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Small and medium size (tourism) businesses' and tourism developers' perceptions of co-creation and customer involvement



Introduction

- The role of a customer in product and service development processes
- Co-creation
- Changing customer lifestyles, increasing using of the social media and customer's willingness to be active participants in the production of their services
- Co-creation of services has not been studied much in marketing literature or in tourism studies.
 - there has been some research e.g. on how customers are collaborating with firms and other actors (see Frow et al., 2010; Payne et al., 2008; Vargo, 2008; Woodruff and Flint, 2006).
 - different co-creation practices between businesses and customers are examined very scarcely.

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- User-driven innovation and involving customers in innovation processes is applicable in tourism industry because in tourism the consumer-producer interaction is closer than in many other sectors (Hjalager, 2010).
 - Research gaps: E.g. user-driven innovation practices, methods, and drivers and constraints for the implementation of user-driven innovation in tourism.
 - Co-creation in tourism is mainly studied by *introducing diverse cases of different co-creation practices in business-customer relationship* (e.g. Binkhorst and Den Dekker, 2009) and in *business-business relationships* (e.g. Hjalager and Konu, forthcoming, 2011).
 - Lack of empirical studies in this field.

Aim of the study

- The aim of this study is to examining co-creation and customer involvement activities between businesses and customers.
- In more detailed the goal is to identify what kind of customer information is used in tourism product development processes (especially in SM(T)Es) and what kind of co-creation methods and approaches are adapted and used by businesses and tourism developers in destinations.

In what extent businesses and tourism developers work with co-creation practices and what methods they are using in product and service development?

Theoretical background

- Servic-dominant logic (Vargo and Lusch)
- Customers as co-creators of value
- Customers' interaction/dialog with suppliers during e.g. product design, production and consumption
- Role of a customer has become more connected, informed and active
- Customers can be involved in product and service development processes different ways

- The term co-creation is used instead of user driven innovation, because the focus is on the entire process of involving customers in new service/product development

User-driven innovation approaches

(Hjalager and Nordin, forthcoming 2011)

	Involvement of many users	Involvement of a limited number of users
Users as passive suppliers of information	Tapping data Customer surveys Complaints collections and analysis Guest/visitor books analysis Blog mining Product ratings	Interpreting information Customer interviews Critical incidents interviews Focus groups Observation of user behavior User panels Dairies
Users as active co-developers	Nurturing creativity Communities of users Open calls for product development and configuration	Experimenting and testing Lead user communities Innovation camps Co-production and tool-kits

Data and methods

- The context of this study is wellbeing and wellness tourism and the empirical data for the study is collected from three tourism areas in Finland aiming at developing themselves as wellbeing tourism destinations.
- Data were collected by using thematic interviews
- Altogether 36 interviews were conducted during the fall 2009 and spring 2010. The interviews took from 27 minutes to two hour.
- Interviews were analyzed by using content analysis.
- In this study, only the part of the interview that is related to co-creation and customer involvement is used and reported.

Customer involvement and utilization of co-creation methods

- Almost all respondents recognized the importance of customer information and customer involvement in product and service development.
- Most of the respondent used customers as passive source of information.
- The information customers provided was used in product and service development processes, mainly as starting point of a new product or service, and also as guiding information when businesses were deciding, for example, investments to facilities.

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- Some of the interviewees felt that the customer information is very scarcely utilized in tourism development in their areas.
 - The role of social media and ways to utilize it was seen important.
 - However, only few of the respondents said that they are using social media and information and communication technology (ICT) in their own activities.
 - This opportunity was mainly recognized as something that should be used and something that is planned to do in future.

Users as passive suppliers of information

- Methods that included to categories tapping data and interpreting information were the most common ones used among the interviewees.
- Widely used methods: customer surveys and feedback forms to get customer opinion, for instance, concerning the quality of services.
- Complaint collection: face-to face and social media
- One of the most used methods of interpreting information was customer interviews (also informal discussions with customers).
- Close interaction with customers → highlighted the importance of interaction.

