

# The experience economy, co-creation and its implications for the tourism industry and research

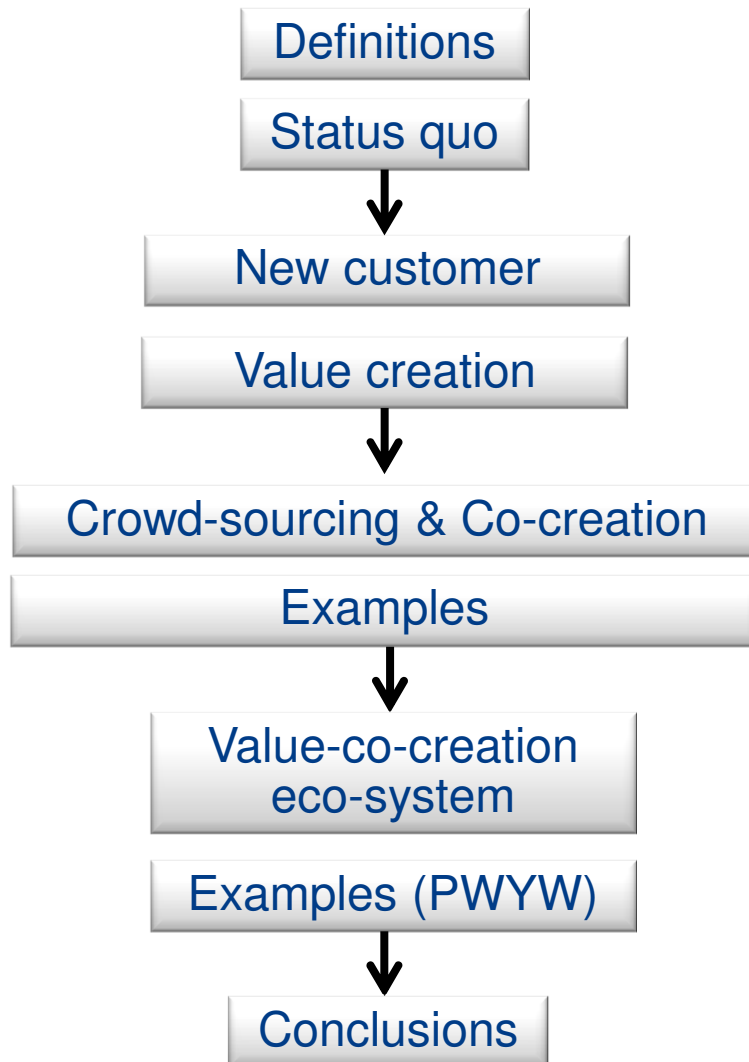
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[www.tourism-student-conference.com](http://www.tourism-student-conference.com)

# Agenda



# Definitions



**Customer experience:** “[...] is the **cumulative impact** – both emotional and practical – **of all the encounters** and interactions that a customer has with a company.”  
(Soudagar, Iyer & Hildebrand, 2012)


**Co-creation:** “[...] is an active, creative and social process, based on **collaboration between producers (retailers) and users**, that is initiated by the firm **to generate [meaning and] value** for customers”  
(Piller, Ihl & Vossen; 2010)

# Tourism – status quo



- New technology
  - Global economic restructuring
  - Policy regulations
  - Environmental limits to grow
- Increases in disposable income
  - Non-work time
  - Consumption preferences
  - More experienced customers

given circumstances	
short product life cycles, globalisation, standardization	
	competition, high price transparency

consequences	
	<b>innovation</b> as prerequisite for progress and success (Cooper 2005; Hall and Williams 2008; Theiner and Steinhauser 2006)
	new products with <b>added value</b> (Theiner and Steinhauser 2006)

# Innovation value creation points



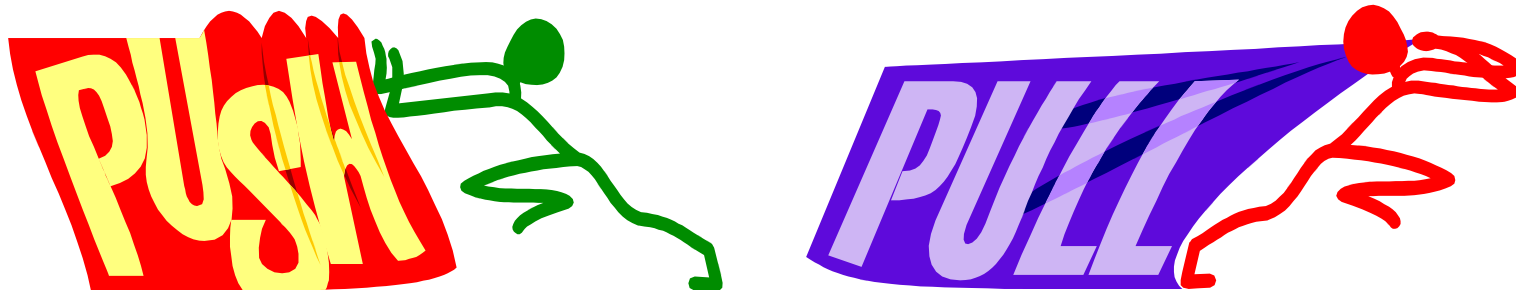
- Business model
- Networks and alliances
- Services design and development
- Service value
- Distribution
- Brand
- Customer service experience

(Hall and Williams, 2008)

