

# Beyond the Offer: Co-creation in Tourism: When Your Guest Becomes Your Partner, Value Emerges

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## Learning Objectives

- To understand what customer co-creation is
- To understand how the idea of integrating consumers into the value creation process can be applied to the tourism industry
- To understand how this helps to create additional value and brand loyalty

## 1 Introduction

The tourism industry is a field with fairly tough competition. Over the past decades, most imaginable ways of spending one's holiday have been offered and today's tourist is free to visit almost every part of the world, limited mainly by their budget and potentially hindering political circumstances. Finding the next big idea to satisfy customer's desire for new experiences promises competitive advantage and an edge in securing market shares.

One increasingly popular angle of approach is to include customers into the creation of their own vacation experience and, thereby, the creation of value. This concept called "Customer Co-Creation" is not new. Yet, so far, its potential for a wide variety of tourism-related branches has not even remotely been used to its full extent by most.

Due to its nature, co-creation can be applied to generate new unique selling propositions in almost every branch of tourism industry. Knowing about the power

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of creating an unforgettable experience not only for, but together with their guests and visitors holds a lot of untapped opportunities for most tourism managers.

In this chapter we will take a look at what co-creation with customers is and how it can be applied to tourism-related ventures. To do so we will give a number of examples of already existing cases of (tourism related) customer co-creation and explain why these special activities offered are suited to create additional value for the host. At the very end we also provide a large assortment of related literature for more in-depth reading on the subject of co-creation.

The examples given in this chapter cannot cover every branch and aspect of tourism industry. Doing so would far exceed the scope of this chapter. Rather, they are meant to give inspiring examples to those responsible for innovation in their respective tourism-related venture—from the manager of an international travel agency to the owner of a small restaurant in a holiday area.

## 2 The Theory: What Is Co-creation with Customers?

The term customer co-creation denotes an open innovation approach where customers actively take part in the design of a new offering. It is an active, creative, and social process between producers (retailers) and customers (users). While customers can become actively involved and take part in many activities along the value chain, the focus of this chapter is on engaging smart customers in the design of new services.

The main objective of a company engaging in co-creation is to enlarge its base of information about needs, applications, and solution technologies that resides in the domain of customers and users creation (Piller & Ihl, 2009; Ramaswamy & Gouillart, 2010). The methods used to achieve this objective include user idea contests (Ebner, Leimeister, Bretschneider, & Krcmar, 2008; Piller & Walcher, 2006; Füller, 2010), consumer opinion platforms (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004; Sawhney, Verona, & Prandelli, 2005), toolkits for user innovation (von Hippel & Katz, 2002; Franke & Piller, 2004), and communities for customer co-creation (Franke & Shah, 2003; Füller et al., 2008).

Note that there is a large difference between customer co-creation and the lead user concept as introduced by Eric von Hippel (1988). Lead users are intrinsically motivated to innovate, performing the innovation process autonomously and without any interaction with a manufacturer. It then is the task of the interested firm to identify and capture the resulting inventions. Our understanding of customer co-creation, in contrast, is built on a firm-driven strategy that facilitates interaction with its customers and users. Instead of just screening the user base to detect any existing prototypes created by lead users, the firm provides instruments and tools to a broader group of customers and potential customers to actively co-create a solution together (Ramirez, 1999).

Consider these examples of customer-creation in various industries:

- **Fujitsu Computers (FSC)**, a large IT hardware and infrastructure provider, organized an online idea contest for webmasters and IT professionals to get their ideas about how data centers will work in the future, what services will be required by users, and which topics will be of strategic importance. Participants were asked not just to provide needs but conceptual ideas for possible solutions. Participants became members of an innovation community, commenting on the ideas of others, developing ideas further, and providing suggestions for technological realization. Despite a rather low monetary incentive (the best idea was rewarded 5000 Euro) and a high level of required technological expertise, more than 200 active users contributed to the contest—most of them during work time and with permission of their employer.
- **Emporia Telecom**, an Austrian mobile phone manufacturer, demonstrated in a recent co-creation contest that the user base for this kind of engagement is not just young web-savvy people, but also a much larger community of senior citizens. The task they identified was to develop age-specific mobile phones in terms of functionality and design. Using an online platform, users could submit ideas for both functional hardware features and innovative services. Contrarily to the beliefs of many, Emporia learned that senior customers are very willing to engage in an online co-creation project. Overall, more than 6000 users visited the contest site, spending more than 800 h there, and generated more than 200 highly elaborated ideas. Several ideas from the contest made it into prototyping and further development in the company (Leyhausen & Vossen, 2011).
- **Muji** is a Japanese specialty retail chain, selling all kind of consumer commodities, furniture, apparel, and food items (Ogawa & Piller, 2006). The company is famous in Europe for its powerful internal design practice; it continuously involves customers in product development. In its Japanese home market, the company receives more than 8000 suggestions for product improvements or new product ideas each month. Suggestions are sent on postcards attached to catalogues, as e-mails, or via feedback forms on the company's website. On the sales floor, sales associates are encouraged to collect notes on customer behavior and short quotes from sales dialogues. But the most important means of interaction with its customers is its online community, Muji.net, with approximately 410,000 members. For evaluating new concepts and proposals, the company asks the opinion of its product managers, but also hosts a broad evaluation and collaborative decision process, asking its community to vote on the products which should be introduced next. Recent data shows that products that went through the screening of the crowd perform on average three times better than products that were selected by an internal steering committee.

