

A practical project of new service design in the tourism industry

Case Anttolanhovi

Johanna Rytönen

Master's thesis of the Degree Programme in Business Administration
International Business Management
Master of Business Administration

TORNIO 2014

ACKNOWLEDGEMENTS

I am using this opportunity to express my gratitude to people who supported me throughout the course of this MBA project. Firstly I thank hotel manager Eija Martikainen for providing me with the opportunity to use Anttolanhovi as my case company.

I wish to thank my thesis supervisor Sari Mattinen for her contribution and advise, and senior lecturer Pirjo Alatalo for her incredible dedication and her attention to detail. I would also like to show gratitude to Henna Konu and Raija Komppula from the University of Eastern Finland, who first introduced me to the topics of tourism as a business and user-driven innovations.

On a more personal note I wish to thank my colleagues Susanna Holma, Satu Naula and Veera Peltonen for their peer support during our studies. Finally, my deepest gratitude goes to my Mom and Petri, who were there for me throughout this project in more ways than I can count. Your help and support are deeply appreciated.

In Tampere, Finland, on November 13th, 2014

Johanna Rytönen

ABSTRACT

LAPLAND UNIVERSITY OF APPLIED SCIENCES, Business and Culture

Degree programme:	Master of Business Administration
Writer:	Johanna Rytönen
Thesis title:	A practical project of new service design in the tourism industry Case Anttolanhovi
Pages (of which appendices):	81 (3)
Date:	26.10.2014
Thesis instructor:	Sari Mattinen
<p>The topic of the thesis is new service development in the context of tourism industry. The objective of the research is to create new activities that the commissioner can provide to its customers outside summer season, when the occupancy rate is lower than during the peak. The thesis is done for Anttolanhovi, a tourism resort located close to Mikkeli on the shore of Saimaa.</p> <p>The research was completed as a qualitative case study. Methods of user-driven innovation were used. Customers were invited to participate in the project through an open call for innovation and through group interviews. In addition, observation and expert interview were used. Data gathered through these methods was analyzed through content analysis.</p> <p>The empirical research indicates that it is not the activities themselves that create problems for the case company. There seems to be space for strategic definition of target customer segments. Therefore, there seems to be challenges in the case company's decision making processes, specifically in view of committing to long-term goals, which could also create hindrances establishing a recognizable profile. It could also pose challenges for product development, if the company tries to provide products that suit all customers' needs. The research indicates that there also seems to be space for enhanced communication about the activities available. It is suggested that the company assesses its current customer groups and makes a strategic decision about which groups to target in the future. Regarding product development it is suggested that in the future the memorability of the experiences is enhanced through story based design.</p>	
<p>Keywords: new service design, product development, tourism, user-driven innovation, memorable experiences, story based design</p>	

FIGURES

Figure 1. The growth of international tourism since 1950 and forecasts to 2020 (UN-WTO data, cited in Page 2011, 7).....	14
Figure 2. The prognosis of foreign stayovers (Hietasaari 2013, cited in TEM 2014, 12).....	16
Figure 3. The tourism product model (adopted and translated from Komppula & Boxberg 2002, 24).....	21
Figure 4. Supply/demand imbalances and appropriate strategies (Weaver & Lawton 2010, 188)	24
Figure 5. The loyalty matrix (Weaver & Lawton 2010, 173).....	27
Figure 6. Service system development in tourism (adopted and translated from Komppula & Boxberg 2002, 99).....	29
Figure 7. Story tree (Kalliomäki 2014a)	66

TABLES

Table 1. Sixteen methods of user-driven innovation (adapted from Hjalager et al. 2011, 292).....	32
Table 2. The absolute and relative numbers of respondent of the electronic form.....	38
Table 3. The activities mentioned in the Facebook conversation classified under categories	41
Table 4. The answers to the electronic form classified by the categories of activities mentioned.....	42
Table 5. The Russians expressing interest in taking a Countryside holiday in Finland would especially be interested in the following activities (Finnish Tourist Board 2007, 50)	51

