



Value creation and knowledge development in tourism experience encounters



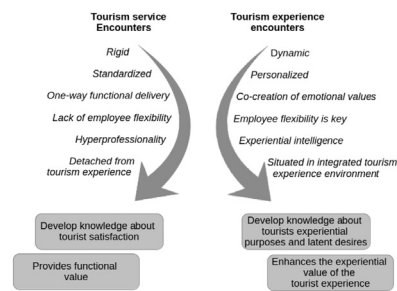
Flemming Sørensen*, Jens Friis Jensen

Department of Communication, Business and Information Technologies, Roskilde University, Denmark

HIGHLIGHTS

- Traditional tourism service encounters limit knowledge creation.
- Tourism experience encounters support knowledge and value creation.
- In a field experiment tourism experience encounters were developed in a design hotel.
- The analysis of the experiment shows the benefits of experience encounters.

GRAPHICAL ABSTRACT



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ABSTRACT

It has been argued that service encounters between front-line employees and users support the development of knowledge about users' needs. However, the potential for this often remains unused, not least in tourism. This article argues that if tourism service encounters are changed into 'experience encounters' by integrating them into the tourism experience to which they are related, this will create added experiential value for tourists and increase the creation of knowledge about users. This is illustrated in an innovation field experiment in a retro design boutique hotel in which service encounters were developed into experience encounters. The experiment illustrates the potential that experience encounters have to create knowledge and value, but also suggests some barriers that need to be overcome.

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1. Introduction

Tourists are an important source of knowledge for tourism companies (Hall & Williams, 2008; Poon, 1993). Knowledge from and about tourists is, above all, important for user-based innovation (Hjalager & Nordin, 2011; Sørensen, 2011). Different methods of collecting and developing knowledge about users and their demands (e.g. surveys, observations, focus group interviews and workshops) are available to tourism organisations (Hjalager &

Nordin, 2011; Veal, 2006). However, in this article we focus on another important knowledge source, one that has received little academic attention, namely *service encounters*. In service sectors the production and delivery of services are often based on encounters between front-line employees and users (Gallouj & Weinstein, 1997). Service literature has emphasised how these *service encounters* can be an important source of knowledge about users (Alam, 2006; Toivonen & Tuominen, 2009). In tourism, knowledge creation in service encounters could be a particularly interesting opportunity for tourism companies to develop their knowledge (Sørensen, 2011), because tourism experiences generally rely on a number of encounters between tourists and tourism employees (Baum, 2005). However, it has been shown that tourism

* Corresponding author. Tel.: +45 20 78 50 71.

E-mail addresses: flemmiso@ruc.dk (F. Sørensen), jensfj@ruc.dk (J.F. Jensen).

companies have difficulty utilising this potential, because, for example, front-line employees are generally not involved in knowledge development in tourism companies (Sørensen & Jensen, 2012). In this article we argue that the character of tourism service encounters themselves is a significant barrier to knowledge development in tourism companies. We limit our focus to tourism companies that have direct contact with incoming tourists. This includes destination-based companies such as attractions, hotels and restaurants. We argue that service encounters in such companies often function as facilitators of standardised and rigid one-way service deliveries. This is a paradox in an experience intensive sector such as tourism in which customers seek and pay for experiences above everything else. We will argue that changing these encounters from service encounters to *experience encounters*, whose main function is experience creation, will raise the value of the encounters for tourists and increase the knowledge creating potential in tourism. This is demonstrated through an *innovation field experiment*. The experiment was carried out in a retro design boutique hotel in Copenhagen, and introduced a number of new practices to the hotel that were aimed at changing its service encounters into experience encounters. The analysis of the experiment shows how the experience encounters resulted in increased value for tourists and in new knowledge creation about the hotel's visitors, and created new innovation potential. All in all, this resulted in different types of value creation for the hotel and its customers.

The article is structured as follows. First, the potentials and barriers of service encounters for knowledge development and value creation in tourism are discussed. Second, experience encounters are defined, and suggestions are made about how experience encounters may provide new opportunities for knowledge development and value creation in tourism. Third, the method of the experiment is presented. Fourth, the empirical findings are reported. Finally, the main conclusions of the article are summarised and discussed.

2. Service encounters, knowledge and value creation in tourism

Service encounters have been investigated in relation to their role in customer satisfaction (Bitner, Booms, & Tetreault, 1990). They have been characterised as the 'moments of truth' (Carlson, 1989) because of their central role in customers' evaluations of services. Furthermore, service encounters are potentially important sources of knowledge creation and innovation in a variety of service sectors (Edvardsson, Gustafsson, Johnson, & Sandén, 2000; Sørensen, Mattsson, & Sundbo, 2013; Toivonen & Tuominen, 2009). However, this capacity depends on a number of organisational conditions such as service organisations' inclination to involve front-line employees in innovation processes, the front-line employees' work culture, and the organisations' internal communication capabilities (Sørensen et al. 2013). Thus, proper management of service encounters is crucial for delivering satisfactory services and for knowledge development and innovation.

In tourism, the service encounter is crucial to the user experience (Baum, 2005) because production and consumption are inseparable in this sector (Crang, 1997; Smith, 1994) as in many other service sectors (cf. Gallouj & Weinstein, 1997). However, tourism represents an extreme case because of the fundamental role of the service encounter in the user experience. This 'tourism experience', which represents the essential motivation for users to engage in the consumption of tourism services, is typically constructed through a number of service encounters at a destination (Weiermair, 2000). In most service sectors the service encounter is a *means* of production, but in tourism services it can also constitute

the *end*, the actual tourism experience. The above also indicates that tourism represents a more complex case than most other services. It has been argued that products and services in general possess bundles of characteristics; a meal, for example, possesses both nutritional and aesthetic attributes (Lancaster, 1966). However, in tourism the situation is more complicated. The value of a hotel service, for example, results from a combination of different utilities, for example swimming pools, food, room service etc. (Rigall-I-Torrent & Fluvià, 2011). All these utilities are combined in a bundle of characteristics delivered by the individual tourism company (such as the hotel), but each utility also possess its own bundle of attributes (as the example of the meal above indicates). Furthermore, the total tourism experience results from the combination of different public and private services (as well as place-related characteristics such as culture and climate) (Armbrecht, 2014; Rigall-I-Torrent & Fluvià, 2011). All these services and characteristics have their own bundles of attributes. When hedonic price theory (Lancaster, 1966; Rosen, 1974) is applied to tourism, we can say that the price of tourism services is related to the complex combination of these attributes (Thrane, 2005). Many of the services – and their attributes – depend on and are closely related to service encounters. Such service encounters can perform different functions in relation to the individual services. In a hotel reception service encounter, for example, the hotel room key is delivered to the guest and information about the opening hours of the hotel restaurant is given. However, service encounters can also connect different tourism services by, for example, providing information about complementary services. The service encounter can in this way facilitate the 'activation' of different service attributes.