What do these examples have in common? Despite a range of industries, different cultural contexts, and various target age groups, these examples show how firms can create value with large groups of customers and users, moving beyond workshops with selected lead users. We also see very different tasks,

ranging from designing household items to creating functional technological concepts.

### 3 Practical Application: Inspiring Examples

In this part we will showcase a number of concrete examples of co-creation with customers within or closely related to the holiday industry. As said, these examples are meant to demonstrate how the general concept of co-creation can be applied to different sorts of tourism-related ventures. They should spark a thought to come up with new ideas how value can be created by integrating the traveler into one's own commercial offerings.

#### 3.1 *How Hotels Raise Brand Loyalty*

One if not the most important asset in the travel industry is customer brand loyalty. It is relatively easy to attract new guests to one's own place by using glossy images and flowery descriptions. However, guests will decide whether or not he is going to come back—and whether or not their experiences will motivate him to recommend to their friends. For this reason, the guest's brand experience, which is tightly connected to the guest's product experience, is of outmost importance. Vacations, being the "best time of the year", need to be special in some, ideally in many ways. This realization has sparked a lot of interesting ideas for activities that, by getting travelers involved, increase their product experience and help to create brand loyalty.

One such activity has been offered by the **Viceroy Anguilla Hotel**. Realizing that tourists love to take home not only memorized experiences but also physical pictures of their travel location, the hotel has come up with some special idea: Not to photograph but to actually paint the beauty of the island's landscape. Since this tends to require slightly more skill than just taking a picture with one's camera, a specialist, modernist painter Lynne Bernbaum, guides interested guests through the process of painting a scene from the island.

This activity adds value to everybody involved. It offers the traveler a unique experience and something to take home besides the memories and the newly gained painting skills, namely the picture he painted. It also builds up brand loyalty if the guest enjoyed the experience and now memorizes the hotel at a place where offers beyond the standard are to be expected. Also, at a price of \$45/person, these classes probably gain the hotel higher revenue than selling the standard postcard displaying the island's landscape.

Another very important part about any hotel-based holiday is the food you are served. However, eating at a hotel's restaurant has become a standard experience

for many travelers by now and this part of the product experience will in most cases mainly depend on the chef's quality.

Given this, getting guests involved into this aspect of their stay sounds like a great opportunity to offer a special experience and, hence, create value.

Two examples of doing exactly this are the Oliverio Restaurant at Avalon Hotel, Beverly Hills, and the Cocoa Lab at Ritz-Carlton Hotel, Charlott. Both do invite their guests to participate in a unique cooking experience, preparing their own Italian pasta or desserts, respectively. These and other food-centered workshops are both a social activity and a learning experience and can easily be offered by many if not most hotel restaurants.

After all these cooking classes including consumption of the self-made food, some health-oriented guests might wish to spend some time in the hotel's gym. In case of the Crown Plaza, Copenhagen, though, this sportive activity might lead to even more eating and hence partially defeat its original purpose: The hotel offers guests free meals for using stationary bikes which have been modified to generate "green" energy that helps to power the hotel. A \$36 meal voucher requires the production of 10 watt-hours on the bike. During the exercise process, progress is being displayed to the guest.

While this offer will most likely not be suffice to significantly reduce the hotel's need for traditionally produced electricity, the idea has merit and offers travelers two extra incentives for sportive activities: free meals and a contribution to save the environment. This, combined with the experience of a non-traditional sports offer in itself can contribute to make the stay memorable and motivate to return.

### ***3.2 The Pride of the Maker: Commodity Production with Consumers***

Another approach to create value not only for but with customers is especially interesting for more rural areas. The traditional farm vacations with small children do still have their important place in exploiting these areas for tourism. During these, travelers typically carry out numerous activities to help farmers with the daily operation of their farm, like taking care of animals or cleaning out barns. However, another kind of agrarian tourism has great potential to complement these.

