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I Introduction

1.1. Background

When explaining the transition from a service economy to a newer economy, Pine and Gilmore (1999) coined the term “experience economy” for the recently emerging one. First described in their book, the experience economy has since been further refined by the authors’ subsequent articles, as well as by the work of other scholars. Following the economies of the past (agrarian, industrial, and most recently, service) the experience economy stands out from the former ones in that it goes beyond competing on the basis of price. As explained by Pine and Gilmore, in a service economy the lack of differentiation in customers’ minds causes goods to face the constant price pressure indelibly associated with commodities. The authors further suggest that a way to escape this commoditization trap is by selling not only a service, but also an experience. Bille (2010) characterizes experiences as “a new source of value creation for businesses, an add-on to various consumer products and service”.

In their pioneering work, Pine and Gilmore make the prediction that it will be the company’s ability to build a universe of experiences around their products and services that will determine their future success. Erdy and Kesterson-Townes (1993) emphasize that the “experience rules” anticipate a fundamental shift in how businesses, especially those in hospitality and tourism, will compete to provide customer satisfaction.

1.1.1 Tourism industry

Being part of the service sector, tourism has certainly been affected by technological development as well as organizational and structural innovations (Stamboulis & Skayannis, 2002). The tourism industry is currently undergoing significant restructuring. According to Erdy and Kesterson-Townes (1993), in the past, travel was just about a destination. However, in the future, “tourism will be about engaging in powerful personal experiences carefully tailored to the tastes and demands of individual guests. Successful hospitality and leisure companies will understand this evolution and enhance, or create, offerings to provide the desired experiences”. As pointed out by Stamboulis and Skayannis (2003), in the past, strategic intent in hospitality industry was about building competitive advantage through cost and differentiation. However, in the experience economy, the travel agencies need to shift their focus to building a competitive advantage through adding value to time spent, and experience gained by their customers. Analysts (Kyriakou, 1996; Kanellou, 2000) agree that the response of destinations has to focus on the enrichment of content of tourist services in combination with strategies of differentiation and customization. Until now, tourism has been concerned with visiting, seeing and living in a different mode of life. A new element, experience, adds an abundant living adventure to the short time the tourist spends at the particular destination. However, in a way, everything is an experience; and it is different from the everyday experience of tourists back in their home countries. So, Stamboulis and Skayannis (2003) ask, in what sense is the element of experience ‘new’? The novelty lies in the notion that “experience is designed, intentionally produced (staged), organized, foreseen, calculated, priced,

and (often explicitly) charged for; it is a core strategic concern as a new value attribute” (Pine & Gilmore, 1999).

1.1.2 Experimental marketing concept

Coinciding with the emergence of the experience economy in the recent years is the further development of the experiential marketing concept. According to Williams (2006), experiential marketing has become the foundation for many different sectors such as retailing, branding, and events marketing. However, in hospitality and tourism it is evident that the strategies employed still very much rely on traditional marketing concepts. Schmitt (1999) argued that “traditional marketing was developed in response to the industrial age, not the information, branding and communications revolution we are facing today”.

In contrast to traditional marketing, experiential marketing is about taking the core of a product and developing it into a set of tangible, physical, interactive experiences that greatly enhances the offer. Rather than seeing an offer in the traditional way (through advertising media such as commercials, print and electronic messaging), consumers “feel” it by sensing like they are being a part of it. As discussed before, the face of tourism is continuously changing, as is the behavior of the tourists. Because of this, marketing has the potential to have a greater impact on the industry, in comparison to other industries. Unfortunately, this potential is rarely achieved. Williams (2000,2002) attribute the key factor in its failing is that the main marketing focus for hospitality and tourism has been on the destination or outlet, not on the consumer.

There have been numerous success stories documented in the media that attest to the recently large growth of experiential marketing in various industries. As the marketing field continues to evolve, experience will be considered the dominant marketing tool of the future (McNickel, 2004). Considering the fact that the final product in the hospitality and tourism industry is almost always an experience, the marketers in these particular fields have a distinct and unique advantage in utilizing the experiential marketing principles.

1.2 Problem

The experience economy is a relatively new phenomenon and as a result, there is a gap between theoretical studies conducted on the topic by scholars and researchers, and the practical implications analysis. In this paper, the problem that we are trying to address is the missing gap presently existing in the literature, which is the merging of the impact of experience economy on the hospitality industry, along with the marketing implications for travel agencies.

The developed part of the world is currently in the process of change to the experience economy which has affected the service expectations of travel agencies’ customers. The authors of this paper consider this field of research to not be mature, and therefore believe it would be theoretically and practically important to conduct more research in the field. Therefore, the authors have identified several questions that need to be researched and answered in order to

contribute to what has been written so far on experience economy, hospitality, and marketing. These are:

- *How can travel agencies turn their services/travel packages into an experience?*
- *How should travel agencies adapt their marketing strategies to emphasize the 'experience' element in their services?*
- *What have the travel agencies done so far to address the shift to experience economy?*

1.3 Purpose

The purpose of this thesis is two-fold, in a theoretical and practical sense. On the theoretical level, the authors want to use a literature review to describe the effect of the experience economy phenomenon and critically explain how it is influencing the hospitality and tourism industries. The authors want to further deepen the understanding of the new economy by using the secondary data on attitudes and values to describe its progress in countries with different economic development levels in Europe. On the practical level, based on the distribution of interviews to representatives of the travel agencies in Sweden, the authors seek to first identify and then explore the marketing implications of the experience economy for the hospitality and tourism industry. The choice of conducting interviews in Sweden will be justified in the methodology section.

2 Theoretical Framework

2.1 Defining experience economy

The term experience economy has become common in the public usage. It is used publicly as a synonym of terms 'creative industries', 'creative class' or 'copyright industries'. However, there is no clear definition of it. Therefore, it is important to define the actual meaning. Some researchers suggest that the emerging experience economy growth comes from the relation between economy and culture. This can partly explain why the term is used in a broad sense and can range from anything related to culture and creative industries such as music, movies, design, or fashion, to experience-based industries such as sports, event management or hospitality.

New approaches and tools to understand this phenomenon have been developed. The task of defining experience economy is important for the purpose of this study. As mentioned above, the term is used very broadly, and the authors believe a more distinguished definition is needed. Without such a definition, a number of problems could emerge. Firstly, the lack of ability to realize the importance and impact of this phenomenon on the creative industries. Secondly, importantly to this study, the lack of ability for the hospitality industry to identify the possibilities and challenges in this framework. Therefore, it is an important task of this thesis to establish a useful definition of the term. The development of the definition will, to a large extent, be based on a literature review as well as statistics that show a change in the cultural values. The search for definition takes its point of departure from a study of models

developed to understand experience economy. The next stage is about an attempt to understand the cultural values that stand behind the shift to experience economy. The last stage is an analysis of the driving forces behind the new challenges and possibilities that experience economy brings to the hospitality industry. The focus of this work is, however, on modern experience economy mainly based on Florida's and Pine & Gilmore's theories and related publications and articles published within the last ten years.

2.1.1 Pine and Gilmore's Perspective

Pine and Gilmore (1999) argue that every company has a potential of turning the product it sells into three different economic offerings. The authors analyze this with an example of coffee beans. They point out that sold as a commodity by companies that harvest coffee, the coffee will be worth around \$1 per pound. If sold as a good, once a manufacturer has grinded, packaged and delivered the coffee to a grocery store, it can be sold for \$5 and more depending of the brand and package size. If offered as a service in a corner coffee shop, a cup of coffee can be sold for \$2 and more. The point is that the price a business can charge for the coffee depends of the value the customer sees in it. The 'value' of the coffee, and hence the customers' willingness to pay, rises depending on the economic offering it is sold as. The price gets higher as the commodity changes into a product, and product into a service. However, a new source of value that the authors recognize as the fourth economic offering is an experience. Pine and Gilmore (1999) state that experiences have always been around, however they argue that the businesses have not paid enough attention to the experience as an economic offering, and have confused them with services. The authors explain that "when a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a service of memorable events that a company stages- as in a theatrical play- to engage him in a personal way". As a result, experience as a higher-valued offering can be charged more for. A coffee drunk from a porcelain cup in a coffee shop with posh decor can cost even more than \$15 a cup. The four economic offerings propriety are shown in Figure 1.

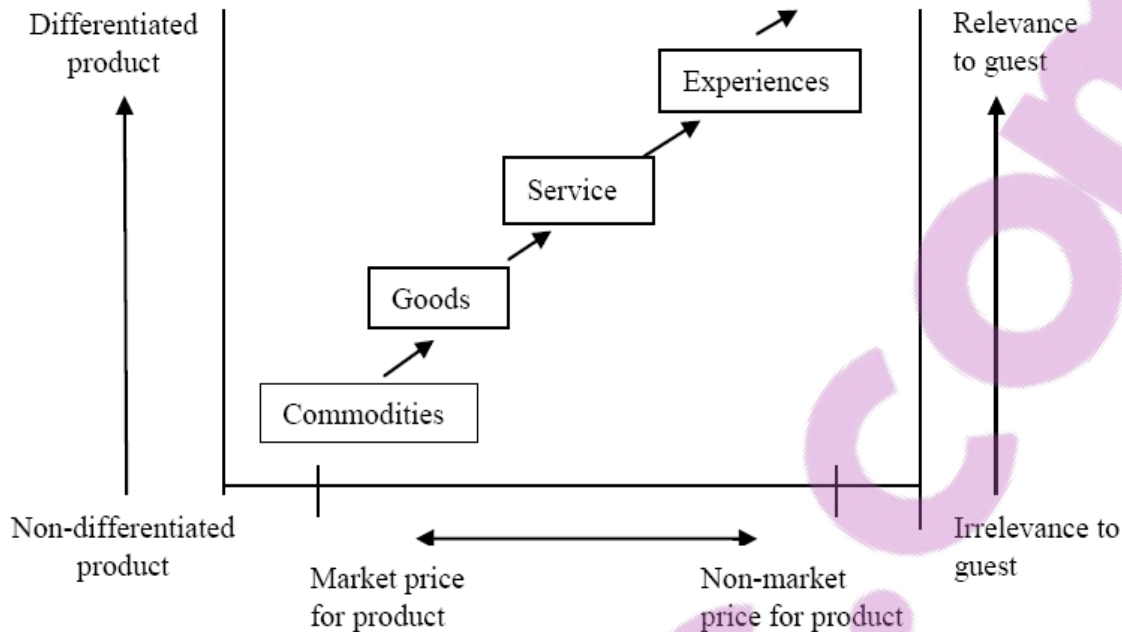


Figure 1: Product differentiation and price and consumer relevance (Adapted from: Lyck (2009))

Figure 1 illustrates the transformation of a product from a commodity to an experience, and how differentiation and relevance of a product to a customer influences his willingness to pay. Experiences, which provide the most personal and memorable way of experiencing a product, enhance customers' willingness to pay and hence, can be considered a tool of creating an economic profitability.

In order to control the quality of the experience, Pine and Gilmore (1999) developed the *Experience Realms* model, which depicts four features that a company should include in the service/product offered in order to enrich customer's experience. Traditionally, the businesses focused on adding entertainment dimension to existing offerings. However, as it will be explained later, entertainment is a passive realm- it does not actively engage a customer, and if not personally engaged in the experience, a customer is not likely to remember it well and come back next time to the same service or product provider. From this perspective, the model is a source of revenue growth for the companies. According to the authors, once a company engages a customer in a memorable experience, he is more likely to remember the company and remain its loyal customer. This is relevant to the tourism industry. The actual product that the travel agencies sell is the same- holiday locations all over the world are the same for every agency, so it is essentially about how the service is wrapped up. As mentioned by Stamboulis and Skayannis (2003), the companies can either compete for customers on a basis of price or on the experience-provided basis.

As previously mentioned in the introduction, Pine and Gilmore (1999) argue that in the service economy, the lack of differentiation in customers' mind results in goods constantly facing the price pressure indelibly associated with commodities. This leads to the situation in

which customers increasingly purchase products and services solely on the basis of price and availability. The authors refer to this situation as “commoditization trap” and suggest to businesses, who wish to avoid it, to provide instead experiences in a form of more complete economic offerings that better meet customers desires. Oh, Fiore and Jeung (2007) also agree that tourism has been at the forefront of staging experience. According to Sternberg (1997), tourism primarily sells a ‘staged’ experience, and it is the industry’s central productive activity to create a touristic experience. Furthermore, Andersson (2007) describes a tourist as an active consumer who “acquires necessary resources and combines them in space and time in order to yield positive experiences”. The author further explains that the ultimate output of goods and services is experience, to finally conclude that “tourism goods and services are produced to yield experiences”. The *Experience Realms* model, shown in Figure 2 presents the findings of Pine and Gilmore (1999) on the ideal combination of experience realms that lead to a creation of a the richest experience. The four realms include: entertainment, esthetics, education, and escapism.



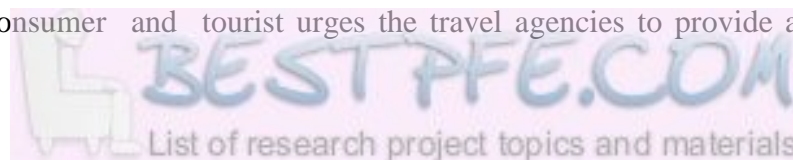
Figure 2: Four realms of experience (Adapted from: Oh et al. (2007))

The two important dimensions to consider when analyzing the quality of an experience is the consumer’s participation (on the horizontal axis), and connection or environmental relationship that unites the consumer with the event (the vertical axis). In the model, entertainment and esthetics are classified as the passive participation realms. This is because the customer does not influence or affect directly the performance he is a part of. Pine and Gilmore (1999) specify that entertainment is the oldest and most commonly applied offering in today’s business environment. As described by Oh et al. (2007), the entertainment experience occurs when tourists passively observe activities and/or performances of others. In the tourism industry life performances of local artists have been longed practiced entertainment offering. However, this form is no longer considered an extra offering, but has rather become a standard that needs to be included in a hotel package.

Aesthetics experience reflects the tendency for a tourist to enjoy being in a destination's environment. This realm has been well recognized by the industry as it is highly relevant for the service marketing. As explained by Oh et al. (2007), "the consumers' patronage is highly influenced by the environmental characteristics of the business' physical setting and service". Therefore, the choice of a carefully selected location is important for travel agencies and they often tend to emphasize this fact in the marketing channels they use to communicate with the customers.