# Tourism – status quo



**Value**  $\neq$  providing more features  
= more and varied opportunities



**Customer empowerment**

# Profile of the “new” customer

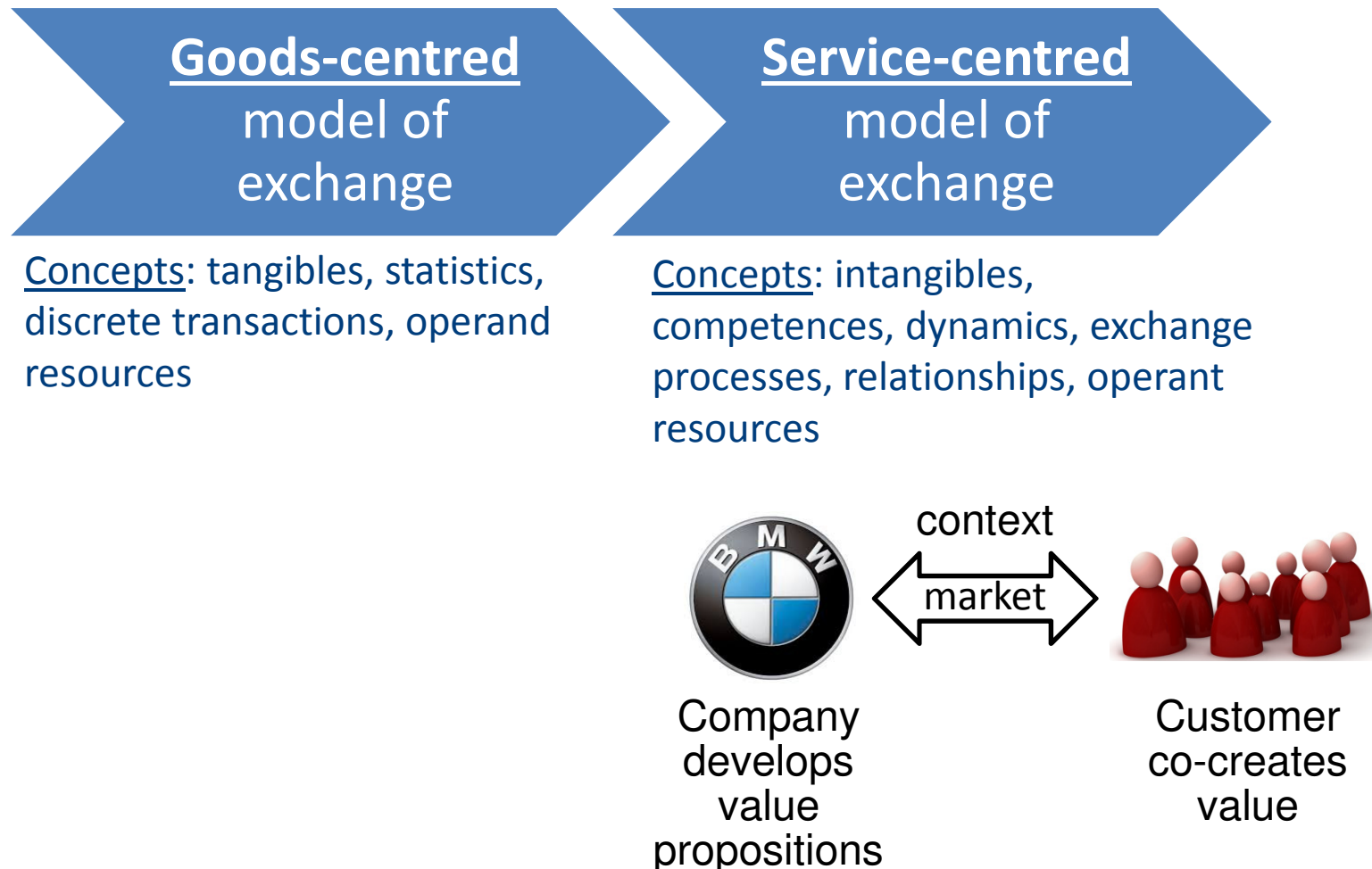


	“Old reality”	“New reality”
Identity	Consumers, respondents	Real people, creative partners
Role	Passive	Active
Source of insights	Surveys, observations	Conversations, stories
Handshake with company	Transaction-based	Interaction and experience-based
Information and influence	Company advertising, expert opinion	WoM, social media, peer-to-peer
Concept of value	Company offers, one size fits all	Customer determines; tailored and unique
Primary source of value	What’s in the brand, attributes and features	What customers do with the brand; unique solutions and customized experiences

 **Shift from product-centric to customer-centric**

(Bhalla, 2011)

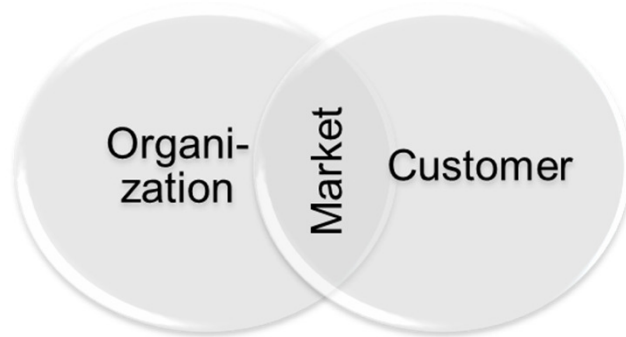
# Service Dominant Logic



(Vargo and Lusch, 2004, Sigala, 2014)

# Tourist knowledge

(Howells, 2003)



**Value**  $\neq$  providing more features  
= more and varied opportunities

## 1. Tourists as innovators

- „consumption knowledge“ (Metcalfe, 2001)
- „enterprising consumer“ (Earl, 1986)

## 2. Tourists are a source of knowledge for innovations and experience design

**Listen → engage → respond**



# “Listening” objectives

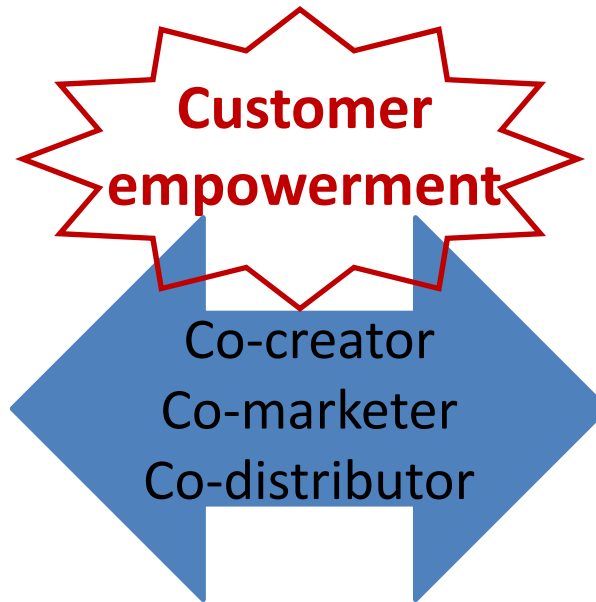
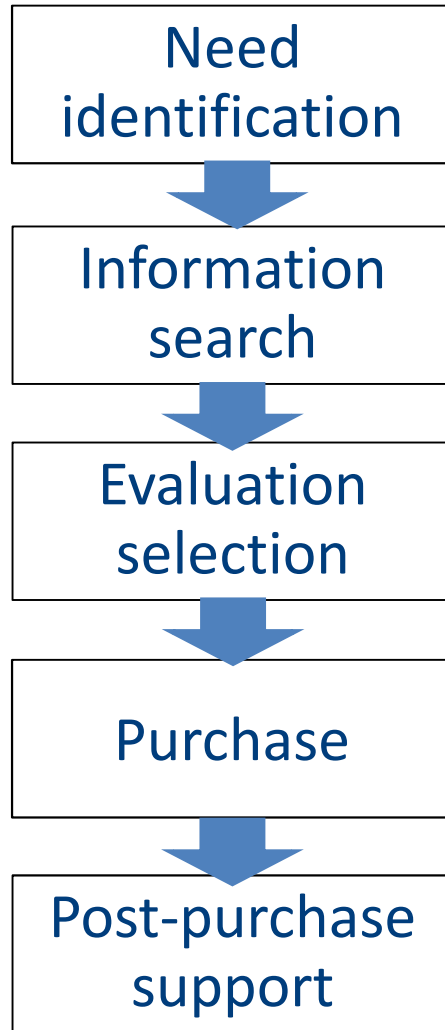


- Matching own and travelers' perception
- Control quality of services/products offered
- Insights into customers' needs and wishes
- Adaptation and development of services/products supplied
- Change of product/service attributes over time (e.g., day/season)
- Insights into activities of competitors
- Identify trends

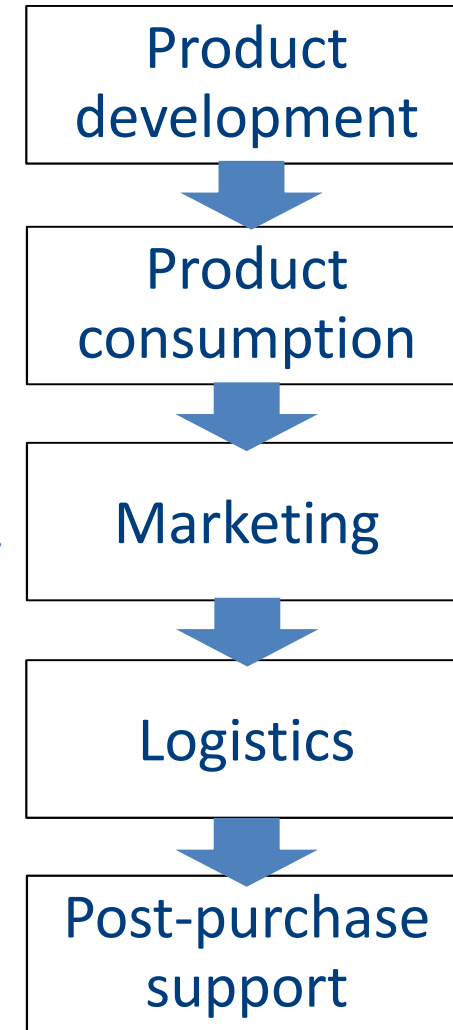


 Constant modification of products/services and processes.

