
Tourist Experience in a Customer-Driven Era

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Abstract

Harmonizing Marketing and Revenue Management within today’s constantly shifting environment is a real challenge, both hotel’s marketers and revenue managers beginning to better understanding that revenue optimization is everyone’s business, and improving tourist decision journeys with Agile Marketing is a must within the current business environment in which marketing shifted from the business of communications to the business of experiences. New capabilities including new talent in agile development are necessary in our digital era, as the new name of the marketing game is Agility, and the Agile management methods offer organizations a proper way of transforming the current changes in opportunities. That is why it is important to have a clear picture of what means Agile in the marketing context, knowing the starting point of all tourist activities, the role of the accumulated tourist experience, and the promise of customer experience management, and better understanding tourists’ behavior and motivations in today’s Omni channel world.

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Under the pressure of ensuring coordination and optimization of all business functions within a constantly shifting environment

In February 2010, a reputed representative of Xotels (hotel yield consulting experts specialized in growing hotel results through innovative revenue management strategies) argued that in the hospitality industry something is missing when wanting to see how every booking affects the Gross Operating Profit (GOP). He started from the fact that after the Revenue Management (which started with the airline industry, then being applied in many more industries: hotels, car rental, train companies, theatres, cinema, restaurants etc.) phenomenon hit this industry all representatives shifted from measuring the performance of the hotel based on occupancy and Average Daily Rate (ADR, a KPI to calculate the average price or rate for each hotel room sold for a specific day) to REVPAR (Rooms Revenue per Available Rooms), the keyword nowadays being GOPPAR (Gross Operating Profit per Available Rooms). (Landman, 2010) As the difference between GOPPAR and REVPAR is all the operational costs of the hotel, in order to better understand the results from a hotel’s pricing, contracting and distribution strategies, Xotels proposed to implement another KPI: NREVPAR (Net Rooms Revenue per Available Room, where NREV = Rooms Revenue -/- Distribution Cost, Transaction Fee & Travel Agency Commissions; while ProfPAR indicates the profit earnings for each room available in the hotel, accounting for movements in both revenues and expenses).
On the other hand, it is also worth remembering from the very beginning that the experienced Vice President of Industry Strategy for the Leisure, Travel and Hospitality practice at JDA Software clearly showed: how vital the communication between Revenue Management and Sales is within the context of the constant push-pull between rates and occupancy in any hotel; what can Revenue Management do for Sales, and what can Sales do for Revenue Management; how important is to impartially resolve the conflicts between Revenue Management and Sales, considering both REVPAR and total profitability. (Kotra, n.d.) Later, in 2015, another experienced specialist, President & CEO, HSMAI (The Hospitality Sales and Marketing Association International, a global organization of Sales, Marketing, and Revenue Management professionals representing all segments of the hospitality industry), underlined the need to harmonize Marketing, Sales and Revenue Management in order to continue to compete smart, considering: Intermediation, Integration, Digital, and Big Data. (Gilbert, 2015) According to HSMAI, it was in the 1980s when the initiatives in revenue management by hotel groups and hospitality vendors started.