The two experience realms that seem, however, not to be recognized by the travel agencies are education and escapism. Both of them are active realms in the way that the customer needs to be actively engaged in the experience. This is an important factor for the companies to consider, since it is the active engagement that leaves the lasting impression on the customer, which is likely to lead to the customer's loyalty. As Pine and Gilmore (cited in Oh et al., 2007) explain, "to truly create an educational experience, a tourist must increase his knowledge and/or skills through educational events that actively engage the mind (for intellectual education) and/or the body (for physical training)". The authors suggest that when planning a holiday offering, travel agencies should provide their clients with an opportunity to feel like they have learned something important, or have gained insight into something new. The approach of travel agencies that can be observed, however, is that the agencies tend to organize educational events only as optional offering, that tourists need to sign up for and pay extra for. A common example of such offering is a day trip to another location nearby the tourist's holiday destination. By making this offering optional, the companies miss on a great chance to raise the customers' loyalty and to differentiate themselves as a travel agency. As mentioned before, destinations or best hotel offerings are available to all players in the hospitality industry. However, an original rich experience staged for a client is an individual decision to be made by each travel agency.

Escapism realm indicates experiences in which customer immerses in and is actively involved. The authors consider this realm to be the most complex one. Oh et al. (2007) argue that the phenomenon of escape has not been clearly defined or measured. The authors suggest that at least three components need to be considered for a clear understanding. These are: getting away, immersing into a destination, and partaking a different character. The motivation is what differentiates these three motives. The first one implies that tourists want to distance themselves from their daily routine, they want to escape from it or get away. In this case the destination choice is not important and the emphasis is on taking a break. The second one implies that tourists want to escape to a particular destination. In case of the last component, as explained by Oh et al (2007), "escaping the daily life and choosing a destination tend to become secondary decision issue as the tourist is motivated most by the opportunity to partake a different character or identity through active immersion in the target activities at the destination". The relevance of the escapism realm to the hospitality industry is that all of the three components need to be taken into consideration in the marketing of the services, so that all the possible escape motivations of the potential clients are addressed. Furthermore, the concept of active consumer and tourist urges the travel agencies to provide active expe-



riences for their clients. This experience and escapism realms provide thus a differentiation opportunity for the front runners in the experience economy.

2.1.2 Florida's perspective

In his book, *The Rise of the Creative Class*, Florida (2002) has developed a new model for economic growth; applicable to regions, cities, as well as companies. The idea of the author is that if creative labor is attracted to a given place, it will generate economic growth through innovation. The author is, however, against the traditional models that say that economic growth comes just from companies, or jobs, or technology. Florida (2002) believes these models are incomplete. Therefore, the author created his own model, the so-called “3 T's” model. Technology, measured by innovation and high-tech industry concentration comes as the first T. Talent is the second one, and it is measured by the numbers of people in creative occupations (not just by numbers of people holding higher education credentials). The third T in the model stands for tolerance. Florida (2002) argues that places that are open and tolerant attract different kinds of people and generate new ideas. As shown, the approaches of Pine and Gilmore (1999) and Florida (2002) are different from each other in the perspective from which the authors analyze economic impact of the experience economy. The pioneers suggest that the main implication for the businesses is to compete to the basis of experience provided, whereas Florida (2002) analyzes the phenomenon from a wider perspective. The latter author does not label it as an experience economy, but simply as a “new economy”. The term Florida (2002) has coined, however, is a “creative class”- a new class in the society. This is how the author describes it:

“I define the core of the Creative Class to include people in science and engineering, architecture and design, education, arts, music and entertainment, whose economic function is to create new ideas, new technology and/or new creative content. Around the core, the Creative Class also includes a broader groups of ‘creative professionals’ in business and finance, law, health care and related fields. These people engage in complex problem solving that involves a great deal of independent judgment and requires high levels of education or human capital. In addition to that, all members of the Creative Class ... share a common creative ethos that values creativity, individuality, difference and merit” (Florida, 2002, p.9.).

The author argues that what has led to the rise of the new economy and the creative class is the transformation of everyday life. The change Florida (2002) has observed refers to basic categories of human existence, such as work, lifestyle, time and community.

2.2 Experience economy and attitudes, values, and beliefs

What is important to this study is that Pine and Gilmore (1999), as well as Florida (2002) based their models on the American society. The former authors mention that it is the United States (U.S.), “along with the most advanced countries” that have shifted to the service and subsequently, the experience economies. Florida and Tinagli (2004) believe that it is both the U.S. and Europe that are going through a period of sweeping economic social transformation – from an industrial to a creative economy. However, as pointed out by Boschma and Fritsch (2007), there are hardly any empirical studies available that provide information on creative

people in countries other than the U.S. Therefore, Boschma and Fritsch (2007) intended to conduct a comparative analysis of European regions similar to the study for the U.S., but their study resulted in a discussion on how to explain spatial distribution of the creative class in the eight countries of Europe that they were able to analyze. Lack of relevant data was the reason why the authors did not succeed in achieving their original goal of conducting a study relevant for all of Europe.

Therefore, the authors of this thesis would like to analyze whether the changes in values, that accordingly to Florida have led to the rise of the new economy, can be observed in Europe. As mentioned before, Pine and Gilmore (1999) argue that a shift towards experience economy can be seen in the U.S. and other wealthy countries. To test this hypothesis, the authors are going to compare change in values in two high-income economies (Sweden and Great Britain), a transition economy with an upper middle income (Poland), and one of the poorest European countries Moldova, which is classified as a lower middle income economy (World Bank, 2010).

The changes in values described by Florida (2002) are compared with the findings on value changes in the four European countries over the time period of 1990 to 2005. The source to be used is the World Values Survey (WVS). As explained in the organization's mission statement, the WVS association has been founded in order to help social scientists and policy-makers better understand worldviews and changes that are taking place in the beliefs, values and motivations of people throughout the world. The WVS in collaboration with the European Values Study (EVS) carried out representative national surveys in 97 societies containing almost 90 percent of the world's population. In order to monitor these changes, the EVS/WVS has executed five waves of surveys, from 1981 to 2007. For the purpose of this study, the data between 1990 and 2005 will be analyzed. This is because of the high relevance of the findings from this period to the phenomenon of the new economy. In attempt to give a historical background to the experience economy, Pine and Gilmore (1999) draw attention to the fact that it was *"in the 1950's, when services first employed more than 50 percent of the U.S. population, that the Service Economy overtook the Industrial (although this was not recognized until long after the fact). Today, manufacturing jobs employ a mere 17 percent of the population. What economists today categorize as services makes up the remaining 80 percent"* (p. 8). Furthermore, since the pioneers referred in their book from 1999 to the experience economy as a "newly identified", the authors understand that they recognized it as a phenomenon of the 1990's. On the other hand, when Florida (2002) discussed the rise of the Creative Class, he wrote that "by the turn of the new century", the creative class included nearly a third of the workforce in the U.S. and across the advanced European countries. In both cases of work done by Pine and Gilmore (1999) and Florida (2002), the authors avoid putting the exact time framework for the rise of the experience economy. It seems, however, that the authors are pointing towards the 1990s. Therefore, in this study the change of values is going to be compared from year 1990 to 2005, which is the most recent year for the WVS publication. The data from the 2010 is only going to be published in 2011. Considering limitations, the majority of the WVS questions that were taken into consideration in this study lack the answers from all four countries in the three time periods analyzed. The questions

asked in 2005 by WVS were modified. As a result, very often no data from 2005 is available to compare it against 1990 and 2000. Sometimes, data for one or two years is missing for a given country. In this case, only the data available will be mentioned and analyzed. As emphasized by Inglehart and Baker (2000), WVS is the largest investigation ever conducted on attitudes, values, and beliefs around the world. Therefore, the authors consider that despite its limitations, the survey is the most appropriate source to demonstrate the changes in values that are described by Florida (2002) as crucial for the rise of the new economy.

In respect to work, the author points out that currently people trade job security for job autonomy, and strive to work more independently. Florida (2002) believes that the ability to learn and grow, shape the content of our work, control our own schedule and express one's identity through work are the most important values to people. In regard to lifestyle, the author argues that "new lifestyle favors individuality, self-statement, acceptance of difference and the desire for rich multidimensional experience" (2002). This goes in line with a trend that can be observed when analyzing the findings from the WVS. It is namely a shift from materialistic values to the self expression values. However, it can only be clearly seen in the case of the wealthy countries considered in this study-- Sweden and Great Britain (GB). The trend seems to be developing in Poland, with some responses favoring self expression values, and some prioritizing the materialistic ones. It can be, however, well contrasted with the preferences in Moldova where the emphasis on materialistic wealth seems to be a priority over expressing one's identity. This can be observed in the following questions, selected to demonstrate attitudes towards work, lifestyle, time and community, previously addressed by Florida for the case of the U.S. When asked to rate the importance of hard work in life, Sweden rated it with only 5% and 4% (in 1990 and 2000 respectively), followed by GB with 29% and 39%. Poland valued hard work much higher, rating it in 2000 with 86%, and so did Moldova rating it with 87%. When asked about importance of job security, Sweden rated it with 65% in 1990 and 51% in 2000, GB with 57% and 67%. Poland, however, found it more important rating job security with 80% (2000), and Moldova was the most concerned country on this matter rating it with 86% (2000). It was also Moldova that agreed the most (65%) in 2000 with the statement that "*Work should always come first, even if it means less spare time*", followed closely by Poland (62%). On the other hand, Sweden and GB did not seem to approve this attitude as much, rating it with 29% and 26% respectively. Moldova and Poland also seem to prioritize society's opinion about an individual over self-expression. When asked how important it is to have a job respected by others, Moldova rated it with 70%, followed by Poland's 67%. (2000). Sweden on the other hand, rated it with 43% in 1990 and only 29% in 2000. GB did not find the value important either, with only 27% and 25% in 1990 and 2000 respectively. In contrast, values that Sweden and GB did prioritize more in the job were the self-expressive ones. For instance, when asked in 2000 about the importance of imagination in a job, Sweden rated it with 40%, GB with 38%, with Poland placing only 13% emphasis on it, and Moldova rating it with 26%. When asked whether "*Seeing that people have more to say about how things are done at their jobs and in their communities*" is good, Sweden placed 33% and 34% of importance on it (in 1990 and 2000 respectively), and GB ranked it with 40% (1990). Poland and Moldova, however, did not think it was a good attitude towards a job or community, and they ranked it with 17% and 11% respectively (1990). These

two countries also seem to prioritize society's opinion about an individual over self-expression.

When Florida (2002) discusses change in the approach that people have to their time, he argues that "... the core issue is not when we work or the number of hours we put in, but that our use of time has intensified. We pack every second- whether at work or at leisure- full of creative stimuli and experiences". This is a difficult aspect to compare against. It is pretty much an opinion of the author, which is not supported with any statistical data. Therefore, the authors of this research have not been successful trying to support or criticize this argument. It can be found that people in general spend more time and money on leisure. However, it is difficult to transform it into a statement that the use of time in Europe has intensified.

On the other hand, the WVS suggests leisure is more important in wealthy countries such as Sweden and England. When asked "*For each of the following aspects indicate how important it is in your life: leisure*", Swedes ranked it 55% in 1990, and similarly 54% in 2000 and 2005. Britons responded with 45% in 1990, 51% in 2000, and 46% in 2005. In contrast, leisure is considered much less important by Poles- 35% in 1990, 25% in 2000, and 31 in 2005. Even less attention to leisure is paid by Moldavians- 25% in 2000, and 21% in 2005. The latter two countries pay more attention to work. When asked to rank its importance, Poland ranked it the highest- with 70% in 1990, 78% in 2000 and 62% in 2005. However, it is important to notice the decrease by 16% over five years. Moldova ranked work with 43% in 2000, and 44% in 2005, so it can be considered a steady trend to consider work to be valued greater than leisure time. Sweden ranked the importance of work with 67% in 1990, which decreased to 54% in 2000, and 53% in 2005. The same trend could be observed in GB, which ranked work with 51% in 1990, which then decreased to 42% in 2000, and 39% in 2005.

In respect to the last aspect-- community, Florida (2002) argues that the leaders of the new economy are attracted to communities that provide stimulation, diversity and a richness of experiences that are the wellsprings of creativity. The trend towards welcoming diversity can be observed in Europe too. This can be seen in response to the question: "*On the list are various groups of people. Could you please sort out any that you would not like to have as neighbors?*". When considering people of different race, only 7% of Swedish respondents expressed their dislike, and that number decreased to 3% by 2000. In GB, low 9% was constant for both years. Only data for 2000 is available for Moldova and Poland, for whom the results were 11% and 17% respectively. The dislike towards Muslims in Sweden decreased from 17% to 9%, and in GB from 17% to 14% in 1990 and 2000 respectively. However, the percentage was significantly higher in Poland – 24%, and much higher in Moldova- 46%, suggesting that the less developed countries do not welcome diversity as much. This can be seen in the answers to the questions about having Jews as neighbors. The small percentage of 6% in 1990, decreased to 2% in 2000 in Sweden, and the same trend was seen in GB when the percentage decreased from 7% to 6% over the same period of time. However, Poland and Moldova proved to be less tolerant again with 25% of the respondents in both countries fearing to have Jews as neighbors (2000).

Considering all these findings, it can be concluded that the European results cannot be generalized the same way as the findings for the U.S. WVS demonstrates that the economic development has an impact on the values and attitudes in a society. The wealthier it is, like Sweden and Great Britain, the more emphasis is put on the self-expression values. On the other hand, the poorer a country is, the more emphasis is put on the materialistic values, as observed in case of Moldova. Poland, which is considered a transition economy, has mostly responded in the way that suggest prevalence of materialistic values in the society, however, in a number of questions a development of self expression values could be noticed. This goes in line with the findings of Inglehart and Baker (2000), who suggest that economic development is associated with shifts away from absolute norms and values toward values that are increasingly rational, tolerant, trusting, and participatory. As a result, it can be concluded that the overall findings suggest that experience economy is indeed a phenomenon relevant to the U.S. and the wealthy countries in Europe. Furthermore, it is clear that the lifestyle values are linked to the rise of experience economy. Since experience economy is a phenomenon observed in wealthy countries with emphasis on self expression values, the authors argue that the recent rise of these values worldwide indicates a growth potential for experience economy.

2.3 Marketing in tourism

For the purpose of this research, describing the marketing implications for travel companies is best used using the theoretical background of relationship marketing theory and consumer-centric marketing theory. Traditional marketing strategies are still used by the hospitality and tourism industry today, but due to technological changes and increasing customer values and demands, relationship marketing is becoming more relevant for these particular industries. The main reason why traditional marketing tactics are fading away and are losing relevancy in the travel arena is because it does not acknowledge that there is actually a two-sided relationship between the company and consumer. The consumer relationship marketing theory, for example, is born out of the criticism of traditional marketing being a pure transaction-focused marketing (Bruhn, 2003). The marketing mix in traditional marketing theory makes the assumption that the buyer is the passive party, so that therefore the exchange is a one-way street with the seller in control. In contrast, relationship marketing and consumer-centric marketing examine the two-sided relationship as mutually beneficial where both parties gain competitive advantages (Hennig-Thurau & Hansen, 2000).