CONTENTS

ACKNOWLEDGEMENTS

ABSTRACT

FIGURES

TABLES

1	INTRODUCTION	7
1.1	Background and motivation	7
1.2	The case company	9
1.3	Research objectives and questions	10
1.4	Research methodology	11
1.5	Structure of the thesis	13
2	TOURISM AS A FIELD OF TRADE	14
2.1	Development of tourism industry	14
2.2	Typology of tourists	17
2.3	Management in the context of tourism industry	18
3	TOURISM AS A PRODUCT	21
3.1	Characteristics of tourism products	22
3.2	Concepts of quality and value in tourism	25
3.3	Purchase decisions of tourism products	26
4	NEW SERVICE DEVELOPMENT IN TOURISM THROUGH USER-DRIVEN INNOVATION	28
4.1	Phases of new service development in tourism	28
4.2	Customer involvement in NSD in tourism	31
4.3	Methodologies of user-driven innovation in tourism	32
5	METHODOLOGY OF DATA COLLECTION AND ANALYSIS	34
5.1	Choice of data collection and analysis methods	34
5.2	Empirical data collection and analysis	36
5.2.1	Open call for innovation	36
5.2.2	Interviews	38
5.2.3	Content analysis	39
6	FINDINGS	41
6.1	Findings of the empirical study	41

6.2	Reliability of the empirical results	48
7	DISCUSSION OF THE EMPIRICAL FINDINGS AND RECOMMENDATIONS FOR THE CASE COMPANY	53
7.1	Development areas for strategic management.....	53
7.2	Customer segmentation	56
7.3	Communication	59
7.4	New service development	61
7.4.1	Experience design	61
7.4.2	Experience design tool: story based design	64
8	CONCLUSIONS.....	72
	REFERENCES.....	75
	APPENDICES	79
	APPENDIX 1.....	80
	APPENDIX 2.....	81

1 INTRODUCTION

The motivation and background for this study are discussed initially, followed by the discussion of the research objectives. The methodological approach is also dealt with. Lastly, the structure of the thesis is described.

1.1 Background and motivation

Tourism is currently the largest service sector industry in the world, supporting about 234 million jobs, which equals to 8 percent of the world's employment and 9 percent of world Gross Domestic Product. Growth in this sector can be explained through globalization and rising standard of living. Global travel is becoming increasingly accessible to masses. In 2012, the number of arriving airline passengers exceeded the threshold of one billion for the first time. This number is expected to continue to grow rapidly. (Page 2011, 2, 7; UNWTO 2014; Kotler & Bowen & Makens 2014, 5.)

Understanding customers is the key to successful products and customer relationships. The aim for businesses is to acquire and maintain satisfied customers, who create profit for the company (Levitt 1986, cited in Kotler et al. 2014, 7). Customers are attracted and kept when their needs are met. Successful companies consider customer satisfaction their first priority. A satisfied customer will pay a fair price, which includes profit for the company. For a company it pays off to take actions to ensure that the customer repeats their patronage. (Kotler et al. 2014, 7.) These actions include planning products and services to fulfil customer needs. According to Kotler et al. (2014, 9), “[i]f marketers do a good job of identifying consumer needs, developing a good product, and pricing, distributing, and promoting it effectively, the result will be attractive products and satisfied customers”.

Customer participation in product planning is one way to aim for products that target customers' needs more accurately than products whose development is solely in the hands of the company. In recent years, especially after 2006, studies into involving customers in the product design process have become increasingly commonplace in North America and Northern Europe, and especially in Scandinavia. However, studies in tourism industry context are very rare. (Hjalager & Nordin 2011, 292.) The tourism industry itself has traditionally seen itself as receptive to customer feedback.

However, the topic of customer involvement in new service design (hereinafter NSD) in the tourism field has received very little attention in research. (Sigala 2012, 972.) In fact, the first international book on the topic is forthcoming (Egger 2012). In areas where the existing theory base lacks in scope, case studies are considered especially suitable (Sigala 2012, 972). In this research a practical project of NSD is analyzed against the appropriate theoretical background.