## Travellers' decision making process




## Businesses' value and supply chain operations



# Need identification | Idea generation






Introduction ▾ Our Products ▾ Clients ▾ Partners About ▾ Plans

Learn More

## Idea Spotlight – Crowdsourcing Made Easy!

Idea Spotlight is a creativity and Idea Crowdsourcing tool that helps businesses of all sizes to uncover, filter and prioritise the best ideas. Because inspiration can come from anywhere, Idea Spotlight enables everyone within a business create, share and evaluate ideas with an equal voice.



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# Information search, Evaluation | Price



FLIGHTS

HOTELS

CARS

MY TRIPS

Want to save and view t

## Watch for deals on flights

Get price drops in minutes

FROM San Francisco (SFO)

TO Top destinations

Exact dates

Weekends

Flex month



Depart Date



Return Date

☒  $\pm 3$  days

Get deals

## Evaluation | Alternative comparison



This fare gives him  
**11,826** miles  
for  
**\$70** more



### Best of all?

John now earns enough miles to attain

**PREMIER GOLD STATUS**


and will start flying in style with:

- Priority check-in and boarding,
- Extra baggage allowance,
- Lounge access,
- Complimentary upgrades.


# Evaluation, Purchase | Social seating application


## KLM “Meet and Seat”

**Log in**

 **Log in with Facebook**

OR





☐ Remember me [Forgot password?](#)

**Log In**

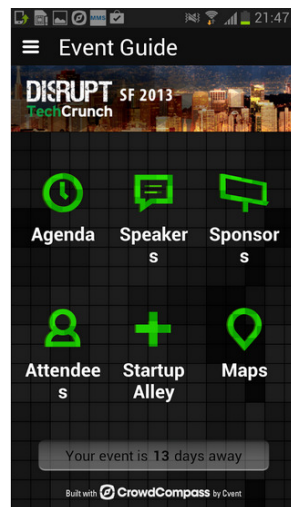
Don't have an account? [Sign up](#)



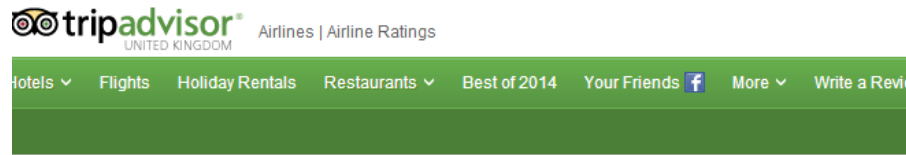
# During Trip | Co-creation in Tourism



- Creative holidays
- Cook your own food
- Voluntourism (e.g., linking volunteers with organic farmers and growers, developing countries)
- Events



# Post Purchase | Ratings, reviews



- Hotels
- Holiday Rentals
- Flights
- Restaurants
- Holiday Ideas

## Cheap airfare alerts

Get an e-mail when prices drop.

Create an alert

## Today's Poll

With the UK government offering the West Country a £2 million package to support tourism in areas affected by floods, do you plan to take a trip to that part of the UK this year?

## Airline Ratings

Select an airline to see detailed ratings

Airline	Ratings
Adria Airways	23 ratings 65% recommend
Aegean Airlines	179 ratings 83% recommend
Aer Lingus	368 ratings 74% recommend
Aeroflot	109 ratings 62% recommend
Aerolineas Argentinas	103 ratings 27% recommend
Aeromexico	106 ratings 37% recommend
Aerosvit Airlines	34 ratings 29% recommend
Air Algerie	21 ratings 81% recommend
Air Arabia	21 ratings 86% recommend
Air Astana	11 ratings 91% recommend
Air Baltic	75 ratings 45% recommend
Air Canada	820 ratings 44% recommend
Air Canada Jazz	35 ratings 37% recommend
Air China	146 ratings 39% recommend
Air Europa	101 ratings 61% recommend
Air France	726 ratings 63% recommend
Air India	171 ratings 54% recommend

- London 2697 Hotels
- Manchester 306 Hotels
- Edinburgh 910 Hotels
- Paris 3027 Hotels
- Glasgow 270 Hotels
- Liverpool

721,444 Hotels **trivago** From 199 Websites

e.g. London

Su, 30/03/14  
Mo, 31/03/14

Search



## Park Plaza Westminster Bridge

★★★★★ London

Zleepinghotels

Booking.com	£189	lastminute.com	£189
EasyToBook	£189	ASDA-travel	
Travelrepublic		Amoma.com	

£189  
£170

89 Map Info

View all deals from 19 websites

View Deal



## Verta

★★★★★ London

lastminute.com

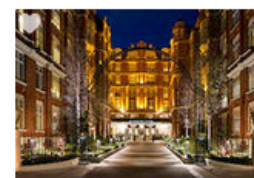
Venere.com	£112	Expedia	£112
Hotels.com	£112	LateRooms	£127
Hotelsclick.com	£146	Zleepinghotels	£154

£154  
£112

85 Map Info

View all deals from 25 websites

View Deal



## St Ermins

★★★★★ London

Expedia

Venere.com	£172	Hotels.com	£172
Booking.com	£172	Zleepinghotels	£186
Amoma.com	£197	thomascok	

£197  
£172

89 Map Info

View all deals from 22 websites

View Deal

# Role of marketers/intermediaries in a market



- Enable and educate customers how to co-create value
- Provide customers with access to resources at the right
  - Place
  - Time
  - Situation / context
- Create an open environment enabling stakeholders to meet and exchange resources for co-creating value
- Enhance and support the creativity of customers

 Rethink distribution channels  
(e.g., sequence, actors, I2N2I)



# Co-creating value / experiences

- Service dominant logic
- Experiences come from interactions
- Engagement platforms that allow **ongoing interaction and communication** among firms and customers and other stakeholders

