

EXPERIENCE MARKETING AND THE LUXURY TRAVEL INDUSTRY

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ABSTRACT

The main goal of this article is to apply experience marketing theory to travel industry, presenting the advantages of the experiential approach to luxury travel market. Therefore, the literature review leads us to present a theoretical framework and provide some insights to the luxury travel industry. We found four key factors which seem to leverage the luxury hotel experience: Connect to customer, Differentiate offering, Competitive advantage, and Value creation.

KEYWORDS

Experience marketing, Luxury market, Travel industry.

1. INTRODUCTION

Today, many societies are characterized by a sense of uniqueness where the ownership of ordinary goods is no longer a distinguished factor. People are looking for the “extraordinary” that manifests in the increasing of services and the addition of experiential elements to physical goods. The increasing of the consumption of luxury goods could be a example of this trend, as well a is the case of leisure and tourism, where consumers seeks for unique and unusual places to visit and activities to undertake.

Scott et al (2009) mention that western societies devote a considerable portion of our resources to the pursuit of the good life – one of contentment, pleasure, and happiness that is the notion of a fourth economic stage, the experience economy. That for Holbrook & Hirschman (1982, p. 132) is characterized by a search by consumers for a “steady flow of fantasies, feelings, and fun”.

The economy has changed, technology revolution and the increasing of competitiveness in the markets drives the ongoing search for differentiation. Beyond that, economic values goes in a natural progression – from commodities, to goods, to services and finally then to experiences- we live now in the experience economy (Pine and Gilmore, 1999). Therefore, understand the key factors of a good luxury hotel experience are an issue not yet well studied besides is importance for luxury hotel management. This article attempts to discuss this issue and provide some new insights for both academics and managers.

2. EXPERIENTIAL MARKETING REVIEW

Experiences are now in the core of attention, marketing researchers and practitioners have displayed their interest about experiences as the key for understanding customer needs and improve successful companies. Shaw and Ivens (2005) research shows that 85% of senior business managers believe that differentiating solely on the traditional elements, such as price, product and quality, is no longer a sustainable competitive advantage and even more senior managers hold the Customer Experience as the next competitive battleground. Also in a recent survey of marketing professionals

70% of the respondents reported the experience factor as being very important to their organizations and indicated their intention to employ it more widely in the future (Bigham, 2008).

It's in this context that spots the experiential marketing that comes to transpose the idea of a consumer totally logical thinker who's purchasing is based in only rational decisions. In the experiential approach it's necessary to consider the emotional and the irrational side exploiting the intangible elements linked with emotional values (Holbrook and Hirschman, 1982). Schmitt (1999) adds that besides of recognizing both the rational and emotional drivers of consumption, experiential marketing is distinct in three more key ways: focusing on consumer experiences, treating consumption as a holistic experience, and using eclectic methodologies.

Tynan and McKechnie (2009) in their study made a review about the experience marketing literature stressing the main points along the twenty five years of this research for consumer understanding. The first introducing of the theme was made by Holbrook and Hirschman in 1982 when they considered the emotional and irrational aspects in the customer's behavior studies, they were pioneers in comprehend the customer experience in a whole context. The authors noticed that individuals not only receive experiences in a multisensory mode but they also respond to and react to them, and therefore put interaction at the heart of the experience.

Holbrook and Hirschman (1982) considered subjectively-based "experiential" aspects of the consumption experience, the three F's "fantasy, feelings and fun" that recently was extended to four E's "experience, entertainment, exhibitionism and evangelizing (Holbrook 2000, p. 178). These works had in common the importance of highlight and examine subjective aspects of consumer behavior.

After that, in the 1990's the concept came more relevant when the author's Pine and Gilmore published experiences as the new economic offering. For the authors companies have to awake for this new economy and it will be its main role to engage customers through memorable experiences (Pine and Gilmore, 1999).

In a similar perspective, Schmitt (1999) offers a customer experience management framework as a five step program involving analyzing the customer's world, the author asserts that experience marketing can deliver sensory, emotional, cognitive, behavioral and relational value to customers, to which social and informational based value can be added.

In fact, the experience occurs inside an individual. Therefore, the experience depends on the individual's mood, state of mind, and how reacts to the interaction with the staged event (Mossberg, 2007). For Mossberg (2007) an experience is blend of many elements coming together and involving the consumers emotionally, intellectually and spiritually.

Considering individual and subjective aspects of experience concepts, there are divergences between academics and practitioners. Some authors believes that firms can provide these experiences to customers (Pine and Gilmore, 2000; Schmitt, 1999), but a more recent comprehension of the theme consider that experiences are co-created in a relational form to firms and customers.

In Prahalad and Ramaswamy (2004), perspective value is not added to goods, or created by services, but is embedded in the actual personalized experiences created through active participation, in this context experiences are co-created. Indeed, for marketers and for tourism provider's services get successfully is fundamental to know how to provide circumstances and environment to enhance customer's experiences (Mossberg, 2007).