Beyond the history of Revenue Management (as “the application of disciplined analytics that predict consumer behaviour at the micro-market level and optimize product availability and price to maximize revenue growth” – according to Wikipedia), it is important to note that the best approach of Revenue Management (RM) so as to work consistently across all business functions is a continuous challenge, within the pressure of ensuring coordination and optimization of all business functions. Two years ago, a 25-year airline veteran and industry consultant in revenue optimization (Bacon, 2014) wrote about the frequently asked questions of RM and the real need to take a new look at the organisational solution for RM and its relation to other departments. He started from the fact that in an airline, in terms of number of employees, sales/marketing/distribution and operations are the two largest functions, while RM (like airline planning) tends to have far fewer employees compared to the mentioned two main departments with which it has important interactions. And he revealed the “big picture” of the RM’s new organisational links (as shown in the figure below), arguing how important is to deploy all of the adequate mechanisms to keep RM, sales/marketing/distribution, ancillary (incorporating ancillary revenue directly into RM’s revenue optimisation routines; new opportunities for personalisation/customization representing another implication of the new ancillary fee structure), e-commerce (capitalising on the new upsell opportunities of ancillary through online merchandising), and mobile (as subset of e-commerce affording greater opportunity for close-in bookings, new opportunities for upsell at the last minute, and new customer engagement) all working together.
Also two years ago, another experienced specialist, (Bartnick, 2014) Senior Hospitality Consultant at IDeaS (a SAS Company), argued that: there is enough room for marketers (charged with the task of connecting directly with consumers to generate demand, being well placed to know which customers they need to communicate with to fill the empty space) and revenue managers (charged with the task of controlling demand through profitable pricing strategies, being able to say the exact position of areas of priority for demand generation) to take working together to a new level so as to raise hotel profits, by bringing significant improvements in being able to attract the right guest at the right price; the traditional thinking of the hotel operators is challenged by the evolution of the booking patterns (for example, within the context of the rise and heightening reliance on mobile devices and the social media apps offered on these devices); a huge area of potential for both hotel teams (marketing and revenue management) is for example is by jointly working through social media (as the reviews and price are the most important influencers of choice), using the analysis of what social media sentiment exists for the hotel to understand how it is affecting demand and how pricing might be adjusted accordingly, and monitoring the social media standing of their competitors compared to their own (going beyond relying on only studying competitor hotel rates) so that can inform pricing, being well-known that today’s travelers are very easy comparing hotel rates across multiple channels and booking their own travels thanks to their mobile devices and online apps (driving practically the hotel booking environment). Bartnick (who studied Hotel and Tourism Management in
Switzerland and Australia, started his hotel career at Accor in Washington DC as a Management graduate in Front Office Operations, furthering then his reach hotel experience in various operational roles in the UK) also highlighted the importance: of this kind of jointly working including at the level of investigating which online forums hotel guests commonly use (Facebook, Twitter, email, TripAdvisor etc.) and quickly targeting with personalised marketing messages the channels when gaps in demand arise; (in order to thrive) of generating demand, digital distribution and revenue by converging marketing and revenue management activities, and accessing and exploiting any information that might prove helpful at any point in time.

In June 2015, an online revenue optimization course for hospitality professionals – “RO2Win” (that trains a team to optimize every opportunity to increase hotel revenue) – was introduced by the Hospitality Sales and Marketing Association International and the Institute for Hospitality and Tourism Education and Research at Florida International University, this multimedia online course (an affordable program used before, during or after other development programs) engaging participants with the essential concepts of Revenue Optimization and demonstrating how everyone in a hotel contributes to profitability. (HSMAI, 2015) In the opinion of the Dean of FIU Chaplin School of Hospitality & Tourism Management this course (putting the course participant in the revenue manager’s seat) was developed to fill a critical need in the industry, because potential revenue-generating opportunities are overlooked in too many instances (revenue optimization being everyone’s business).

In September this year, Xotels showed that in order to be able to properly apply revenue management at a hotel it is necessary both to review a number of reports (which are monitored on a daily basis so as to ensure a correct pricing strategy), and to take the following actions: event or demand calendar; day by day on the books information, pick-up, demand and revenue insight for your property; pick-up pace information by market segment and sales or distribution channels; competitor rate shops; group and transient demand management tools; forecasts and budgets; past, current and future performance, compared to budgets; smart indicators to see how each of these elements are behaving in an understandable overview; algorithms to combine all data and provide forecasts and actionable yield information; easy-to-use information that allow you to make smart revenue management decisions quick, easy and efficient; key performance indicators with insight for owners, general managers, staff departments and other property stakeholders. Xotels’s Revenue Management Solution (in partnership with Busy Rooms) – “Hotel Scienz” (a user friendly cloud based hotel yield system) – is a combination of a dashboard (for key property stakeholders; easy to understand without training) and a revenue management software (for those that need to understand daily fluctuations and make actual pricing decisions).