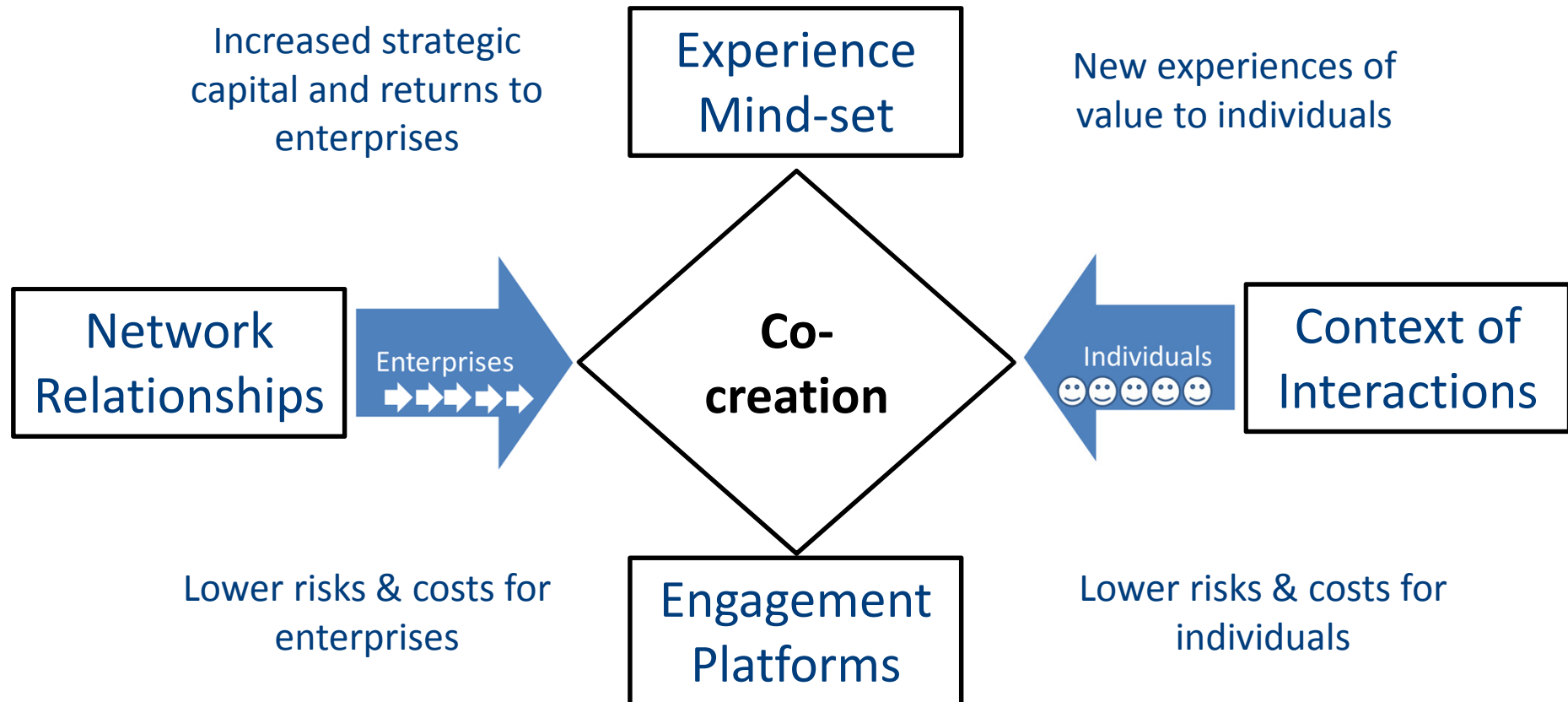


COMMUNICATION

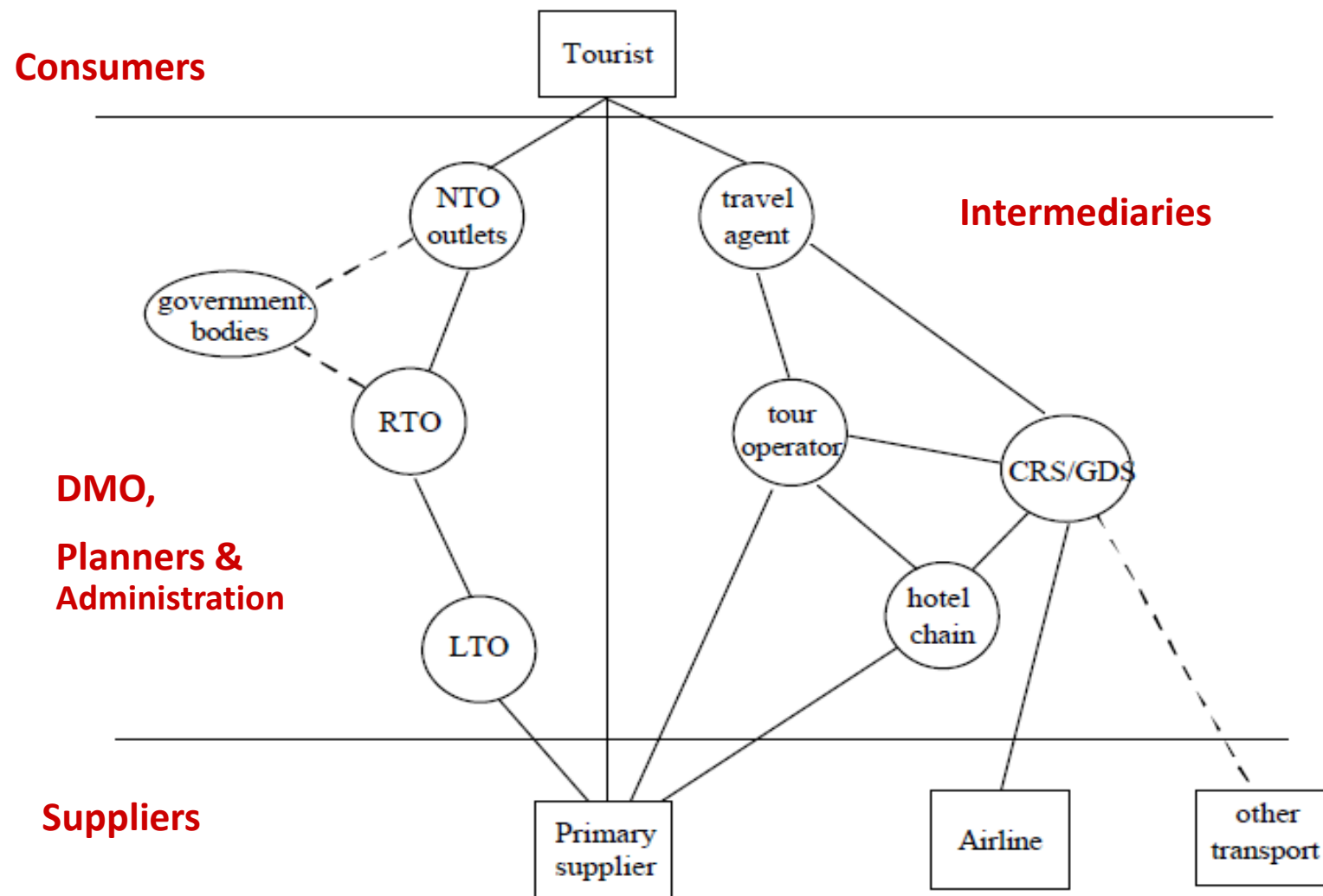


(Venkatesh & Lusch, 1999; Ramaswamy, 2011)