In the following we focus on two general consumption attributes of tourism services: the functional or problem-solving attributes, and the more emotional and experiential attributes. Services are generally concerned with solving people's problems and performing certain functions. However, the experiential attributes of consumption (of both goods and services) have been acknowledged for a long time (Alba & Williams, 2013; Holbrook & Hirschman, 1982). For tourists many services, such as those that make it possible to eat and sleep when away from home, are certainly of a problem-solving or functional nature, but their final aim is to facilitate tourist experiences. Thus it can be supposed that service encounters related to individual tourism services (such as a hotel service) can activate both functional and experiential attributes. In the following discussions, we argue that tourism firms often organise service encounters so that they mainly support functional attributes and only marginally support more experiential attributes. We will also argue that developing experiential attributes in service encounters (turning them into what we will term *experience encounters*) can influence the hedonic price function of tourism services so that their value for tourists as well as for tourism companies can be enhanced.

As indicated above, service encounters may also play an important role in knowledge creation and innovation. Because of the essential role played by the service encounter in tourism, tourists are perhaps the most important learning source for tourism companies (Poon, 1993). Tourism companies must therefore seek and acquire information about their users if they are to become successful (Hall & Williams, 2008). However, a closer look at the typical characteristics of tourism service encounters suggests that there are various obstacles to such knowledge development. Four often encountered and interrelated aspects of tourism service encounters need emphasising.

First, tourism companies often attempt to drive down costs and maintain consistency and a uniform quality by systematising and standardising service encounters through the use of rules and regulations (Nickson, Warhurst, & Dutton, 2005). This

systematisation of the service encounter has been promoted and globalised by international hotel chains (Baum, 2006). The focus on service optimisation causes other opportunities that can be derived from service encounters, including knowledge development, to be missed (Pechlaner, Fischer, & Hammann, 2006). The systematised encounters facilitate the 'enactment of the familiar' (Arnould & Price, 1993). Also, tourists often seek familiar environments and effective and standardised performance from front-line employees (Plog, 2001). Additionally, in spite of certain shifts towards flexible post-Fordist production and consumption modes in tourism (Ioannides & Debbage, 1998) and more knowledgeable tourists (Poon, 1993), important tourism segments continue to rely on mass production techniques. Consequently, tourists often expect – and tourism companies gladly provide – standardised services with which tourists are familiar. Some segments, such as business tourists, may also prefer quick and standardised service encounters because for these tourists the value of service encounters is mainly associated with efficiency. Thus tourism service encounters are often rigidly structured, and when this is combined with the following aspects there is little room left for knowledge development (Michelli, 2008).

Second, certain tourism service encounters, for example encounters between guides and tourists on package tours, take place over extended periods. Some of these encounters may be intense, such as in multi-day river rafting (Arnould & Price, 1993). However most tourism service encounters are brief, superficial, and distributed among a number of tourism companies. Consequently, front-line employees encounter tourists briefly and superficially. It is questionable whether high numbers of such brief superficial encounters sustain knowledge and idea development to the same degree as would fewer, extended, and more intense encounters.

Third, lack of involvement of front-line employees in innovation processes limits employees' incentives to develop ideas and knowledge from service encounters (Sørensen et al. 2013). Involvement of front-line employees means – among other things – giving them a voice (Stamper & Dyne, 2001) to make innovation suggestions (Hall & Williams, 2008). Empowerment is supported when employees are given flexibility to adjust services to particular users' requirements, and this sustains creativity and knowledge development. However, a 'lack of voice' often characterises tourism companies. Often hotel managers:

... Don't allow their people to live up to their potential or give them elbow room to create their work processes. They don't allow them to be creative human beings; they put their people in a box and say 'here you go' ... That's Taylorism. (Michelli, 2008).

Fourth, it is argued that the turnover of front-line employees in tourism is high, and that a majority of them lack professional education and often have seasonal or other part-time positions (Baum, 2006; Hjalager, 2002). Seasonal and part-time employees have been found to focus on performing their core duties but not to contribute beyond their immediate duties, to such things as knowledge-creating processes, for example (Stamper & Dyne, 2001). Other studies have shown that tourism employees are often too focused on maintaining professional attitudes and delivering professional services. The employees are *hyper-professional* (Sundbo, 2011) and take pride in delivering what they perceive to be high quality service, but they tend to ignore inputs, personal needs and special desires of users that do not fit within the predefined service schema (Sundbo, 2011).

