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Occasional Paper No. 3

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Introduction

The relatively large number of tourism destinations available both nationally and internationally has intensified competition between destinations for tourists. In addition, changes in technology and consumer tastes mean that many products including tourism products and services have shortening life cycles leading to the need to continually innovate and adapt tourism destination product offerings. Guests today are highly sensitive to the quality of service they receive and frequently are not prepared to compromise on this aspect which they regard as a very important part of a tourism product offering (Kamndampully and Duddy, 2001). To maintain market leadership, managers of firms will need to adopt approaches which simultaneously enhance the organisation's management systems and procedures as well as staff on a continual basis. However, there is also a need for firms to appreciate the close interrelationship of important factors such as the quality of resource inputs to the firm and the ability to anticipate and identify changing consumer demands. Such business related factors are essential if firms are to maintain and enhance firm competitiveness within tourism destinations. A strategic management approach is seen to be an important way in which the firm can identify, evaluate and develop strategies to meet the challenges posed by dynamic internal and external environments.

This paper commences by examining approaches to better understand the complex processes involved in the traveller destination decision process. The discussion leads to an evaluation of key factors seen to influence the destination choice for travellers. Means of extending existing theoretical approaches to better explain the process of destination choice by travellers have then been advanced. In particular, the importance of certain aspects of the service system for tourism based firms is seen to be important. The means of better identifying and implementing strategies identified to be important within the service system based on a strategic planning and management approach are then discussed. Finally, the importance of the concept of latent consumer demands, for the provision of superior service delivery by tourism organisations, has been examined.

Leisure travel destination decision processes

A range of theoretical models have been advanced in the academic literature to explain the destination decision process (Chon, 1990; Woodside and Lysonski, 1989; Gunn, 1989; Clawson and Knetch, 1966). It has been widely argued by researches concerned with such a purchasing decision, that the consumer's decision to purchase is a multi-staged process (Chon, 1990; Woodside and Lysonski, 1989; Mayo and Jarvis, 1981;

Hunt, 1975; Gunn, 1972; Clawson and Knetch, 1966). Kotler (1989) for example, identifies that when involved in a purchase decision, the consumer transits the stages of:

1. need recognition
2. information search
3. evaluation of alternatives
4. choice of product or service and
5. post-purchase evaluation.

Not every purchase transits each step of the model. In routine re-purchase situations of household items such as milk for example, the consumer may go from the stage of need recognition to purchase. However, a key advantage of the model is that it recognises that the buying decision process is likely to commence long before actual purchase and continue after purchase has occurred, signalling that marketers need to focus on the entire buying process rather than just on the purchase decision (Kotler, 1998). Following on from need recognition, information search is the stage in the process where the consumer is aroused to search for more information. This state may encourage the consumer to go in active search of information or may heighten their attention to relevant information sources including advertising (Kotler, 1998). It is vital marketers understand the sources from which customers draw their information if they are to influence the decision process (Gartner, 1993).

Once sufficient information is gathered, the consumer moves to the evaluation of alternative solutions to their needs. The evaluation process is complex and will vary according to the buying situation. However, in general terms the consumer will examine the attributes of the product, assign different levels of importance to such attributes, determine the likely level of overall satisfaction with each alternative and derive an attitude toward the different solutions/brands. Marketers need to better understand how their customers evaluate alternatives so they may take steps to influence the outcome. A strategic planning and management approach can provide a valuable systematic framework to assist this process by better identifying the need to alter the attributes of the product, or better inform customers of the benefits of certain attributes of a certain destination.

In the evaluation stage, consumers rank brands and form purchase intentions. Generally, the consumer's decision will be to purchase the preferred brand/solution but two factors can come between the purchase intention and the purchase decision. The first factor is the attitude of key people and relationships that may influence the purchase decision, for example family members. Marketers must therefore be aware of

those who influence the buying decision. They may decide to use targeted communication to influence their buying attitudes, as well as those of the purchaser. The second is unexpected situational factors. In such situations, the potential purchaser may find some element of the marketing mix which does not meet their expectation, such as discovering a price increase or finding the standard and type of service received at a particular distribution outlet to be unsatisfactory (Kotler, 1998).

