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Designing Tourism Services and Experiences

Chapter outline

The tourism industry has long been about providing intangible services. *Service* is an interactive process of doing something for someone, which they value. Two major shifts in thinking by marketers about the service concept have been taking place in recent years. First, there has been a change to now regarding service value as something that is *co-created* by the customer in conjunction with the service provider. This has become known as service-dominant logic, and is contrary to the dominant paradigm that views service as something that is just provided by the business. In this regard, tourism is becoming increasingly based around the customer's involvement, which means tourism suppliers and consumers are engaging more closely at each stage of their relationship. Second, since Pine and Gilmore's (1998, 1999) treatise on the emergent *experience economy*, there has been increasing interest by firms in transitioning from providing services to staging memorable experiences. The challenge for tourism businesses in this new economy is to design an engaging experience that will be memorable for individual customers, and command a price premium for the business.

Learning aims

To enhance your understanding of:

- Service value as being co-created by the customer and the service provider
- The challenges in transitioning to the experience economy
- The key characteristics of memorable experiences

Key terms

Service

An interactive process of doing something for someone, which they value.

Service-dominant logic

A philosophy that views service value as being co-created by the service provider together with the customer.

The experience economy

A paradigm shift recognising the need to evolve from providing a service to staging an experience. The challenge in the *experience economy* is to design an engaging experience that represents a memorable event for the customer, and commands a price premium for the business.

Service-dominant logic

Service is an interactive process of doing something for someone, which they value. This goes beyond the moment the actual paid service is delivered and consumed. Service can also take place prior to purchase, such as providing information and advice. Service can also continue post-purchase consumption, such as offering a money back warranty, returning a lost property item, and keeping repeat customers updated with special offers and rewards programmes.

Providing intangible services has long been one of the key characteristics of the visitor industry. However, within the marketing field there is a paradigm shift away from thinking about service as being a product that is *provided* by a business. This product-dominant thinking is characteristic of an internal organisation orientation, which has a focus on production and promotion. What has emerged relatively recently, is service-dominant thinking, which has a more outward marketing orientation based on the needs of consumers.

Lean marketing: A personal touch and a free beer

A humble motel in the regional Queensland city of Mackay was the highest rated hotel in Australia for 2017 on the online booking site Hotels.com. The key to the success for the three year old property was free beer and a personal touch, according to the owner: "Our ranking on all those sites has been pretty high for quite a while and it's something we take a lot of pride in. We go the extra mile for our guests and show an interest in who they are and where they come from. We also offer them a free beer when they arrive, something for the weary traveller. It blows people away".

Source: Pierce (2017)

The critical concept underpinning service-dominant logic (S-D) is *value co-creation* (Vargo & Lusch, 2004, 2008). This goes beyond the world view of service as something that is provided to a customer, to one where service is co-created. Within S-D logic, service value is co-created, by the supplier's value proposition (see 7: *Tourism Branding*) and the customer's consumption experience. What consumers generally value in a proposition, when comparing available offerings, will be on the basis of price or quality (e.g. cheaper, faster, or better). The customer decides whether value has been delivered, and this will depend on their individual expectations, previous experiences, the price they paid, and the extent they themselves take advantage of, and participate in, the consumption opportunities offered. A competitive edge can be gained by using operant resources (intangible skills and knowledge) to engage with consumers in a way that is superior to how competitors use their resources.

The importance of people in delivering service

To paraphrase the late management guru Peter Drucker, *culture eats strategy for breakfast*. The best laid marketing plans will come to nothing if staff are not motivated to deliver. It is important to remember that people are required to deliver tourism services. This seems like an obvious statement, and yet consider how many frontline staff are the lowest paid in hospitality businesses. Frontline staff who are engaging with customers really are *the stars of the show*. All workplaces have a culture, whether cultivated or not. Therefore it is critical to consider the type of collective purpose that will best deliver job satisfaction, customer satisfaction and return on investment; and then to lead, inspire and nurture this consistently over time. Perceptions about employment in the tourism industry are sometimes negative, and staff retention levels low, with key concerns including low wages, long hours, difficult customers, and few opportunities for career progression. This presents opportunities for businesses that develop a culture that makes for an attractive employer brand. Keep in mind the management axiom that if you get the workplace culture right, all the other stuff will take care of itself. Cultivating a service culture necessitates treating employees as internal customers, and empower them to *use their own best judgement* to solve customers' problems.

The customer is not always right, and they don't always know what they want to satisfy a need

The customer is not always right, and they don't always know what they *want* to satisfy a *need*. There is a fine balance between designing services based on consumers' *needs*, and understanding their *wants* might be limited by their imagination. Revolutionary new products such as the cell phone, jet ski, light bulb or ice cream cone, for argument sake, would not have eventuated if marketers only listened to consumers' *wants*. Indeed, successful new product ideas that were