Due to the nature of the hospitality and tourism industry, relationship marketing and consumer-centric marketing are more relevant than traditional and transactional strategies for several reasons. Travel agencies are a part of the service sector; services are intangible and as a result the customer will tend to associate the company providing the services with the end product (travel package). Therefore, the customer will equate the relationship with the travel company to the service they provide (Grönroos, 2007). Another characteristic of services is that they are often hard to evaluate before purchasing them; therefore, the customer is buying a promise of a service. If there is a good foundation of a relationship between the company and customer, trust increases, and the customer will be more likely to buy into the promise. There is a high level of interaction between a company and customer in a service industry,

and if the relationship is strained and it can negatively affect the resulting quality and the customers' perceptions and opinions of the company's services provided (Grönroos, 2007). Figure 3 presents a list of key differences between relationship marketing and transactional marketing.

<i>Criterion</i>	<i>Relationship Marketing</i>	<i>Transactional Marketing</i>
Primary object	Relationship	Single transaction
General approach	Interaction-related	Action-related
Perspective	Evolutionary-dynamic	Static
Basic orientation	Implementation-oriented	Decision-oriented
Long-term vs. short-term	Generally takes a long-term perspective	Generally takes a short-term perspective
Fundamental strategy	Maintenance of existing relationships	Acquisition of new customers
Focus in decision process	All phases focus on post-sales decisions and action	Pre-sales activities
Intensity of contact	High	Low
Degree of mutual dependence	Generally high	Generally low
Measurement of customer satisfaction	Managing the customer base (direct approach)	Monitoring market share (indirect approach)
Dominant quality dimension	Quality of interaction	Quality of output
Production of quality	The concern of all	Primary concern of production
Role of internal marketing	Substantial strategic importance	No or limited importance
Importance of employees for business success	High	Low
Production focus	Mass customization	Mass production

Figure 3: Key differences between the concepts of relationship marketing and transactional marketing (adapted from Diller, 2001)

2.3.1 Relationship and consumer-centric marketing

Relationship marketing is considered to be of great importance when examining tourist behavior and their loyalty to a particular agency. A great majority of tourists tend to seek variety in destinations each time they travel, so they tend to not want to make repeat visits. However, there is another group of tourists who remain faithful to a destination on a regular basis (Moliner et al., 2006). Travel agencies, whether luxury or bargain, want to gain and maintain the loyalty of the customers. Therefore, they often make them a variety of offers to keep them from straying to other agencies if a better offer should materialize. Relationship marketing is

not only a challenge for destinations, but for travel agencies as well.

As Niininen, et al (2007) suggest, “Companies focusing on the relationship between the organization and its individual customers are embracing the soul of the marketing concept”. Consumer-centric marketing (CCM) is a relatively recent marketing trend, which aims to take customer relationship marketing one step further. It is argued by Niininen, et al. that CCM is a more advanced marketing philosophy than customer relationship management (CRM) in a sense that CCM “truly places the customer in the middle”.

Maney et al. (2002) defines CCM as “the discipline of capturing and deploying consumer insights to enhance marketing effectiveness and better serve those consumers that are the brand’s best prospects”. Derived from this, Niininen describes CCM in a three-step process:

- (1) the collection and arrangement of information and data on individual customers
- (2) the utilization of that information to more effectively target those existing customers; and
- (3) allowing the customer to customize and personalize the service to match their own needs and preferences

CCM, as with all marketing concepts, has the potential to be poorly executed. The prerequisites for successful CCM can be summarized in the following points:

- The company needs to have a substantial amount of relevant information about the customers. Most companies keep records/databases of some kind but fail to put this data into understandable information and actionable knowledge
- The company needs to offer their clients suitable communications platforms or selling points where the client can select the elements of their product
- The technology enables the consumer to select what is important for them and to decide what they would like to pay for.
- Finally, the accumulated knowledge allows the design of personalized and meaningful messages to the customer regarding the features of the brand.

CCM’s ultimate goal is for companies to gain knowledge and understanding of the characteristics of their individual customers. To achieve this, the companies must become experts in the customer motivations, habits, attitudes and values that shape the consumers’ opinion about the brands the company is offering (Wright et al., 2002). Research has backed up the notion that companies aiming to maintain regular communication with their customers will increasingly enjoy relationships based on trust (Lietz, 2003; Maney et al., 2002).

Although travel agencies play a major role in customer decision-making, they have not been paid as much attention to in research as destination or leisure and hospitality services. Travel agencies and the customers are not just in a business deal; to truly succeed, a travel agency must create and foster some sort of relationship with them. The network of relationships becomes even larger when we take into account the acquaintances, friends, and family of the target customer; word-of-mouth is typically the fastest and most widespread reaching form of

marketing.

Tourism products and experiences are ideal candidates in exploring CCM as consumers are combining a wide range of products and services toward creating their total finalized experiences. Technology, whether in the form of web-based applications or more, enhances the communication channels as well as provides the company with a wealth of tools to adapt the marketing strategy to customizing products to the individual customer.

Henning-Thurau and Klee (1997) define relationship quality as the '*degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship*'. The results of a good relationship quality are correlated with the loyalty of the customer, their propensity to recommend, or their complaint behavior. Major characteristics identified by research are the customer's satisfaction, trust, and commitment (Moliner, 2006). This is a concept that is beginning to be studied more intensely in marketing literature, but is found few and far between in tourism studies.

According to Hennig-Thurau and Hansen (2000), customer loyalty brings to a company three positive economic benefits or goals: *certainty, growth, and more profitability*. These three benefits are briefly described in detail below.

To begin with, more certainty is brought into a company if a customer is loyal. Certainty can be equated with increased stability within the two-way relationship; and stability can be shown through habitual purchase decisions, customers' immunity to the company's competitors' marketing tactics, and even a higher tolerance of a company's mistakes.

More certainty also means that loyal customers are also more likely to give feedback, both negative and positive, which carries more weight than the feedback a company receives from an "opportunistic" customer. Loyal customers are more likely to complain or give constructive criticism and take time out of their day to participate in questionnaires or even interviews. The more personal contact and feedback a company receives from its customers, the more insight a company is able to achieve in terms of its marketing strategies. The loyal and repeat customer is also more likely to have their names, consumption patterns, and social and economic demographics so that they are able to often be contacted on a personal basis. Lastly, a relationship between customer and company that results in trust will bring about a more dependable and consistent union.

Hennig-Thurau and Hansen not only discuss the positive effects of customer loyalty, but also bring up the negative points. The company may start to depend too much on the loyal customers, which may cause them to be inflexible resulting in the company neglecting to adapt to changes in the market structure. New customers or potential customers may be ignored when the company fails to realize the importance of changing market segments.

Growth of a company is the second important goal of customer bonding to a company. Concentrating on keeping existing customers will result in achieving growth by both exhausting the existing customers' potential in addition to attracting new customers. The first is possible with deeper penetration of the customers; meaning their purchases are concentrated on a single company. Existing customers recommending the company to potential customers make

the second possible. In terms of attracting new customers, the best and cheapest form of advertising is positive word-of-mouth. This has the potential to attract much potential in a short amount of time. On the down side however, negative word-of-mouth spreads even faster.

Lastly, more profitability through cost savings is achieved with a loyal customer base leading to an increase in revenue. Gaining new customers is associated with acquisition costs; with loyal customers, customer management is less expensive since the customer is acquainted with the company and the service procedures eventually become routine. In fact, Grönroos (2007) states that acquiring a new customer costs five to six times more than it costs on top of regular service activities (sales calls, giving information about new services, etc.) than it does to maintain an existing loyal customer. In terms of price-sensitivity, it can go either way with loyal customers. They may become less price-sensitive and be willing to pay more for a service after being involved with a company after some time. On the other hand, they may feel like they deserve a reward for being loyal to a company for some time and demand lower prices.

CCM aims to provide the means that enable the consumers to individualize their purchase to the tune of their own personal requirements and desires. Customers therefore are taking an active role in the design of the end product by making their preferences known and tailoring their packages according to this. Consequently, CCM raises the company-customer relationship to that of a more important position, and prioritizes the relationship in the scheme of the organization. This strategy also lays a strong foundation for differentiation and a greater creation of value that in turn leads to higher loyalty and profitability. In the end, the company at hand is provided with a long-term return on their investment (Bolton, 2004; Mello, 2002; Wright et al. 2002).

From the experiential view standpoint, relationship quality is both cognitive and affective. Tourists are not merely thinking individuals who are rational in their analysis of the relationship; their emotions and feelings play a major role in relationship quality. Relationship quality is also less of an objective nature than it is subjective, due to the fact of different individual interpretation amongst tourists and also its dynamic character.

In the research of Ravald and Grönroos (1996), it is claimed that relationship quality varies over time. In other words; in the first stages of a relationship, the value of each transaction is of great importance. In the later, more mature stages of the relationship, the relationship quality is what matters more. One could say that there is an evolution of the tourists' expectations: from a predominance of transactional factors towards a greater emphasis on relational variables.

Satisfaction is considered to be a comparison between one's expectations and the actual performance. When considering satisfaction with a travel agency, the tourist places value on the degree of pleasurable fulfillment of their needs and wishes, including the full range of goods or services offered by the agency (Moliner, 2006). Overall satisfaction depends on the experience of using the products or services of a particular agency, and the basis of maintaining relationships is the keeping of promises. If a promise is not fulfilled, the tourist will not repeat the purchase or consumption of the product or service; therefore the relationship will

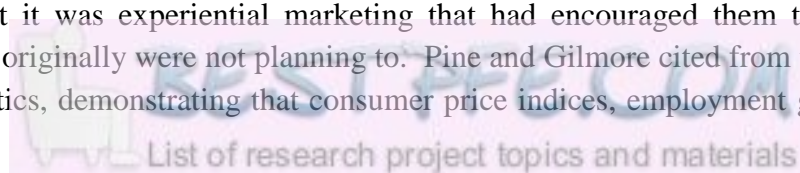
then come to an end.

2.3.2 Experiential marketing

As previously discussed in the introduction, experiential marketing is a growing trend worldwide with an influence in sectors ranging from consumer products like Ford Motor Company to health care providers (Kerwin, 2004; Hill, 2003). The hospitality and tourism sectors are clearly dependent on marketing and promotion in order to be successful, arguably even more dependent than other sectors. It is put forth by Morgan, et al (2002) that marketing and promotion of hospitality and tourism is often “overlooked or simplistic in nature”, due to the fact that traditional tourism marketing mostly focuses on confirming the primary intentions of tourists, rather than persuading them to consume their products and services differently. Over the years, the products of hospitality and tourism have also become increasingly complex; and according to Williams (2006) this is because the products at hand are not only associated with conveying an image of a place, but with attempting to sell an experience of that particular place.

Williams also pointedly remarks that the traditional marketing of the tourism sector is simplistic in nature by saying that evidence delivered through media coverage would suggest that “contemporary consumers are self-indulgent, pleasure seeking individuals, easily dominated by marketers and advertisers, who act like sheep in the ways they mimic referent others. However, the reality is obviously much more complex than such a scenario suggests. Contemporary consumers are as likely to be driven by thrift as to they are to be hedonistic, they use consumption to make statements about themselves, they use consumption to create their identities and they develop a sense of belonging through consumption”. Clearly, advocates of experiential marketing see it as being more attuned to the complex characteristics of human nature; it is an approach differing immensely from the rational features-and-benefits view of consumers and which views them as being emotional creatures whose goal first and foremost is to achieve gratifying experiences.

There are numerous success stories of experiential marketing referred to in the media that seem to back up the huge growth in this particular field. Kerwin (2004) makes the claim that “the beauty of a well designed experience is that while it doesn’t reach nearly as many people as a TV spot, it can attract the very customers who are most likely to buy”. SRI, an international market research organization, researched this area and found that quicker positive purchase decisions were derived from experiential marketing in comparison to traditional marketing. IMI International also researched this area and had similar findings: more than 55% of consumers felt that the single biggest influence on consuming was the ability to sample or interact with a product before purchase. Research by ID Live Brand Experience found that up to 85% of consumers valued the opportunity to experience using their senses (hearing, touching, tasting, smelling, seeing) to test products. Of these consumers being surveyed, 58% confirmed that it was experiential marketing that had encouraged them to purchase something that they originally were not planning to. Pine and Gilmore cited from the US Bureau of Labor statistics, demonstrating that consumer price indices, employment growth and



growth in GDP have all increased at a faster rate for experiential offerings than for commodities, goods, or services. To sum up all of the research findings, the support for experiential marketing shows that there are immense benefits for both companies and customers alike.

Traditional advertising no longer carries the same weight of influence with consumers that it did even two or three decades ago. In 1985, a televised commercial during prime time would have reached up to at least 40% of the population. At present time, it is doubtful that a similar commercial would reach even 15% of the population. And in the coming years, especially with the continual technological advances, this figure will continue to fall. If companies expect to survive in this climate, they must seek alternatives to the traditional advertising. Pine and Gilmore (1999) assert that “there seem to be three different reactions to the decreasing efficiency of advertising in reaching consumers. Some have denied it’s happening, some have thrown money at the situation, and others have tried to forge a new direction. In the last category are those who’ve realized it’s time to start staging marketing experiences”.

2.4 Marketing implications for the hospitality industry

The implications of this remodeling in marketing for the marketing of tourism and hospitality products and services are evidently significant. Hospitality and tourism marketers are in a unique spot to apply principles of experiential marketing in comparison to marketers in other sectors. As Frank Garahan, general manager of Rancho Las Palmas Resort states, “hospitality marketing is experiential, how do you explain the sensory excitement of being here? You can’t get the ambiance from an advert” (Frasher, 2003).

The earliest example of experiential marketing in the hospitality and tourism sector, and the one that Pine and Gilmore says we should be looking to as an example, is Walt Disney Parks and Resorts. According to Williams (2006), it is a wonder that so few hospitality firms in the last fifty years have tried to replicate such a winning strategy. A widely used example of a company using experiential marketing to its advantage in the food and beverage industry is Starbucks Coffee, “who have elevated the consumption of a routine commodity, coffee, to a memorable experience”. Another one of the few examples of experiential marketing in the tourism sector, are the campaigns aimed at the Indian diaspora (Hannam, 2004) which aim to connect second and third generation Indians that are living outside India, to rediscover their ancestral background. It has been achieved by bringing the population together for a key experience, in this case, the Pravasi Bharatiya Divas festival.