The decision process is not complete when the sale has been made as the consumer may be experiencing varying degrees of satisfaction with the outcome. The consumer can therefore be expected to engage in a form of post-purchase evaluation. The relationship between consumer expectations and their perception of product performance will determine their satisfaction level. Creating satisfied customers is essential as this both assists in customer retention and can lead to new business through satisfied customers becoming advocates for the product. Firms therefore need to monitor both customer expectations and their satisfaction levels (Lovelock, Patterson and Walker, 2001).

Researchers in the tourism and recreation area concerned with the travel purchase decision have made similar observations to that of researchers investigating consumption decisions. The decision to travel has been recognised as multi-phased rather than a single step process (Chon, 1990; Gunn, 1989; Clawson and Knetch, 1966). Clawson and Knetch (1966) identified a five-phased process in their recreational behaviour model:

1. Anticipation: planning and thinking about the trip
2. Travel to the site: getting to the destination
3. On-site behaviour: behaviour at the site or destination region
4. Return travel: travelling home
5. Recollection: recall, reflection and memory of the trip.

The anticipation stage in this travel decision process incorporates the activities undertaken prior to travel, including need recognition and information search. Travelling to the site could involve a range of experiences and service encounters depending on the mode of transport. In some travel situations travel to and from the site may be a major part of the travel experience as in the case of long haul international travel or luxury train journeys. Behaviour on the site incorporates the actual travel experience and is influenced by a wide number of service providers including the accommodation facility, recreation outlets, retails services and interaction with other travellers. Recollection and

recall of the trip includes the post-purchase evaluation phase of the decision model that will have a major impact on the next purchase decision (Clawson and Knetch, 1966).

The later work of Gunn (1989), identified a seven stage process in the leisure travel experience:

1. Accumulation of mental images about vacation experiences
2. Modification of those images by further information
3. Decision to take a vacation trip
4. Travel to the destination
5. Participation at the destination
6. Return travel
7. New accumulation of images based on the experience.

Gunn (1989) made explicit reference to changes in destination image as the consumer moves through the seven stages of the leisure travel experience. The process begins with the accumulation of destination images from a wide variety of sources that are then modified as a result of extended information search. These images are again altered during the post-purchase evaluation of the travel experience, implying the concept of continually evolving destination image. This observation supports the work of Hunt (1975) and Mayo and Jarvis (1981), who argue that a traveller's choice of destination is subjective and multi-faceted. While there are many factors involved in the decision making process, the most important is based on the image projected by a set of alternatives and the perceived ability of that image to most closely satisfy the travellers' needs (Mayo and Jarvis, 1981).

The travel process models emphasise the need for direct experience to evaluate the tourism product. There is an emphasis on actual service consumption, including travel to and from the destination along with actual on-site behaviour. There is therefore an implicit recognition of the significant potential role of the service experience on post-purchase evaluation. In the view of the authors of this paper, such recognition should be made more explicit. Another key difference is that the travel process models omit the 'evaluation of alternatives phase' from their framework. This omission has the potential of reducing the importance of competition between tourism destinations for the limited available consumers. As competition for tourism visitation between destinations increases it becomes increasingly challenging for destination marketers to differentiate themselves adequately within the marketplace. Because of this it is argued by the authors of this paper that increased attention needs to be paid to the way in which

potential visitors evaluate destination alternatives. This is supported by the work of Hankinson (2001).

Adding to the body of knowledge on tourist destination decision-making, the work of Woodside and Lysonski (1989) provides a more complete model to explain the destination awareness and choice processes of leisure travellers. Their model depicts eight variables and nine relationships. Two exogenous variables, traveller characteristics and marketing variables are shown to influence destination awareness. Destination awareness includes four categories. These are termed the 1) consideration set, 2) inert set, 3) unavailable/aware set and 4) the inept set. Woodside and Lysonski (1989) argue that all destinations of which a consumer is aware will fall into one of these categories. The *inept set* or the reject set, are those destinations of which the consumer is aware but will not consider buying because they create a negative perception based on past experience or negative information. The *inert set* consists of those destinations of which the consumer is aware but has an ambivalent attitude toward, neither negative nor positive. Often this is because the consumer does not have enough information about the destination to make a meaningful evaluation. The *unavailable/aware set* are those destinations about which the consumer is aware but is unable to purchase due to any number of constraints such as financial, geographic, legal or other limitations. The *consideration set* is the subset of brands that a consumer considers buying in a given product class.