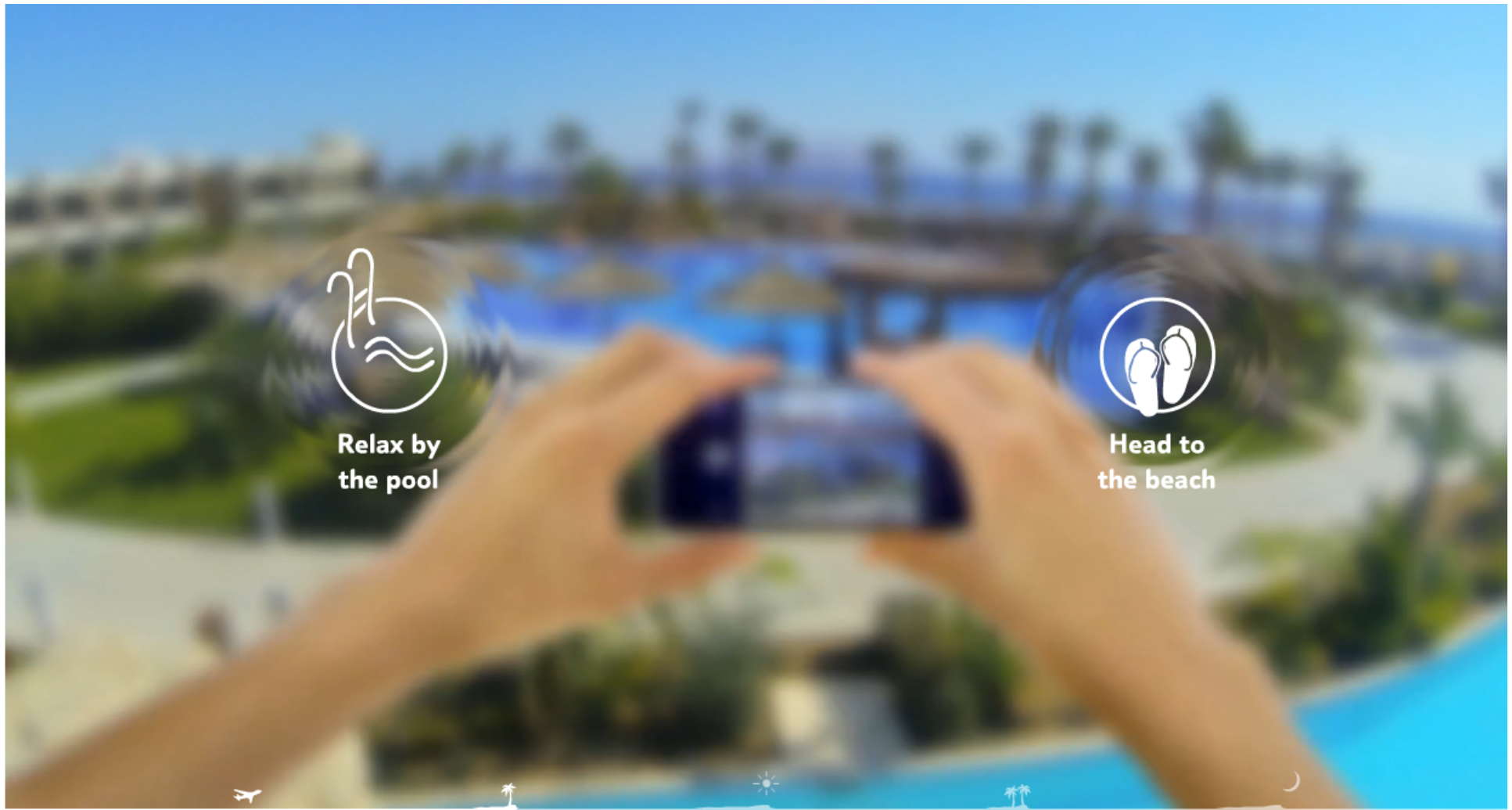
# The core principles of co-creation



# Dis-intermediation | Re-intermediation



## Intermediary | Find a trip



# Intermediary | Find an accommodation



All



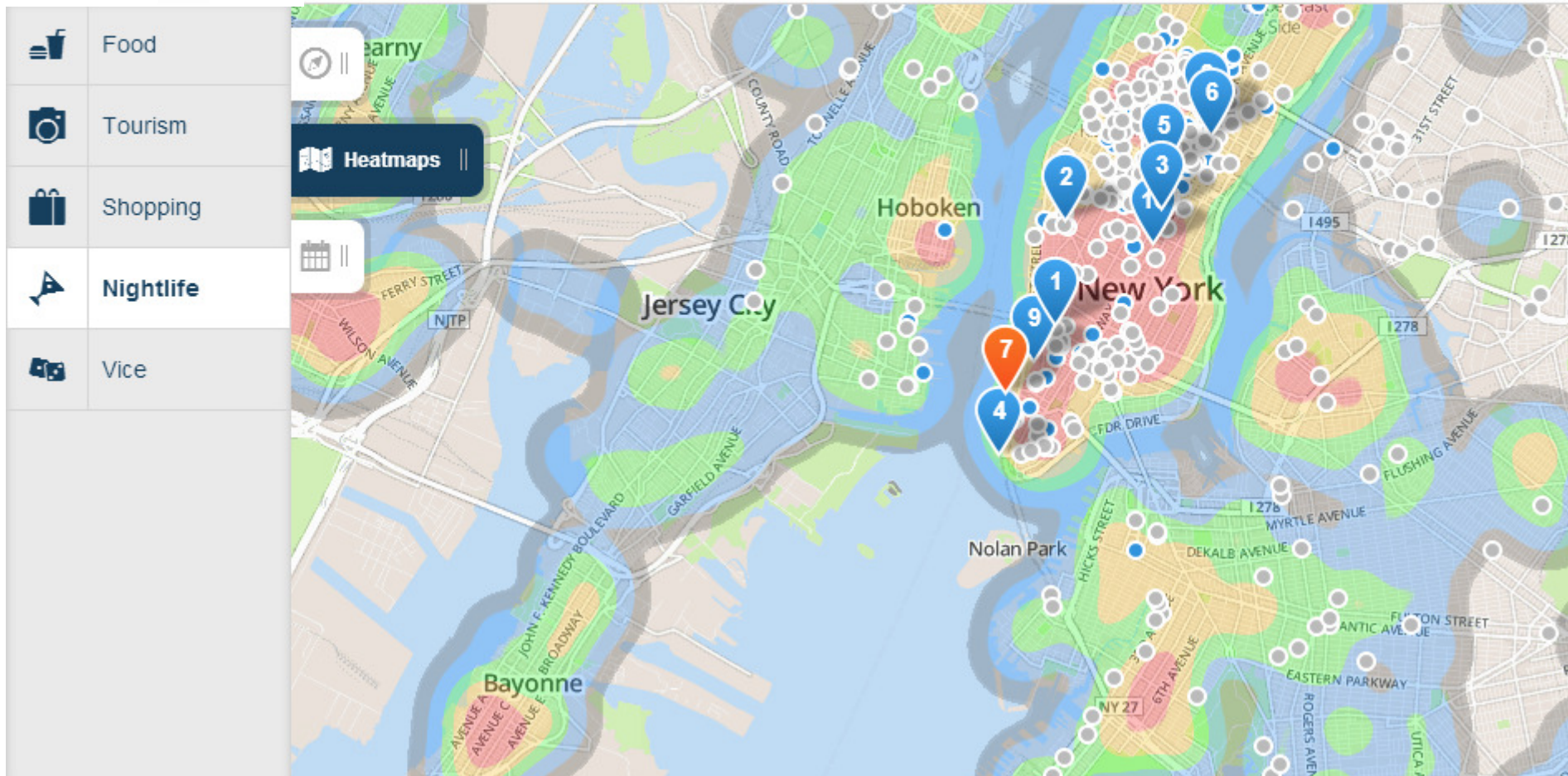
Business



Kid Friendly



Luxury



# Intermediary | Changing roles

## Your friend at the other end<sup>®</sup>

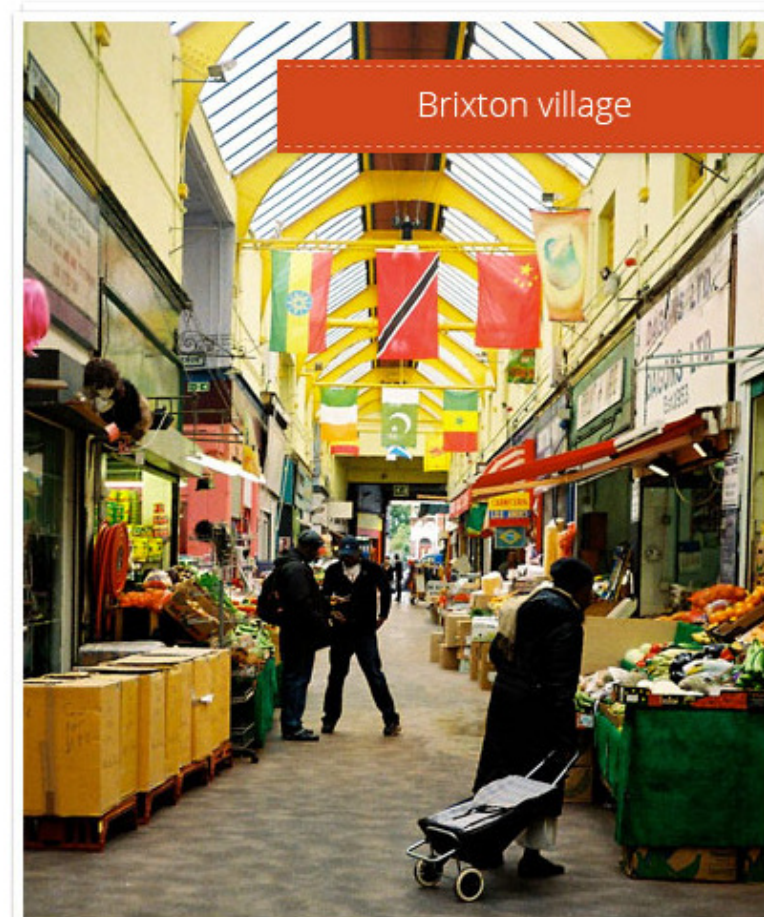
We've been connecting travellers to local people for the past five years and will continue to do so until everyone travels with **a friend at the other end**<sup>®</sup>



"As a Londoner you always see the things that tourists miss and wish you could point them out.


One of the best ones is Brixton market, which is close to the touristy areas of central London but a truly unique experience!


My favourite places to eat in London are all housed under this one roof, with enough variety to keep you going for a year...."




# Intermediary | Best price guarantee



  
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Best Prices. Free Upgrades. Price Drop Refunds. 

TOTAL MONEY BACK **\$ 7 9 5, 6 9 6**