Thus certain commonly observed characteristics of tourism service encounters can limit the knowledge-creating potential of those encounters. In standardised and efficient service encounters

it is the company and the employees who guide the interaction in the service delivery process (Pralhad & Ramaswamy, 2004). This provides little incentive for users to communicate with front-line employees more than is needed to receive an efficient service delivery. Additional communication will mostly be limited to complaints or brief statements of satisfaction. The focus on providing efficient and standardised services is a paradox in an experience intensive sector such as tourism. Customisation (rather than commoditisation), engagement and participation of users are central elements of experiences (see Section 3 below) (Boswijk, Thijssen, & Peelen, 2007; Pine & Gilmore, 1999, 2013) but such aspects are often ignored – or at least downplayed – in tourism service encounters. The barriers to knowledge development mentioned above can therefore all be related to one general characteristic of typical tourism service encounters: the encounters are emotionally disconnected from the tourism experience and remain rather trivial one-way service deliveries. In other words, the focus of this type of service encounter is almost entirely on supporting functional consumption attributes, and the experiential attributes are largely ignored. Thus, we suggest the following research proposition:

RP1: *Demand and supply of rigidly scripted, superficial service encounters, lack of employee flexibility, service professionalism and one-way functional service delivery processes limit the potential for service encounter-based knowledge development in tourism.*

3. Experience encounters, knowledge and value creation in tourism

In this section we discuss how *experience encounters* may have the potential for the development of knowledge about users and the enhancement of the value-creating potential of employee–tourist encounters. It has been widely argued that experiences are an increasingly important source of value creation. This has been linked to a shift in consumer preferences from the use value of products and services to their experiential and symbolic value (Schulze, 2013). It has also been linked to a general progression in economic value (Boswijk et al. 2007; Pine & Gilmore, 1999, 2013; Sundbo & Sørensen, 2013). Pine and Gilmore (1999, 2013), for example, see the experience economy as a new wave of economic offerings that is following the progression of other historically dominant offerings: commodities that satisfy the basic needs for survival; manufactured products that satisfy advanced physical needs; and services that solve advanced physical problems and intellectual needs (Sundbo & Sørensen, 2013). It is argued that in the new wave of economic offerings (experiences), significant value can be created when new experiences are developed or when experiential attributes are connected to traditional products and services (Pine & Gilmore, 1999, 2013). The driving forces behind the shift towards an increased demand for experiences include a combination of economic and psychological forces. Because consumers' basic needs have been fulfilled, an economic and psychological stage has been reached in which consumers aim to fulfil their feelings, sensations and needs for self-realisation, and they do this through the consumption of experiences (Sundbo & Sørensen, 2013).

Pine and Gilmore (1999, 2013) argue that experiences should be staged for consumers, and that mass customisation is an important strategy. However Boswijk et al. (2007) argue that co-creation of individualised, personal and meaningful experiences is central to value creation. This latter approach is inspired by the co-creation perspective of Prahalad and Ramaswamy (2004). The co-creation perspective has been applied to products and services and to the entire innovation process (Hoyer, Chandy, Dorotic, Krafft, & Singh,

2010). In the case of tourism, encounters between employees and tourists are, as indicated earlier, crucial for the co-creation of experiential attributes. However, co-creating experiential value in such encounters is not straightforward because experiential desires are harder to detect, describe and fulfil than functional needs.

Experiential attributes of consumption result from complex interaction processes between customers and a product, a company, or parts of an organisation (Gentile, Spiller, & Noci, 2007). These interactions concern every aspect of a company's offers, advertising, packaging, product/service features and reliability (Meyer & Schwager, 2007). However, a customer experience is more than the sum of interactions with components. It depends on an interplay between the company's social environment, the atmosphere, the price, the brand, the consumer himself or herself and his or her interactions and, not least, the service encounter (Verhoef et al. 2009). Furthermore, experiences provoke personal reactions and require customers' rational, emotional, physical and spiritual involvement (Gentile et al. 2007). Consequently, experiences are not delivered to consumers because experiencing is a mental process in the consumer (Sundbo & Sørensen, 2013). Experience creation requires engagement from, and some kind of emotional (and not only functional) involvement of, the consumer. This emotional engagement in experience creation relies on encounters (Snel, 2013) between users and companies who co-create experiences through two way interactions (Boswijk et al. 2007). Thus companies should treat users not as passive spectators but as active participants. Because experiences are inherently personal, a company must ensure that individual customers can co-create unique experiences with the company.

Consequently, a shift from services to experiences includes a shift from *functional delivery* (of services) to *emotional co-creation* (of experiences) (Prahalad & Ramaswamy, 2004). In the co-creating process, the company cannot decide what is of value for the customer, and the experience a consumer will have at any point in time cannot be predicted. The task for the company is to create robust and integrated experience environments (Prahalad & Ramaswamy, 2004) in which co-creation can lead to customised and unique experiences that are designed to meet each individual customer's needs. Customer experiences are complex and depend on many interdependent factors. Thus encounters must be situated in, and become part of (rather than being detached from), the interplay of factors to create an integrated experience environment.

Tourism can be considered an extreme case that illustrates the importance of situating and integrating the encounter with other elements of the experience. Service encounters play a fundamental role for tourism experiences, and entire holiday experiences typically rely on a number of service encounters (Weiermair, 2000). That experiences are co-created echoes the notion that tourism experiences are *co-performed* (Crang, 1997) or *co-designed* (Ek, Larsen, Hornskov, & Mansfeldt, 2008) by tourists and front-line employees. However, this requires that the encounter becomes an integrated part of the experience: 'Restaurants that put photographs of movie stars on their walls ... will ultimately be disappointed in customers' responses if they fail to make such objects part of a well-conceived, comprehensive strategy of managing the customer's experience' (Berry, Carbone, & Haeckel, 2002). This emphasises the importance of preparing encounters so that they are adapted to and utilise the experience settings and support the co-creation of situated and integrated experience encounters. In other words, experience encounters should be integrated with and activate the experiential attributes of the environment surrounding the encounter.

Most importantly, a change from tourism service encounters to experience encounters leads to a different type of flexible and customised interaction between front-line employees and tourists.

This can lead to new types of communication, knowledge transfers, observations, reflections, and understandings of segment- and situation-specific behaviour. In experience encounters communication is fuller and deeper. It is less concerned with (mainly one-way) communication of facts and more concerned with (fundamentally two-way) creative communication of feelings, wishes, needs, possibilities, potentials, and emotions. Such communication and interaction can facilitate the co-creation of personal experiences and can lead to the development of new knowledge about companies' tourists and their particular experiential purposes and (latent) desires.

