (2009), refer to who will be involved, what is

the purpose of the organization, where the organization accomplishes its purpose, how much commitment is needed, and for how long. Thus, in hotel organizations, employees and customers must be seen as resource integrator actors. Both employees, directly and indirectly, and the other customers influence the well-being and the quality of guests' experience, so their behavior must be effectively managed. In fact, as Hayes and Nine-meier (2005) state, organizational objectives only can be attained if there are commitment and effort from the people who are part of the hotel.

The fourth axiom (and tenth foundational premise) states that value is always uniquely and phenomenologically determined by the beneficiary. S-D logic assumes that the resources for value creation, which are potential value co-creators, include firm, customers, suppliers, government, community, and other stakeholders (Chathoth, et al., 2013). In the hotel industry, guests are the main beneficiaries. Guests are becoming increasingly demanding, thus, to address their behavior changes and satisfy them, hotel companies must strive for new ways of exceeding customer expectations.

At last, the fifth axiom (and eleventh foundational premise) highlights the importance of institutions and their arrangements to the creation of an environment and context supportive of exchanges, resources integration, and value co-creation. For example, public authorities must provide security for the population and tourists, which should directly foment hospitality businesses. In fact, according to Abdala (2017), only Rio de Janeiro lost around US\$ 100 million in tourism revenue in the four months of that year

due to violence. Moreover, independent organizations such as the website Booking (<http://www.booking.com>), which intermediates the renting of hotel rooms on the Internet, play a pivotal role, because they balance supply and demand, and contribute to ensure and increase service quality, through mechanisms of assessment and control.

According to discussions at the 56th National Hotel Conference (CONOTEL-2014), there are four types of hotel guest profiles, namely, the affable, the analytical, the pragmatic, and the lively. Thus, hotel managers should be prepared to cater to guests of any of these categories. In the event, another highlighted point was that managers need to be strictly careful about the details of conducting business so they can find a differential in service delivery.

According to Chathoth (2013), firms can collaborate with customers in value co-creation in two ways. The first concerns the creation of value in use (Kristensson, et al., 2008, p. 476). For instance, a hotel offers guests futuristic-style rooms whose color can be changed at their discretion during their stay.

The second way includes shared inventiveness, codesign, or co-production (Lusch et al. 2007). For instance, a hotel can offer its customers a virtual space, in which they can virtually visit the hotel and co-design the actual facilities. Thus, to some extent, the hotel could adapt itself to customer suggestions, moving towards experience co-creation.

Shaw et al. (2011) insist on urging hotels to implement co-creation strategies with customers in order to innovate in goods and,

mainly, in services. For Ottenbacher and Harrington (2010), service innovations may raise customers loyalty, boosting the sale of other hospitality services, making customers more satisfied, and consequently, increasing revenues and profits.

Co-production is another construct used in S-D logic intrinsically related to value co-creation. Co-production means the engagement of customers in the creation processes through shared inventiveness and co-design (Lusch et al., 2007). It also involves their participation in service delivery processes. Thus, co-production depends on the organization, because it is the process of the activated service, by the mobilization of company's resources and competences (Chathoth, et al., 2013).

On the other hand, co-creation is centered on customer experience, i.e., it is intimately related with the use, value in use, during the consumption experience, basing on the premise that service value is uniquely evaluated by the customer (Lusch et al. 2007). In co-creation, firms do not treat customers as mere purchasers of goods, but as partners in the creation of personalized experiences, which add value and pleasure to their lives (Chathoth, et al., 2013).

In fact, co-creation exceeds goods customization in order to meet customers' needs. The difference between 'co-creation' and 'personalization' is due to the level of customer involvement in general, that is, 'the customer has a less active role in personalization than in co-creation' (Kristensson et al., 2008, p. 475). In other words, the main distinction between both concepts can be attributed to the level of customer engage-

ment.

Given the above, we infer that hoteliers need to innovate in their concept of hospitality, engaging customers in the process of creating the service. In line with this conclusion, Prahalad and Ramaswamy (2004b) note that the consumer and the company are closely involved in co-creating unique value for each customer, but in such a way that the company can afford it. Thus, hotel managers should be aware that competitive advantage can be achieved in providing a differentiated service (Lusch, Vargo, & O'Brien, 2007).

The adoption of a new service logic means that the organization must undergo a radical change, involving the management of its internal and external environmental dynamics, as well as changes in the organizational culture, philosophy, and adaptation of organizational factors - for example, vision of leadership, structure, work processes, personnel training and evaluation policies, and information and communication systems (Okumus, 2003). In addition, changes in management philosophy should be guided by the principles of social marketing, with an emphasis on changing voluntary behaviors to increase satisfaction and quality of life.

### 3 FINAL REMARKS

As observed in the routine of hotel companies, customers are still considered as individuals separated from the process of providing service, i.e., they are seen as exogenous. So, it is time that hoteliers pay attention and adhere to an emergent logic - the Service-dominant logic. If so, hotel companies will develop an A2A collaboration network, which will co-produce and co-create

value for mutual gains, through the development of social practices and the (re)construction of meaning and organizational action. Moreover, these practices also can help managers to understand how value is co-created and, more widely, how markets can be co-created through these practices.

Since actors' cooperation in co-production and value co-creation is central to S-D logic, guests should always be treated as value co-creators and eventually as self-service providers. Because of this, their commitment, willingness to self-service, and feedback are fundamental to the development of value propositions in the hotel industry. Thus, guests' evaluations and suggestions should be sought thoroughly and systematically.

Akaka, Vargo, and Lusch (2013) note that cultural changes happen through the interaction between firms and consumers, and they co-evolve when practices are established and interactions among multiple actors occur. Therefore, culture becomes the most useful and relevant construct and should be considered an organic and dynamic phenomenon, which fosters changes or can transform itself.

The world is fast-changing and, accordingly, Ritzer (2015) calls for the need for urgent re-evaluation of hospitality and hospitality industry, due to the emergence of prosumers and rising of unemployment in that industry, as the consequence of informatization, the increase of self-service, and of market concentration. Some examples endorse Ritzer's points: 1) some Japanese hotel already use humanoid robots as attendants (Portal G1, 2015); 2) with the growth of collaborative economy, many

tourists opt to stay at other tourists' homes, in a type of barter, and many others use service like Worldpackers, a platform that enables to exchange work for lodging in many places in the world.

In this reflection we are concerned with presenting the new marketing logic, as well as suggesting its adoption to make it possible to increase the profitability of hotel industry by enhancing guests' well-being. In other words, we believe that, to the extent that guests are treated as important resources in the process of hospitality, they will be able to co-create and co-produce service value taking into account their own needs and aspirations.

In order to assess the value of application of S-D logic in the hotel industry, empirical studies are necessary and recommended, as the research carried out by Ordanini and Parasuraman (2011). Based on S-D logic's insights, the authors elaborate a framework to investigate the antecedents and consequents of service innovation, and they further deduce hypotheses to explain innovation, in terms of volume and radicality, in a sample of luxury hotels. Building on Service-dominant logic, Ordanini and Parasuraman (2011) show the importance of customers and front-line employees engagement, market orientation, collaboration with business partners, and the use of a knowledge integration mechanism in order to explain successful innovations in hotels. Such results are promising and corroborate the importance of a new logic to understand exchange in an aestheticized and hyper-real society (Veiga, Urdan, & Matos, 2014).

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