The interaction between marketing variables and traveller variables will determine whether or not a brand is in the consumers' consideration set. Marketing variables are those elements of the product offering that the marketing entity can influence including product characteristics including packaging, price, promotion and distribution, and in the case of service industries, people, processes and physical evidence. Traveller variables relate to all the characteristics of individual travellers which may influence their travel preferences including demographic, psychographic and behavioural characteristics. Therefore, it may be argued that the aim of destination marketing organisations (DMOs) should be to create a well designed marketing mix targeted at a clearly defined target market to move a destination into the consideration set of that specific market (Woodside and Lysonski, 1989). As such, only those destinations that offer an appropriate product, at an appropriate price, communicate these attributes effectively and sell the product through appropriate distribution channels will be considered for purchase. Different destinations will be attractive to different travellers based on how well the marketing variables meet the needs of individual travellers. The strategic planning and management approach proposed in this paper provides a disciplined framework that may be utilised by marketing and local planning organisations to identify

that mix of variables and establish those strategies that can best influence the choice of destination by potential travellers.

Affective associations in the model, are the specific feelings the consumer has toward the brands they are aware of, usually based on brand attributes such as: sunny, fun, culturally diverse, beautiful beaches, quality restaurants and so on. Woodside and Lysonski (1989) argued that affective associations with a destination are usually positive for a destination consumers would consider visiting and negative for those destinations they would not visit. They argue that travellers determine their preference for a destination based on destination awareness and affective associations, where *traveller destination preference* is defined as the ordering a consumer assigns to alternative destinations from most to least liked. *Intention to visit* is defined as the likelihood of visiting a destination within a specific time frame. Both Woodside and Carr (1988) and Muhlbacher and Woodside (1987) argue that intention to visit is strongly linked with traveller preference. In addition, the model shows actual destination choice to be directly influenced by situational variables and intention to visit.

Additional Important Variables Likely to Influence Destination Choice

Arguably the psychology and behaviour of tourists when choosing, consuming and later evaluating their destination experiences, represents one of the most complex and involved areas of consumer behaviour research in marketing. Consumers are usually highly involved in the purchase of tourism, it is usually relatively expensive, it may be risky and is often highly self-expressive. There are also significant differences between brands (destinations) requiring significant information gathering, and consumers may hold strong beliefs or attitudes about different destinations (Van Raaij and Crotts, 1994; Crouch, 1996). Beside destination choice, research relating to the factors and processes that influence the image and attractiveness of a destination has received considerable research attention (for example, Echtner and Ritchie 1991 and 1993; Dann, 1996; Selby and Morgan, 1996; Lubbe, 1998; Walmsley and Young, 1998). In addition, studies have investigated the destination experience, including dimensions of quality and factors leading to satisfaction/dissatisfaction (Otto and Ritchie, 1996; Hudson and Shepherd, 1998; Sheppar, Grove, Norman, McLelland and McGuire, 1998; Tribe and Snaith 1998).

As Crouch (2000) has argued, the link between service quality and customer satisfaction deserves deeper research in a tourism destination context. Research that addresses only the functional aspects of the destination experience would appear to ignore critical experiential dimensions of service, particularly in the context of tourist destinations. The destination product is an experience comprising an array of commercial tourism services

(e.g. accommodation, commercial attractions, events, car rentals, restaurants, tours, for example). However, non-commercial experiences (for example, a cityscape, forest, beach, wildlife, local residents) are also important. The destination product therefore, is complex and not subject to the degree of control and management often available for other products. There has been little evident effort in research to date to study marketing and management of the destination product covering all of its attributes. Studies have tended to selectively address certain product elements in isolation (Crouch, 2000:69).