This Xotels’s Revenue Management Solution can be used by independent hotels, hostels and by hotel groups, because it is a multi-property capable solution using continuously evolving algorithms. Based on both in-house and external data, Xotels’s Hotel Scienz platform not only offers a clear overview of a hotel current status and simplifies this hotel yield decisions and
strategies, but also shows strategic insights and detailed overviews of hotel’s revenue management performance, analysis and action items. The platform also shows crucial information about property sales indicators and demand trends.

Improving tourist decision journeys with Agile Marketing

In April this year the predictions that 2016 will be the year of the agile marketer were confirmed by the survey results from Wrike’s “How Marketers Get Things Done: The State of Agile Marketing in 2016”, which revealed that: from 803 US-based marketers, 63.4% are already using at least some aspects of Agile methods (the movement being still in its infancy, and a lack of training or knowledge about Agile approaches being considered the main obstacle preventing full agile adoption); respondents are using mixed Agile Marketing methodologies (Scrum, with 13.8%, isn’t the default approach for new agile practitioners, the clear leader in agile methods currently in use becoming Lean, with 29.7%, followed by Kanban, with 24.5%, and Scrumban, with 14.5%); unfortunately, there is a the low adoption rates for social media (15%) and content marketing (11%) roles, while the adoption rate for marketing operations is 21%. (Fryrear, 2016)

As also shown before in our “Holistic Marketing Management” Journal, (Vishwanath Iyer, 2015) Scrumban is a combination of Kanban with Scrum in order to achieve better results by introducing the Kanban board for Agile and listing down the tasks as per priority with the task owner and so on (with certain specified advantages).

On the other hand, in February this year, the reputed Scott Brinker highlighted that marketing has shifted from the business of communications to the business of experiences (these last ones being given to prospects and customers along all the touchpoints communicating company’s brand), which are mediated by software in today’s digital world. (Brinker, 2016)

And as shown by BCG’s representatives in October 2015, (Visser, Field, and Sheerin, 2015) given this today’s digital reality marketing organizations must become more agile in order to quickly adapt to rapidly changing conditions. What presupposes new capabilities including new talent in agile development (together with big data for consumer insight, marketing-effectiveness analytics, programmatic buying, branded content, marketing innovation, agency management), by using agile techniques (borrowed from the software development world) to speed up the development of initiatives and timelines, consciously developing greater agility throughout the organization by implementing structural changes such as: centralizing the right activities; creating the right structure; redefining roles and talent management. It is worth remembering that in December 2012, on the occasion of the presentation given at the ITSMA’s annual marketing conferencing on the topics of agile marketing and the rise of marketing technologists (two of his favorite subjects), Scott Brinker argued that one of the 5 meta-trends (The Great Migration to Digital; From Media Silos to Converged Media; From Communications to Experiences; The Technologification of Marketing; Agile Marketing) in modern marketing (underlined by him in 2012) is Agile Marketing as “a fundamental shift in the process of managing marketing, moving from rigid planning to more adaptive and incremental agile
iterations”, easily adapting along the way and becoming really effective at test-and-learn experimentation.

According to Simple’s approach of Agile (Simple’s marketing workflow management platform works for traditional and agile marketing work processes), for example, Agile marketing (which can work for teams that are not co-located) help marketers prioritize, improve measurability and higher productivity, also providing a transparent process for addressing day-to-day requests, driving long-term strategy with a smaller number of projects which are reviewed once completed. (Simple, n.d.) In 2012, Prairie Sky Group identified a “Problem with Marketing” and recommended the Agile Marketing Solution, outlining the basic process (see below), and considering both the benefits of Agile Marketing (organizational, for marketing, and for personnel), and best practices for Agile Marketing. (Stocking, 2012)

![Diagram: Agile Marketing Process]

Figure 2: Starting and conducting an Agile Marketing Sprint (the picked project being accelerated through the Marketing Sprint)


