CONSUMERS' PERCEPTION ON INNOVATION IN THE TOURISM VALUE CHAIN

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Abstract:
In the current economic environment, innovation is considered critical by the majority of tourism companies that are increasingly willing to spend more to become more innovative. This tendency is visible in all segments of the tourism value chain: accommodation services, transportation, intermediaries – travel agencies and tour-operators – as well at entertainment and leisure facilities. The final aim of innovation in tourism enterprises is to increase customer satisfaction and thus secure the enterprises' competitive advantage on a continuously changing market. Thus, consumers' perception on innovation is relevant not only to academics and researchers, but especially to organisations in the business environment, which use customer feedback in order to develop innovative products which are better suited to the individual needs of tourists. The purpose of this article is to determine how consumers of tourist services perceive innovation in the various segments of the tourism value chain. The results will indicate the perceived intensity with which innovation is implemented in the tourism industry as well as the sectors in which innovation could bring additional benefits to tourists. To this aim, it was conducted a literature review on the main types of innovations in hospitality, airline transportation and travel intermediaries, as well as a pilot questionnaire-based study on 120 regular consumers of tourist services. Results indicate a discrepancy between the importance tourists give to innovation and the actual perceived level of innovation in the tourism value chain. Furthermore, the research shows the importance of innovation in different segments of the tourism value chain in the purchase decision of a tourism product. Unfortunately, results indicate that Romanian tourism operators' perceived innovativeness is lower in comparison with foreign tourism operators. The study is exploratory, representing a starting point into a more comprehensive research into the means through which innovation can be enhanced in the various sectors of the tourism industry.

Keywords: innovation; tourism; hotel industry; travel agencies; transportation; technology

JEL classification: L83; O14; M10

1. Introduction

Tourism is an industry which is subject to a great variety of internal and external influences, being characterised by continuous transformation (Orfilla-Sintes and Mattson) and generating new economic and social relations between people and

businesses. In order to maintain its competitive position, a company must strive to develop new products and services, new management instruments, new ways of organizing its function and structure and new means to communicate with partners and customers. Although a company's position is measured according to its revenue, profitability, market share and customer satisfaction, these elements cannot „point the way to the future" (Kim and Maurbogne, 1997). Longterm success in the tourism industry greatly depends on an organisation's capacity to innovate and adapt to its changing environment. Innovation in particular is regarded one of the main determinants of competitiveness in tourism as it allows firms to achieve lower costs and higher quality outputs (Orfila Sintes and Mattson, 2009).
The study follows the rationale of Johannessen et al. (2001), which suggests that innovation in the tourism industry should be assessed by asking three questions – "What is new", "How new is it" and "To whom is new"?. The current article aims to answer the first question – „What is new" – providing an overview of innovation in the various segments of the tourism value chain – accommodation, transportation and intermediates.

2. Innovation in tourism

Innovation in tourism was largely neglected until the end of the 1990s, when mass tourism proved its incapacity to ensure the satisfaction of customer's changing needs and was replaced by what Poon defines as "new tourism", a tourism focused more on the depth of the travel experience and the individual satisfaction of the tourist rather than on service standardisation (Poon, 1994, cited by Ţigu and Răvar, 2012). The importance of innovation in tourism has increased ever since under the influence of both demand and supply factors. Thus, the increasingly complex needs of tourism consumers are continuously forcing tourism enterprises to "develop new products, services and experiences" (Pikkemaat and Peters, 2006). On the other side, new production factors such as information and communication technologies determined a profound change in the management of tourism enterprises. Several criteria may be used to classify innovations in the tourism industry. Based on its intensity, innovation may be classified as incremental and radical (Thorburn, 2004) or, according to Hjalager (2002) as regular, niche, revolutionary and architectural. Generally, incremental innovations consisting of continuous adjustments and improvements are regarded as typical to the tourism industry (Mointeiro and Sousa, 2011).
Based on the object dimension of innovation, a diverse typology has been put forward in the literature: product and service innovations, process innovations, management innovations, logistics innovations, institutional innovations (Hjalager, 2002), social innovations, human resource innovations, technological innovations (Pikkemaat and Peters, 2006). Other authors (Vila et al., 2011) also address market innovations, which include distribution channels, web-based communication, customer loyalty, information sharing and marketing innovations.
Innovations may also be classified based on the market they are addressed to. Executives appreciate as most important innovations leading to new offerings for existing customers, followed by new offerings that allow expansion into new customer groups. However, innovation leading to different changes in existing products and services also tends to become a priority (Andrew et al., 2010), together with innovations which make use of information and communication technologies (ICT) and which tackle environmental issues.
Since a tourism product encompasses a multitude of services, each provided by companies operating in different sectors – transportation, accommodation, leisure, and intermediation – the intensity and centrality of innovation also differs across the industry. In fact, tourism may be viewed as an integrated value chain of services (Bieger, 2001, cited by Pikkemaat and Peters, 2006), with different innovation patterns at each level of the value chain. Jong and Marsilli (2006, cited by Meneses and Teixeira, 2011) classify innovative small firms as