William also argues that the internet has caused many problematic issues for the tourism and hospitality sectors, despite its many benefits, and that only the companies that develop customer valued web-based experiences will be successful in this era of e-commerce. Satellite technology, CD/DVD, WiFi, and the web have all increased the potential for experiential marketing and for some time, hospitality and tourism firms have marketed using web-technology (an example of this being real-time web-cams so that at any part of the day, consumers can see what is going on in a location of their choosing). The use of technology to give customers a 3D virtual visit to an array of tourism sites has also become more popular.

Several researchers have suggested that virtual reality is a must for marketers in the tourism and hospitality sectors. Allen (2003) remarks, "...ask yourself which is more effective: a simple pop-up exhibit and promotional literature depicting the benefits of an ocean cruise, or to climb to the top of the bridge to take in the simulated view of the aqua-blue Caribbean waters".

So who hits the mark and who is off-base when it comes to attempting true experiential marketing? Williams gives the example of the MGM Grand Hotel and Casino providing a simple hospitality experiential marketing tactic: instead of delivering a standard wake-up call to its guests, they provide a memorable experience by awakening guests with recorded voices of celebrities who have performed there recently. The best examples of successfully employing experiential marketing are spas in recent times. The Thalasso Therapy Centre of Carnac talks about its being "located 100 meters away from the ocean, protected by a peninsula, by a lagoon listed as a bird sanctuary".

In contrast to these examples of hospitality and tourism firms using experiential marketing which are few and far between, most companies poorly execute marketing experiences and while many believe they are employing these tactics, they still misunderstand the concept as a whole. For example, the Ohio Travel and Tourism Division claim that they are using experiential marketing for their brand, but in reality they are solely using traditional media in the forms of print, television, radio, and the internet. Likewise, the Canadian Tourism Commission claims that their new campaign is based on experiential marketing; which is that possible tourists will not be given specific images of Canada, but will be inspired to "come, explore and reach their own conclusion". Again: the approach is based on traditional marketing, not experiential marketing.

3 Methodology

3.1 Research Approach

There are two research approaches to conducting an investigation which are determined by the purpose of each study, and these are the inductive and deductive approach.

According to Dew (2007), a deductive approach draws on previous understandings of an aspect of the world, and from that understanding a hypothesis is developed and tested. If the hypothesis is supported, the prior theoretical understanding is maintained, and if not then the understanding is modified. It represents the most common view of the nature of the relationship between theory and research (Bryman & Bell, 2003). In contrast, in the case of an inductive approach, prior theories and attempts to build up an understanding of the world from the data are set aside. As Elo and Kynge (2007) explain, if there is not enough knowledge about the phenomenon or if this knowledge is fragmented, the inductive approach is recommended. Furthermore, an approach based on inductive data moves from the specific to the general, so that particular instances are observed and then combined into a larger whole or general statement.

For this research topic, the authors of this paper apply a deductive approach to follow the purpose of this study as existing theory is being critiqued and analyzed. The study at hand is an exploratory study aimed at understanding the relation between experience economy and marketing strategies in the tourism industry. The authors analyze what theory holds on the research topic and then compare it against the practice, interviewing ‘experts’ in the subjects--the travel agencies. Since the experience economy is a recent phenomenon in the academic literature, the authors wanted to take the research to the next level by confronting the theory with the practice. Therefore, the deductive approach deemed to be as the most suitable one.

3.2 Research Type: Qualitative

Research may be categorized in two distinct types: qualitative and quantitative. Amaratunga et al. (2002) explain that qualitative research concentrates on words and observations to express reality and attempts to describe people in natural situations. For example, a qualitative study should be used to investigate the reasons for human behaviour, to discover the underlying motives and desires of individuals. On the other hand, the quantitative approach grows out of a strong academic tradition that places considerable trust in numbers that represent opinions or concepts, it's aim is to measure quantity or amount. Since the experience economy and its' marketing implications is a topic hardly discussed in the academic literature, the authors wanted to analyze what has been said on this matter so far and investigate what are the reason behind the rise of experience economy in Europe. Therefore, the authors focused on an in depth literature review as a secondary research tool and looked at the data from the World Value Survey and interpreted with verbal description it to understand the link between society's beliefs and values and the impact it has on experience economy.

According to Patton (1990), qualitative methods permit studying certain issues of interest in depth and detail having quite limited sizes of samples. Quantitative methods are intended to measure the reaction of a person to a limited set of questions with a strong influence on numbers and survey research; this facilitates the comparison and statistical aggregation of the data. From this perspective, the qualitative approach was more relevant as the authors aimed at talking to travel agencies representatives to analyze and draw conclusions based on the information gained from interviewing a relatively small amount of the experts in the Swedish tourism industry.

Due to the nature of this study, the authors of this paper follow a qualitative approach to fulfil the purpose of this investigation. An exploratory approach is deemed most appropriate as the research involves better understanding of implications of the experience economy for the tourism industry in Sweden, and the marketing implications derived from such. The choice of the method is also supported by the tool for data gathering, semi-structured interviews. Furthermore, it is the nature of the problem and purpose that make a qualitative approach more suitable and will broaden author's understanding more than a quantitative approach would do. The authors are, however, fully aware that in comparison to the quantitative research, a qualitative study usually does not allow generalizing the research results. Thus the authors do not have intention of making generalisations.

3.3 Research Strategy

The research strategy used in any study is predominantly defined by the purpose of the research. According to Saunders et al. (2007), there are three main types of purposes of research: exploratory, descriptive, and explanatory. An exploratory study is used to examine a particular phenomenon or a problem, seek for new insights afterwards assessing it from a new perspective. The purpose of descriptive research is to give an accurate description of persons, events, and situations (Saunders et al., 2007), while explanatory studies are mainly focused on studying a problem with the purpose of establishing causal relationships between variables.

The purpose of this research is explorative. On the one hand, it aims to confront findings from literature review with reality. On the other hand, it is designed to identify issues and problems that have not been deeply researched and studied in literature yet. The goal this exploratory research at hand is to provide significant insight to the topic, even if it is not generalizable to the population at large. Judging from Saunders et al. (2007), an exploratory technique can give a clearer understanding of the chosen problem and this goes in line with the purpose of the study, and what the authors want to learn from it.

3.4 Data Collection and Data Analysis

According to Chandler (1998), there are two main forms of methodology: data gathering and data analysis. There are two types of data collection: primary and secondary data. Primary

data is data collected specifically for the research project being undertaken. Zikmund (2002) also defines primary data as data gathered and assembled specifically for the research project at hand. In case of this study, face to face interviews and the self administrated questionnaire shall be considered as the primary data. Literature review, however, demonstrated the secondary data gathered for this thesis. As a result, data collection (data gathering) in this study includes secondary and primary data usage. The data analysis includes content analysis and discourse analysis, among others.

3.4.1 Primary Data Collection

Every method to conduct a research has its unique assignation and used appropriately can lead to sufficient results. Therefore, it is crucial to choose most suitable data collection method. Due to the fact that the research approach is inductive and the purpose and nature of study explorative, interviews and questionnaires are chosen as tool for primary data gathering. According to Saunders et al. (2007), interviews are recommended when it is important to understand the reasons for the attitudes and opinions. In this research, interviews along with questionnaires are designed to give perspective to why certain marketing strategies are used by travel companies in Sweden, resulting in tying these motives to the concepts of the experience economy.

Since a qualitative approach is flexible as mentioned before, it enables researcher to directly follow up any unclear points that might occur after a respondent gives an answer (Marshall & Rossman, 2006). Secondly, researcher can always get back to certain questions to face the issues that have emerged in the course of interview (Bryman & Bell, 2007). Thirdly, it is flexible in the aspect of analysis of the data (Marshall & Rossman, 2006), which is of great importance to this study since the interviews are unique. By this it is meant that there is no fixed way to analyze the findings.

As accuracy in this type of research is of great significance, it is important to mention that use of interviewing techniques reduces possible misunderstandings because the interviewer can assure that all the questions are clear to respondents, and that they understand what they are asked. In this way, biases associated with respondent's misunderstandings or misinterpretations of questions are reduced (Bryman & Bell, 2007). On the other hand, the questionnaire distributed by e-mail does not provide such an opportunity to explain in detail every question asked to the respondents. Therefore, for instance, in the questionnaire the authors did not include a question about experience economy itself, since they felt that asking about a phenomenon the majority of people is not aware of, could serve as a source of biased answer.

Interviews provide rich, detailed answers that allow in-depth study of a phenomenon. As the nature of the study is mostly explorative and the authors of the thesis aim at studying the phenomenon, conducting interviews is an appropriate data gathering method. During the course of the data gathering process, however, the authors needed to be flexible and (due to travel agencies' small willingness to participate in the face to face interviews), use structured self-administrated questionnaire as a research tool too. This type of interview is typically

used for descriptive or explanatory type of research. Being aware of that, the authors would like to stress that the character of this research is more exploratory even if the information gained from the questionnaires is more descriptive than the data obtained from the face to face interviews.

3.4.2 Company and Interviewee Selection

The entire group of people, things or events of interest, which the researcher is interested to investigate, is called population (Sekaran, 2000). The authors of this research were interested in interviewing the individuals in charge of marketing in travel agencies in Sweden. The authors believed that only interviews with respondents experienced in the field of research could assure quality findings and validity to the study. As a result, specifically the directors of marketing were contacted and therefore interviewed. This was a result of the following data collection method:

- Research of international companies operating in the country of Sweden
- Contacting the companies via e-mail in order to provide recipients with an explanation of the purpose of the study and attachment with the interview questions
- Once companies have demonstrated willingness to participate in the research and proved to be valid to the research study, authors were calling people nominated to be respondents to arrange a meeting

It is also important to justify the choice of Sweden as a case study country. Firstly, at the time of conducting the study the authors reside in Sweden, which makes it the most convenient country for conducting the empirical study. Secondly, and more importantly, the authors consider Sweden to be a front-runner when it comes to experience economy countries.

The experience economy varies from country to country. Bille and Lorenzen (2008, cited in Bille 2010) give three indicators that are important to be taken into account when analyzing what drives and characterizes growth and development in the experience economy:

- A general increase in income and welfare
- The technological development
- The increasing globalization and internationalization

Sweden is a country that encompasses all three of these characteristics. Firstly, it is a high-income economy. According to the information from the World Development Indicators database (World Bank, 2009); Sweden is the 9th of the top 10 economies based on Gross National Income per capita. Secondly, the Information and Communication Technology Development Index (IDI) -- a ranking released in 2009 by United Nations, puts Sweden on the top of the most advanced nations list when it comes to information and communication technology. IDI compared developments in 154 countries worldwide over a five-year period from 2002 to 2007 using indicators such as households with a computer, the number of Internet users and computer literacy levels. Thirdly, Sweden is an export-oriented market economy. As

specified by Näringslivets Ekonomifakta AB (2010), more than half of everything manufactured in Sweden is exported, which indicates the economy's internationalization level. Furthermore, Jakobsson (2007) argues that "Sweden is one of the countries in which the trend towards increased globalization of recent years has been strongest".

Another indicator of the experience economy in a given country is its culture. The World Value Survey Association (2010) mapped the values of seven countries, as demonstrated in Figure 4. Major areas of human concern, such as religion, politics, economics, and social life were depicted in two major dimensions of cross-cultural variation: rational-secular values and self-expression values. Moving from left to right reflects the shift from rational-secular values to self-expression values. Sweden is nearest to the self-expression values pole. This means that the Swedish society values well-being, self-expression and quality of life, leaving the traditional emphasis on economic and psychical security behind. Hence, Sweden can be considered as a front-runner among experience economies.

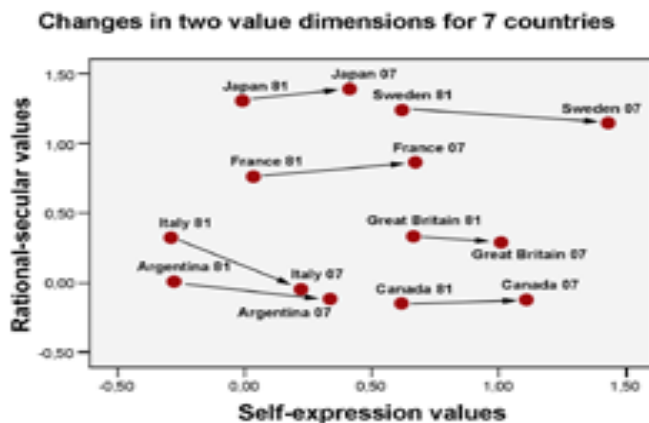


Figure 4: Changes in two value dimensions for 7 countries (Source: World Value Survey brochure, 2010)

However, the authors do not want to take for granted the theories suggesting that experience economy is a phenomenon that can be observed only in the wealthy countries. Therefore, change in the attitudes and values shall be analyzed for four European economies. These include two wealthy nations, Sweden and Great Britain; one transition economy, Poland; and lastly, one of the poorest countries in Europe, Moldova (World Bank, 2010). Resulting from the exploration of attitudes and values of these particular nations, the authors plan to contribute to the research on the experience economy phenomenon in Europe.

3.4.3 Data collection restraints

When it came to accessing the primary data and attracting Swedish travel agencies to interview, it was found that overall, they were generally unresponsive and unwilling to be of assistance. Following the authors' numerous requests via telephone and e-mail, more often than not the lack of willingness to participate was attributed to the fact that the companies lacked the time to meet face-to-face. They also claimed that there were too many similar requests from other researchers to fairly distribute the information everyone needed. Unfortu-

nately around the time of data collection, the Icelandic volcanic ash disaster took place which disrupted every company associated with travel services. That was for sure the biggest impediment to the research, as the companies understandably needed to be focused on re-organizing after the multiple disturbances caused by the ash.

3.4.4 Sample size

As explained by Zikmund (2002), sampling involves any procedure that uses a small number of items or that uses parts of the population to make a conclusion regarding the whole population. The reason for using a sample is that the population can be conformed of a big number of people or objects, what makes it impossible to collect data and test it (Sekaran, 2000). For the purpose of this study, two respondents participated in two interviews. Due to time restraints and the lack of willingness of respondents to participate in interviews, the researchers later distributed questionnaires of the same topic to travel agencies via e-mail, and successfully received 3 respondents' completed questionnaires. Punch (1998) argues that if the nature of the research questions requires a statistical representativeness of the sample in order to conduct a legitimate sample-to-population inference, this should be fulfilled. However, the reserach questions in this study make are of exploratory kind. The purpose is to gain more understanding and knowledge on the experience economy and its marketing emplicatilons. Genetralization of the reserach findings is not intended.

Figure 5 illustrates the thought process that has led the authors to choose a self-selection sampling techniqne for the primary data collection.