Applying the idea of co-creation on farm-related products, farms and wineries have begun to offer tourists (and locals) the opportunity to not only buy their goods but participate in their actual production. Guests help with the actual farm work or production process and get to take their own good home with them—at a fee.

One prominent example is that of self-produced wine. Wineries like the **Pasadena Neighborhood Winery** or **The Wine Foundry** offer personal involvement into custom wine production. Guests are invited to select the type of wine, help to sort, crush, ferment and press fruit, design packaging and custom labels, bottle and cork the wine and finally take the product home. The Wine Foundry even offers

ways to monitor the growth progress of “your” wine by the means of weather updates and images.

The option to visit the winery and get physically involved into the production process adds additional value beyond just receiving individualized bottles of wine. The experience of helping to create the product themselves generates a feeling of pride and affiliation to not only the wine itself but also the winery and its staff, making the process an important part of the “product”. Provided, of course, the production experience has been a pleasant and enjoyable one.

A similar experience is being promised by some **coffee farms** like those connected to the **agro ecotourism project** where tourists can visit coffee producing plantations in Nicaragua where they can stay with local families. Travelers are offered an “opportunity to get to know and share the everyday life, inclusive learning to cook typical dishes [. . . and] to participate in various cultural activities (music, theatre, crafts, etc.)” Furthermore, they can participate in the production process of coffee production, including harvesting, seeding and so on.

A comparable yet maybe not as “adventurous” example of creating value through co-creation with tourists is being offered to visitors of the Alps. The **Käseschule Allgäu** introduces their guests to learn how to produce their own cheese from fresh local milk. Besides being able to taste a lot of local cheese types—which is a great marketing opportunity—customers can take their own cheese home after completing of the workshop.

Local cheese producers in Bavaria take things one step further by inviting their guests to live the life of an alpine herdsman for the duration of 5 days, getting an exclusive and intense insight into the profession. This particular offering even receives funding from the State of Bavaria.

## 4 Key Conclusions and Learning Outcomes for the Tourism Industry

- Above we have presented a number of examples of offers made to tourists (and, partially, locals as well) that involve the guest into the process of value creation. This is being achieved by “outsourcing” parts of the production process to the customers who do either invest their work to create some sort of good that he can take away (self-painted images, self-made wine) or consume right on the spot (self-grilled steak) or into just the experience of the stay (farm vacations, sailing trip). In both cases, travelers are willing to engage in activities (which can sometimes even be considered work → farm vacations) *and* pay an extra to do so.
- This leads to the conclusion that there is a market for what can be called the proactive vacation. Tourists wanting to do more than just relax on poolside or visit some sights desire integration into activities that sometimes require a considerable amount of effort but leaves them with the proud feeling of having produced something themselves, be it a physical good or a special experience.

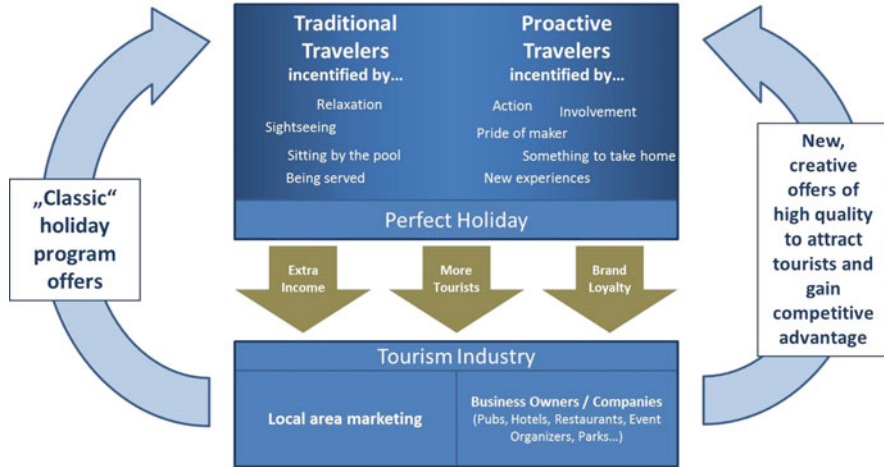


Fig. 1 The proactive vacation model: profiting from co-creating tourists

- Both local area marketing officials and business owners in tourism areas can profit from this realization. Knowing the openness of visitors to be involved into various activities can lay grounds for the creation of various offers that can in turn mean a considerable competitive advantage for both individual tourism businesses (hotels, restaurants. . .) and a tourism area as a whole.
- However, offering not just any activity *but the right ones* requires both excellent knowledge of the respective target group (including new, potential target groups) and the will to come up with new ideas that have not yet been offered by (a large number of locally close) competitors. Creativity in tapping this market segment can significantly increase the guest’s product experience, thereby creating brand loyalty, customer satisfaction and, finally, value (Fig. 1).

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