It is worth underlining that projects or tasks (also known as a story) are managed as you can see above - in the case of “Scrum” (Scrum framework consists of self-organized and cross-functional teams and their associated roles, events, artifacts, and rules, these Scrum Teams consisting of a Product Owner, the Development Team, and a Scrum Master, targeting optimizing predictability and control risk, while considering transparency, inspection, and adaptation) (Schwaber and Sutherland, 2016) - through so called “sprints” (fixed-length iterations of work including: sprint planning, daily scrum/stand ups, sprint reviews, and sprint retrospectives), while “Kanban” is focused on continuous releases (in this last case for marketing being also four main project management components: columns or lanes, work in progress/WIP limits, and continuous releases). (Drumond, 2016)

At the March 2016 MarTech conference in San Francisco, in a MarTech session on agile marketing, Shubu Mitra, director of connection planning effectiveness and productivity for Coca-Cola, stated that as the new name of the marketing game is Agility (the rapid change being
driven by technology, a huge part of marketing today being represented by digital) marketing organizations must be ready to modify their plans. The program chair for this MarTech conference, the reputed Scott Brinker (author of the book “Hacking Marketing: Agile Practices to Make Marketing Smarter, Faster, and More Innovative”, Wiley, April 2016), argued that in contrast with the classic management methods (emphasizing long-cycle, top-down planning, and for which change is an enemy disrupting this planning) the Agile management methods offer organizations a framework to detect and adapt to the current rapid changes, and adjusting incrementally their strategy based on real-world feedback, transforming these changes in opportunities. (Martin, 2016)

Seven months later, at the beginning of December this year, McKinsey’s representatives pictured what means Agile in the marketing context, (Edelman, , Heller, and Spittael, 2016) for agile marketing to work being necessary a number of prerequisites: a clear sense of what the organization wants to accomplish, sufficient data, analytics, and the right kind of marketing-technology infrastructure in place; sponsorship and stewardship of the shift to agile by senior marketing leaders; a small team of talented people who can work together at speed, full time, and being collocated in a so-called “war room”, as you can see below:

Figure 3: The makeup of an agile war-room team

In the opinion of the above mentioned McKinsey’s representatives an agile team works by aligning with leadership and sets team expectations, analyzing the data to identify the opportunities, designing and prioritizing tests, running tests, iterating the idea based on results, and scaling across the organization (beginning with building credibility). They recommend not adding new agile teams until the latest one is operating effectively, each of them being tightly focused on a specific company’s business goal, product, or service.

Paraphrasing what the President and Founder of VisionEdge Marketing shown recently, we think that in the tourism and hospitality industry (considered as being always among the first businesses to capitalize on new technologies) it is the right time: to make marketing agile requiring data and timing information with the help of scenarios effectively used and incorporated into company’s planning, clarifying first the issues which are key for marketing and identifying the key uncertainties; then, after incorporating the constructed scenarios into company’s planning, to explore the combined impact of various identified uncertainties, and identify (among numerous possible outcomes company is trying to produce) patterns and clusters in order to improve company’s ability to predict and adjust more quickly, (Patterson, 2016) as also suggested by BCG’s representatives, the reputed author of the “Rise of the Marketing Technologist”, (Brinker, 2010) and other above mentioned sources.

The challenge of making significant contributions to the tourist experience

The authors of the so-called “experience economy” described the consumer experience as consisting of four realms (4Es: educational, escapist, esthetic, and entertainment) forming quadrants positioned along two matrices of experience: the horizontally placed consumer participation (passive or active) and the vertically positioned consumer connection (absorption or immersion, immersion being described as becoming physically or virtually part of the event or performance itself, while absorption being engaging the attention of the consumer’s mind) (Pine & Gilmore, 1998, 1999), the active participation being “where customers personally affect the performance or event that yields the experience,” while the passive one being “where customers do not directly affect or influence the performance” (Pine & Gilmore, 1999). These authors also argued that the consumption experiences incorporating all the above mentioned four dimensions lead to stronger memories and subsequent positive evaluations. (Gilmore & Pine, 2002) On the other hand, other authors identified memorable tourist experiences to be composed of positivity, engagement with others, and acquisition of new knowledge (Arnould & Price, 1993; Kim, 2010; Tung & Ritchie, 2011).