To this end, there are important limitations evident in existing models of destination choice as outlined for example, in the previous section. In particular, for the purposes of this paper, the model of Woodside and Lysonski (1989) for example, omits the important marketing mix variables of process, physical evidence and people, associated with services marketing. The need to extend marketing mix variables from the traditional 4P's (product, place, promotion, and price) emerged from studies which aimed to identify characteristics which differentiate service marketing from the domain of tangible products. Service classification schemas have been developed including the tangibility continuum of Shostack (1977).

Here tangibility is defined as 'palpable' and 'material' while intangible is an antonym defined as 'impalpable' and 'not corporeal'. Shostack reasoned that there were very few pure products or pure services but rather that market offerings tend to be dominated by either tangible or intangible elements, and as such, all market offerings could be placed on a continuum according to their degree of tangibility. Her examples included teaching as a highly intangible offering at one end and salt as a highly tangible product at the other. Shostack's argument suggested that service marketers should attempt to increase the tangible evidence of a service, decreasing the level of abstraction, with the aim of aiding consumers in their decision making process. Therefore, the *physical evidence* of a service organisation becomes an integral part of marketing management, as consumer perceptions of a service can be influenced by managing the physical evidence of the service-scape. For example the foyer of a five star hotel sets very different expectations from those created by the décor and layout encountered at a backpacker hostel. Hospitality and tourism, typically service offerings, are usually assessed by customers as service outcomes. Services have been described as a 'deed, act or performance' (Shostack 1982) or encounters in time, rather than physical objects.

Parasuraman, Berry and Zeithaml (1985), acknowledged the degree of tangibility as a means of delineating services and suggested an additional three key characteristic that differentiate services from goods. These were *inseparability, heterogeneity* and *perishability*. Inseparability refers to service delivery, where production and consumption

are often intertwined and the consumer is intricately involved in an evaluation of the process. With the marketing of physical goods, the product exists before the marketing process begins. The production outcome, rather than the process, is central to the consumer's evaluation of the product. In the service production process the consumer is often a participant and therefore the service *process* becomes a key means of differentiating the service offering (Gronroos, 2000). For example, a passenger on an international plane journey expects the service will deliver them to their destination.

However, the customer's evaluation of the service will include every service encounter from telephone contact when making a reservation, the manner in which they are greeted at check-in, the efficiency of the baggage handling service and the in-flight service. The customer will be personally involved in many aspects of the service delivery rendering the service process vital to their satisfaction level. Further, the inclusion of the customer in the service process also greatly increases the role of service employees in the marketing process, rendering effective *people* management as a crucial element of services marketing (McDonald, de Chernatony and Harris, 2001; Blankson and Kalafatis, 1999). The attitude, appearance, skill and professionalism of service staff is a vital element in effective service delivery. Therefore, the manner in which service industries recruit, train and manage their staff has a direct impact on customer satisfaction.

The second defining characteristic of services as discussed by Parasuraman, Berry and Zeithaml is heterogeneity, or a lack of standardisation. As outlined above, the human element in the production and consumption of services prevents the service provider from standardising production outcomes as is possible in a manufacturing environment. This lack of standardisation further increases the importance of service delivery processes and effective people management as integral elements of the marketing mix. The third feature of services is perishability, or the inability of service providers to hold goods in inventory as a means of matching and managing supply and demand. Being unable to manage fluctuations in demand via inventory control systems, requires service organisations to develop yield management systems which aim where possible, to anticipate and react to consumer demand by organising the firms resources in an optimum manner, in order to maximise revenue and minimise costs. When customers purchase a service where they are unable to pre-test the outcome they take a relatively high risk. Tourism services are typically intangible and can not be reworked or returned. If management can reduce such risk should increase incentive to purchase the service.

The Importance of Service within the Context of Tourism Destinations

The interaction between customers and service providers is recognised in services research as essential to service quality (Crouch, 2000:75). As mentioned, in a tourism context when travellers visit a destination, this interaction is both important and highly complex. Visitors to a destination come into contact with a large number of service providers from many different tourism enterprises during their destination experiences. Visitors also interact with local residents. Although not 'service providers' in the usual sense, this interaction with the local community plays a central role in the destination experience. The host-guest interaction has been the subject of a number of studies, particularly by anthropologists and sociologists (Anastasopoulos, 1992; Reisinger, 1994; Sharpley 1994). However, there has been apparently little effort to address the interaction between service providers and guests in tourism from a services-marketing perspective (Crouch, 2000:75). This is therefore, an important focus of this paper.