## Find Hotel Deals

City or Hotel Name

Check-in   Check-out  

Rooms   Adults   Children  

**SEARCH**


**SAVE UP TO 46%**

## Fun in the Sun in Punta Cana

**SEE DEALS**


**SAVE UP TO 40% Myrtle Beach Deals**

**SEE DEALS**




**SAVE UP TO 48% Orlando Deals**

**SEE DEALS**



The Press ❤️ Tingo!

Monica R Got **\$126** back in New York, NY

 Yippee! These Tingo Travelers Got Money Back | John J. got **\$13** back in Schiller Park, IL | 03/10/2014: Mary F. got **\$19** back in LHospitalet de Llobregat, ES | 03/09/2014: Stephan H. got **\$11** back in Lake Buena Vista, FL

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**3 star hotel in Branson, MO for 44\$/night, a 34\$/night savings.**  
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where hotels compete for your extended stay

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### Best Extended Stay Rates Guaranteed

Check-In

Check-Out


Rooms

Travel Type

1

[Start](#)

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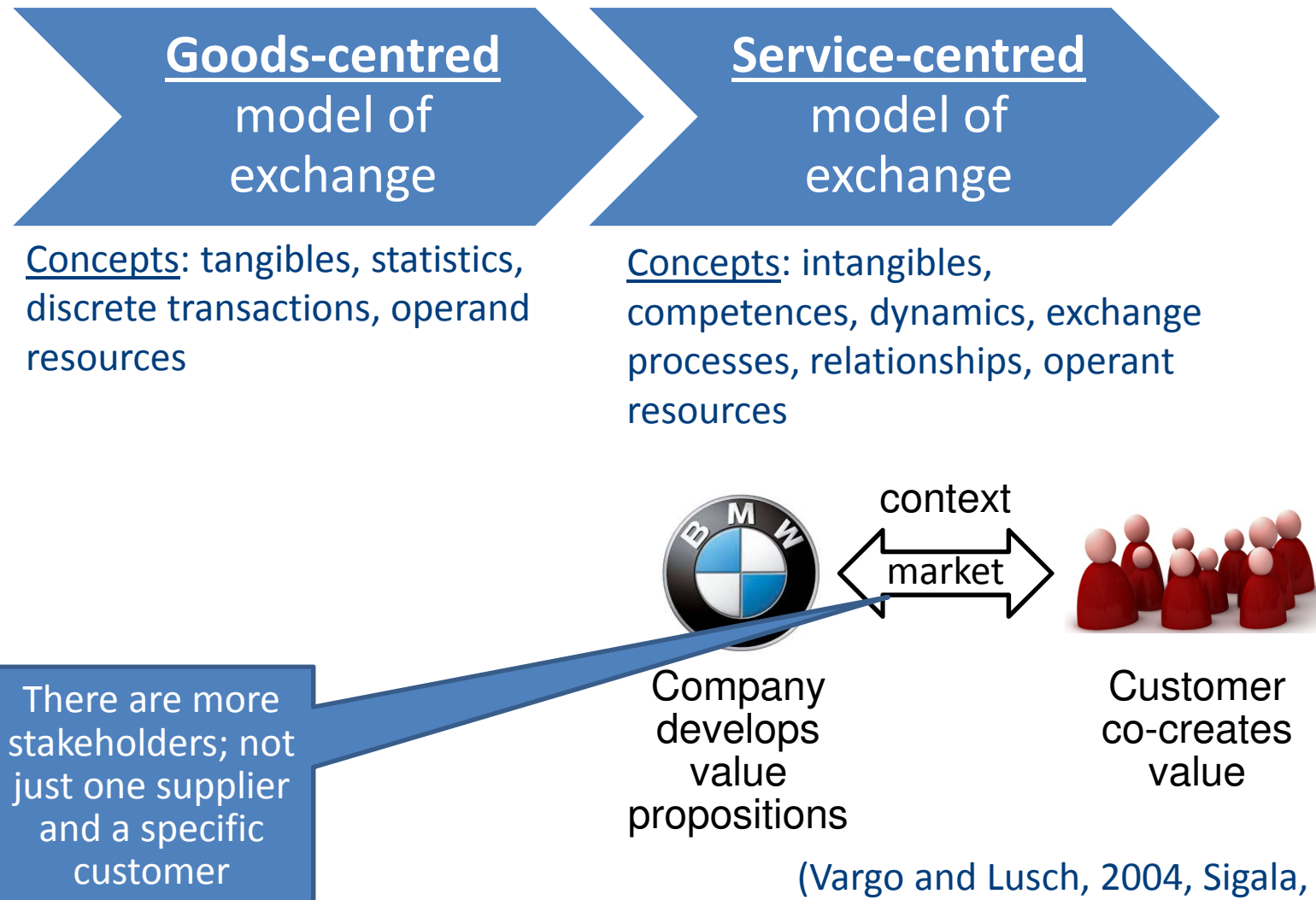
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# Service Dominant Logic

