Aspects of Value Creation in the Experience Economy Service Encounter

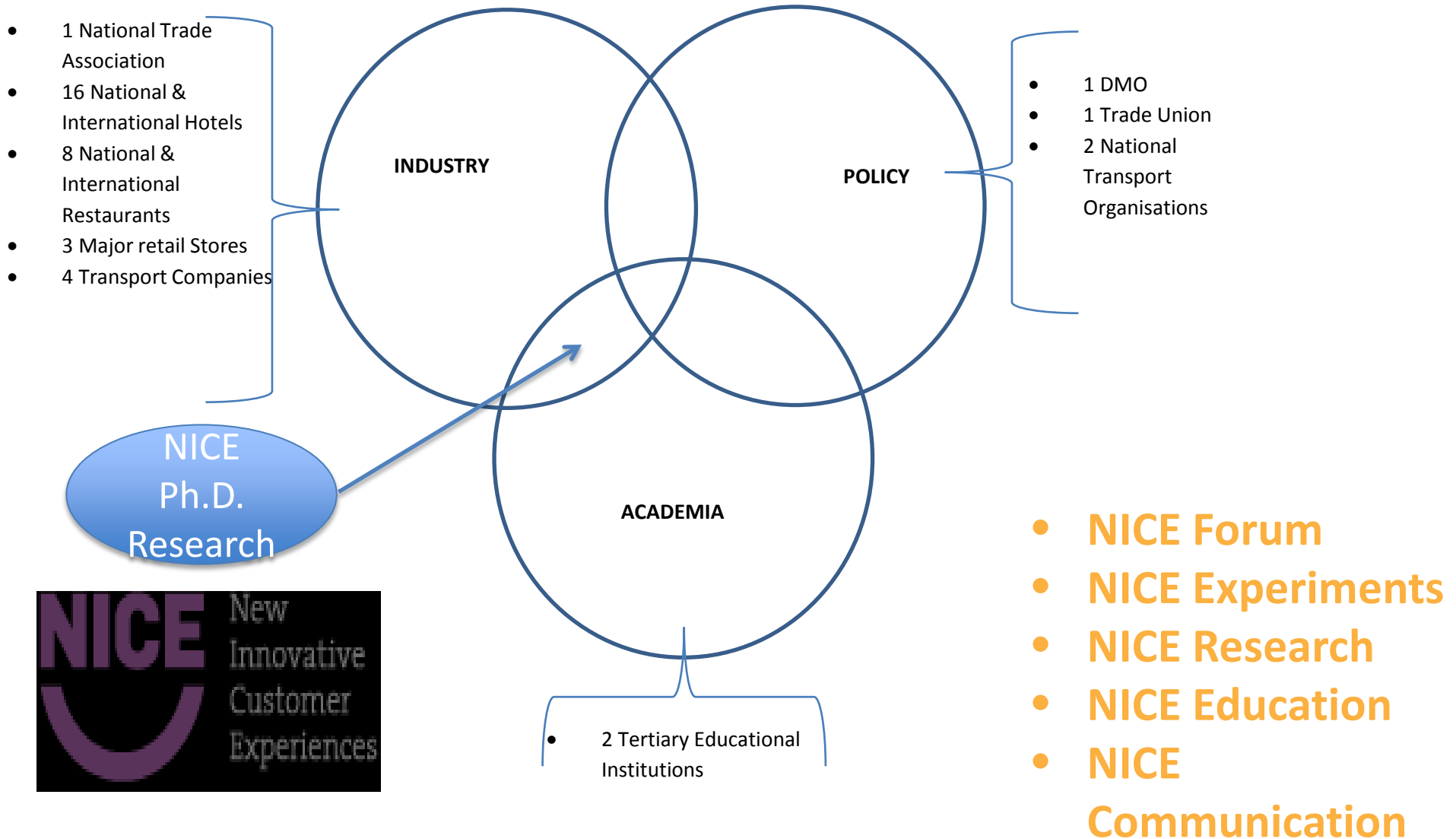Ph.d. student - Claire Forder, NICE Project, Cphbusiness & RUC

Agenda

- Personal background
- The NICE Project
- Industry Challenges – the WHY
- Experience Economy & value co-creation – alternative perspective
- How do service professionals understand value?
- In an FM context