Within this context, it needs to be recognised that service quality standards are likely to be culture-specific. What is regarded in one culture to represent the traits of good service (for example, attentive behaviour by a service provider) may be regarded by a different culture as poor service (for example, intrusive behaviour). More than in any other setting, tourism presents some profound research challenges related to cross-cultural service standards and service expectations. The word 'culture' usually relates to a broad anthropological or sociological framework that describes a set of attitudes, beliefs, customs, values and practices, for example, which are shared by a particular group of people (Throsby, 2001). In as study of Indigenous eco-tourism enterprises in Australia Fuller and Parker (2002) found for example, that tourism has a considerable potential for destructive intrusions into Indigenous community life. Costs may include environmental damage, tourism trespass into Indigenous communities and associated invasion of privacy. Along with these aspects is the considerable potential for cultural clashes relating to differences in attitudes and value systems. Many Australian Indigenous people for example, find the many questions asked by Non-Indigenous tourists about Indigenous cultural aspects as an inappropriate means of transferring important knowledge about land, ceremonial and spiritual matters. However, cultures may also differ widely within particular nation states, due to differences in geographical location, religion, customs and political systems within nation states, as well as attitudes and values.

As the service provided by a tourism destination is highly experiential in nature, it follows that the service process is very important. It is evident that a great deal more research is

required to understand and enhance the destination service process (Crouch, 2000). Much service research to date, has emphasised the customer satisfaction/dissatisfaction proposition based upon confirmation/disconfirmation of differences between prior expectations and perceptions of actual performances. For short, discrete services such a concept seems reasonable but for lengthy service experience spanning several days, weeks, or even months and incorporating numerous individual services, such a model seems questionable. Services marketing research has begun to address this issue by considering the temporal dynamics of service expectations and perceptions (for example Clow, Kurtz and Ozment, 1998; Dube and Morgan, 1998).

Destination experience is comprised of many individual services and service encounters. The destination in this sense attempts to operate like a consolidated firm in the way these commercial services and non-commercial experiences are integrated. The productivity of an individual service enterprise is relatively integrated from a management viewpoint, but the productivity of a destination is far more problematic. Improving the management of the complex resource inputs of labour and technology for example, and outputs in terms of the preferences of consumers, suggest that there is the potential to increase value and reduce costs facing visitors to a destination. This should increase the competitiveness of both the tourism organisation (firm) and the particular destination of which the organisation is an integral component. This further suggests the need for improved strategic management processes and ways of better identifying strategies for enhancing consumer satisfaction. Both of these are important areas for discussion in this paper.

Although the delivery of hospitality and tourism services may involve physical goods, services are evaluated by customers, not according to the quality of the respective products, but primarily on the basis of service performance, which is commonly delivered in the presence of the customer**.** According to Berry, Parasuraman and Zeithaml (1988), quality of service has become an important means of differentiation between firms and the most powerful competitive weapon that many leading service organisations in tourism for example, possess. The ability to offer a superior quality of service has been recognised as one of the most effective means of ensuring that a company is able to distinguish its offering from the comparable offerings of its competitors (Parasuraman, Berry, and Zeithaml, 1991). Studies show that companies offering superior service achieve higher than normal growth in market share (Buzzell and Gale, 1987). Furthermore, an organisation's ability to offer superior service constitutes a competitive weapon which is both potentially unique and consistently available. A superior service strategy can also be developed and implemented at relatively low cost with the probability of a relatively rapid impact upon revenue.

From a customer's perspective, it is the service element, involving customer and employee interaction in a tourism service interface, as well as post-sales service, that increases the value of an organisation's product – service offering. The ability of organisation's to provide such customer oriented service becomes a particular challenge in environments requiring an emphasis on security or where matters of safety are involved. In environments such as international airline travel for example, it would appear that some service staff currently find it difficult not to become overly intrusive and aggressive in a manner which encourages resistance and reaction from customers.

