Operations Management of Tourism Enterprises Based on the Concept of Experience Economy

The aim of the article is to formulate new principles and approaches to managing operating activities of a tourism enterprise, with regard to the requirements of the concept of experience economy. In the article, the essence of the experience economy and its main features is defined. The main arguments for the development of this concept are identified, in particular, motivational techniques, growing competition in the travel services market, and rising consumer expectations. Using the Kano model, the main attributes of tourism products are formulated based on the requirements of the experience economy. Moreover, the types of experience that a tourist gains when consuming tourist services are highlighted. A new approach to the formation, promotion and implementation of a tourism product, where each process is associated with the client’s receiving a certain experience, emotions, is considered. A special role in this is given to mobile information technologies. This is an important requirement concerning, first of all, the target segment of this tourism product represented by Generation Z consumers. To assess effectiveness of the tourism product under study, it is proposed to use customer loyalty indicators, which are based on the emotional component of the tourism product. In the article, it is given calculation procedure of indicators such as NPS (Net Promoter Score), Customer Effort Score, Consumer Satisfaction Index, Secure Customer Index. These indicators allow to demonstrate a long-term effect and are most correspondent to the essence of the experience economy since they provide, first of all, an emotional, not an economic assessment.

Keywords: experience economy, tourism enterprise, tourism product, management.

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Кравцов С. С. Операційний менеджмент туристичних підприємств на основі концепції економіки вражень

Мета статті полягає у формулюванні нових принципів і підходів до управління операційною діяльністю туристичного підприємства з урахуванням вимог концепції економіки вражень. Визначено сутність економіки вражень і її основні риси. Основними аргументами для розробки цієї концепції було визначено такі як: мотиваційні технології, посилення конкуренції на туристичному ринку та підвищення очікувань споживачів. Використовуючи модель Кано, сформульовано основні атрибути туристичного продукту з урахуванням вимог економіки вражень. Також наведено види вражень, які отримує турист під час споживання туристичних послуг. Проаналізовано нові форми туризму, що забезпечують оригінальні емоції туристичним підприємствам. Розглянуто новий підхід до формування, просування та реалізації туристичного продукту, де кожен процес пов’язаний з отриманням клієнтом певного досвіду, емоцій. Особливу роль при цьому відведено мобільним інформаційним технологіям. Це є важливою умовою, перш за все, для такого цільового сегменту цього туристичного продукту, як споживачі, які представляють покоління Z. Для оцінки ефективності впровадження подібного туристичного продукту запропоновано використовувати показники лояльності клієнтів, які базуються на емоційній складовій туристичного продукту. Підготовлено порівняння таких показників, як індекс лояльності клієнтів, оцінка зусиль споживача, індекс завданості споживача, індекс надійності клієнта. Ці показники дозволяють продемонструвати довостроковий
Services as well as goods are associated with impressions. Using any service, the consumer experiences certain emotions. If the impressions are positive, the client will want to use this service again. In today’s world, services are in great demand among consumers since people get positive emotions not only from the process of using services but also from a particular action that is done for them. Under conditions of overabundance of goods and services on the market, it is very important for a consumer not just to get goods for some practical purpose but to receive positive emotions from the purchase. It is exactly the psychological aspect that is the basis of the modern experience economy, where the sale of goods and services is carried out with the help of competently organized impressions. The main thing that a tourism enterprise should strive for is making their consumers admire, giving them more than they could expect. Tourism as a business of organized travel for bright unusual impressions has endless benefits if it is based on the experience economy.

The implementation of experience economy in tourism enterprises is the object of research for many recognized professionals. Theoretical and methodological aspects of this problem are considered in a vast number of their research works. For example, in 1996 Rolf Jensen argued that society needed stories and would pay for them [1]. It was the first attempt to formulate the concept of experience economy that was developed later. Some scholars developed guidelines for managing consumer behavior in the experience economy [2]. Other academics explore the effects of emotional experience and place attachment on customer satisfaction [3]. However, it is necessary to clarify what changes should be introduced in operations management of a tourism enterprise to make it adequate to requirements of the experience economy.

The aim of the article is determining ways to form operations management of a tourism enterprise based on the concept of experience economy.

The idea of considering consumption as an experience, not a single event or a solution, was developed in the book «The Experience Economy» by B. Joseph Pine II and James H. Gilmore [4]. The authors divide impressions into four types based on such characteristics as the degree of customer participation and the degree of involvement. This approach is also described by B. Schmitt [5], S. Chang [6], J. Hwang and J. Lee [7], J. Zabin and G. Brebach [8]. In the book «The Experience Economy», B. Joseph Pine II and James H. Gilmore give the following definition of experience, «Experiences are the fourth economic proposal, which is as strikingly different from services as services from goods» [4].