Background

- M.Sc. – CBS 2000
- Private sector - 10 yrs
  - Management
  - HR
  - Lean Manufacturing
  - Competency Development
- Lecturer CPH – 6 years
  - Organisation & Management
  - Culture
  - Communication
- Ph.D.: RUC –CPH- NICE – 2,5 yrs
  - Value creation in the F2F service encounter
  - Unique experiences & value creation
  - Competencies

NICE Project Configuration

RUC
Roskilde Universitet

- 1 National Trade Association
- 16 National & International Hotels
- 8 National & International Restaurants
- 3 Major retail Stores
- 4 Transport Companies

INDUSTRY

POLICY

- 1 DMO
- 1 Trade Union
- 2 National Transport Organisations

NICE Ph.D. Research

ACADEMIA

NICE
New Innovative Customer Experiences

- 2 Tertiary Educational Institutions

- **NICE Forum**
- **NICE Experiments**
- **NICE Research**
- **NICE Education**
- **NICE Communication**

Service Sector Trends/Challenges

cphbusiness

RUC
Roskilde Universitet

- Changing expectations – excellent service
    - From quality to experience
    - Pay more for experience
    - Experience = added value
- Rapid pace of change
    - Technology
    - Automation
    - Security
    - Sustainability
- Diverse workforce – socio-demographic changes
- Over-reliance on "traditional" service concepts - service profit chain, ServQual & Gap Model