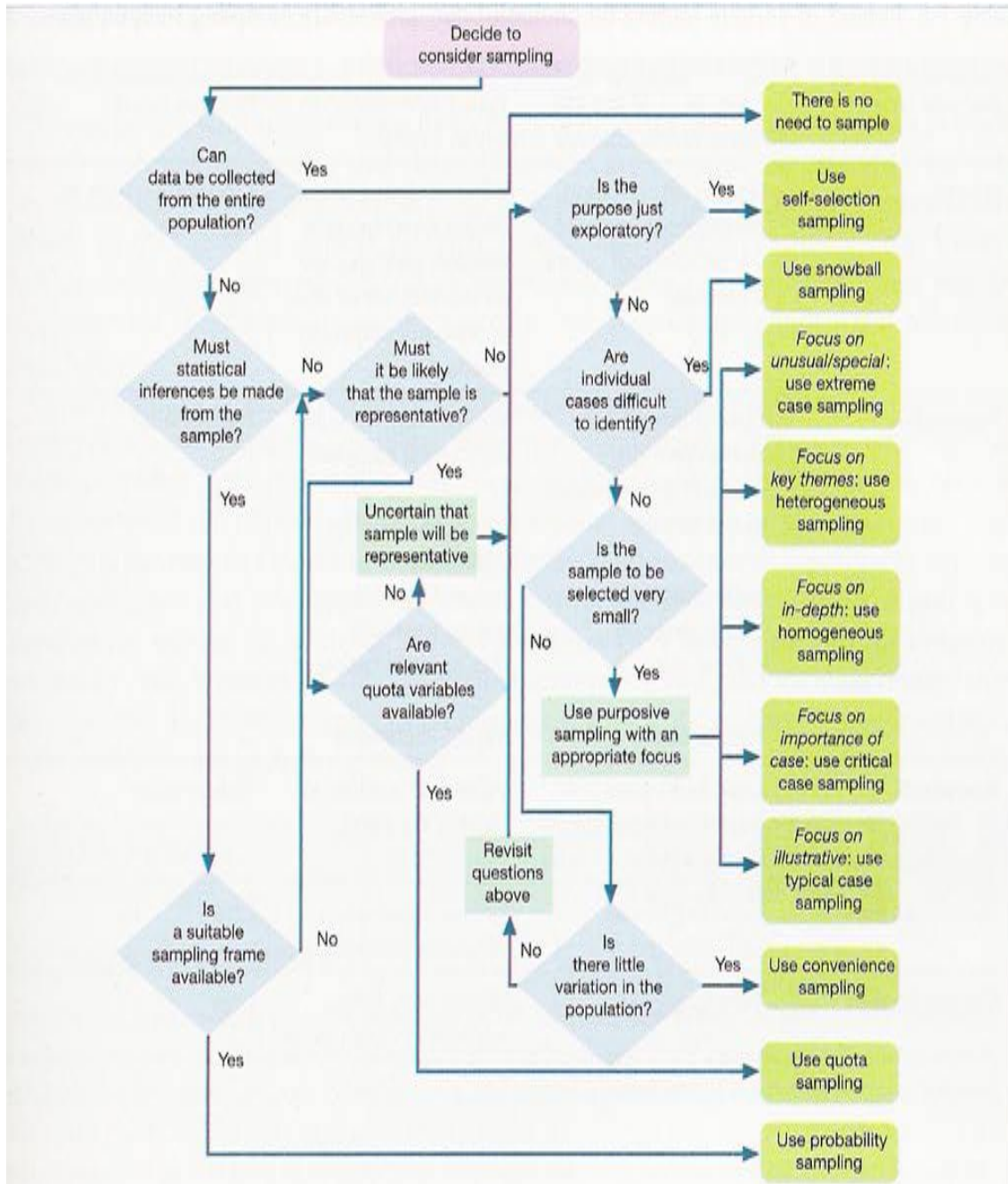


Figure 5: Selection process of a non-probability sampling technique (Saunders et al., 2007, p.227)

As explained by Saunders et al. (2007, p.233), self-selection sampling occurs when researchers allow each case, usually individuals, to identify their desire to take part in the research. Firstly, researchers need to publicize their need for cases, either by advertising through appropriate media or by asking them to take part. Secondly, the researchers collect data from those who respond.

When designing the study, the authors were planning to interview face to face as many travel agencies as possible. This is was due to the logic that the more participants taking part in the study, the more knowledge on the topic at hand can be gained. Becasue of the lack of willingness to participate in the study, described earlier in the restraints section, the authors nee-

ded to adapt and try to appeal to companies when contacting them for the second or third time (the companies were contacted firstly by e-mail, then by telephone, and lastly by e-mail with a short questionnaire attached). The number of participants is not the ideal, originally planned set-up for the study. However, the authors believe that the quality of the data gained from the face to face interviews and later on from the questionnaires is high enough to draw relevant conclusions. Considering the exploratory purpose of this study, it is also of great importance that the companies vary from each other; for instance, in this case whether they are considered a luxury travel company, or more of a high-street one. Having gathered the data the authors found that the luxury or high-street status has an impact on the importance a company given to providing experience in their services. To conclude, the authors would like to emphasize that even though the sample used in this study is small, the consequences for the thesis are not major. Even though generalizations for the all travel agencies in Sweden cannot be drawn with such a small sample, the exploratory purpose of the study is fulfilled with the quality data that was gathered and analyzed.

3.4.5 Designing Interview Questions

As stated before, the researchers in total conducted two semi-structured interviews and received three completed questionnaires. Semi-structured interviews are useful for research that is primarily exploratory, such as the study at hand. Differing from a structured interview that is more standardized and predetermined, a semi-structured interview gives more flexibility to the researchers and it allows the interviewee to build on their answers (Saunders et al., 2007). During each of the two interviews the researchers had a list of questions in preparation. However, although the themes and topics remained the same for both, there were slight variations in the order of questions due to the differing flow of conversation. Also, due to the fact that semi-structured interviews were undertaken, a couple of questions were either added or omitted depending on the relevancy to the company and the context of the interview.

The two face-to-face interviews were both conducted in Stockholm, Sweden on the same day. Both of the interviewees of the companies were head of marketing, Janne Lundbladh and Momenul Islam, respectively. Both of the interviews lasted approximately an hour, were conducted entirely in the English language, and were conducted in an informal setting in the company offices of the interviewees. In addition, both interviews were audio recorded to ensure utmost validity. Beforehand, the researchers read up on some background information of the companies and after a brief summary of the research topic, the questions were initiated from which the interviewee delivered insightful knowledge and opinions.

The list of interview questions (comprising twelve) used for both companies is included in the Appendix 2. Even if there were slight variations in the structure of the interview, the main purpose of the questions remained the same. The focus was on addressing the evolution of marketing from traditional practices to more of an experiential one, the main marketing tactics employed by the companies, and questioning whether the four realms of experience model is taken into consideration by the company.



3.4.6 Questionnaire

The researchers faced multiple obstacles in obtaining more than two face-to-face interviews, so therefore a questionnaire addressing the same topic were distributed to many Swedish companies. Out of at least fifty companies which were contacted, the researchers received answered and completed questionnaires from three companies who were willing to contribute to the study: Lime Travel, Lotus Travel, and Apollo. In contrast to the interviews which comprised twelve questions, the questionnaire was shorter and contained six questions. However, the questions with the topics deemed most important after the interviews, mainly questions surrounding marketing tactics related to the experience economy, were also included in the questionnaire and constructed in a way that mimicked the structure and organization of the interview questions. The list of questions distributed via e-mail to the three companies is included in the Appendix 3.

3.4.7 Secondary Data Collection

Secondary data is used for a research project that was originally collected for some other purpose. Zikmund (2002) also defines it as data that has been previously collected for some project other than the one at hand and adds that, secondary sources can be found inside the company, library or Internet, among others. To assure best results, both types of data are used in this research.

Unlike the issues with primary data collections, where the authors faced many obstacles in gathering interviews and questionnaires, a broader range of secondary data could be accessed. Although the experience economy is a recent phenomenon and is still somewhat lacking, the theoretical background and research could be found in reliable sources such as books, scholarly journals, and reports.

3.5 Research Validity

Cronbach and Meehl (1955, Cited in Biskman & Rog, 1998) define validity as the extent to which answers correspond to true values of what we are trying to describe or measure. Hence, in relation to interviews, validity refers to the ability of it to measure what is intended to measure (Saunders et al., 1997). Validity, in a qualitative research, is divided into three main parts: content, criterion-related and construct validity. Saunders et al. (2007) define content validity as the extent to which the measurement device provides adequate coverage of the investigative questions. For the purpose of this research, the authors carefully chose the secondary data- academic journals and books, as well as statistical secondary data. Criterion-related validity, sometimes known as predictive validity, is concerned with the ability of the measures (questions) to make accurate predictions. The questions were designed to confront findings on experience economy and marketing strategies from the secondary data, with the practice of tourist agencies in Sweden. The open questions enabled the authors to get the expected answers, and to leave the room for respondents to share any additional information they have found relevant. Construct validity refers to the extent to which measurement questions actually measure the presence of those constructs intended them to measure. Since va-

Validity is dependent on measurement, accurate measurement increases validity as well as reliability. The primary data gathered for the purpose of this study, enable the authors to deepen the knowledge on the impact experience economy has on the marketing strategies of the tourist agencies in Sweden. Hence, the questions asked by the authors were constructed well enough for the purpose of the study to be fulfilled with the answers received.

One important aspect of the interviews and questionnaires that could hinder validity, however, is the fact that everything was conducted in English, which is not the mother tongue of any of the respondents, and it is the mother tongue of just one of the two researchers. On the other hand, all individuals are fluent in English. Therefore, the authors do not consider that this is a significant hindrance to the validity of the study.

Furthermore, the validity and reliability in this study have been ensured by:

- Designing questions to broaden understanding of the issues raised in the literature review
- Assuring relevance of the questions to the purpose of the study
- Pre-testing interview questions with colleagues at the university to assure they are clear to a potential respondent
- Contacting people from each company with appropriate knowledge to discuss subjects raised in the interviews
- Making clear the purpose of the study to its participants before conducting interviews
- Sending the questions to the respondent at the first stage of communication
- Taking interviews in an environment, where respondent was feeling comfortable; to assure privacy, confidentiality, and non-judgmental view
- Tape recording as the best method to produce a trustworthy transcript
- Checking the consistency of the information

4 Empirical Findings

4.1 Company Profiles & the Findings

4.1.1 Lime Travel

Based in Stockholm and representing the Nordic countries, Lime Travel is an agency that is specialized in the luxury segment of travel destinations. Lime Travel is unique in the sense that it is a company that only sells hotels and destinations in which the travel agents has visited themselves. Lime Travel was founded in October 1995 and is a rather small travel company, with eleven employees working in the Stockholm office and two in Halmstad, Sweden. Along with specializing in tours to Africa, Asia, South America and the Caribbean, Lime Travel specializes in luxury wedding holidays and honeymoons (www.limetravel.se). Because the company is celebrating its 15th anniversary in 2010, they decided to distribute a survey to one hundred of its most loyal and well-traveled customers. Mauritius held the position as favorite destination, closely followed by Maldives and Bali.

Despite the economic recession, Lime Travel reported record earnings in 2009 with its travel bookings increasing 25% over the previous year and profits exceeding 60 million Swedish Kroner (www.eniropro.se). It was not only increased profits and record sales that caused Lime Travel to rejoice last year. The company was also praised for its outstanding and consistent quality service by Travel News magazine, which appointed Lime Travel as the best Swedish tour operator in the category of “luxury”. In the near future, new destinations are being planned, including an expanded European program.

Lotta Kronstam, one of the founders of Lime Travel and also the Director of Marketing, was the representative of the company that responded to the e-mailed questionnaire. She strongly believes that the customers’ expectations for an ideal holiday have changed in several ways over the last ten years. For example, customers nowadays no longer want to put up with complicated flight patterns; they want to avoid several changes of airplanes and long layovers. Aligning with the recent studies on Swedish travel trends, Kronstam claimed that customers more and more are consciously looking for hotels, ships, and destinations that are environmentally friendly and less likely to leave their “footprint”. Customers of all age want more action with their travels, including more learning about the host country’s culture, and they want more activities to be done in combination with “the lazy life by the pool and beach”.

According to Kronstam, what customers value the most in the service Lime Travel provides is their profound knowledge of the destination with and their know-how when it comes to which hotel is perfect for which client. When asked if the trend emphasizing the “experience” provided in the holiday package is relevant for Lime Travel, or if the company is more likely to compete on the basis of price, Kronstam answered:

“Our agency has to provide unique packages to be able to sell. Tailormade excursions, transfers with childseats, upgraded hotel rooms, destination documentation, and so on. A package spiced with a lot of inclusions. We can never win the competition of rates only as

the worldwide internet companies now sell and market many of our hotels. And they have a lower rate, earning less, taking a minimum guarantee, etc”

One of the biggest changes Kronstam has noticed with regards to the evolution of marketing strategies in the tourism industry is the arrival of international websites such as Conde Nast Traveller and Kiwi Collection; internet sites that offer the best hotels and that also serve reasonable rates for luxury. Another recent addition in the tourism industry is the phenomenon “lastminute.com” and other websites where customers traveling at last notice can find high-quality hotel rooms for a decent rate.

When asked about the most important challenges facing the luxury tourism industry in the next coming years, Kronstam answered: “the unexpected, to meet and to conquer the unexpected”. She gave the examples of no one being able to foresee disruptions in the travel industry, such as the September 11th tragedy and the April 2010 ash cloud disaster that put all air travel in Europe in a standstill for many days. “The most important thing you can do in the travel business is steering a ship that you can maneuver easily to avoid forthcoming hindrances”. Another challenge is to meet the customers’ demands in finding flight alternatives that are reasonable in rates yet comfortable at the same time. Customers want to sit in comfort while not paying a fortune, which often proves to be a difficult wish to fulfill. Customers want to avoid untimely change of flights with endless security checks with pesky immigration officers; another demand which is becoming harder and harder to fulfill. According to Kronstam, the United States will suffer tremendously in coming years due to their harsher visa requirements to outsiders.

In the questionnaire distributed via e-mail to the companies, the authors asked whether the company agrees that educational and escapism areas of experience are the most memorable for the customers, and whether the company has tried to include all four areas in every package they offer. Lotta Kronstam agrees to this with enthusiasm. She claims that the best vacations are trips that exceed expectations of what to experience or of what one could achieve themselves; for example “a weekly package to Chamonix and a small tour de Mont Blanc. This is something that a customer can do walking or climbing with a minimum level of athleticism. And then you come home with a super feeling of having done something outrageously good that you will talk about forever”.