The experience economy, through innovations, contributes to a qualitative modification of the needs of an individual and, at the same time, to the expansion of opportunities for their self-realization in interesting work, career growth, more varied ways of spending leisure time, creating a basis for enhancing material well-being, overcoming civilization diseases peculiar to a person’s way of life in modern society. This makes it possible to define it as an innovative factor that ensures an improvement in the quality of life and contributes to the further development of human capital.

To deserve consumers’ admiration, it is firstly necessary to learn, what they admire. In 1984, the Japanese scientist Noriaki Kano developed the concept of Attractive Quality Creation. «The Kano model assumes three different attribute types – basic, performance, and delight – that collectively constitute the customer experience… The three attribute types are mapped in a coordinate system with «Customer Satisfaction» up the y-axis and «Degree of Achievement» [how well a feature is executed in the product] along the x-axis» [9].

The Kano model is extremely important for the current stage of the development of the travel services market, especially with the advancement of the experience economy. Thus, we will take a thorough look at these attribute types using examples from the tourism industry (Tbl. 1). In relation to this industry, with the advancement of the experience economy, the main principle of the Kano model is to supplement a tourism product with such a characteristic that can surprise clients, make them admire and share their experience with others.

B. Joseph Pine II and James H. Gilmore, in their book «The Experience Economy» divide experiences into four types based on such attributes as the degree of customer participation and the degree of customer involvement: educational experience, esthetic experience, entertainment experience, escapist experience [4]. The four dimensions of experience can be effectively used to keep the position occupied by the tourism enterprise in the market segment or to expand its presence in the market and attract the potential consumers for the purpose of increasing its competitiveness. All requirements for tours in view of the requirements of the experience economy can be
classified into four groups based on the 4Ps of marketing, developed by academics from the American University of Iowa A. M. Fiore, L. S. Niehm, H. Oh, M. Jeong and C. Hausafus.

Table 2 shows the essence of the 4Ps and gives examples of how these components can contribute to the strengthening of the categories of the 4E concept in a tourism enterprise.

### The Kano model in the tourism industry

| Types of attributes | Essence | Example from the tourism industry |
|---------------------|---------|-----------------------------------|
| Basic               | These represent features that are so basic to the product that your customers simply expect them to work. These features are often taken for granted so customers rarely consciously look for them | - clean towels or sustainable furniture in the hotel; - in the case of air travel, it might be that the flight won’t be cancelled or that having a ticket guarantees you a seat on the flight |
| Performance         | These are features where there is a direct correlation between the degree of achievement and customer satisfaction. Thus, companies tend to compete on these attributes, differentiating their product by spending more (or less) than their competitors on particular performance attributes | - the less time a visitor waits for checking in at a hotel, the more performance attributes are satisfied; - in the case of air travel, it might be how much legroom you have (first & business class gets more than economy class) |
| Delight             | These represent the unexpected – when your company delights customer by over-delivering or doing something out of the ordinary | - in the case of air travel, it might be getting food that actually tastes good |

Source: developed by the author based on [9]

### Examples of the 4Ps contributing to the formation of clients’ experience in the tourism industry

| The 4Es | Properties | Product presentation | Promotional applications | People |
|---------|------------|----------------------|--------------------------|--------|
| 1       | 2          | 3                    | 4                        | 5      |
| Educational experience | The natural environment of a local winery allows visitors to taste different varieties of grapes used in wine production | The signage explains features travelers see on the route | The tourism brochure provides historical information about attractions accompanied by a quiz for children | On the guide’s uniform t-shirt, a map of attractions visited during the tour is printed |
| Esthetic experience | Stone sculptures bring out the beauty of an arboretum | The aroma of bonfire increases pleasure of outdoor recreation | Business cards of managers of a travel agency organizing tours in autumn are made in rich colors of autumn leaves | The uniform of employees is made in bright colors of surrounding landscapes |
| Entertainment experience | Observing travellers participating in a maze from a tower adds excitement to tourists | The stand on which the route maps are placed looks like a giant hiking boot | Advertisements that promote river tours are decorated in the style of famous films related to this theme | A fishing guide tells funny stories about past fishing adventures |

Modern travelers are sophisticated and demanding, so their attention can be attracted only by moving away from stereotypes and making unique offers in the accommodation and tourism market.
Therefore, in the time of growing global competition and especially constantly rising expectations and continuous pursuit of novelty, surprise and delight, the «intuitive» activities offered so far are insufficient.

It’s becoming necessary to construct emotional tourism products in a professional way (purposefully and consciously), gradually and patiently building total customer satisfaction, using the method of «small steps», i.e. providing a number of tiny satisfactions. The tourism product and the impressions should interact in different situations. Each product is supposed to have some correlation with the impression. The most important measures that aim at multiplying and intensifying tourists’ experience include:

- transforming the tourism infrastructure itself into tourism attractions;
- using modern technologies in order to expand real tourism space;
- introducing new forms of recording tourist experience and ways it can be shared with the general audience.