follows: the transport sector is "supplier-dominated" (as a consumer of technology externally developed by the manufacturing industry), while hotels and personal services are considered "resource-intensive" (a similar category to "supplier-dominated", but with a higher degree of innovativeness). We will proceed to analyze the degree to which innovation is present in each of the main sectors of the tourism industry and, respectively, on each of the levels that make up the tourism value chain.

2.1. Innovation in the hotel industry

In comparison to other industries, research and development expenses and the number of patents registered remain relatively low in the hotel industry (Pikkemaat and Peters, 2006). However, this does not mean that innovation is absent or scarce. In fact, it seems that most entrepreneurs in the hotel industry recognize the importance of innovation (Volo, 2004, cited by Pikkemaat and Peters, 2006).

Although the hotel industry is relatively homogenous, the innovation behaviour of enterprises varies considerably according to a multitude of factors. Innovation varies according to the size of the enterprises operating in the market, as the innovation capacity greatly depends on the organisation's size and this influences its ability to initiate research activities or to acquire and implement externally developed innovations (Hjalager, 2002; Orsila-Sintes and Mattson, 2007; Pikkemaat and Peters, 2006).

Although enterprises in the hotel industry are currently accustomed to a large variety of innovations, these innovations are generally developed by external suppliers and rarely developed internally (Pikkemaat and Peters, 2006). Some authors (Hjalager, 2002; Orfila-Sintes et al., 2005) define innovations in the hotel industry as being supplier-driven and not science based. This aspect is particularly valid in what regards ICT technologies (reservation systems, property management systems, new media applications). Other new innovative products include loyalty and environmentally sustainable programmes. As far as loyalty programmes are concerned, they are generally developed in integrated enterprises such as hotel chains, allowing customers to be accommodated in any establishment part of the chain at preferential tariffs. Process innovations are also frequent in the hotel industry, as property management systems are implemented in both individual as well as chain hotels in order to reduce costs and increase operational efficiency. A study conducted by Vila et al. (2011) indicates that market innovations and process innovations are among the most critical as they facilitate and regulate internal operations but most importantly relations with the hotel's customers.

2.2. Innovation in other sectors of the tourism value chain

The expansion of Internet use had a visible impact in the tourism industry, significantly changing the way customers allocate knowledge about hotels, flights or even destinations (Grissemann and Stokburger-Sauer, 2012). This impact is probably more visible in the travel agencies sector, considering the development of online travel agencies or online travel portals. Travel-related products are the largest category of goods sold on the Internet (Yu, 2008, cited by Castillo-Manzano and López-Valpuesta, 2010; Kim et al., 2007). In order to survive competition, traditional travel agencies must use the new technologies in order to not only create their own websites (Tsai et al, 2005; Yu, 2008, cited by Castillo-Manzano and López-Valpuesta, 2010), but also provide greater added value to the information and advice they offer clients (Alamdari, 2002; Cheyne et al., 2005, cited by Castillo-Manzano and López-Valpuesta, 2010). Moreover, travel agencies have to face a "re-intermediation process", meaning they have to reassert their intermediary role by enhancing human interaction and consumer trust (Kracht and Wang, 2010, cited by Grissemann and Stokburger-Sauer, 2012). Increasing co-creation activities enable travel agencies to provide travel arrangements tailored to each customer's individual needs (Grissemann and Stokburger-Sauer, 2012).