To conclude, Kronstam made it clear that what is essential is to offer these experiences as possible add-ons or inclusions in the travel package that the company tailor-makes for the client; however, it should not be imposed on them. Additionally, it is not necessarily the fact that clients are definitely going to do it. They may only head for the beach and sand but they are satisfied and happy knowing that the possibility exists.

4.1.2 Lotus Travel

Based in Stockholm and also operating in Gothenburg and Malmo, Lotus Travel has been specializing in cultural tours of India, Vietnam, and China with Swedish-speaking guides for over 19 years. Lotus Travel is the biggest Swedish tour operator specializing in trips to China and organizes trips for individuals, groups, and businesses. Lotus Travel’s founder is

Elby Kwok Drewsen, originally from Hong Kong. She is a highly regarded business leader who was appointed “Best Business Woman” in 2006 and was then given the title of “Best Woman in the Industry” in 2007 (www.lotustravel.se).

Lotus Travel Holding consists of two subsidiaries—Lotus Travel and Scandinavian Perspectives. Scandinavian Perspectives is also located in Stockholm but instead markets and organizes trips for Asians to travel to the Nordic countries, with local representative offices in Beijing and Shanghai. George Haddad, the Finance and Administration Officer for Lotus Travel was the representative of the company that responded to the e-mailed questionnaire.

Haddad believes that the customers’ expectations for an ideal holiday have definitely changed over the last decade. He claimed that more than ever, the clients are expecting more and more offerings in a package for less money while still maintaining high quality services. They desire arrangements tailored to their individual tastes and desires rather than the onctypical “one-for-all” packaging deals where everything is standardized for the masses. In terms of what customers value the most about the services Lotus Travel provides to them, Haddad assures that it is the company’s knowledge as well as the company’s actual presence in each destination. This way, a loyal customer base is built and less vacation experiences go awry.

When asked whether Lotus Travel follows the traditional strategy of marketing their “best deals” by competing mainly on the basis of the lowest price versus emphasizing the experience provided in the holiday package, Haddad concluded that the company actually utilizes both strategies. In his words, “it is actually a combination of content and pricing”. Lotus Travel does not stand alone in its pricing and package offerings, however. In Haddad’s opinion, the biggest challenge facing Lotus Travel is that there is increased competition from similar travel agencies, and a number of these are growing constantly in Sweden. When asked how Lotus Travel plans to tackle this major challenge, Haddad replied simply; “we plan to exceed the expectations of the clients, of course”.

Rather than agreeing that the educational and escapism areas of experience are the two most memorable for the customers, Haddad implied that instead that it was naturally a mix of all four factors, including esthetics and entertainment, that make a journey memorable for a client. He added, “But again, everything has a price tagged to it. When the customer asks for additional value, it means that they are prepared to pay and then the company has to deliver. Satisfied customers, no matter their preferences, are the most loyal ones”.

4.1.3 Apollo

Headquartered in Stockholm, Apollo is Sweden’s third largest tour operator, providing the widest range of resorts with more than 1,600 hotels in 48 destinations in 28 countries. Since January of 2001, Apollo has been a subsidiary of Kuoni, a Swiss travel company which has been in operation for more than a century and which was just for the eleventh time in a row named the “World’s Leading Tour Operator” (www.apollorejser.dk). The company sells mainly charter flights to beach resorts. In the summer, Apollo offers mainly European destina-

tions (especially Greece) but come winter, the Canary Islands, Thailand, Egypt, India and Vietnam are highest in demand. From Apollo's homepage, the company claims to be striving to be perceived as more modern and more flexible than other travel companies. "The feeling that you really experience another country when you travel is important to us. Our focus is on freedom, cozy areas and hotels, and local flavour" (www.apollo.se).

Of the approximately two million people going on a package holiday every year, 400,000 decide to travel with Apollo. This gives Apollo a market share of over 20 percent. The main target group for Apollo is "modern people" aged 15-74 who love to travel. The travelers include a majority of women and urbanites, and about a quarter are children. Apollo sells its travel online, through their own eight stores, and through nearly 300 selected travel agents.

Maya Giron, a Training Co-ordinator for Apollo's airline Novair, was the respondent to the e-mailed questionnaire for the study at hand. When asked whether she believes the customers' expectations for an ideal holiday has changed over the last 10 years, she agreed immensely. She expanded on this by explaining that customers nowadays do not only want a vacation to just relax, but they also crave lots of entertainment in addition to wanting a destination where one can get services all-included. In line with the representative's thoughts from Lotus Travel, Giron added that the "value for the money is very important. They expect the highest standard for the minimum price". In addition, the customers do not only want, but actually expect that the hotel or apartment where they stay to have all the commodities for the health trend which is spreading across the world.

According to Giron, what customers at Apollo value the most in the services is the experience or feeling that the company has given the little extra personal touch; which in turn, motivates the customers to come back to Apollo. When bad or untimely situations arise, which is almost inevitable in the travel business, customers need to feel like they have been seen and heard and have had their personal needs tended to. The vacations should be easy to book for the client, the agents must be understanding and flexible, and all necessary information must be readily available for clients when they want it. Having follow-ups afterwards on how the customer perceived the vacation as a whole adds greatly to building a solid customer relationship.

In response to whether Apollo tends to compete more on the basis of price, or whether they are more likely to emphasize the "experience" provided in the holiday package, Giron claimed that the latter trend is becoming more and more common but that Apollo does still compete on the basis of price and personal service. She went on to say that the company offers customers a wide range of destination but with a focus on Greece, mainly because "every company should have something more or less exclusive to stand out from the crowd from the many others who offer more or less the same product".

In Giron's opinion, one of the biggest changes that she has noticed with regards to the evolution of marketing strategies in the tourism industry is that there is more focus on the global environmental issues. For many clients of all ages and lifestyles, being environmentally conscious is prerequisite for a characteristic of a company before the client agrees to travel

with them. Giron also goes on to explain that the marketing department takes action and gives feedback to the many other different departments, which is more than educational.

A challenge for Apollo and for many travel companies alike in the coming years, is the fact that the quality of the product is not only in their hands, but is also in the hands of the hotels and airlines. Giron emphasizes that to tackle this challenge, it is very important to have a good relation to each of these parties, to work more together than as separate entities. Another challenge for the company in Giron's opinion is furthering the education of Apollo's own staff. She believes that the staff on every level can never be too prepared or too qualified for their working positions; it not only improves their attitude for their career but also improves the quality of the services they provide. The image and reputation of Apollo is then boosted.

When asked if Giron agrees that the educational and escapism areas of the four realms of experience are the most memorable for the customers, she replied: "both yes and no. Yes, I agree that an activity offered with a new skill or increased knowledge is very popular; not only for the skill, but also for the social part of it. We are people who like to be among people. We learn more about another culture by doing exactly these things. The skill or knowledge should be a local thing that mirrors part of the culture of just that country". Giron expands on this by adding that there are song and dance and food traditions wherever you choose to travel to, so a professional approach is very much appreciated as well as having something to offer to a wide range of ages. Increasingly people are living longer and therefore a larger range of customers is older. To conclude her thoughts on Apollo's inclusion of the four realms of experience in their strategy, Giron claims that no, Apollo does not try to include all four areas but instead offers a wide range of activities to choose from; the freedom to choose is more than appreciated. In her opinion, what customers truly appreciate above anything else is making their own personal vacation a reality.

4.1.4 Jambo Tours

Jambo Tours was established in 1974 and is headquartered in Stockholm with about 23 employees currently with a number of representatives cooperating at its destinations around the world. Common to all destinations is that they are "far away" which is also part of its mission - to produce and sell packages, group and special tours for travel agents, private and business clients, individually and in groups. Jambo Tours places a huge emphasis on environmental awareness, and they have recently won the Grand Travel Award of 2010 for Environmental Initiative for investing money in large-scale reforestation of Kenya. Jambo Tours, which is a luxury travel agency, is the only tour operator that has chosen to offset emissions for all trips, which has provided a successful educational experience for the customer and third parties (www.jambotours.se). In an interview with Frederick Marnby at Jambo Tours in March of 2010, Svenska Dagbladet questioned whether the initiative to offset emissions included affected sales. He responded: "This is as yet difficult to measure. We started with this in October, so it is relatively new for us too. But February was a record month for us, and who knows, maybe it has to do with this award we got in February" (www.svd.se).

Travel agents sell Jambo Tour packages across the country (Ticketmaster, Resia, and others) in addition to its home office in Stockholm. Among the major destinations include South Africa, Kenya, Tanzania, Malaysia, Thailand and several places in the United States. However, the more exotic locales include the Amazon, Botswana, Costa Rica, Laos and Rwanda. Jambo Tours has contracts with most major scheduled airlines, and thus offers packages with high flexibility and comfort. In addition, the company works with major hotel chains but also smaller, sometimes very exclusive, lodges, hotels, and resorts. One of the specialties of Jambo Tours is the unique round trips by professional Swedish speaking guides in small groups. According to the home webpage, Jambo Tours “seeks to be associated with quality, knowledge, flexibility and be the most viable and attractive option for both travel agents and end consumers (www.jambotours.se).

A face-to-face interview was conducted between representative Janne Lundbladh and the authors in the home office of Jambo Tours in Stockholm on May 12th, 2010. In addition to being Director of Marketing, he is responsible for public relations for Jambo Tours in Sweden and Norway. He is also manager of tour productions to the United States.

According to Lundbladh, the secret to Jambo Tours’ success is the personal relationships established between the travel agents and customers. To Jambo Tours, the customers are not merely a source of money but are people, even friends, with whom to build a long-term relationship. This is achieved through personal letters, monthly newsletters, follow-up phone calls, and sometimes even holiday gatherings. If a customer feels valued and cared for, they will in return be loyal and many of those often recruit their family and friends to the company. Claims Lundbladh; some of the original customers of Jambo Tours are in fact still customers today, and have not used the services of any other agency.

Lundbladh was the only respondent in the research that was familiar with the concept of the experience economy before the interview with the authors of this study. He explained that experience has always been a driving force for success of Jambo Tours. This is due to the nature of the trips offered by the company. They are all “focused on experience”, providing an adventure in the host country, and aimed for customers to “get more knowledge of the world”. When, for instance, clients wish to go for a safari tour in Africa, they are offered to participate in different types of safaris and can choose to stay anywhere from a luxury hotel to a tent camp in a local village (to experience the “real” Africa and learn firsthand about everyday life of the locals).

As a result, the main focus of the marketing strategy was to market the experience offered by adventure tourism. The company shows action pictures taken in a host country in their catalogues and in the e-mail correspondence. Since the only way to discuss a package is by making a personal appointment with the company’s representative, a power point presentation and videos from the destination of customers’ interest are presented to them. This is done to stimulate the imagination of the clients, and to “transfer” them for the holiday location and the experience that they could engage in.

Apart from the emphasis on the experience in the marketing strategies, Jambo Tours has realized that over time customers’ values have changed and this has had an impact on the marke-

ting strategy. According to Lundbladh, customers have become more aware of the impact traveling has on the planet. Despite claiming that it was not a conscious green marketing strategy, the company's representatives agreed that it does appeal to its customers and increases the brand credibility in customers' eyes.

Lundbladh reiterates that credibility is very important to a luxury tour provider, as it is the quality of the package that makes it a price-insensitive good. The customers are willing to pay extra because they know they are buying a holiday package of the best quality, and quality is what makes the product attractive, not the price itself. Therefore, when asked about the challenges faced by the industry, the first answer was quality control. When organizing the holidays abroad, Jambo Tours heavily relies on the host-country operators; for instance, to organize a safari. Therefore, it is in the company's best interest to have the best operators and "stay on top". What is meant here is that constant monitoring in a host country is needed to ensure that the quality of the experience does not get affected if the owner of an operator changes, or if there is any other issues happening. Jambo Tours wants to offer the best products, and therefore intends to monitor the situation in host countries to respond quickly to any changes and to maintain a good relationship with agents that the company is satisfied with. Even in times of unpredictability, i.e. the April 2010 ash cloud disaster, the September 11th tragedy, riots in host country, the company must find quick and effective responses to these matters; appeasing the customer at all cost.

When asked about the four realms of experience model, Lundbladh agreed that the most memorable tours are the adventure-based ones. More and more customers every year are demanding to gain knowledge of the destination's culture not by simply observing it, but by being totally immersed in it. In fact, Lundbladh claimed that the most adventurous clients are actually the older and retired market. Active participation is very important to them. For example, Lundbladh mentions that these customers do not seek pure comfort like having a huge barrier to the wildlife; in fact, "a vehicle breakdown is seen as part of an adventure". Of course, safety is always first and no tour is given without high security; but walking safaris are becoming more and more common even if people may be frightened to do so. To conclude on the subject of the experience realm, Lundbladh adds that "experiences should always be offered to customers as add-ons, but Jambo Tours does not impose them on customers".

4.1.5 Indcen Resor

Established in 1990 and based in Stockholm, Indcen Resor is an economy travel agency mainly specializing in discounted trips to India. In addition, the agents possess expertise of Southeast Asia and Africa, which are destinations marketed with emphasis on trips to safaris, along with cultural and natural activities (www.indcenresor.com). During the twenty years of operation, Indcen Resor claims to have had over 100,000 satisfied customers.

A face-to-face interview was conducted with Momenul Islam in the Stockholm office on May 12th, 2010. Islam has been with the company since 2006 and has over 15 years experience in the travel business. He is mainly responsible for the company's marketing and its online

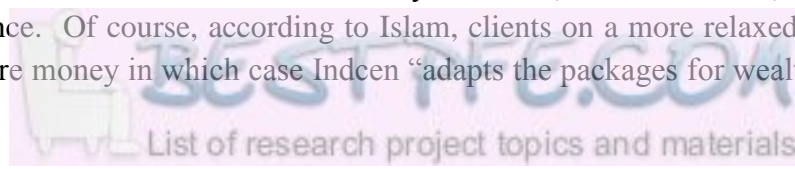
sales, and specializes in flights to the Indian subcontinent (India, Bangladesh, Pakistan, Sri Lanka) and flights to worldwide.

One of the first statements that Islam made concerning his experience in the travel industry was the increase of customers' expectations for an ideal holiday. In line with the opinion of companies that responded to the e-mailed questionnaire, he agreed that customers want more for less and are always looking for the cheapest packages available with the best value, all while maintaining high quality. In terms of quality, the customers expect optional activities (excursions and entertainment) to be included in the packages. Compared to a decade ago, customers are now abandoning buying "traditional products" and they are more and more looking to engage in new things. With traditional products, Islam spoke about how in many tourist destinations, "the customers are not seeing anything 'real', it is staged to appeal to the tourists' envision of what the destination is like". Islam gave the example of the resurgence of traditional medicine in the last two years, and how customers nowadays desire to visit destinations that offer these products, along with guided tours. They also want to be more in touch with nature, with less of a barrier between customers and nature. For example, more and more customers request special boat trips on their vacation—where they fish themselves and then a chef prepares and cooks for the customer their special catch.