Traditional tourism packages have a limited potential, even if the latest technologies are used and real, bright emotions are added. It is necessary to look for completely new recreation spaces as well as developing new forms of tourism to provide its participants with an original experience and extreme emotion (Tbl. 3).

After analyzing, it turns out that the tourist’s sensations, excitement, satisfaction with a stay at a given place are more important than the travel services provided. The images and feelings born in the tourist’s mind form a mental space, which

Table 3

| Type of tourism      | Forms of tourism to provide an original experience                                                                 |
|----------------------|--------------------------------------------------------------------------------------------------------------------|
| Event tourism        | The main purpose is to take part in an organized cultural and entertainment event held at a set time and place. Such events include festivals, fairs, open-air shows, carnivals, parades, concerts, art exhibitions, trade fairs, and state celebrations. Personal attendance guarantees maximum experience intensity |
| Sports tourism       | Nowadays, crowds of sports fans travel not only on the occasion of grand sports events (e.g. Olympic Games) but also popular regular events of a European or even global scale (e.g. UEFA Champion League). Fans are attracted above all by the sports event itself – a planned and staged performance with an unpredictable ending, which gives the spectators gradually increasing emotions culminating at the end of the show |
| Culinary tourism     | Eating may be a sophisticated way of learning about the world, different tastes, cultures, customs and traditions. It may also be an invitation to a dialogue, a pretext to get to know another human being. Gastronomy can also be treated as a source for satisfying needs of a higher order: enjoying oneself, acquiring new skills, celebrating special moments, seeking unique flavors and esthetic experiences, and having the sense of luxury |
| Literary and film tourism | These are journeys during which tourists follow the traces of great artists (writers, actors) and their masterpieces. They have the opportunity to reflect on and personally experience art. Despite the fact that tourists usually see quite ordinary landscapes or houses, the fact that they were placed in the world of fiction gives them the charm of an unusual, magical dimension. This is proved by the trips made by thousands of tourists, following the footsteps of characters from books by Rowling (Harry Potter) and Brown (Da Vinci Code) |
| Adventure tourism    | The main attraction is activities in the open air, strongly depending on the terrain, generally requiring sports or other equipment and guaranteeing emotions to the participants of the trip. The features that describe adventure tourism are: an elevated level of risk; uncertainty of results; challenge; experiencing something new; excitement; stimulation of the senses; escape and isolation; involvement in and concentration on the activities, etc. It is easy to notice that practically all these belong to the sphere of emotions, sensations and impressions |
| Extreme tourism      | This type of tourism is based on the need to relieve stress and fulfill oneself in natural environment, and its essence is experiencing very strong emotions, which are often accompanied by physical exhaustion and a high risk of losing one's health or even life. This type of activities includes rafting, canoeing, survival, cross-country car racing, bungee jumping, or extreme skiing (free-skiing, hell-skiing, ski-alpinism) |
can expand, the more so since it is not a perfect reflection of the real space and can easily be modified, improved and made more attractive.

One of the requirements when using methods of the experience economy is taking into account demand of consumers, whose views and interests have undergone significant changes over the past 50 years. Until recently, tourism focused on the needs of the Millennials, who were satisfied with the classical forms of sales and organization of tourist trips. Yet today, you need to look for new marketing arrangements that could appeal to such discerning customers as Centennials (Generation Z) – people born after 1995, i.e., in the era of the Internet and gadgets. Each their step is followed by using an application in the smartphone. Generation Z does not see the boundaries of virtual and real, is the subject of a multicultural environment, has immunity to advertising. Centennials need a continuous interactive communication at every stage – from the sale to the comments on the social networking page about the experience gained. In the travel segment, the potential of emotional purchases is underused. The essence of tourism enterprise development strategy, as part of the experience economy approach, lays in determining the interests of the tourist in obtaining certain emotions from the tour.

For clients to understand the essence of the experience economy, it is necessary to develop an online platform with a survey that can help find a real experience tour, not just a package tour with accommodation and transfer. The destination of the tour should be a secret, so the tourist him/herself would not know actually what tour package he/she will receive. Talking about the way it works, the person who is looking for an extraordinary experience should answer some simple questions in an interactive survey in the tab «Experience travel» on the website of tour operator. Then the manager will pick up the tour that will fit the request. In that way, firstly, the customer feels excitement from non-acquaintance with the destination, and then he/she is impressed by the trip that meets all his needs and contributes to the interests. A generalized scheme of conducting the survey is depicted below (Fig. 1).