3. EXPERIENCES AND TOURISM

The experience has been used as a vehicle to describe the meaning of various leisure and tourism activities and events. For Otto and Ritchie (1996) tourism more than any other service industry, holds the potential to elicit strong emotional and experiential reactions by consumers, they stress that utilitarian and rational information processing schemes which focus on functional or purely attribute-based elements are incommensurate with leisure and tourism.

Pine and Gilmore (1999) consider tourism as part of the experience industries, considering that one thing the hospitality, attractions, retail, events, destination management and transport sectors have in common is that they all exist to provide consumers with experiences.

Perceiving the importance of experiences for tourism many other authors tried to understand their relations. Uriely (2005), for example, in his research makes a review of tourist experience in an academic approach. He mentions that the firsts concepts of tourist experience emphasize its distinctiveness from everyday life, the main authors also emphasize that those tourist search for authentic experiences in travel what they cannot find in their every-day lives.

After 90's of 20th century the discussion has changed, tourism started to be stressed as a post modern phenomena and experiences that were once confined to tourism it is now possible in real life. It is allowed for tourists to join many activities as trekking, biking, mountain, as well as to combine tourism/leisure with work, in other words, different kinds of people desires different modes of tourism.

After that, the current notion of the tourist experience as a diverse phenomenon was accompanied by another development, in which attention is shifted from the displayed objects provided by the industry to the tourist subjective negotiation of meanings as a determinant of the experience. In this context, the experience is not understood by been provided only by the industry, tourist is not a passive actor, on the contrary subjectivity of tourist is the main factor to experience.

Beyond the understanding of the essence of tourist experience it is also important to find what influences tourist experiences. Otto and Ritchie (1996) points that for tourists there are four important factors that influences the experience, respectively hedonics, peace of mind, involvement and recognition. In their study respondents confirmed their need to be doing what they loved or liked, to have their imagination stirred and to be thrilled by the service activities.

First of all they wanted to be able to have memories to keep to themselves and to share with others later on. The second most significant factor was peace of mind, accounting in which consumers cited the need for both physical and psychological safety and comfort. The third factor seemed to have more to do with the process of service delivery than with the outcome, is their willingness to be active participants in certain service systems, having choice and control in the service offering. On the other hand, they also demanded that they be educated, informed and imbued with a sense of mutual cooperation. Finally, these consumers wanted to derive a sense of personal recognition from their service encounters, such that they could feel important and confident that they were being taken seriously.

In a marketing approach, a tourist experience is seen as a consumer experience because the marketing significance of the tourist activity is based in tourist's consumption. But the tourist consumption goes beyond of simply material things, when it's considered all the emotional aspects

involved, it's possible to understand that tourists consume experiences during all the journey (Mossberg, 2007).

That's why focusing in affective and cognitive components is important, even when tourism sectors have a clear functional component to them, as do accommodation and transportation services, experiential benefits will remain a critical part of the process evaluation and consequently of the tourist experience.

4. LUXURY MARKET AND THE TRAVEL INDUSTRY

In concept luxury is considered a refinement of basic human needs, but can be also a subjective concept changing from person to person. For example, sugar in Western Europe began as luxury good, but lost their luxury status and become goods for mass consumption. Kemp (1998) features that the perception of what is necessity and what is luxury does vary from society to society despite the apparently nature of basic human needs, this idea could be transferred to social perception being possible for different people to disagree what is luxuries or not.

Traditionally luxury goods as: watches, cars, clothes and cosmetics always represented an important part of consumption market, characterized by loyal customers, with particular needs and high purchasing power. In the last years the luxury market showed impressive and fast growth, overcoming the economic crisis different of most other markets.

According to Bain & Company (2011) annual report, the sector had grown three percentual points from 2009 to 2010, with good future perspective based largely in emergent markets as China and Brazil. The emergent markets also prove their importance as impellers of decreasing markets as European. Because of the crisis many luxury companies changed their focus to invest in the market of foreign tourists (mainly from BRIC's), as an alternative to stagnation of domestic market.

So, luxury travel market also follows the trend, according to World Tourism Organization (UNWTO, 2011), luxury tourists represents three percent of all tourist who circulate in the world. The spent of these tourists, represents twenty five percent of the money in circulation on international travels, moreover according to International Luxury Travel Market (ILMT, 2011) they spent per day, eight times more than usual tourists.

Inside the luxury travel universe there is also a demand changing for destinations. Europe in spite of being the mainly destination which receive tourists (leaded by France and Italy) is competing with emergent destinations as in: Asia (Hong Kong and Singapore), Oriental Europe (Moscow, Saint Petersburg and Prague), Middle East (Abu Dhabi, Beirut and Marrakesh), as in Latin America (Sao Paulo, Rio de Janeiro and Buenos Aires).

The discovering of new destinations is directly connected by the new characteristics of this travel customer. According to ILTM, the leading trend of the luxury tourist is characterized by travelers who know exactly what they want, and are not looking for ostensible luxury anymore; they want a discrete luxury and trips with focus in authentic experiences.