Understanding customer needs is especially important in services, as the end product is co-created with the customer during the service process. In the tourism industry, the goal is to fulfill tourists' needs, whether conscious or unconscious. (Komppula & Boxberg 2002, 47-51.) The value of customerships and through that competitive advantage can be increased through designing a service offering that is interesting to customers (Storbacka & Korkman & Mattinen & Westerlund 2001, 16).

Product development work is a relatively new phenomenon in Finnish tourism companies. Traditionally, tourism companies have focused on building and maintaining their one core product. Only in the last decade issues such as total quality of the tourism product and differentiation of the product for various customer groups have gained attention. (Komppula & Boxberg 2002, 6.) Growth can be sought from either existing or new markets, and by offering either existing or new products. Modifying an existing product to attract additional purchases from existing customers is the least risky approach to growth. (Holloway 2004, 151-153.)

The Finnish tourism industry comprises mainly of small, scarcely situated units who mostly are responsible for the distribution themselves. Therefore, the responsibility for the product usually lies with the entrepreneur. Through globalization and increased competition the role of product development in tourism is growing. (Komppula & Boxberg 2002, 6.)

On country level branding is done by the Finnish Tourist Board. One of their strategic themes, called Finrelax®, combines the elements of sauna, countryside holidays, forest and water (Finnish Tourist Board 2013, 3). Producing services that fit this profile could make it easier for the case company to market their services in the future.

1.2 The case company

Anttolanhovi is a Finnish SME providing services in the hospitality sector since 1981. Anttolanhovi is located on the shore of Finland's biggest lake, Lake Saimaa, about 25 kilometers from the city of Mikkeli and close to the village of Anttola, in Eastern Finland, about 130 kilometers from the Russian border. The premises include a hotel, villas and terrace houses, two restaurants and a spa. The nineteen luxury Art&Design Villas were built on the lakeshore in 2008. The hotel rooms and terrace house apartments are older and more modest. There are altogether 235 beds and 160 seats in the restaurant. The case company offers services in rehabilitation, meetings, occasions, accommodation and restaurant sector. Rehabilitation clients are customers whose stay is fully or partially financed by another party, usually either employer or a rehabilitation organization. These clients have a ready-made daily programme of activities and lectures.

Anttolanhovi is owned by The Organisation for Respiratory Health in Finland. Since 2010 the rehabilitation activities have been organized under Verve, which is the owner organization's nationwide provider of occupational welfare services. The case company operates as an independent unit with its own management. (Verve 2014.) The turnover of Anttolanhovi is currently about 2 million euros. The majority of revenue is derived from lodging and restaurants, lodging accounting for 55% and the restaurant 45% of the revenue. The company employs 28 employees throughout the year, and extras during the summer season. (Martikainen 2013.)

Anttolanhovi currently serves about 14,000 rehabilitation and holiday customers per year (Salmela 2008). Anttolanhovi's customers are mainly domestic; over 80% of customers in the hotel and 55% in the villas are Finns. Foreign customers are mainly Russians. Growth in the international sector is sought from corporate groups and the wellbeing sector from the Russian customers. (Martikainen 2013.)

Anttolanhovi differs from a traditional hotel in the sense that it does not only provide accommodation and catering services in a destination. For most customers Anttolanhovi is the destination, and therefore has to bear all the demands usually set for a travel destination, including lodging, catering and all the activities the visitors wish to engage themselves in. Visitor attractions are usually the deciding factors in purchase decisions in the tourism sector (Swarbrooke 2000, cited in Page 2011, 215). The activities customers wish to do on their trip can only be chosen from the

services or surroundings Anttolanhovi or nearby areas or producers have to offer. For Anttolanhovi nature elements include the lakeshore, freshwater lake, local wildlife and the surrounding pine heath as well as the relatively secluded location away from the city. There is a golf course in Anttolanhovi's vicinity and a Frisbee golf course on the premises. In the surrounding nature there are jogging and skiing tracks of various lengths and one nature trail. Anttolanhovi also organizes cultural events, which are usually set around sports, art or food. These factors form the basis for the activity possibilities at Anttolanhovi's premises and surroundings. The results of this research will be used in developing the activities that are available for customers.