The above mentioned aspects make new requirements of tourism employees who participate in co-creating experiences in encounters with tourists. Relatively little is known about the functions of front-of-stage employees in the experience economy (Bærenholdt, Haldrup, & Larsen, 2008), but the above indicates that employees and the experiential context must be connected rather than being seen as separate variables (Svabo, 2008). The emotional (and not simply functional) engagement of the employees is central, and employees taking part in experience production must themselves see this as an experience (Bærenholdt et al. 2008). Thus the perspective of tourism employees on the encounter must be changed, and this requires a type of professionalism that is different from the one dominating service encounters. Rather than the hyper-professionalism (Sundbo, 2011) that dominates tourism service deliveries, an 'experiential intelligence' is required. This is a kind of social capability that allows tourism employees to empathise and interact with their customers and identify with their expectations and requirements, experientially and emotionally (Baum, 2006).

Thus, we propose the following research proposition:

RP2: *Expanding the bundle of consumption attributes to include experiential attributes by co-creating emotional values in personalised experience encounters, in which employee flexibility and experiential intelligence are central, and which are integrated with the tourism experience environment, can uncover tourists' experiential purposes and (latent) desires, raise the potential value of tourism experiences and facilitate new knowledge development.*

We do not suggest that an experiential approach is always relevant to all tourists. Some tourists may opt for a certain emotional distance and prefer to receive only functional attributes in service encounters. This may be the case for some psychocentric (Plog, 2001) or introverted (Francis, Williams, Annis, & Robbins, 2008) tourists who may feel most comfortable when a formal distance is kept by employees. It may also be the case for business travellers who seek not experiences but functions that make it easier for them to carry out their job activities. Nevertheless employees' experiential intelligence is still important in such cases because it helps them to detect tourists' demands and deliver efficient standardised services when required and co-create experiential attributes when there is a potential for this.

In terms of value creation, the above has focused mainly on value for the tourist. However, experience encounters can be assumed to result also in value for tourism companies. Of course, and first of all, more satisfied tourists can lead to increased revenues. Tourists may be willing to pay a premium when functional attributes are complemented by experiential attributes. Moreover, it has been shown that customers involved in co-creation processes, designing their own products such as watches (Franke & Piller, 2004), phone covers, scarves and t-shirts (Schreier, 2006), are willing to pay premiums of more than 100%. The reasons for this include that such self-designed products satisfy individual preferences and needs, the symbolic meaning of feeling different when

possessing a unique product, and pride of authorship. Furthermore, participation in the co-creation process is itself rewarding and can result in hedonic value, and the participation can make users feel more attached to such products (Franke & Piller, 2004; Grisseman & Stokburger-Sauer, 2012; Schreier, 2006). Similar aspects may be relevant for tourists. Tourists value unique experiences and being in charge of creating their own tourist experiences (Binkhorst & Dekker, 2009; Poon, 1993). For example, in the context of travel services co-creation has been found to increase customer satisfaction and loyalty (Grisseman & Stokburger-Sauer, 2012). Customers involved in co-creation were, in this case, willing to pay more for travel arrangements. Furthermore, because users may get an in-group identity feeling that they are part of the company, their loyalty towards the company can increase. This can lead to re-visits and recommendation intentions (Grisseman & Stokburger-Sauer, 2012) and, as a side effect, to the minimising of marketing budgets (Bowen & Chen, 2001; Spinelli & Canavos, 2000).

Other value-creating potential can arise for the company. Front-line employees' job satisfaction, engagement, loyalty and creativity increase with the employee involvement and empowerment that is required when service encounters are turned into experience encounters (Matzler & Renzl, 2007; Zopiatis, Constanti, & Theocharous, 2014; Øgaard, Marnburg, & Larsen, 2008). Additionally, the relationship between guest and employee satisfaction has been observed in hotels (Spinelli & Canavos, 2000). Thus it can be assumed that experience encounters lead not only to increased tourist satisfaction but also to increased employee satisfaction and motivation, which can reduce employee turnover and lead to lower costs for the company. Consequently, while experience encounters may incur some costs, for example in terms of employee training and setting more time aside for interactions with customers, the following research proposition can, nevertheless, be suggested:

RP3: *Expanding the bundle of consumption attributes to include experiential attributes by co-creating emotional values in personalised experience encounters, in which employee flexibility and experiential intelligence are central, and which are integrated with the tourism experience environment, can result in higher total revenues and lower total costs.*

The following presents an exploratory study of how tourism experience encounters may be developed by simple means. It also illustrates the effects that this can have on knowledge development, innovation and value creation in tourism companies.

4. Method

We undertook an innovation field experiment (Sørensen, Mattsson, & Sundbo, 2010) in a small retro design boutique hotel in Copenhagen. Staying in the hotel is a unique experience because the hotel is equipped with classical Danish furniture. In the experiment, service encounters in the hotel reception were changed so that they became more focused on experience, to gain an impression of the potential of such a change for knowledge and value creation. Initially, collaboration between the researchers and the hotel management was based on a common interest in understanding the potential of involving the hotel's front-line employees in innovation processes. Thus, the case was not chosen with the specific experiment in mind. Instead the experimental set-up developed inductively out of a pilot case study in the hotel (see below) and from conversations with the hotel management and employees. Nevertheless, the hotel may be considered a typical small hotel case (Yin, 2003) when considering the potential to develop and benefit from hotel experience encounters, but also a case with some particular characteristics. These include a manager

who is very oriented towards development, and the hotel's focus on furniture design.

Experiments have rarely been applied in tourism or in innovation research (Sørensen et al. 2010). In social sciences they are typically perceived as actions undertaken to test hypotheses in a quantitative manner in controlled laboratory settings (Willer & Harry, 2007). However, a broader array of experiments also includes qualitative approaches and approaches carried out in natural settings where little or no control over independent variables can be exercised (Sørensen et al. 2010). An example is the *field experiment*. Whereas some researcher control is lost if one compares field experiments with laboratory experiments, the most important benefit of field experiments is that: 'Natural settings ensure that the results will tell us something useful about the real world, not just some contrived laboratory setting' (Green & Gerber, 2003, p. 94). Thus, field experiments can provide practically applicable knowledge (Sørensen et al. 2010).