The two characteristics of Indcen Resor that Islam believes are of most value to the customer is mainly the discounted prices they offer and the wealth of experience they have in India. Each of the agents in the company is specialized in and knowledgeable about a few locales of the world of which Indcen Resor offers its services for. Since Indcen Resor's main target market is between the ages of 25 and 55 years of age, the budgets of every customer is spread widely. The value each customer receives, explains Islam, is that they receive every aspect of their vacation tailored to their individual needs. The same goes for the older, retired customer group who often have a more flexible schedule and larger budget.

According to Islam, Indcen Resor does not so much compete on the basis of experience as much as they do compete on the lowest price. One example of how they do so is e-mailing coupons for discounted services to both existing and potential customers, such as a "book one night, get second night free". Along with most businesses suffering in the recent economic hardships, Islam stated that Indcen Resor has reported losses in the last two years and this has made the company extra conscientious of building customer rapport. Extra attention has been paid to advertising in newspapers and online. Since there are many Swedish citizens of Indian and Asian origin living in Stockholm, Indcen Resor strives to market to these individuals in hopes that they desire to "discover their roots" and travel to such destinations. Islam claims that word-of-mouth marketing among these groups has helped Indcen's customer base grow.

Momenul Islam claims that one unique strategy Indcen uses to combat the hardships of the financial crisis is to offer customers several forms of payment. For example, customers may pay for their vacation in several installments over a year's time, with no interest, or they may pay in cash all at once. Of course, according to Islam, clients on a more relaxed budget are willing to spend more money in which case Indcen "adapts the packages for wealthier clients



and offers to them upgraded flights, hotels and more activities included in the package...we may even provide them luxury cars or even limos”.

Bargain travel agencies are abundant in Europe, but in Islam’s opinion, there are marketing strategies used by Indcen Resor that differentiates them from all the rest. For example, the company organizes promotional activities such as Bollywood movie night and Indian cuisine evening. For these events, existing customers are encouraged to attend as well as accompanying potential customers.

The two biggest challenges both in the present time and in the future to a company such as Indcen Resor are the continuing economic hard times and the competition from similar travel agencies. In order to stay on top, Islam believes that Indcen Resor must follow the trend for tailor-made holidays. They must take customer feedback heavily into consideration in order to constantly improve, and continually adjust packages to every client’s individual needs. For example, one tactic that the company is in the process of employing is advertising specifically for the clients travelling on a budget, and then advertising separately to the wealthier clients.

Islam claims that Indcen Resor does not in fact utilize all four realms of experience at once in their service offerings. In his own words; “Clients should have a choice of various activities to do at the destination, but you should not push them to participate. If they want to be lazy, you shouldn’t try to change their mood and try to get them to crave adventure. If customers express interest in an additional activity, we provide it at an additional cost. Otherwise, not.” Contradictory to what Janne Lundbladh remarked about older and retired people being the most adventurous and craving active enjoyment, Islam claimed that passive enjoyment is favoured by the elderly, and “they would much rather be relaxing in their four-star hotel room, laying on the beach, or shopping for a few hours a day”.

4.2 Focus on the Swedish tourist market

In a market brief by Swedish Chambers (2009), the evolving travel habits of Swedes to international locations are discussed in detail. Despite the global financial crisis that has most strongly affected the Swedish export industry, experts disagree on how the crisis has affected traveling. Cheap destinations and those with a favorable exchange rate such as Turkey and Northern Africa are winners, but statistics show that it seems like Swedes prioritize their vacation in spite of difficult financial times. In fact, a May 2009 survey actually showed an increase for long-haul travel from Sweden, and for charter companies 2009 was a record breaker.

What is now considered air charter was developed in Sweden during the 1950s. The fact that borders were opened after the war and also that Swedish holiday legislation was extremely generous in comparison to other countries who were rebuilding their economy, are reasons why air charter came to be so popular. In the late 1950s, charters from Scandinavia to Spain began with the formation of one of the major tourist operators—Ving—being formed. Today, the travel market is dominated by three large charter operators: Ving (owned by Thomas

Cook Group), Fritidsresor (owned by TUI Travel), and Apollo Resor (owned by Kuoni in Switzerland). These major companies are just a drop in the bucket, however. Besides these, there are a large number of smaller fully inclusive tour operators as well as internet tour operators and travel agencies.

4.2.1 Market trends for Swedish travelers

According to Swedish Chambers (2009), Swedes in comparison to other nationalities are experienced travelers who are willing to try new destinations and are expected to travel even more so in the future. Research firm Kairos Future states that the tourists are “looking for more and more spectacular experiences. At the same time, they crave that which is true and genuine. Many of them want authentic experience of local culture and nature and look for unexploited destinations yet undiscovered by the general public.” An extremely important target group that they note consists of retired individuals who are seeking a cultural experience, “who will travel whether there is a crisis or not and are often interested in visiting a developing country”.

Another force behind Swedes’ propensity to travel is that the costs for long-haul travel have decreased and many people are looking for something new as they are already well traveled. Top long-haul destinations for Swedes are Thailand, Egypt, and the United States. Classic destinations such as Majorca, Crete, Bulgaria, Turkey, Cyprus and Rhodes also continue to remain popular.

Summer vacations in Sweden are no longer just taking place in July, but are now staggered from May to September, with holidays being spread out over the duration of the year. Swedes now tend to travel more often and stay away for a shorter amount of time. According to Swedish Chambers, the driving forces behind this development are time-poverty and access to low-cost carriers, which have made it feasible to go on a weekend getaway for very favorable prices. The internet has obviously become the most important source of information for tourists, as many customers want to put together their own vacations and use the web for planning, information gathering, booking, and purchasing. Social media such as blogs, Facebook and Twitter have had a huge impact as a source of marketing channels and word-of-mouth information for other travelers.

Even if there is a high reliance on the internet and customers want to put together their own packages, travel agents still continue to have an important role to play as there is a demand for that which is well-arranged, packaged, and simple. More and more travelers want to combine different experiences on their vacations; for example, sea and sun vacations are being combined with safaris, sightseeing and large cities. In the future, destinations that can offer a multitude of activities are likely to be the winners. Also, as travelers are predicted to have more money and higher standards, it will be increasingly common that budget and luxury traveling is combined. An example of this is that a tourist may spend lots of money on expensive activities but at the same time stay at a cheap hotel or look for a low-cost carrier.

5 Data Analysis

5.1 Experience economy

From the perspective of the travel industry, experience economy can be defined as a recent trend that has risen because of a change of values and beliefs of people living in wealthy countries. They value quality time, want to realize themselves, experience and learn new things. They want to express themselves through the activities they do and how they do them. As a result, the holidaying pattern has changed. The authors' empirical study has found that there has been a significant change over the last 10 years in holiday expectations of customers in Sweden. The majority of the travel agencies who participated in the study, four of five, expressed that customers demand action, learning or cultural activities to be included in a holiday package. To quote Apollo's representative; "They [customers] do not only want a vacation to relax but also a place where they get all included as well as entertained". Indcen Resor argues that optional activities included in the package are a necessity to maintain high quality of the offering. The same trend can be observed among the luxury travel agencies. Lotus Travel emphasises the importance of "more offerings in a package for less", as well as "individual arrangements", whereas Lime Travel and Jambo Tours add to the above listed a need for environment friendly arrangements. Lime Travel specifies that their customers are increasingly interested in environmentally-friendly travelling arrangements and hotels, and Jambo Tours believes that its' green marketing strategy makes the company look more credible to the customers. The travel agency won Grand Travel Award of 2010 for Environmental Initiative for its efforts in carbon offsetting. Aware of the fact that its clients have become concerned about the negative environmental effects of travelling by planes, the company offsets the carbon emissions per passenger by sponsoring a relevant amount of trees at plantations in Africa.

These findings on customers' preferences go in line with suggestions of pioneers of the experience economy theory, Pine and Gilmore (1999), who argue that today people do no longer buy a service but an experience; "he [customer] pays to spend time enjoying a service of memorable events that a company stages ... to engage him in a personal way". However, the authors' *Four Realms* model has been hardly supported by the travel agencies participating in the study. As previously described, Pine and Gilmore (1999) argue that esthetics and entertainment are passive realms of the experience that have long been implemented by businesses. They believe, however, that educational and escapism realms have been not realized by the businesses, while they are the ones which actively involve customers and therefore, increase their loyalty to the experience provider. The authors of this study have asked the travel agencies whether they think that the two latter experience realms are the most memorable ones for their customers, and whether the agencies implement all four realms in their holiday packages. The *Four Realms* model has been challenged by the majority of the respondents. Apollo recognized that their customers enjoy learning new skills and gaining knowledge through experience at the destination, but the company implied that it was mostly because of the social aspect of these activities. The suggestion was that the Apollo's customers enjoy meeting new people and socializing with them over company-arranged activities. As all of the travel agencies in the study, Apollo concluded that the four realms of experience are not

included in every package, and that customers are not obliged to participate in the activities on offer but rather have a free choice to do so. Furthermore, Apollo appreciated offering passive-involvement-activities such as local music or dance performances. According to its representative, it is also increasingly important to bear in mind that the age expectancy is getting higher and as a result, activities in most of the packages need to be adjusted to older customers. The same argument was made by Indcen Resor, who stressed that “passive enjoyment is favored by older customers” and shared the belief that customers like to enjoy a wide choice of extra activities at the destination, but should not be “pushed” to participate in them. When the luxury travel agencies were asked about the importance of implementing a rich multidimensional experience in their packages, they seemed to agree with Pine and Gilmore’s findings more. Lime Travel stressed the importance of “providing experiences which will exceed customers’ expectations”, and used example of its “tour the Mont Blanc”- an optional mountain climbing trip, for which only a minimum athleticism is required - to say that active adventures are the ones that clients talk about the most, once they come back from holidays. However, after stressing the importance of having this kind of experiences as add-ons to the package, the company still emphasized that not all customers will get involved in them, but even those who prefer to spend all day at the beach are happy to know that they have an alternative to the passive enjoyment. Jambo Tours on the other hand argued that their customers demand active participation in adventures and cultural activities in a “real” environment of a new destination. They want to be close to the nature, and experience life of the local people in destinations that Jambo Tours specializes in. As in case of Lime Travel, the agency’s representative concluded that “the memorable tours are the experience based ones”. Yet, she also stressed that experiences should always be offered to customers as add-ons, rather than imposed on them. The same as in case of Apollo, she used an example of the older customers as the ones who should not be expected to eagerly participate in adventures and risky extreme safari tours. Last but not least, Lotus Travel answered that all four realms are needed to make an experience memorable, however, there is a price tag attached to all of the realms. This is the reason why multidimensional experience is only offered in tailor made packages, as “experience included in the package depends on the customer’s willingness to pay”. Also, the Lotus Travel representative argued that “satisfied customers are the most loyal ones, no matter what their preferences are”, suggesting that if some customers prefer passive enjoyment they should not be forced into active involvement activities.

Another finding from the empirical study is that the majority, four of five of the travel agencies participating in the study, stressed the importance of value for money offerings. For the bargain travel agency Apollo, “value for money is very important, and the customers expect highest standard for the minimum price”. Similarly, Indcen Resor’s clients expect “more for less” and demand upgrades of hotels and flights at a low price. However, it was surprising for the authors to find out that clients of the luxury travel agencies look for value for money deals too. Since luxuries are classified as price change insensitive goods, the authors expected the customers of the luxury travel agencies not to care about holiday packages’ prices. However, the study revealed that the Lime Travel’s customers expect upgrades on flight at a reasonable price, whereas Lotus Travel clients have increasingly been expecting “more offerings in a package for less”. Jambo Tours was the only travel agency, who answered that their

clientele is price insensitive, and that the emphasis is always put on quality of the package rather than its price. This suggests that even though it is typically bargain travel agencies who emphasize the best deals in their promotional materials, luxury agencies may need to focus on the value for money aspect in marketing of their packages too.

Moreover, these findings question the accuracy of the product differentiation and price and consumer relevance model (see Figure 1) developed by Pine and Gilmore (1999), and further elaborated on by Lyck (2000), which suggests that when a product is transformed from a service to experience, customer's willingness to pay increases. In the study conducted for this research, the authors have found that experience based activities are offered to customers as add-ons. Typically, the agencies charge extra for them, and the reason for that is the belief that clients, even those of the luxury travel agencies, look for good value for money. The situation is slightly different in case of Jambo Tours, whose offerings are of adventure and experienced based packages. However, in the interview with the company's marketing manager, he argued that the reason why, despite high prices, Jambo Tours is a market leader with the longest experience at the destinations they specialize in, and the quality of the packages offered. He stressed that the reliability of the brand, as well as the personal customer service are the reasons why the customers' loyalty is so high. However, even in the case of this agency, the most adventurous or risky activities are only offered as add-ons to the packages. Therefore, the authors believe that in the travel industry, customer's willingness to pay does not rise with the experience input to the service on offer. This aspect would be an interesting topic for further investigation.

5.2 Experimental marketing

On the other hand, selling a service as an experience is not only about turning the product itself into an experience but transforming the ambience it is sold in into an experience. When explaining the price differentiation related to the transformation of a service to an experience, coffee was used as an example in this paper. If one was to look closely on the Starbucks phenomenon, it is interesting to know whether the reason why customers are willing to pay more for the chain's coffee drink is only the experience of enjoying the quality coffee, or whether it is the atmosphere of the coffee shop that increases the willingness to pay. Given that every coffee store needs to have the same décor style and promotions, the authors believe the ambience of the place plays a big role. Also, the marketing efforts on Starbucks need to be taken into consideration. The paper mugs the take away coffee is served in say that they are 30% recyclable and in the stores there are posters explaining support Starbucks gives to coffee farmers to ensure sustainability of the business practice as well as fair price practices. These green marketing practices are aimed at creating a certain brand image that can increase customer's willingness to pay in the same way as the quality of the coffee served. To relate this example to the case of travel agencies, the authors believe that the companies do not make the effort to turn the service of selling a holiday package into an experience. As previously discussed in the literature review, due to the fact that traditional tourism marketing mostly focuses on confirming the primary intentions of tourists, rather than persuading them to consume their products and services differently, the tourism promotion is "overlooked and simplistic in nature" (Morgan et al , 2002). The findings from the empirical study explain why

travel agencies do not want to change business strategy and persuade customers to get involved in experience-rich activities, but prefer to have them on offer as add-ons. However, these findings have made the authors realize the potential to turn the service into experience into an experience elsewhere. It is namely the way the service offering and selling of the packages to clients that might need to be modified. When it comes to the offering the product, all of the agencies in the study follow traditional marketing practices of TV and online banner advertisements (Apollo), or reach customers with discount leaflets (Indcen Resor), advertisements in newspapers (Apollo and Indcen Resor), as well as catalogues available in the company's retail points as well as in travel agencies dealing packages of various travel agencies (Apollo, Indcen Resor, Jambo Tours, Lotus Travel) or catalogues only available at company's retail points and to order online through the company's website (Lime Travel). All of the travel agencies in the study have their own websites, however only Jambo Tours take advantage of it to implement experiential marketing, by "transferring" the customer to the destination by having online videos from the destinations showing the environment and activities the clients can indulge in on holidays. Typically, the agencies post pictures from destinations and hotels available, as well as package prices. This way, they miss on an opportunity to truly indulge the customer in the offering, but leave them only with view of available accommodation and price tag attached to it. Williams (2006) stresses that contemporary consumers are likely to be hedonistic, use consumption to make statements about themselves and to create their identities, as well as to develop sense of belonging through consumption". Online experimental marketing practices could be used to meet these needs, by showing customers an alternative holiday "lifestyle" upon a visit on the company's website.