The Need for a Strategic Management Approach

As discussed, the choice of a traveller destination represents one of the most complex and involved areas of consumer behaviour research. While service delivery by individual enterprises is most important, the fundamental products of the industry are destination experiences that incorporate commercial tourism services as well as non-commercial activities and interactions. To be a successful tourism based enterprise within a competitive destination requires a high degree of strategic management skill with a capability to manage both dynamic internal as well as external factors. It also requires access to high quality business information and an ability to build strategic alliances with key stakeholders within the destination.

The concept of strategic planning provides an important framework for assisting these processes. Goodstein, Nolan and Pfeiffer (1993) regard strategic planning as a process by which the guiding members of a community or group, envision its future and develop the necessary procedures to achieve that future. This involves more than simply extrapolating current trends or predicting and anticipating the future. It represents a process through which members of a community or organisation attempt to create their future, with regard to the realities of their external environment and internal capabilities. This process involves the planners in close and ongoing consultation with key community decision-makers in the areas of cultural, social, human, environmental and economic and commercial development. Such an analysis allows an appraisal of the current situation of a potential tourism destination internally and externally, and to its advantage and disadvantage. It allows an interpretation of the destination's current strategic status by the planning process participants by aiming to bring together a complex mix of political, economic, social, cultural and community factors. It attempts to then juxtapose these factors as a basis for planning and marketing in a manner that enables the construction of a vision as well as objectives that are grounded in a clearer appreciation of both opportunities and constraints that confront the destination (Wheelen and Hunger, 2000).

In addition to questions of service quality, a range of additional external and internal 'business' or industry factors are likely to be identified which can be expected to impact on firm competitiveness as well as impact directly on the ability of a firm to provide superior service. As Porter (1980) has demonstrated, the state of competition within an industry, including those operating within the tourism sector within a destination, are likely to be influenced to a greater or lesser extent, by a composite of five main competitive forces (Porter 1980). These include the:

1. rivalry among competing sellers in the industry
2. potential entry of new competitors
3. the existence of substitute products or services
4. competitive pressures stemming from collaborations and alliances between supplier of key sector inputs and
5. competitive pressures stemming from collaborations and alliances between buyers of products and services from tourism firms within a destination.

In general, the stronger the collective impact of these competitive forces, the lower will be the profitability of some individual firms. This can be expected to impact on the ability of a tourism based organisation to undertake the necessary planning, innovation and training programs designed to impart a superior service culture and develop a service system.

Following Enright and Newton (2005), this suggests that both industry-level and destination attributes should be included in studies of destination competitiveness. The relative importance of such attributes are likely to vary across destinations, especially in complex sectors such as tourism. The work of Crouch and Ritchie (1999) was instrumental in directing research to include elements of tourism competitiveness and firm-industry competitiveness as key factors influencing the overall competitiveness of a destination. Enright and Newton have developed six main firm-industry items to be included within a set of generic competitiveness factors derived from the frameworks of Porter (1990), and Enright, Scott and Dodwell (1997). Major business and industry drivers are seen to include:

1. Inputs – (e.g. staff costs, level of infrastructure, communication facilities)
2. Industrial and consumer demand – (e.g. including market potential)
3. Inter-firm competition and cooperation including quality of businesses associated with tourism
4. Industrial and regional clustering
5. Internal organisation and strategy of firms
6. Institutions and social structures.

Enright and Newton (2005), found that in all of the destinations included in their study, many of the business factors were rated higher than the tourism attractors. This suggests that tourism policy, often formulated solely in terms of tourism attractors, needs to also take account of business and industry factors. This paper points to the need for a strategic management approach within tourism organisations to better identify the influence of such internal and external industry and tourism based factors and to develop appropriate strategies to deal in a proactive manner with such influences. Such a strategic management approach it is argued, is essential to the delivery of superior customer service.