First, a brief exploratory case study was carried out. Data collection consisted of qualitative observations by two researchers of service encounters in the hotel reception, and recorded qualitative interviews with the manager of the hotel, a receptionist, and the manager of the cleaning personnel. The brief case study aimed to establish an understanding of the characteristics of service encounters in the hotel and of how they facilitated knowledge development. The interviews were semi-structured, and focused on the characteristics of the guest segments and of encounters, on routines related to these encounters, on the organisation of front-line employees' work tasks, and on the internal communication in the hotel. The interview with the manager also included discussions about the potential development of service encounters in the hotel.

The design of the experiment was developed on the basis of the brief case study, in conversations with the hotel manager and the manager of the hotel reception, and in an employee meeting with the receptionists (front-line employees). These conversations and the meeting were recorded (as were also the three subsequent meetings mentioned below). The experiment was an attempt to turn the hotel's service encounters into experience encounters (with the characteristics summarised in Fig. 1). The aim was to increase the experiential value of the hotel and, simultaneously, to develop new knowledge about the hotel's guests. This required a number of specific simple practices that could easily be implemented by the employees in their daily work tasks. These practices were decided and planned at the first employee meeting in an

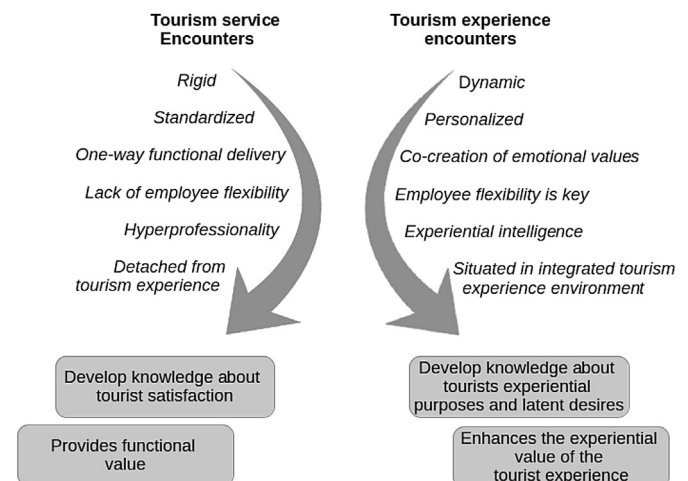


Fig. 1. Characteristics of tourism service and experience encounters.

interactive process in which the researchers presented the findings of the pilot study and suggested that the service encounters should be organised so that they focused more on the experiential values of the hotel. The specific procedures for this were discussed at the meeting, and a decision was made about what new methods to apply. It was decided that employees should attempt to engage in less superficial and less standardised conversations with the guests. Instead they should sustain more customised and engaged encounters that could situate and integrate the encounters in the experience setting (including the hotel and the destination). Several simple sub-practices became related to this:

- 1) To facilitate conversations about the hotel and its décor and about the guests' specific needs and (latent) desires, rooms should no longer be allocated to guests before their arrival.
- 2) This would result in conversations about room allocation with guests on their arrival. In these conversations front-line employees were encouraged to use their knowledge about the hotel and its furniture in order to integrate the hotel experience better with the encounters.
- 3) Additionally, front-line employees were encouraged to use their own (and appropriate) personal knowledge and experience in conversations with guests (e.g. about art museums or 'off the beaten track' restaurants or exhibitions).
- 4) The front-line employees were also encouraged to use different simple phrases to facilitate conversations, such as simply asking guests about their reasons for visiting the city.
- 5) Information about guests derived from the above mentioned practices was to be noted in the hotel reservation system, so that this information could be transferred to other employees dealing with the guests, and to the management.

Some of these or similar practices may be expected of front-line employees in some hotels. However, the focused attention of the experiment on carrying out these practices was specifically intended to go beyond the standardised service delivery of the hotel's service encounters and to develop more experience oriented encounters.

The experiment ran for a period of three weeks after which a second employee meeting took place. The meeting was guided by an agenda set by the researchers, and discussions were loosely structured by this agenda. The agenda focused on getting feedback from the employees about their positive and negative experiences with the new practices, including their experiences of the guests' reactions. At the time of the meeting, the new practices had not been fully applied by all employees due to some employee fluctuations. However, at this meeting the responses about the experiment were positive, and it was decided to carry on the experiment and hold yet another employee meeting a couple of months later. This third meeting had a similar agenda and structure to the second. In addition to the meetings, the manager provided self-recorded reflections about the process. He also provided further knowledge about the benefits of the changed procedures in informal conversations with the researchers and at presentations he made at different seminars and conferences after the actual experiment had taken place.

The researchers also participated in a final employee meeting. At this meeting the findings from the experiment were presented to the employees, and the employees were asked to comment on them to ensure that they matched their perceptions. The findings and this article have also been presented to and discussed with the hotel manager on several more informal occasions. Thus the findings have been acknowledged and confirmed by the employees and the manager of the hotel. Securing the trustworthiness of findings in naturalistic enquiries, such as qualitative field experiments, is

important (Lincoln & Guba, 1986). In the case of the experiment reported in this article, the prolonged engagement and interaction with the respondents (in particular with the hotel manager) and the formal and informal testing of the findings, soliciting reactions from the participants, sustains the trustworthiness of the findings (cf. Lincoln & Guba, 1986). Nevertheless, the findings, like those of other naturalistic studies, are not context-free truth statements that can be generalised. In the concluding section we discuss the external validity, or transferability, of the findings to other contexts, i.e. to other types of tourism companies.

In what follows we first briefly describe the findings of the exploratory case study, and then present the findings from the experiment.

5. Analysis

5.1. Exploratory case study

The hotel has about 20 employees, of whom 15 are part-time. Three employees work in the back office, and the rest are front-line employees. The full-time employees have professional hospitality education, whereas the part-time employees are mostly students who are studying subjects that are relevant to the hotel (for example hospitality or the arts).