It has been largely recognized over time by reputed specialists that: the starting point of all tourist activities is tourist motivation which represents the underlying reason for people engaging in tourism; the accumulated tourist experience is impacting the travel career (alongside the context and the outcome of this experience), the concept of travel career being developed from Maslow’s hierarchy of needs and suggesting a direct relationship between transformation in motivation and context (including the individual tourist’s personal context, considering
individual circumstances and collective influences). (Smed, 2012) On the other hand, it is known that: the promise of customer experience management (CXM, whose primary focus is customer engagement by positive word-of-mouth, social media influence, referrals, survey response rates, community participation, co-innovation etc.) is ongoing growth (which is fueled by innovation that customers want to reward), customer lifetime value (according to a press release of Forrester Research from June 21, 2016 – “Customer Experience Drives Increased Revenue Growth”) being a guiding factor in managing business; customers’ ultimate reason to renew their purchases is ease the absence of frustrations, any part of the customer experience journey being an opportunity for value creation. (Hunsaker, n.d.)

Understanding tourists’ behavior and motivations by gaining insights into their motivations to buy and engage post-sale is considered to be vital to the success of a CXM strategy built on feedback from the environment in which these customers are operating, Marketing and Revenue Management departments being challenged to gather, review and act on insight data, by using the right tools and technology so as to do it in real time. (SDL, 2014) And as defining and refining customer experience (CX) is an ongoing process, it is important to create and update a CX map to optimize touch points (shopping, onboarding, bill payment, service support etc., considering of course today’s Omni channel world), in order to align process, policy, technology, and tourism organization with the needs and preferences of its target tourists. (KPMG, 2011)

Coming back to the reputed representative of Xotels, it is also worth mentioning that he attracted the attention, among other issues, to the fact that “Experiences Sell, Package It Up”. (Landman, n.d.) He started from the fact that as OTA (Online Travel Agency) hotels, for example, are being marginalized to a commodity (selling rooms and rates), on a hotel website it is necessary to put the uniqueness of that hotel in the spotlight by both ensuring potential bookers visiting the myhotel.com the feeling of truly experiencing this hotel, and of living a sensation of what it would be like to visit this destination. Which involves creating niche tailored hotel packages and offers (such as, for instance: Weekend Break, Summer Vacation, Spa Offer, Romantic Escape, Pre-Cruise Package, Cruise & Parking Offer, City with Family/Kids) that cater to the different client segments or target markets. The same reputed representative of Xotels mentioned before on another occasion that for hoteliers it is a balancing act between selling rooms through their own direct channels and using the help of third party websites, wholesalers OTA’s.

Conclusions

As argued in the last two years in our “Holistic Marketing Management” Journal: digitization is transforming indeed the way industry functions from supply chains to production to customer experience, being not an easy task to apply the many digital channels and technologies to a business; (Negrițeac and Purcarea, 2016) by better understanding the difference between change and transformation, and integrating people, technology and best practices, marketing organizations can achieve a complete customer view, and deliver real-time
experiences accordingly; (Negricea and Purcarea, 2016) as the digital revolution changed the way tourists shop for travel products and interact with brands, digitization steadily becoming the main pathway for tourists journeys, tourism businesses are challenged to use digital marketing techniques in their practices and to right track consumer activity across channels and devices; (Ratiu and Purcarea, 2015) in full mobile revolution there is a continuous test-and-learn loop, attracting online shoppers, increasing conversion rates, and having data mining tools to assess customer choices and understand the customer’s preferences and booking patterns; (Ratiu and Purcarea, 2015) within the context of monitoring travel and digital trends and ensuring an adequate experience across all channels and interactions, of reaching travelers through digital marketing channels and viewing marketing ROI in terms of lifetime value of the customer, it is important for hotels to adopt an integrated approach to Revenue Management so as to effectively manage distribution channels. (Ratiu and Purcarea, 2015)

There is no doubt that in today’s Omni channel world the new name of the marketing game is Agility, and hotel’s marketers and revenue managers must jointly work to effectively manage distribution channels, ensuring coordination and optimization of all business functions, being guided by the tourist lifetime value.

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