Source: Ganz, Walter (2005), *"Research in the Service Sector"* Fraunhofer Institut für Arbeitswirtschaft und Organisation, Stuttgart
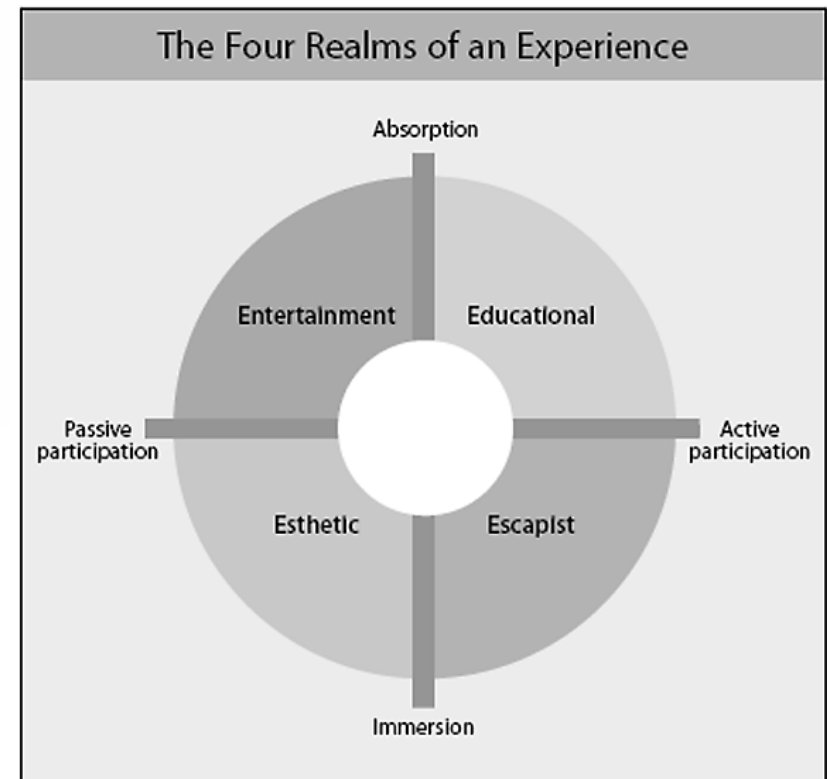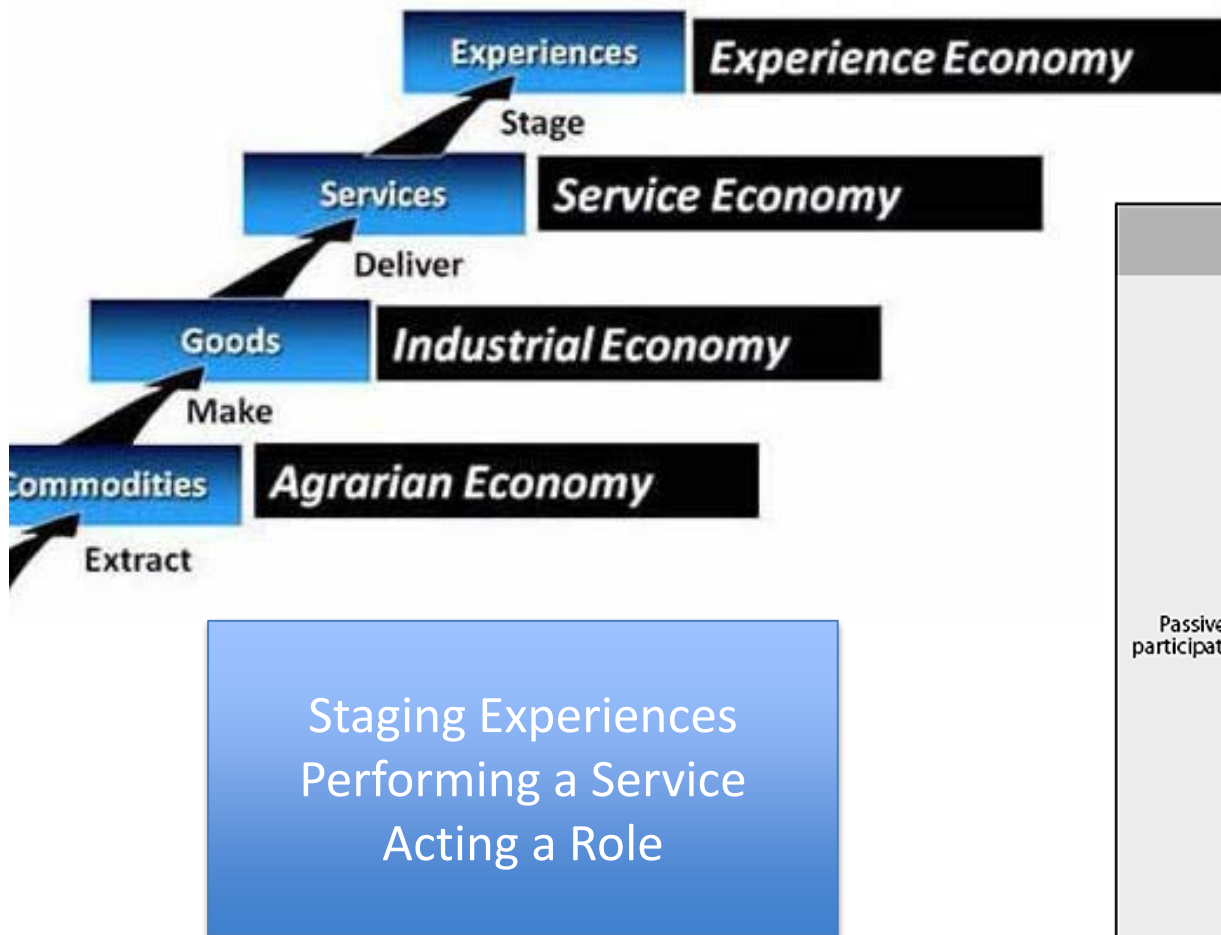
Customer Trends

- Growing elderly population
- Millennials
- Informed
- Individualised choice – internet/social media/reviews/
- Instant + easy access to information
- Shift – traditional "mass" service to individual experiences
- Experiential travel
  - Personalisation
  - Immersive
  - Authentic
  - Unusual
  - Unique/memorable