The front-line employees feel that their inputs are taken seriously by the management: "They are very welcoming concerning suggestions ... This is very motivating" (interview, front-line employee). According to the management, this is necessary because "it is a small house so we work to involve everybody in innovation" (interview, manager). Thus, managerial distrust in front-line employees' innovation capabilities and sub-optimal communication channels are not factors that limit knowledge creation in service encounters in the hotel. However, the hotel's service encounters are generally quick, standardised, and leave little room for knowledge development. This is a consequence of the resources devoted by the hotel to these encounters. It also results from the employees' focus on appearing professional and consistent in the service delivery process. They avoid stepping outside the typical, traditional, and standardised hotel service delivery concept. Thus the employees appear to be hyper-professionals. Consequently there is little room for knowledge development and flexibility in service encounters. Visitors also behave according to traditional hotel service conventions and traditions and do not facilitate knowledge creation either: "I usually ask them [the guests] when they leave the hotel if they liked the stay and if they have some comments" (interview, receptionist). However, the knowledge transfer is limited to this retrospective procedure and results in brief satisfaction statements only. Thus, the barriers to knowledge creation in tourism service encounters identified by the theory (RP1) are evident in the hotel reception.

The traditional and standardised character of the service encounters means that the retro design hotel experience is not an integrated aspect of the service encounters. The encounters are similar to those of other hotels and do not reflect or take advantage of the experiential attributes of the hotel. For example, the lobby contains furniture designed in the 1950s but the service encounter remains traditional. It is left to the guests to experience the design, and the service encounters do not facilitate this. Thus the encounters mainly support functional consumption attributes.

The front-line employees insist that their service is special compared to other hotels. The manager agrees that the employees deliver a very professional service, but he believes that the service delivery does not engage the guests in the hotel retro design

experience. Furthermore, the management acknowledges that delivering good services is no longer a competitive advantage. The service standards are generally high, so something more must be delivered if a competitive edge is to be gained. The experiment attempted to do this by creating a different type of encounter that was more oriented towards experience.

5.2. Experiment

The implementation of the simple practices described in the methods section had a number of effects. To a certain extent they succeeded in creating encounters that were more oriented towards experience and that were integrated with the retro design hotel experience. Concerning the practice of not allocating rooms, this simple 'limitation' of the traditional hotel service created new space for conversations with guests:

... you get this talk with the guests ... there are actually many more who prefer a room towards the street than I thought ... we get some bonus information, like there was a woman who was afraid of lifts so she should of course have a room on the first floor (front-line employee, employee meeting II).

Thus, this practice provided employees with a new simple way to gain knowledge about guests. This included knowledge of a general character (for example that more guests than expected preferred rooms looking onto the street) and knowledge that was mainly relevant for giving individual guests a customised experience at the hotel (for example the woman's fear of lifts). When seen individually such information or knowledge can seem simple or banal, but when it accumulates and is used strategically it becomes an important knowledge source that can be used to develop new experiences (cf. the example below).

Furthermore, the practice also facilitated encounters that were better integrated with the retro design hotel experience. In such encounters the employees' knowledge of the hotel became relevant and this also provided new knowledge about the guests:

Some Swedes came in and you [receptionist] asked them why they were in [the city], and they told you that they were very interested in design and in the end you let them have a [more expensive] classic design room (receptionist manager, employee meeting II).

Thus, experiential attributes of the hotel were activated in the encounter and the encounter became part of the hotel experience instead of a simple service delivery detached from the experience. The guests became an interactive part of the encounters and were given more customised experiences which could satisfy their latent desires and lead to up-selling, as the above quotes illustrate.

The employees' personal knowledge and experiences were also activated as a resource in the encounters: "The special service that I [front-line employee] can provide is to give some information about where it is nice to go out [to dine]" (front-line employee, employee meeting II). Other employees said that they could use their knowledge about, for example, art museums and exhibitions. These more general conversations also provide access to new knowledge. Specific guest demands, experiential wishes and possibilities are detected and communicated: "You learn more about the guests. It is as if you know them better" (front-line employee, employee meeting III).

Knowledge about new possible connections between tourists' desires and new offers at the destination is also developed in the encounters. This knowledge concerns, for example, which

restaurants are popular at the time and which temporary art exhibitions are of special interest for the hotel's specific types of guests. By knowing what is important for the guests in the city at the time, the employees have a chance to retrieve further information about this and pass it on to other guests:

The needs are changing all the time ... If everybody is running off to see the same museum we can be on top of the situation by offering it to them before they actually ask about it ... it is about sensing what the 'vibes' are and utilising them for something (manager, employee meeting II).

Furthermore, the practice of noting down this and other types of information about guests in the booking system made it possible for all employees to obtain information quickly about guests and about the relevant current activities and sights: "... everybody was good at noting down under the different bookings why the guests were there and so on, so that you had the possibility of asking more specific questions ..." (front-line employee, employee meeting II). This resulted in a better distribution of knowledge about guests between employees. The employees could then more easily engage in conversations with the guests, procure new knowledge and create customised experiences, because, for example, it became easier to suggest the right sights and activities for the guests.

All in all, the new practices made it easier for front-line employees to become engaged in conversations with guests in co-created encounters that were integrated with the tourism setting and its experiential attributes. It also resulted in more knowledge being accumulated about the hotel guests. The distance between front-line employees and the management is short in the hotel, and front-line employees are encouraged to communicate knowledge, issues and ideas to the management who welcome input from employees (cf. the pilot case study). Thus communication flows without significant barriers in the hotel, and new knowledge created in the experience encounters was therefore communicated easily to the management. Additionally, the management had easy access to new knowledge about the character and desires of different types of guests because of the practice of noting down information in the booking system. "... it is nice that we in the back can have a better idea about what kind of guests we have" (receptionist manager, employee meeting II).

The examples above indicate how some of the knowledge created in experience encounters immediately led to improved guest experiences. Furthermore, some of the knowledge led to ideas about situated innovations for new processes and facilities that may enhance the guest experience. These included the idea of making, keeping and updating a 'what's hot at the moment' information utility. In this, employees could find information about, for example, restaurants and exhibitions that are currently popular among the hotel's guests, and they can suggest these to the guests in advance. This idea later led to the development of an Iphone application that provides information about sights, museums, restaurants etc. The sights, museums etc. described in the application are those that the employees and the management at the hotel observe are of particular interest to their guests. When new interests emerge among their guests or when, for example, new relevant art exhibitions open, this can easily be typed into the application. More generally, new opportunities have arisen from the practices introduced in the experiment, so that the challenge for the hotel is no longer how to get knowledge about the guests but "... how to use all that knowledge in order to create something new" (reception manager, employee meeting II).