| What emotional experience do you want to get? |
|---------------------------------------------|
| enjoyment | amusement | astonishment | romantic feelings | fear | etc |

| What emotional experience DON’T you want to get? |
|---------------------------------------------|
| enjoyment | amusement | astonishment | romantic feelings | fear | etc |

| Who goes with you? |
|-------------------|
| alone | family/ child | couple | friend | other |

List the places you’ve already visited

Complete

Fig. 1. The process of conducting a survey in the tab «Experience travel»

Also, it can be useful to add the point with a question about the tourist’s interests. It will help the manager to thoroughly develop the route and add a number of impressive excursions that would suit the preferences of a particular customer. For example, considering the interests of a tourist can assume including the following aspects in the tour product:

1. Culinary: excursions to enterprises (e.g., to a family cheese factory or an old winery); master classes from popular chefs; gastronomic tours that focus on a certain product – for example, coffee or chocolate (Lviv).

2. Spiritual: trips that combine spiritual practices, getting acquainted with authentic cultures and visiting sacred places; practices of individual self-improvement; trips to sacred «power places» – so called places on the planet that are famous for their special and strong energy.

3. Photography: photo tours as a combination of active rest and photo school; the main feature of the tours is the focus not on famous routes and public sights but on picturesque locations that one wants to capture.

This point is also related to new forms of creative tourism that provide experience mentioned in Table 3. These forms can be used as part of a tour product, i.e., chosen by the manager for a tourist taking into account his/her interests. For a successful implementation of the project, it is necessary to clearly define the possible market share, more distinctly understand the needs and demands of consumers, realize who the products are designed for. Market segmentation is the first step in this direction. It is necessary to build a strong targeting policy since the idea of secret tours can be interesting not for all people.

A market segment is a group of consumers who possess one or several common features that determine the behavior of consumers in the market (Fig. 2).
Thus, the consumer market was divided into 4 segments: 3 separate and a mixed one. Using the segmentation, the tour operator can concentrate all its efforts on the target audience: identification and satisfaction of the true needs of the client, learning how to understand the client better. The data obtained are an excellent basis for improving the services and product differentiation of the company.

Since communications with the company is very important, measuring customer satisfaction is a fundamental tool in determining efficiency of using the principles of the experience economy in a particular enterprise. The marketer Duff Anderson, who has been studying consumer behavior for more than 20 years, proposes to rely on four basic customer experience metrics [11]:

1. Overall Satisfaction, which is measured by evaluating the answer to the question of «How would you rate your experience today?» on a scale of 1 to 9 (the highest score – 10 – being set apart) – due to this, the results are more representative;
2. Net Promoter Score, which is a metric designed to evaluate customer readiness for repeat purchasing;
3. Visitor Intent, which shows the aim of the client’s visiting travel sites;
4. Task Completion, which is used to separate successful visits from unsuccessful ones and clarify the causes.

We propose to use a few metrics to evaluate an enterprise that operates based on the principles of the experience economy: NPS (Net Promoter Score), CES (Customer Effort Score), CSI (Customer Satisfaction Index) and SCI (Secure Customer Index) [12].

Net Promoter Score (NPS) allows to segment customers into:
- Detractors (critics) – dissatisfied customers who may give negative feedback about the company;
- Passives (neutrals) – satisfied but not loyal to the company customers, who, in the case of better offers, will move to competitors;
- Promoters – loyal customers, who recommend a company, product or service to their friends, ensuring an influx of new customers.

Net Promoter Score shows the relationship between the number of customers loyal to the company and its prospects.

Therefore, the information about the number of promoters and detractors is very important for calculating NPS.

The more promoters the company has, the more clients they will attract. Loyal customers, together with new ones, ensure the growth in profit. The following statistics confirm the absolute impact of NPS on the company’s profit and reputation (Fig. 4).

A 2 % increase in loyalty results in a 10% reduction in costs, which in turn leads to a 16 % growth in profit on average without an increase in sales and prices [12].

Consumer satisfaction is often measured on a continuous basis. Organizations can evaluate the values of indicators on a quarterly basis with comments on qualitative data. The company can also conduct one annual study to compare their results with those of other organizations. The source of the data is customer surveys and interviews.

Nowadays every tourism enterprise declares total customer orientation. Taking into account peculiarities of the tourism industry, activities of enterprises involved should be organized in the way that customers can get impressions. In view of this, we recommend to use approaches of the experience economy, when the sale of products and services is carried out through competently organized impressions. Companies, through their influence on perception and emotions of con-
Consumers, should tend to win customer loyalty to their brand and increase sales. In the modern economy, every tourism product or service should create new unusual impressions, which the buyer needs. It means that the company should provide consumers not only with goods and services but also with the emotions associated with them, which gives a wide range of feelings. Tourism enterprises attract more and more clients, which, as a consequence, affects their qualitative and quantitative indicators. Competent and skillful implementation of principles of the experience economy will allow them to increase the number of competitive advantages, which is important in times of fierce competition.

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