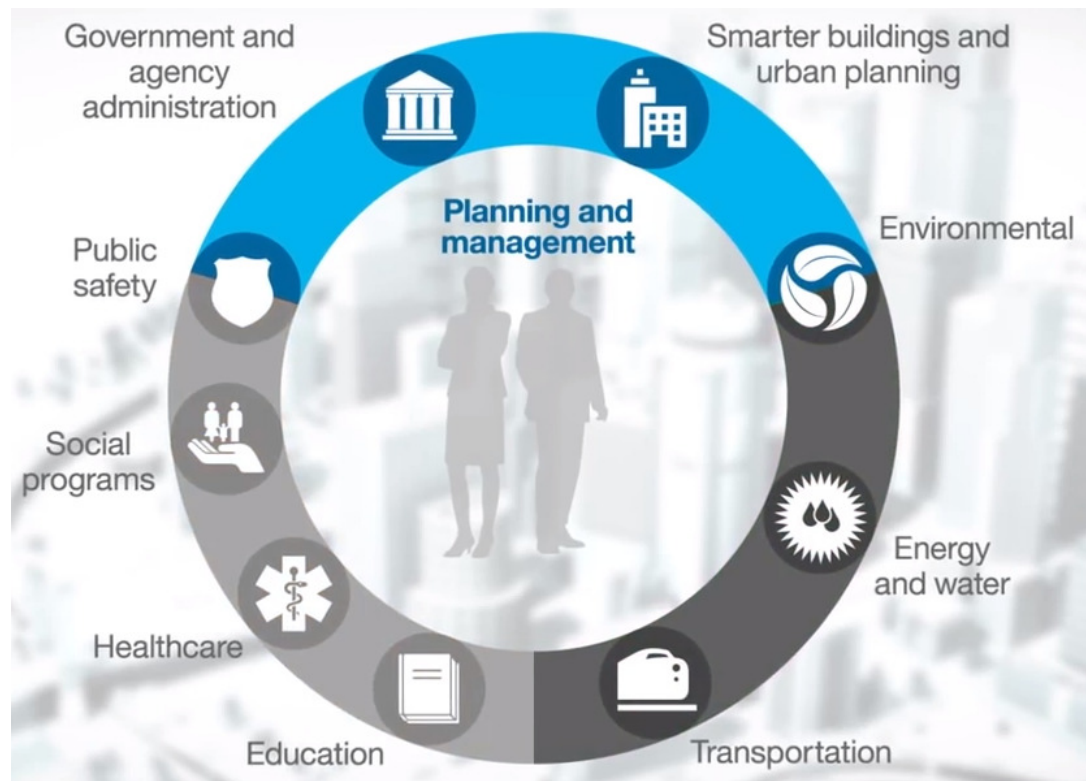


# Stakeholders



# Value-co-creation eco-system

Collaboration across groups | multi-stakeholder inclusion



# Example: Value-co-creation eco-system & participative pricing



ISCONTOUR 2014

International Student Conference in Tourism Research  
5<sup>th</sup> - 6<sup>th</sup> of May 2014 in Krems

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# Price | Participative Pricing

## price

- indicator for quality and cost-effectiveness Keane (1997)
- main selection criteria Eadington and Redman (1991)
- perceived to be fair Bieger and Laesser (2008)

## pricing

- common strategies (e.g. market-based pricing, skimming)
- participative strategies
  - Auctions Amor (2000)
  - Name-Your-Own-Price (NYOP) Hann et al. (2006); Shapiro and Zillante (2009)
  - Pay-what-you-want (PWYW) Kim et al. (2009); Theiner and Steinhauser (2006)



- sense of fairness
- relationship between quality, satisfaction, and price paid

## Pay what you want (PWYW)

- added value - prices are set by customers
- prices  $> 0$
- income and satisfaction are main drivers
- preferred over regular pricing
- positive word-of-mouth

Kim, Natter and Spann (2009); Haws and Bearden (2006)



## PWYW Examples



- **restaurants** – [www.roguewetbar.com](http://www.roguewetbar.com) (Canada), [www.deewan.at](http://www.deewan.at) (Austria), [www.lentilasanything.com](http://www.lentilasanything.com) (Australia)
- **destinations** (Stangl & Polster, 2011)
  - “Live – Qualitycheck” (LQC)



Project in Längenfeld (Tyrol, Austria)



# Methodology



## Online questionnaire

### drag and drop task

- select services for a 4 days 3 nights stay in Längenfeld
- 22 offers regarding type of accommodation and activities
- ranking of services regarding decision sequence

### price estimations

- Maximum Price
- Minimum Price
- Price perceived to be fair
- Price to be paid if as satisfied as with the last holiday

**demographics; price importance, cost effectiveness** (Zins, 2000); **price sensitivity** (Mazanec, 1995); **satisfaction** (Zins, 2000; Oliver, 1997),

# Results | Descriptive Facts

n = 775

high interest in PWYW: 77.9%

ø holiday package  
components = 4

(min. 1/22 – max. 19/22)

ø general price  
importance: 58.7%  
state at least 2

(ranging from 1=totally  
important to  
6 = absolutely  
unimportant



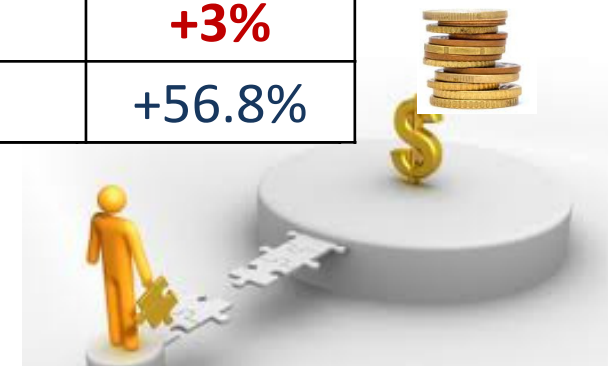
Special  
Package  
Deal

	Number of nominations (n=775 )	Ø ranking
3- or 4-Star Hotel	420	1.4
Bed and Breakfast	170	1.9
Appartement	117	2.3
Farm Stay	64	2.4
Spa Visit	444	2.7
Mountainbike-Tour	159	3.7
Guided Hiking Tours	114	4.0
Half-Board	355	4.1
Relaxing treatment	258	4.2
Vital Breakfast	243	4.9

## Results | Price Margins

	∅ price in €
Maximum Price	370
Fair Price	301
Satisfaction Price	310
Minimum Price	236