In the airline industry, innovation is increasingly becoming a formula to regain profitability, along with massive cost cuts and mergers and acquisition activities (Franke, 2007). According to Franke (2007), innovation is induced through three main levers: new business models, advanced customer segmentation and new technologies. New technologies include new next generation aircraft such as regional jets (Brueckner and Pai, 2009), advanced information technology – wireless surveillance networks, integrated data bases and host systems - and new distribution systems, such as Amadeus, Sabre and Worldspan (Franke, 2007).

In particular, the airline industry has been deeply influenced by the expansion of Internet. The changes are very visible in the airline distribution sector (Alamdari and Mason, 2006, cited by Castillo-Manzano and López-Valpuesta, 2010), where companies started using websites for offering lower fares for price-sensitive customers (Muthitacharoen et al., 2006; Alamdari and Mason, 2006, cited by Castillo-Manzano and López-Valpuesta, 2010).

The expansion of Internet, however, has its disadvantages, as it increases competition by allowing customers to compare fares in order to select the best choice for them. The use of online travel services has become the most popular choice for purchasing travel tickets and other related conveniences, travel agencies being ranked last in customer usage (Kim et al., 2007).

3. Research methodology

Considering the fact that most studies focus mainly on innovation in the hotel sector, the aim of this research is to highlight the use of innovation in mostly all the firms of the tourism value chain. In order to analyse customers' perception on innovation in the tourism value chain, a pilot study was conducted on Romanian tourists. The research instrument was a questionnaire, specifically designed (in Romanian) and administrated to tourism services customers. The questionnaire was created using Google Docs and published online, the data being gathered via an Internet survey, conducted from March 24 to April 7, 2013. Approximately 400 persons received the invitation via e-mail to participate at the survey. During the 2 weeks dedicated to the study, participants were able to respond at any time to the online questionnaire by simply accessing the URL provided in the e-mail received. From the 400 persons involved in the study, 120 completed the questionnaire, resulting in a 30 percent response rate.

The first and the last 6 questions of the questionnaire were designed to obtain the respondent's demographic characteristics (Table 1). The other 7 questions (with a total of 33 items to be answered) were aimed to identify respondents' perception on innovation in different segments of the tourism value chain: hotels, travel agencies, transport, restaurants, entertainment. These questions were created with a 5-point Likert scale, measuring frequency of using different tourism services, innovation intensity and importance in the tourism value chain. As it can easily be observed in the demographic profile of the respondents (Table 1), age was measured using a categorical scale. More than 80% of the respondents are under 35 years old, while the gender distribution of the respondents is more balanced: 60% of them are female and 40% are male. Considering the distribution of respondents on age groups, the distribution based on the monthly income is not surprising: 65% of the respondents earn less than 2500 lei. The study focused on highly educated people (97% of the respondents have a bachelor or a master degree) who are (self) employed (55% of the respondents are working and 23% run a business).

Table 1: Demographic profile of the respondents

Variable	Percent	Variable	Percent
Age (years)		Education level	
18-24	33	High school	3
25-34	49	Bachelor's degree	33
35-44	9	Master's degree	64

45-54	5		
Over 55	4		
Gender		Occupation	
Female	60	Student/Master's student	20
Male	40	Employee	55
Monthly income (lei)		Manager/Entrepreneur	23
< 1000	22	Inactive	2
1000-1500	15		
1500-2000	12		
2000-2500	16		
> 2500	35		

The study has its limitations since different market segments have different travel experiences and are thus prone to make subjective judgements about specific services (Pikkemaat and Peters, 2006). Assessing the intensity of innovations at different levels of the tourism value chain should also include a research among providers from various branches which contribute to the creation of a holistic tourism product – accommodation, restaurants, transportation and entertainment.

4. Results and discussion

The first question was designed to obtain the frequency with which respondents use to travel to tourist destinations from Romania and abroad. Responses show that 20 percent of tourists usually travel once a year, 62.5 percent – 2 to 3 times a year, 10 percent on a monthly basis, while 7.5 percent travel more than once a month. The result indicates that respondents are regular consumers of tourist services and therefore in a relevant position to make personal appreciations regarding innovation in the tourism industry.

The second question sought to determine the frequency with which tourists consume services provided by operators in the various segments of the tourism value chain: accommodation facilities, food and beverage, entertainment facilities, transport companies, travel agencies and tour-operators. The frequency was measured on a 5 level Likert scale: 1 „never", 2 „occasionally", 3 „medium frequent", 4 „frequent" and 5 „always". Results (Figure 1) show that the services provided by accommodation and dining facilities are frequently consumed by the vast majority of tourists, with a weighted average of 3,89 and 3,6 respectively, while the services provided by travel agencies and tour-operators are consumed occassionally. Transportation and entertainment services are consumed medium frequent.