Figure 2.3.3: The age pyramid
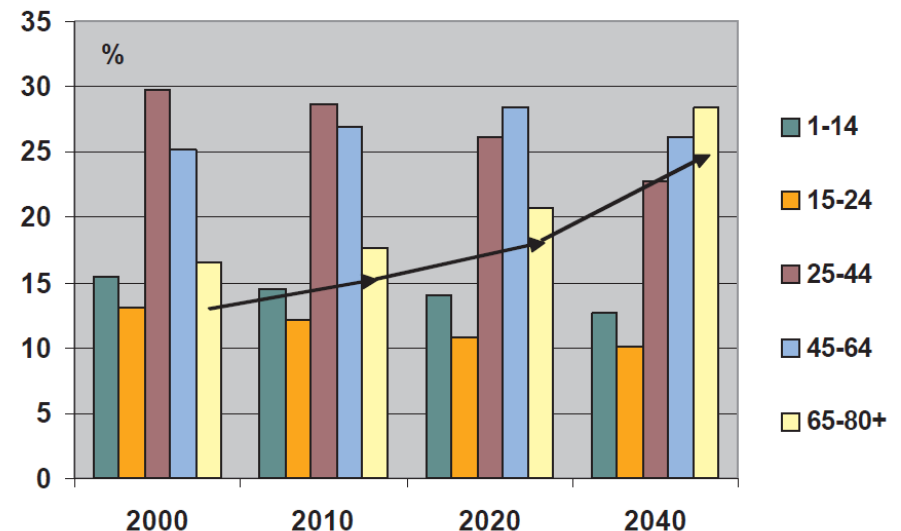
Source: Eurostat, NC/population and social conditions

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The Experience Economy — An alternative approach to FM?

Staging Experiences
Performing a Service
Acting a Role

The Four Realms of an Experience

Source: Pine, Joseph & Gilmore, James (1998), *"Welcome to the Experience Economy",* Harvard Business Review, 1998

Value Co-Creation

- Competitive pressure
- Changing customer demands - service price & quality = no longer competitive parameters
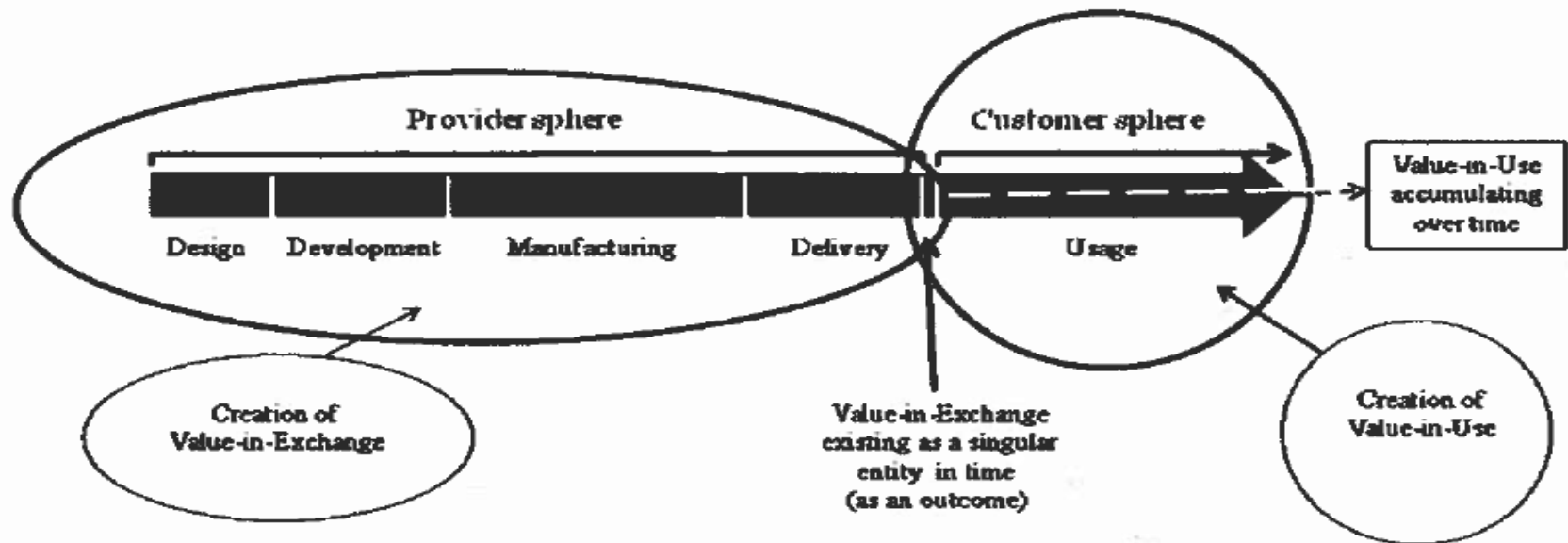- Focus on experience = value

Figure 1. A comparison between the nature and locus of the value-in-use and value-in-exchange concepts

How do Service Professionals Understand Customer Value?