The superiority of leading tourism organisations has been attributed to their ability to augment quality of product offerings through providing a higher valued service. To provide this on a continuous basis becomes difficult where management and staff resist the continual repetition of successful strategies, in a face to face service interchange. It is therefore necessary that strategies be the result of continuing innovation and improvement. It is argued in this paper that this can be best achieved by the regular involvement of management and staff in the development and implementation of such strategies using a strategic management approach. Such an approach places emphasis on the development of a service led vision and mission leading to clearly defined objectives for the organisation. It also results in a thorough appraisal of the internal service strengths and weaknesses, as well as external opportunities and threats of both a wider industry and more specific tourism nature, that confront the organisation.

This allows tourism organisations to develop internal capabilities difficult to duplicate. It has become increasingly important for firms to offer superior service within tourism based organisations in a manner which surpasses customer expectations, as opposed to merely satisfying their needs in a predictable manner, in a similar manner to competitors. In a service organisation such as tourism, managers at all levels need to appreciate that while changing technologies will have important implications for service delivery within tourism based firms and organisations, the quality of service delivery will continue to depend on the manner in which those responsible for service delivery actually interface with customers. In order to offer a matchless level of service, leading tourism organisations have moved to develop creative service strategies based on the mission of ensuring that first time customers are transformed into satisfied and loyal guests, to become the firm's best advocates.

As tourism services are intangible by nature, the product can not be patented and therefore, other firms are predisposed to copy forms of service delivery. The main challenge for those organisations wishing to prevent such copying is the mission of

‘superior service’. A tourism organisation’s ability to offer continual superior service is essential to its longer term commercial success. While a service organisation’s mission may be to gain increased customer loyalty through the provision of providing superior service, customers seek a consistent and superior quality of service as evidence of an organisation’s commitment to value. Within increasingly competitive markets service loyalty will be required to precede customer loyalty (Kandampully, 1998; Kandampully and Duddy, 2001).

An important way of ensuring staff understand the importance of providing a consistent and superior quality of service is to involve and empower them via inclusion within a strategic planning and management process. Tourism managers therefore need to be prepared to develop and adopt innovative management strategies and design procedures by involving staff in a participatory strategic planning and management process as an important means of doing this. For customers, satisfying experiences appear to occur when employees respond quickly and in a flexible manner to satisfy a particular service requirement (See Kandampully and Duddy, 2001). Kandampully and Duddy propose a ‘service system’ focussing on (1) service empowerment (2) service guarantees and (3) service recovery. According to the authors, creating a cohesive service system will enhance, complement and support each of the main elements above, enabling the building of a customer-focused organisational culture. The strategic planning process should involve staff and key managers in the formulation of the service oriented mission and vision for the organisation, as well as the key objectives required to guide the formulation of service based strategies for the organisation. The process can provide a particularly valuable vehicle for communicating service priorities through the organisation as well as developing a sense of ownership for those directly involved in the development of service priorities. It has often been the case that management has neglected to recognise the substantial knowledge and abilities possessed by some employees regarding service dimensions. However, it is likely that such staff knowledge is a substantial, often dormant, resource for an organisation.

Thus, the rigid policies, structures and systems in an organisation often present barriers to individual talent and innovation. In some cases they prevent an organisation from harnessing the substantial productivity gains available from the available human resources. Empowerment of service staff creates an environment of commitment and ownership in which employees utilise the knowledge gained from their interactions with customers to further improve customer service. In this process they contribute in an important way to the understanding by management of customer requirements and priorities. Thus, an empowerment strategy is founded on an ability to complement and support both employees and management activities within an organisation. The strategic

management process provides an important vehicle for enabling such information transfer to both staff and management. It provides the means by which management can gain timely information on aspects of service which customers' value highly. Preventing a repetition of customers' negative experiences is a pre-requisite to gaining customer confidence and loyalty. Importantly, as pointed out by Kandampully and Duddy (2001), empowerment strategies will prove effective only if the organisation's internal supporting systems and management are flexible enough to allow employees to adapt systems and processes in a way which better satisfies customer demands. In this sense it needs to be emphasise d that the ability of an organisation to best utilise available human resources to enhance the value of its service offerings is essential to the creation of a competitive strategy.