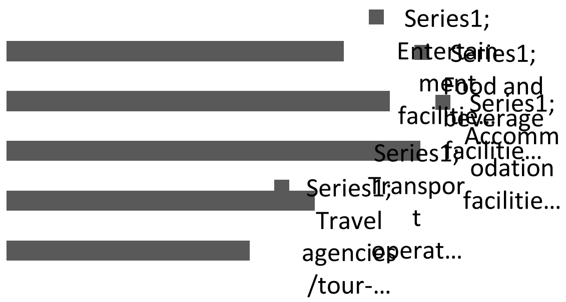

Figure 1: Tourism services – frequency of use and consumption

The purpose of the third question was to determine tourists' perception on the intensity of innovation in the different segments of the tourism value chain. Respondents' perception was also measured on a Likert scale from 1 "very low" to 5 "very high". According to the questionnaire results, the respondents perceive accommodation facilities as the most innovative in the tourism industry, with a weighted average of 3,63, while travel agencies are perceived as least innovative, with an average of only 2,28. Surprisingly, transport operators (2,91) are perceived as less innovative than food and beverage facilities (3,01), and entertainment facilities (3,4) although transportation is a capital-intensive sector which is in close connection with technology and ICT.

Figure 2: Perceived innovation intensity on various providers of tourism services

The fourth question was designed in order to determine tourists' perception on innovation intensity in travel agencies, organisations which act as intermediates between the final consumer and other providers of tourist services.

Figure 3: Perceived innovation intensity on travel agencies and tour-operators

Results show that the reservation/booking possibilities are perceives as most innovative, with an average value of 3,26 on the Likert scale (from 1 "very low" to 5 "very high"), followed by the offer of destinations and circuits, with a weighted average of 3,31. Facilities offered at the agency's headquarters are perceived as least innovative (2,6), while the ways of communicating with customers (2,98) and the offer of accommodation and transportation services (3,18) are perceived as medium innovative. The fifth question was aimed to identify the perceived innovation intensity (measured on a Likert scale from 1 “very low” to 5 “very high”) on different items concerning a specialized transport company activity (including airline companies).

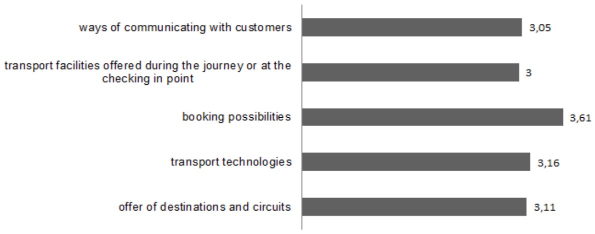

Figure 4: Perceived innovation intensity on transport companies

As seen in Figure 4, according to the weighted averages computed for all the respondents (with values from 3 to 3,61), transport companies are perceived as medium innovative. The highest score was obtained for the booking possibilities (3,61), which indicates that customers consider that transport companies are highly innovative in this concern. The lowest score (3) was obtained for the transport facilities offered during the journey or at the checking in point, followed by the item concerning the ways of communicating with customers. Furthermore, respondents perceive transport technologies and the offer of destinations and circuits as only medium innovative. These results could have been influenced by the fact that the respondents do not have very high incomes and probably tend to choose low cost transport companies.
The next question was aimed to highlight the perceived innovation in the hotel industry. Similarly to the previous questions, the respondents were asked to grade from 1 (“very low”) to 5 (“very high”) the innovation intensity in different aspects regarding a hotel’s activity.