Price margins	
Price range (min price to max price)	134 €
Minimum price < satisfaction price	+31.4%
<b>Fair price &lt; satisfaction price</b>	<b>+3%</b>
Minimum price < maximum price	+56.8%



## Discussion | Theoretical Implications



- Nearly 80% are interested in PWYW
  - PWYW interested people are more price sensitive
  - Minimum Price below Fair Price below Maximum Price
  - Different segments
- important finding since unfair price results into dissatisfaction, decreased loyalty, negative WoM (Engeler and Laesser, 2008); Kim et al. (2009)
- **Value-co-creation eco-systems – not just smart-cities**

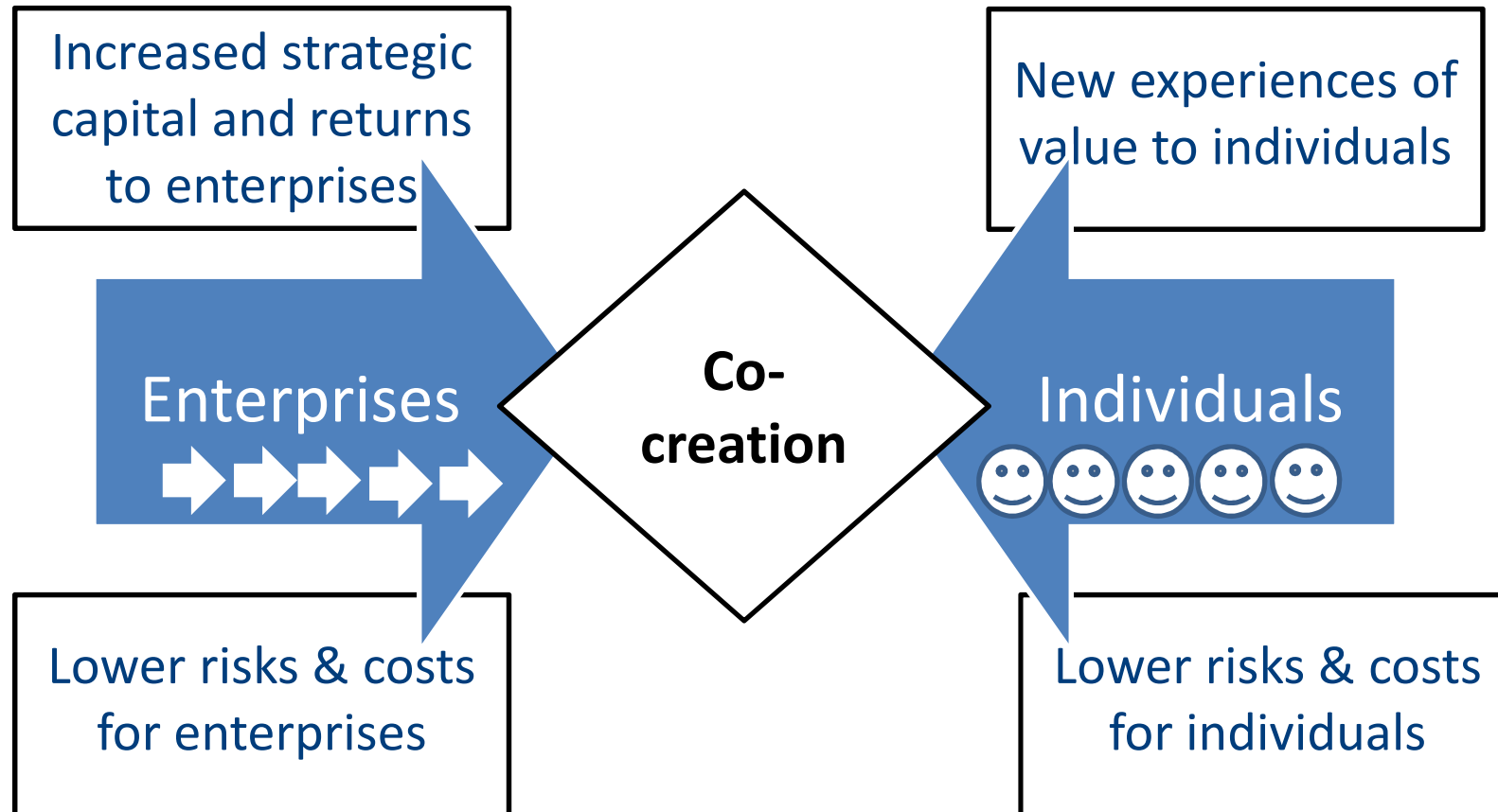
## Discussion | Managerial Implications



- value-co-creation eco-systems require collaboration – overcoming barriers is essential
- participative-pricing interested guests are particularly price-sensitive
  - satisfied – willing to pay more than price that is perceived as fair
  - dissatisfied – take advantage of PWYW and pay lower price
- temporary projects to:
  - control for degree of service quality (Keane 1997)
  - improve off-seasonal capacity utilization

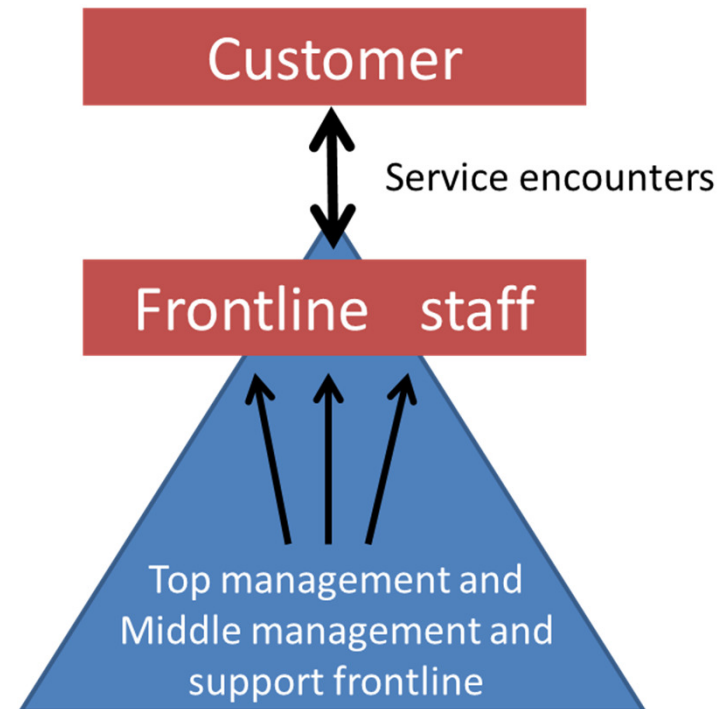
**HIGH POTENTIAL OF PARTICIPATIVE PRICING  
PROJECTS  
for tourism destinations**

# The four powers of co-creation



# We need to rethink ...

- Customer value
- Value creation
- Marketing
- Who are the actors (number & roles)?
- Market structure  
(relations/networks among actors)
- **Management mind-set**



# Implications for research

- New/ more different data sources
- Big data
- New models and theories
  - New customers
  - Value co-creation ecosystems
- Data analysis approaches
- Working in teams
- Co-creation
  - R-project
  - Living labs and open innovation
  - Research platforms (e.g., InnoCentive)
  - Crowd-funding (e.g., Indiegogo)



European  
Network of  
Living Labs

# Thank you for your attention!

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