Anticipating Customer Demands – The challenge of Identifying 'Latent Consumer Demands'

Superior service oriented firms should strive to deliver services with the potential to increase customer satisfaction to levels far higher than those implied by simply providing expected and continuing levels of satisfaction. In this sense, customer satisfaction is not seen as a means of maintaining standards at a level which meet customer expectations. Rather, it is argued here that following Kotler (2001), customer satisfaction involves tapping successfully into the latent but powerful desires of consumers, yet to be fully activated. Latent demand may be defined for the purposes of this paper, as an activity not demanded by consumers at a particular time and at a particular location because the cost of supplying the activity is regarded as too high, but which if supplied, would be demanded by consumers. In the context of tourism organisations, an important component of the cost of supplying such a product or service, is the cost of acquiring the necessary information to identify such latent consumer demands. Kotler (2001) suggests for example, that there is strong latent demand for safer neighbourhoods, more fuel-efficient cars and buying online. However, there are inhibitors to electronic commerce such as security, as there are to the other activities. Such inhibitors are essentially related to the costs of overcoming the constraints associated with delivering the product or service in a manner required by consumers.

The advantages of recognising more fully the importance of the concept of latent demands can perhaps be better perceived when it is appreciated that most economic theories of consumer behaviour portray the consumer as having to optimise utility in terms of established ordered preferences, within the context of a known budgetary constraint (Earl and Potts, 2000). In addition, within the marketing literature the consumer is often seen as highly purposive, gathering information about a range of

purchasing options, evaluating these, making choices and then undertaking the preferred purchase. However, marketing researchers such as Rook (1998) draw attention to empirical evidence which indicates that a surprisingly large proportion (over fifty per cent in some cases) of products and services that are purchases are in fact, unplanned. Earl and Potts point out that purchases of consumers are in part determined by needs that have yet to be identified and defined as essential or expected, but which consumers have 'at the back of their minds'. In this sense consumers have latent demands for products and services, which have not been clearly established prior to the actual purchase decision.

Kandampully (2002) argues that service leaders successfully introduce products and services to the market far in advance of customer expectations. It is argued in this paper, that such products and services are delivered by innovative organisations, able to assess that the benefits of such innovations will outweigh the costs. In the customer's mind, a firm maintains its market leadership position by continuing to operate at the cutting-edge and by extending conventional parameters. The firm therefore, attempts to tap latent demands that have yet to be fully articulated by the consumer through established expenditure patterns. By tapping into such latent demands within the consumer psyche, service firms are able to 'delight' customers with their creativity and innovation. In operational terms this requires firms to almost think and anticipate requirements and solutions, for the customer. Such a service component has become an integral source for strategic and sustainable competitive advantage. In this sense, business success depends not only on an organisation's ability to imagine and /or create a need (See for example, Kandampully, 2002; Pilzer, 1990), it will also depend on the ability of businesses to successfully anticipate the latent demands of consumers and provide creative product and service solutions to satisfy such demand.

The consumer has a higher chance of being 'delighted' by a product if the product offering is augmented. It is the firm's service performance that is best able to augment the product offering by communicating added value and stimulating latent demands in the minds of the consumer. Such augmentation, if it is able to awaken latent demands in the mind of the customer, acts to signal value. The ability of a service firm to interact with the customer and maintain an ongoing relationship provides firms with the ability to better identify latent consumer demands. For example, the ability of Marriott to collect customer information on the characteristics and preferences of a large number of travellers (Kandampully, 2002) enables the organisation to better identify the latent demands of customers and to create products and services that can better anticipate customer requirements. In an increasingly competitive market, customer focus requires the firm to gain a wide understanding of the entire needs of the customer, how these are

likely to change over time, and those that may be latent but can be evoked and aroused. As Kandampully (2002) points out, if customer needs extend beyond the core competency of a firm it will be necessary for the firm to create strategic alliances, both horizontally and vertically, with individuals and other organisations to procure the required competencies. This is particularly important within the tourism sector. The question of how firms may better identify latent demands in the minds of consumers and its relative importance as a concept for driving the competitiveness and profitability of tourism related firms, deserves increased research attention.

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