An important side effect of the implementation of the new practices was that they created greater employee work satisfaction and enthusiasm:

... I love to talk to people and I like to communicate and it gives an even greater joy ... to actually do something more for the guests ... It makes you proud that you can help the guests in exactly the way they like it. It is something very special that you can be proud of (front-line employee, tape recording of manager–employee conversation).

This is also reflected by the manager of the hotel: “The employees feel a greater work satisfaction being able to use certain personal competencies that could perhaps improve the stay of the guest” (manager’s recorded self-reflections). The manager emphasises that the higher job satisfaction and engagement has also led to lower staff turnover.

Importantly, the more customised and experience focused encounters also resulted in more satisfied guests:

It seems to work! That you are more focused on what their needs are and that you ask a bit about their interests ... I feel that they are very happy about it and that they feel appreciated (front-line employee, employee meeting II).

One specific example concerned guests wanting to visit an art museum on the outskirts of the city:

I said the route goes like this and you should try to notice the landscape and so on. They are small things but they noticed them and they came back and said that it was very nice and that they liked it a lot, and then you get a handshake ... You can see the result of what you do, that it is not only information you are delivering (front-line employee, employee meeting III).

The manager has observed the increased satisfaction by systematically auditing guest evaluations and recommendations on web sites like booking.com and tripadvisor.com. Furthermore, an increase in repeat visits and guests who have been recommended to stay at the hotel through word-of-mouth has been measured through information provided by guests when they reserve rooms. According to the hotel manager this provides a clear indication of the impact of the new practices in terms of increased guest satisfaction and value creation for the hotel.

However, the changes to the practices also met certain challenges in the experiment. First, the employees argued that there is a delicate balance between providing experiences and providing traditional services, and that the right moment needs to be found for both. For example, business tourists do not always have a need to co-create experiences, and small groups of tourists travelling together may not be interested in employees interfering in group dynamics. Forcing experiential attributes on such tourists may have a negative effect. Thus, an understanding and professionalism about this must be developed: “You have to have a sense of the situation and you should not engage the guest in something that the guest does not have an interest in” (front-line employee, employee meeting II).

Second, service orientation and professionalism, traditions and habits can pose a barrier to building experience encounters. As a consequence, it was easier for some employees than for others to apply the new experience oriented procedures. For all employees it was a learning (and unlearning) process: “It feels more natural now ... now I do it without thinking about it” (front-line employee, employee meeting II). Unlearning old service professionalism and delivery practices must be combined with the development of an experiential intelligence. Such an experiential intelligence was developed among the employees in the course of the experiment and was substituted for the traditional service hyper-professionalism:

Before when I did something I was focused on not failing and on not forgetting ... I have become more focused on listening to the guests ... the conversations have become more free and it has become easier to talk to them (receptionist manager, employee meeting III).

Third, an important challenge lies in the fact that the provision of experience encounters requires resources and a different type of planning of work in the hotel reception:

You have certain routine tasks which require some attention from the receptionist. We will try to distribute them to times of the day where there is less contact with guests so that it becomes easier to observe what is happening in the lobby, and so that we can use the resources that we have in the house to have contact with the guests (manager’s recorded self-reflections).

By planning work tasks in this way, the cost of the new procedures is now kept to a minimum. In fact, the hotel’s manager claims that the procedures are cost-free. Thus the change of encounters has raised the value of the tourist experience without incurring any significant costs for the hotel. Consequently the productivity of the hotel has been raised.

6. Discussion and conclusion

In this article we have emphasised the limitations of service encounters in tourism concerning their potential for knowledge development and value creation. We have argued that changing service encounters into experience encounters can overcome these barriers and bring new potential for knowledge development, innovation and value creation in tourism. This has been exemplified in a field experiment in a retro design boutique hotel. In the experiment a new set of simple practices was introduced to change service encounters into experience encounters. The change from service to experience encounters implies an inclusion of experiential and not only functional attributes in the encounters.

The experiment has indicated that a focus on creating experiential value rather than on delivering standardised routine services changes employees’ understanding of their guests. A different type of timing and sense of the situation can be developed, and the guests are engaged in a different way because the encounters become an integrated part of their experiences. While the encounter takes a different kind of meaning, it also results in new knowledge-creation about the tourists. The new knowledge is not derived from, and limited to, typical satisfaction statements. Instead, it is concerned with the guests’ needs and (latent) desires, and with the complexity of their tourism experiences. As a consequence it is more relevant for business development. Furthermore, employees and encounters become an integrated part of a larger tourism experience, and this enhances the value creation of the company as it helps the company go beyond functional service deliveries and co-create emotional value with the guests. All of this results in value creation for tourists as well as for the company. The company can, for example, benefit from more repeat visits, word-of-mouth marketing, up-selling, and more engaged and satisfied employees. The knowledge created in experience encounters is valuable because it can be used directly to improve guest experiences, and it can also lead to innovations.

In terms of concrete practical implications for tourism companies, the findings suggest that new simple practices can make a big difference. Rather than attempting to standardise service deliveries, the employee–tourist encounter should be flexible, and employees should listen to tourists in new ways. Employees must

'open up' encounters and initiate conversations with tourists about their reasons for visiting the company and the destination, and they must ask about the tourists' interests and plans. In this way employees must attempt to uncover the tourists' experiential desires. Furthermore, employees should be encouraged to use their personal knowledge to assist tourists in co-creating their individual desired experiences. Simple knowledge sharing procedures, such as writing knowledge about guests in reservation systems, can help other employees sustain the co-creation process, and it can accumulate knowledge within the company that can be used for innovation. Fundamentally, employees should not expect all tourists to prefer an efficient and standardised service. Instead, they should assume that every tourist has individual experiential desires and seeks a particular set of experiential attributes.