In luxury market, some elements as price and status are indispensable, but besides that other factors have been identified (Husic and Muris, 2009). For Lee and Hwang (2011) the concept of luxury is based in three dimensions: functionalism, experiential symbolism and symbolic interaction. The functionalism represents the idea that luxury goods solve problems and necessities of customers, the experiential symbolism represents the idea of sensorial pleasure and finally the symbolic interaction refers to the real satisfaction to customers' needs.

Vigneron and Johnson (1999), otherwise, define five behavior values of luxury consumers combined with their motivations. According to them, hedonists and perfectionists consumers are more interested in pleasure derived from the use of luxury products, they are less interested in quality, price and product performance, this type of consumer know what they want by their own judgment, while price exists only as a proof of quality. Additionally for consumers who are influenced by Veblen, snob and bandwagon effects, considered price as an important factor, with a higher price indicating a greater prestige, these consumers usually buy rare products to stress status sense.

In a luxury travel perspective the ILTM (2011) identified the main characteristics of luxury travel services:

- Privacy: for tourists a calm style without ostentation is preferred.
- Personalization: The tourist must be treated as the only one and the service must have a differentiation.
- Simplicity and perfection: Services must work without mistakes, its important quality in all the processes.
- Authenticity: It's growing the desire for exotic destinations and the searching for different culture is also a trend.
- Comfort and safety: Despite the trend of new destinations, tourists do not give up of these elements.

Considering all that the academics propose and market data shows, we can highlight that despite all importance given to price component, the values as conspicuous, uniqueness, social, emotional and quality are either important to luxury market, propounding that different consumers have different desires. However it's a trend for customers and companies being worried and investing in singularity and brand image because is necessary to differentiate among other brands by material quality, limited products, beyond the exclusivity that has to be associated with the luxury brand name.

5. IMPLICATIONS OF EXPERIENCE MARKETING APPROACH FOR LUXURY TRAVEL INDUSTRY

Through the literature review presented it is possible to define some advantages of using the experience marketing approach for the luxury travel industry (FIGURE 1):

Figure 1: Implications of experience marketing approach for luxury travel industry

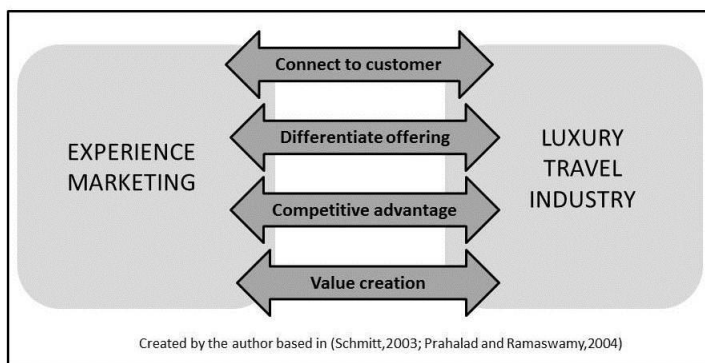


FIGURE 1 Implications of experience marketing approach for luxury travel industry

Connect to customer: As mentioned before, luxury customers have specific characteristics, what means that companies need to be aware for luxury travelers desires and needs. So, instead of treating customers in a massive way it is important, in luxury context, treat the tourist as unique. An practice way of connecting to customers is to understand their lifestyle to perceive what kind of experience could be co-created, attempting to personalization and authenticity in services.

Differentiate offering: Today customers have many choices of services but they still seem dissatisfied, and for luxury industry high quality of services and products are always expected, being difficult for luxury travel companies to differentiate among others. In this context, the experience marketing approach is an opportunity for companies offer to their customers the “something more” they look for, provide an environment to create experiences that involve subjective aspects as emotions and relations is a way to differentiate and improve luxury travel services.

Competitive advantage: The main challenges of today companies are to retain customers and to attract new ones, that is why after understanding customer perspective is necessary to perceive how to use experiential approach as competitive advantage. For this to happen it is important to include experience as a strategic point, including it in corporate position, brand image and services.

Value creation: Experiential approach is changing traditional concept of value creation. In the old way, value was created by the firms putting customers outside the process, but now with the experience perspective, value is co-created by firms and customers. In this context, high quality interactions enable tourists to co-create unique experiences with luxury travel firms, being the key to permit new sources of competitive advantage.

6. CONCLUSIONS

As far as we know the marketing experience in luxury hotels are not yet well studied, besides several research papers published around the consumption experience in the last ten years and the seminal work of Holbrook and Hirschman in 1982. The literature review leads us to highlight several important key factors which seem to leverage the luxury hotel experience: Connect to customer, Differentiate offering, Competitive advantage, and Value creation. In future research we propose to explore these findings using a qualitative approach: in-depth-interviews. Circa 60 minutes for each interview, with a group (20-30) of CEOs of luxury Hotels. Focus group with suppliers and customers of those luxury hotels are also recommended. The process behind the consumer-hotel relationship, the internal process to commit employees around a new package offer, and how hotel managers deal to create a team spirit in luxury hospitality will be the core issue during the qualitative approach. The results will allow contributing for theoretical and managerial implication on luxury tourism.

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