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- One entrepreneur combined customer interviews and observation as she wanted to get continuous feedback and opinions of customers on her products:

*" I involve customers very closely all the time... ...when we have started the **conversation** I will pay special attention on what kind of **feedback** they give and **what kind of feelings they have** had during the excursion and so on... ...It is more like this kind of **dialogue**... ...then a person can tell how (s)he feels but (s)he can also decide not to tell. I also try to have conversations with customers **during the service product** so that we can get ideas and responses from him/her **in different phases of the service**. The customer doesn't even necessarily feel or realize that we are getting valuable information from him/her. This way I can also see different **facial expressions and body language, 'the whole thing'**, instead on having some neutral responses on paper." (Female 6S, free translation of the author.)*

Users as active co-developers

- Involving customers as active co-developers was rather rare.
 - Only few respondents that said they are using methods such as researching of user communities or making open calls for product or service development and configuration.
- Example: Business which develops products for wellbeing services. They have sent prototypes of a new product (swimming exercise equipments) to indoor swimming pool facilities in Finland to test use, and asked users and physical education instructors to give feedback of the usage of them.

“ We sent those in 300 places for group use and asked the instructors to give us feedback how the equipments work. In addition, we launched a competition [for the instructors and customers] and asked what kind of exercises one can do with the product. From the 300 places we got extremely good exercise ideas. In addition we got feedback how the equipments work and we also made some changes to the actual product based on some suggestions by customers.” (Female 5J, free translation of the author.)

→ The business got good ideas from the end users (customers) and got recognition for their products which also gave them an advantage over their competitors.

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- Tourism developers were the most educated concerning the new types of customer involvement methods. One of the respondents mentioned that they are using service design and ethnographic methods to find out latent needs and desires.
 - Co-operation with local media to get a forum where local people could assess and comment different product ideas.
 - The organization have also involved customers in content creation for products: “...we have gone on a path of stories and storytelling, and we want people to participate on that process. We get know-how and ideas from them, but on the other hand they can also be our future customers...” (Female 9J, free translation of the author).
 - The overall goal was to involve customers more comprehensively in different phases of the product development processes from idea creation and testing to content creation.

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- None of the interviewees said that they are using methods of *Experimenting and testing* (Hjalager & Nordin, forthcoming 2011).
 - One entrepreneur mentioned that they have planned new way to collect information from their customers by using technology.
 - The business works in wellbeing and wellness industry and it is interested in providing more customer-oriented and customized services. They have planned that they could ask their customers to wear a “tracking-chip” that would collect information e.g. what kind of exercises they like to do. This way it is also possible to measure what are the effects of doing different exercises, and lead e.g. to customization of training programme on real time basing on the customers’ needs.

Conclusions and discussions

- The results showed that in the three areas traditional customer information was the most commonly used → The co-creation methods used were focused to get this kind of information.
- Some of the entrepreneurs and developers were involving customers in diverse ways in their product development processes.
- New possibilities for co-operation e.g. provided by social media were recognized.

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- Some of the interviewees acknowledged the importance of customer interaction and they were aware diverse ways that could be used to utilize customers better in different phases of a product development process.
 - However, many of them said that these kinds of things are important in future but they haven't had time to get into these issues. Also other constraints than time, e.g. lack of money and know-how, have affect the usage of these kinds of methods.
 - Using secondary customer information
 - The development organizations had more information and were using more customers as active co-developers.
 - At the moment constraints, such as time, money and know-how, of small and medium size tourism enterprises are the biggest challenge in development processes and adapting methods of co-creation which require more inputs and investments of resources.

Future research:

- Attention should be paid on both the obstacles and drivers of co-creation for tourism businesses.
- Especially it is important to examine what kind of benefits the SM(T)Es should receive that they see co-creation and customer involvement worthwhile.
- Also a need to study more detailed what different practices of customer involvement are used in different phases of product development processes.
- In addition, there is a need to find out what ways and on what phases of the development process customers are willing to participate.

Thank you for your attention!

Questions, comments?



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