This means that front-line employees must leave behind them some aspects of tourism service professionalism and be open to the flexible creation of customised experience-oriented encounters. This requires employees to possess or develop a new experiential intelligence. It may lead to costs for the company in terms of the education of its employees, but in the experiment reported here the new capabilities were learned through practice and did not result in new costs.

Furthermore, the possibilities depend on the vision of the company's management. The management must, first of all, trust its front-line employees, believe in their innovative potential, and be open to setting their creativity free instead of locking them in traditional and standardised tourism service routines and procedures. Furthermore, the management must see employees and encounters as an integrated part of a larger tourism experience, and not as a service that is detached from the experience. In order to achieve the benefits mentioned extra resources must also be devoted to the encounters. However, by the proper planning of work tasks the required resources can be minimised.

The findings indicate a need to rethink the nature and traditions of service encounters in many tourism contexts. Such service encounters are too often too standardised, too inflexible and too focused on providing functional and professional service deliveries. Thus, new procedures that sustain experience encounters and knowledge development must replace the service practices that have been taken for granted. However, for many tourism companies that operate with different segments there is a need to continue to be able to deliver traditional efficiency because some segments continue to require this. These segments can include, for example, psychocentric and introverted tourists, as well as business tourists for whom functionality is often more valuable than experiential attributes. The experiential intelligence involves being able to detect when tourists prefer functional value to experiential value.

The findings of this article add to our understanding of the experience economy and co-creation by indicating how co-creation in employee–user encounters can be applied practically to explore the potential of the experience economy in sectors such as tourism that rely heavily on manual services and interactions between employees and users. Iconic examples of new business concepts are abundant in the experience economy literature (e.g. [Boswijk et al. 2007](#); [Pine & Gilmore, 1999, 2013](#)). However, there are fewer examples that illustrate how traditional service companies can actually take the step from a service logic to an experience logic without developing completely new concepts. The findings of the experiment suggest how this requires front-line employees to take on new roles, not as 'performers' (as suggested by, for example, [Pine and Gilmore \(1999\)](#)) but as 'developers' of individualised experiences.

This article is based on a field experiment in a small boutique hotel. The benefits of the field experiment are that it can test new practices in real life situations. However, naturalistic enquiries,

such as qualitative field experiments, have certain limitations. An often cited limitation is the potential lack of trustworthiness of the findings due to their constructed nature ([Lincoln & Guba, 1986](#)). We have attempted to overcome this limitation through prolonged engagement and interaction with the experiments' participants, and by testing the findings, soliciting reactions to them from the participants. Another limitation of the field experiment, as of other naturalistic studies, is that the findings are not context-free truth statements that can be generalised. The findings of the experiment cannot tell us how widespread the provision of standardised service encounters is in tourism (although most people with travel experience would agree that it is very widespread). More importantly, the findings of the experiment may not automatically be valid for all other tourism companies. The benefits of focussing on experience encounters may depend on, for example, the type of tourism company (its management and business concept), its segments (business or experience tourists), and its front-line employees (their practical experience, knowledge, cultural and educational background etc.). Thus the benefits may be easier to achieve for some companies than for others. In some types of tourism company, closer and more extended encounters are more usual than in the hotel business. Such companies may, to a larger degree, and implicitly, focus on creating experience encounters (for example in the case of river rafting experiences as exemplified by [Arnould & Price, 1993](#)). Differences in the possibilities of achieving the benefits may also exist within individual sectors of tourism, such as the hospitality sector. For example, in the hotel in which the reported experiment took place the benefits were relatively easily achieved because of well-functioning internal communication channels and because the management trusted the employees' creative potential and listened to their input. In other cases, achieving the benefits may require changed attitudes at all levels of the organisation. In particular, larger tourism companies, including international hotel chains, may experience operational barriers to implementing the strategies suggested in this article. In such companies the distance between front-line employees and decision makers is longer than in small hotels, and the organisational structure may be more hierarchical and based on formal control ([Ottenbacher, Shaw, & Lockwood, 2005](#)). This may result in barriers to the distribution of knowledge from front-line employees to managers, and may lead managers to impose stricter service routines on front-line employees and guests. Furthermore, rules and routines associated with brands, including the implementation of standard concepts that are recognisable internationally, can limit front-line employees' flexibility in guest encounters because they have to live up to certain brand expectations.

Nevertheless, the field experiment reported in this article has indicated that there may indeed be a potential for experience encounter-based knowledge development and value creation that is waiting to be exploited in many tourism firms. However, being based on a single experiment in one hotel, the findings are of course indicative rather than conclusive. Thus, more research-based knowledge about the potential for knowledge and value creation in experience encounters in different types of tourism companies is needed. On the one hand, case studies of tourism companies that have implemented experience encounters could further illustrate the potentials and barriers for experience encounters in different types of tourism companies located in different types of tourist destinations and serving different tourist segments. On the other hand, quantitative studies, such as a study of the regression of hotel prices against hotel attributes including measures of personalisation, co-creation and the emotional versus the functional values of tourist–employee encounters, could yield interesting research. Such studies could give stronger indications of the degree to which hotel experience encounters are valued by users.

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Flemming Sørensen is an associate professor at the Department of Communication, Business and Information Technologies, Roskilde University, Denmark. He is a member of the university's research group on Service and Experience Innovation. His main research interests include issues relating to innovation management, innovation networks, user and employee driven innovation, innovation geography, innovation experiments and local economic development based on tourism and related sectors. He has published peer reviewed articles and book chapters about innovation in services, tourism and the experience economy.



Jens Friis Jensen is Vice Head of Department of Communication, Business and Information Technologies, Roskilde University, Denmark. He is a member of the research group on Service and Experience Innovation. His particular research interest is within tourism innovation. He is one of the founding members of the network Tourism Researchers in Denmark (TiD). Previously he was employed by the UNWTO as Programme Manager for the Affiliate Members and since 2006 he has worked as a consultant for UNCTAD in several Asian and west African countries on the development of E-Tourism. He is also a member of the UNWTO Knowledge Network Scientific Committee.