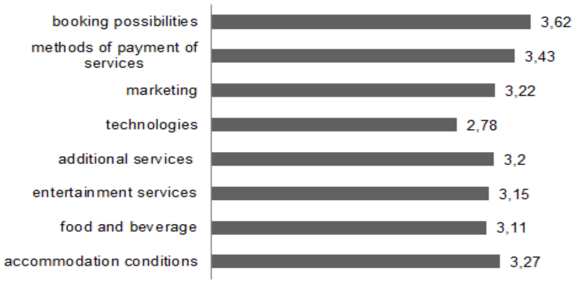

Figure 5: Perceived innovation intensity in hotels

Unfortunately, the hotel industry is also perceived as only medium innovative, according to the weighted averages (with almost all values lower than 3,5) based on all the responses obtained in the survey. The highest score (3,62) was registered, similarly to the case of transport companies, for perceived innovation in booking possibilities, followed by the perceived innovation in methods of payment offered to clients. Accommodation conditions (e.g. great architecture, personalised rooms, new types of rooms) are also perceived as only medium innovative, closely followed in score by innovation in marketing (promotion ways utilised by hotels) and in additional services offered (e.g. spa, laundry, beauty salon). Entertainment services are, in turn, considered only medium innovative, similarly to the food and beverage services offered by hotels (weighted averages slightly higher than 3). The lowest score was registered for perceived innovation in utilised technologies (including “green technologies”), considered low to medium. As mentioned before, the results may have been influenced by the scale of accommodation units preferred by the questioned customers.

Furthermore, the research was aimed to identify the importance of innovation in different segments of the tourism value chain for choosing a vacation destination and for purchasing tourist services. Respondents were asked to award a grade from 1 ("not important at all") to 5 ("very important") for innovation importance in 5 sectors of the tourism industry: travel agencies, transport companies, accommodation units, restaurants and entertainment companies.

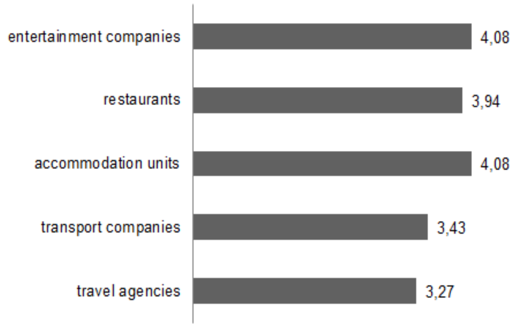

Figure 6: Importance of innovation in different segments of the tourism value chain in choosing a vacation destination and in purchasing tourist services

As it can be observed in Figure 6, according to the weighted averages computed based on all the customers questioned, innovation in accommodation units and in entertainment companies is important in choosing and purchasing tourist services (the weighted average, with a value of 4,08 in both cases, places these two value chain segments first in the top of most important sectors in tourism). Innovation in restaurants (weighted average of 3,94) is also important for the respondents, while innovation in transport companies is only medium important. The lowest weighted average was registered by the importance of innovation in travel agencies, which, according to the customers questioned, is medium important in purchasing tourist services. The last specific question of the survey intended to identify customers' perception on Romanian tourism operators' innovativeness, in comparison with foreign tourism operators. Results show that 81% of the respondents state that foreign tourism operators are more innovative than Romanian ones, while 12% believe that Romanian tourism operators innovativeness is relatively equal to the one of tourism operators from outside the country. Only 1% of the customers questioned believe that Romanian tourism companies innovate more than the ones outside, while 6% of the respondents were not able to make a comparison due to the fact that they had not travelled outside Romania. These results definitely conduct to further research ideas on innovation in tourism.

5. Conclusions

To conclude with, results show that the importance given by respondents to innovation in the various sectors of the tourism value chain is higher than their actual perception of innovation intensity in these sectors. Thus, although tourists feel that innovation in accommodation facilities, entertainment companies and restaurants are important to their decision to travel, they perceive these facilities as being medium innovative, which may signal an unsatisfied demand for innovation on the tourism market.

Furthermore, it is surprising that tourists view the food and beverage sector as more innovative than transport and intermediates and place a relatively high priority on the importance of innovation in restaurants. This indicates that although the literature on innovation in tourism is primarily focused on the hotel industry and transportation technologies, other segments such as dining and entertainment should not be ignored as they play a vital importance in the decision to travel.

Last but not least, although travel agencies and tour-operators have been described in the literature as open to innovation through the expansion of Internet and ICT, they seem to be perceived as little to medium innovative. Moreover, the importance of innovation intensity in travel agencies is regarded as lower than in the case of other sectors.
The results call for further research into the impact of innovation in the different sectors of the value chain on tourists' satisfaction and behaviour, as well as into the means through which innovation can be enhanced. A more comprehensive research based on this pilot study should also take into account the differences among providers operating in the same sector, since each of the industries playing a role in the tourism value chain – hospitality, food and beverage, intermediates, transportation and entertainment – are highly heterogeneous.

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