Furthermore, the travel agencies have a potential of staging an experience for clients at their own retail points. The bargain agencies typically show pictures taken at the destinations they offer packages in. These are on posters or TV screens that clients can watch upon entering the office. However, there is much more potential to indulge a customer with experiences of different destination. Indcen Resor for instance invites customers for Indian cuisines dinners where the holiday packages and touristic offerings are promoted through travelers telling their stories and showing pictures from previous holidays. The company revealed these events help increase the customers' base by raising interest in visiting the destination. As previously mentioned, the beauty of well designed experience is that while it does not reach as many people as for instance a TV spot, it is more likely to influence the customers who are likely to buy. Therefore, the authors were surprised to learn that the majority of the travel agencies do not realize the opportunity of attracting customers via the experimental marketing.

5.3 Relationship management

Quality of the service can be not only an attribute, but a competitive advantage for a travel agency. As mentioned by Apollo's representative, the company competes for customers "on the basis of price and personal service, one does not go without the other". Jambo Tours believes that their personal relationship their consultants build with the customers is what they

values the most in the company's service. Moreover, the customers of Jambo Tours are always contacted by the same consultant over the years, which is a tool for the company to build a more personal relationship with them. This approach allows the company to gain more direct feedback on the holidays they provide, as well as deepen the knowledge of customers' expectations and match them with the most suitable packages. Moreover it is also a company's policy that holidays can only be discussed, tailor-made, and purchased at a meeting with a travel consultant, rather than over a phone call. The same policy is followed by Lime Travel and Lotus Travel, who make appointments with customers in the headquarter office to discuss and plan holidays. As mentioned earlier in this study, relationship marketing is considered to be of great importance when examining tourist behavior and their loyalty to a particular travel agency. The findings suggest that it is the luxury travel agencies who realize more the importance of customer relationship management, and seem to follow consumer centric marketing practices to really make the relationship personal and focused on the consumer. When asked what the consumers value the most in the service provided by the company, Apollo answered "The experience of feeling that we have given that little extra personal touch is what makes customers come to us. To feel that you have been seen and heard and taken care of for your personal needs, even if bad situations should arise". This is also paid attention to by Lime Travel, who believes it is one of the biggest challenges facing the travel industry. The agency is particularly concerned about meeting and conquering the unexpected (such as the cloud of ash which stopped air traffic recently, or the terrorist attacks of 9/11). Jambo Tours also puts the needs of making customers feel taken care of first, as it sees "quick and effective response to unpredictable changes, such as the ash cloud, flight delays, or political strife at the destinations" as the biggest challenges they need to face. However, an awareness of the importance of taking care of the customers throughout their journey is not necessarily a tool to build a relationship with them.

Despite claiming an interest in developing a relationship with clients, the bargain agencies seem to still follow traditional marketing practices of advertising through mass media, as if following "one size fits all" strategy, rather than having a personal relationship with a client built through face to face meetings or regular phone calls from the same consultant which indicate consumer-centric marketing approach. The only consumer-centric practice that all agencies revealed they follow was asking customers for feedback after the holidays, so that the companies can improve their service. Therefore, the authors of this paper believe that there is a potential for the bargain agencies to increase the customers loyalty by taking the service to the next level and putting the customers in the center of the relationship. As found in the literature review, "tourists are not merely thinking individuals who are rational in their analysis on the relationship; their emotions and feeling play a major role in relationship quality", and a strong relationship leads to brand loyalty.

6 Conclusions

For the purpose of the study at hand, three research questions were identified at the start of this thesis. The authors have aimed at tackling these questions throughout the different parts of the thesis using theoretical framework as a background in addition to the qualitative study of selected Swedish travel companies. The research questions and summarized answers are as follows:

1. How can travel agencies turn their services/travel packages into an experience?

At the beginning of this study, the authors were taking for granted that travel agencies are affected by the experience economy and are determined to emphasize the experience in their holiday packages. The theory suggests that experience is a factor that allows the businesses to charge more for their services, and can increase customer's loyalty. However, the primary research of the study has shown that the travel agencies do not that agree with these suggestions. They all care about providing their potential clients with nice pictures of scenery and attractions available in a given holiday destination, but that is where the "experience" element ends. Recommendations on how to turn a travel packages into an experience can be found in the literature review section of this thesis. The impact of implementing these strategies would be an interesting future research topic.

2. How should travel agencies adapt their marketing strategies to emphasize the 'experience' element in their services?

A whole section in the literature review describes in detail what can be done by the agencies to emphasize the 'experience', and the reasons why this should be done are discussed. To summarize, the main methods to market the 'experience' include:

- Engaging all the senses of a customer to "feel" the product/service
- Description of features and benefits of a given product or service only appeal to the rationale of a customer; his/her emotional side should be equally stimulated
- Consumer is no longer a passive participant in the buying process-- choice, creation and purchase of the service should be a two way process where the customer is actively involved in it

3. What have the travel agencies done so far to address the shift to experience economy?

With the exception of one company interviewed, none of the interviewed companies' representatives have been familiar with the concept of the experience economy beforehand. However, they have all agreed that in the last few years, due to technological improvements, increased industry competition, and increased expectations and values of their customers, there is a need for constant restructuring and adapting in order to stay afloat and thus, succeed. The common denominator between all of the companies is that they strive to have a closer and stronger relationship with the customers in order to build a more loyal base.

There is almost no evidence from the interviews and questionnaires that the five companies implement experiential marketing, even if they claim that they compete on the basis of experience rather than price.

The research conducted has theoretical limitations, as there has been relatively little research undertaken on the experience economy's effect on the travel industry and therefore few perspectives to critically analyze. If any research has in fact been done in this arena, it concentrates mainly on businesses in the United States of which cannot be generalized to the entire population. As Pine & Gilmore are the pioneers of the experience economy phenomenon, they remain to be the researchers dominating the arena. In current literature, it is seldom found any other researchers on this topic who argue against and find problems with the original concept of their ideas of experience economy. Opinions and blogs can be frequently found on the Internet, arguing that the experience economy is an over-hyped business philosophy created with the sole purpose of selling books, but there are rarely any empirical studies on the matter. The only way for this 'monopoly' to be counteracted is for more researchers to step up and contribute new findings and ideas backed up with academic research.

Limitations can be identified in the collection of the empirical data as well. One of the biggest constraints is the number of samples, and this lends itself to the difficulty the authors had to collect interviews and questionnaires from the Swedish companies in a relatively small amount of time. The primary research undertaken only concerned a small number of Swedish companies with just one representative from each of them. However, the purpose of this research was not to generalize to the overall population, but to better understand the concept of the experience economy and whether it has in fact had an effect on the strategies employed by companies.

Since there is still such a limited amount of research in the area of experience economy and the travel industry, there is an undeniable need to explore this concept further by looking beyond the present study. A study undertaken with several countries would be beneficial, especially if a larger sample and more in-depth interviews were involved. It would be beneficial to make a comparison study of several countries, including those that have been identified from the World Value Survey Association as having rational-secular values, rather than just a country like Sweden who is closest to the self-expression values pole. For example, it would be interesting to research the differences in marketing strategies employed by a wealthy nation, a transition economy, and a low-income country (For example; Sweden, Poland, and Moldova). Another recommendation would be to interview several representatives from each company, versus only one as the study at hand entailed. The thoughts and opinions of one representative, no matter how knowledgeable they are or objective as they try to be on the subject matter, is better supplemented with others' thoughts in the organization. Also, research including interviews on the thoughts and opinions from the consumer side of the relationship would greatly add to the strength of the study.



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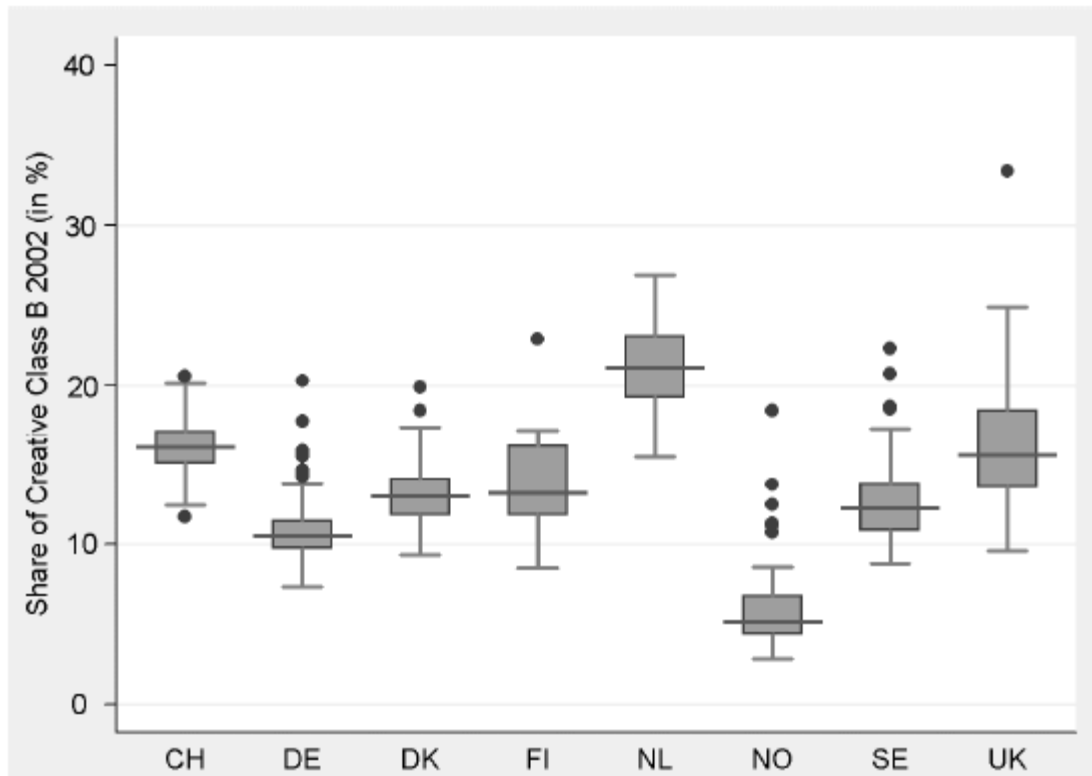
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8 Appendices

Appendix I

Spatial distribution of the creative class in Denmark, Finland, Germany, Netherlands, Norway, Sweden, Switzerland and United Kingdom in 2002.



Source: Boschma & Fritsch (2007) *Creative Class and Regional Growth in Europe*

Appendix 2

Face-to-Face Interview Questions

Some researchers suggest that a price-based competition in the travel industry is the past in the, and that an experience-based competition is the trend for the future? Do you agree?

Does customer's wealth have an impact on how you compete for them? Do you have different offerings for customers on different budgets?

We would like to introduce you to the 4 realms of experience model: Some researchers suggest that the customers look for a rich multidimensional experience when they go on holidays. The travel agencies have typically applied 2 passive realms of the experience: enter-

tainment and esthetics. However, the researchers argue that two active experience realms need to be applied in order to create a memorable experience for the customer. These are educational and escapism. Do you agree, and have you tried to imply all of the 4 realms in your offerings?

What do you think are your customers' expectations from an ideal holidays break?

What do you think your customers value the most in the service you provide?

What are the biggest changes you've noticed with regards to the evolution of marketing strategies in the tourism industry? Have you noticed an evolution of marketing from the features-and-benefits approach to an experiential approach, especially with the changes in the recent economic climate?

As a luxury travel agency, how do you differentiate yourselves from competition with your marketing approaches?

Conventional tourism marketing tends to focus on confirming the intentions of tourists rather than persuading to consume differently. How does the company satisfy the needs and the wants of the customer while at the same time providing extra value to them and the company?

What do you think are some challenges facing the luxury tourism industry in the next coming years, and more specifically, for your company? How do you plan to tackle these challenges?

Swedes (as well as other Scandinavians) are unique to other markets as on a whole, they have more leisure time; traveling to countries outside the continent is becoming more and more common, across all age groups. How do you appeal to the different market segments? (i.e. elderly/retired, young individuals, groups, families with children)

In the last few years there has been an increase of low-cost airlines and the tendency for people to plan trips on their own. Has this affected your agency?

Appendix 3

E-mailed distributed questionnaire

Some researchers suggest that a price-based competition in the travel industry is the past in the, and that an experience-based competition is the trend for the future? Do you agree?

Do you think your customers' expectations from an ideal holidays break have changed over the last 10 years, and what do your customers value the most in the service you provide?

What are the biggest changes you've noticed with regards to the evolution of marketing strategies in the tourism industry? Have you noticed an evolution of marketing from the features-and-benefits approach to an experiential approach, especially with the changes in the recent economic climate?

What do you think are some challenges facing the luxury tourism industry in the next coming years, and more specifically, for your company? How do you plan to tackle these challenges?

Some researchers suggest that the customers look for a rich multidimensional experience when they go on holidays. The travel agencies have typically applied 2 passive realms of the experience: *entertainment* ("observing", i.e. going to watch a local tribal dance) and *aesthetics* ("being" in a new destination, i.e. sunbathing at Miami Beach). However, the researchers argue that two active experience realms need to be applied in order to create a memorable experience for the customer and hence, to increase the customers' loyalty. These are *educational* (increasing knowledge and/or skills through events that actively engage the customer, i.e. cooking class) and *escapism* (escapism activities are those which involve both active participation and immersion in the activities environment, i.e. white-water rafting). Do you agree, and have you tried to imply all of the 4 realms in your offerings?