(Hospitality & Tourism Industries)

Analysis of 17 FLM Interviews – Value for the Customer

Forder (2015) *"The Influence of Experience Economy Theory on Front Line Managers",* **Eurochrie Conference**

Forder (2015) *"Exploring Customer Value in the Experience Economy Service Sector"* **Reser Conference (available on**
http://ruconf.ruc.dk/ocs_pics/RESER2015/RESER2015_Proceedings.pdf)

Service craft

Service Function Value

12/17 = 71%

- Fast
- Efficient
- Mistake free

Behavioural Value (staff)

17/17 = 100%

- Smile (6 = 35%)
- Eye contact (6)
- High professionalism (5 =29%)
- Individual attention (13 = 76%)
- Personal (9 = 53%)
- Solve problems (10 = 59%)
- Knowledge (6 = 35%)
- Anticipate needs (3 = 18%)
- Read the guest (7 = 41%)
- Natural/authentic service (8 = 47%)
- Take time (9 =53%)
- Understand (6 = 35%)
- Create connection (13 = 76%)

Economic Value

12/17 = 71%

- Value for money (2/17)
- Gifts/free products
- Free/extra services

Experience craft

Social Value

Status/ prestige (5 = 29%)

- Lifestyle (3 = 18%)
- Brand (3 = 18%

Source: Forder (2015)

Emotional Value

(guest feels):
- Safe (4 = 23%)
- Recognised (5 = 29%)
- Seen (6 = 35%)
- Heard (4 = 23%)
- Understood (2 = 12%)
- Happy (CHECK)

Epistemic Value

(knowledge)

11/17 = 65%

- Information
- Culture
- History
- Learn something new

Experience Value

Good = 7/17 = 41%

Unique = 2/17 = 12%

- Memorable (2)
- Local (2)
- Hidden gems (1)
- Special (2)
- Take home & share (2)
- Talk about (2)

Value Literature
Sheth et al (1991) Why we buy what we buy, A theory of consumption values Journal of Business Research, 11 159-179
Smith & Colgate (2007a) Customer Value Creartion: A Practical Framework, The Journal of Marketing Theory and Practice, 15 /1) 7-23
Hejjula, A et al (2012), Characterizing Value as an Experience: Implications for Service Researchers
and Managers *Journal of Service Research, 15,* 59-75

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Pine & Gilmore (2013) *The Experience Economy; past, present and future* In J. Sundbo & Sørensen, F (Eds.), *Handbook on The Experience Economy* (pp. 21–44). Edward Elgar.
Boswijk et al, (2007)
Otto, J. E., & Brent Ritchie, J. R. (1996). The Service Experience in Tourism. *Tourism Man*
165–174

Unique Service Encounter Experiences & Added Value in an FM context

- Student unique service encounter experiences
  - CPH Airport – cleaning employee helps customer check in
  - House keeping decoration of animals using natural materials – Hotel in XX

- ISS – working with employee contact points

Questions

- Can concepts from the experience economy & co-creation theories apply to FM?
- What is more important the facility, the service, the human element?

Sources

Articles

- Bille, Trine, *"The Nordic approach to the Experience Economy – does it make sense?"*, Copenhagen Business School, 2010

- Grönroos, Christian & Voima, Päivi, *"Making Sense of Value and Value Co-creation in Service Logic"*, Working Paper, Hanken School of Economics, 2011

- Ingerslev, Johnny, 2011 *"Experience Economy – How to Survive in the 21st Century"*, Ex-Based

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Reports

- *"Anbefalinger"*, Vækstteam for Turisme og Oplevelsesøkonomi, June 2013

- *"Developments and challenges in the hospitality and tourism sector"*, International Labour Organisation, 2010

- Leidner, Rüdiger, *"The European tourism industry in the enlarged Community; Gaps are potentials and opportunities"*, European Commission, 2007

- *"NICE LIVE The Magazine"*, NICE Project, March 2015

- *"The Hospitality Sector in Europe: An Assessment of the economic contribution of the hospitality sector across 31 countries"*, Ernst & Young, 2013

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