1.3 Research objectives and questions

In Anttolanhovi almost half of the yearly sales are created during the three summer months. During the rest of the year there is overcapacity. (Martikainen 2013.) The main objective of this study is to create new low season service modules for the case company, in order to balance the large differences in demand between the high and low season. Hotel rooms and restaurant tables cause fixed costs whether they are used or not. In companies where production causes high fixed costs, such as hotel business, the companies aim to reduce unit costs via strategies that maximise utility rates (Albanese 2004, 14). Increasing the usage of capacity during spring, autumn and winter seasons would improve the profitability of the case company. It is the assumption of the management that by designing new activities that meet customer wants better than the current ones, the case company will be able to attract more customers during current low season.

RQ 1: How can the case company increase low season demand by redesigning the activities being offered through methods of new service development?

Answering this research question requires understanding tourism as an industry, the nature of a tourism product and the means how customers can be involved in NSD. While tourism product shares many features with services, it has its own particular characteristics, which must be understood in order to be able to successfully develop new service components. Special attention is paid to theories about the development of tourism products. These areas form the theoretical background for developing successful new service modules.

There are many ways through which customers can be involved in product or service development. Customers can serve as passive producers of information or as active participants in the process. The source of information can be a limited or a large number of users of tourism services. Combinations of these four elements create four different groups of methods in user-driven innovations, each of which are particularly suitable for certain types of data collection.

At the case company, the surrounding scenery has been underutilized in the service concepts. The management wishes to make it increasingly a part of their service offering. The second research question contemplates this topic combined with activity development from the customer perspective.

RQ2: Which activities do customers wish to engage themselves in during the low season in the nature surrounding Anttolanhovi?

According to Weaver and Lawton (2010, 171), tourists can either be interested in a particular type of activities and choose their destination based on this preference, or they can be interested in a particular destination and pursue whichever activities are available. The latter scenario is less common and consists of tourists who are limited in their choices to near-by destinations either from financial or time constrictions. It can also include travelers who are particularly interested in a specific destination for other reasons, such as people traveling to visit their family roots. (Weaver & Lawton 2010, 171 – 172.) It is more likely a destination to be chosen if it offers activities that are attractive for potential customers. Thus it is to Anttolanhovi's benefit to seek to understand what these activities are and provide them in their selection of services. The results of this research will be used in developing the activities that are available for customers. Activities are planned to be launched initially for private clients. Later successful activities can be included in rehabilitation clients' schedules.

1.4 Research methodology

In this study the main approach is qualitative research. Qualitative research is an umbrella term for many different types of research methods. It sacrifices scope for detail, and strives for the understanding of phenomena. Samples are small to enable a thorough understanding. (Silverman 2005 10, 14; Eskola & Suoranta 1998, 18.)

Case study is used as the methodological approach. In its nature case studies are subjective and the answers sought are about the qualitative element. Case studies research how people understand the situation and their surroundings, and what lies behind the more objective evidence. (Gillham 2001, 7.) The case study method is the preferred option when the current state of affairs is studied, but when the relevant behavior cannot be systematically and intentionally manipulated (Yin 2003, 7 - 8). The case study method, unlike a controlled experiment, embraces real-life situation as a whole with all its complexities, rather than trying to isolate the research subject (Yin, 2003, 13). In case studies evidence is the starting point instead of theory. The case is not fitted into a theoretical framework chosen in advance; instead a grounded theory is developed from the case. (Gillham 2001, 12.)

Both quantitative and qualitative data collection methods are used in case studies, but usually the qualitative methods will predominate (Gummesson 2000, 3). It is typical of a case study to use multiple sources for evidence (Gillham 2000, 2). In this research, the literature review is supported by an empirical part consisting of two complementing data collection methods and their analysis. Approaching the topic from different viewpoints by using multiple sources of evidence is called triangulation. Using multiple methods instead of one ensures the reliability of the study and adds to the versatility of the case. Such versatility is especially useful in case study research, as few cases are one-dimensional. (Gillham 2001, 13; Yin 2003, 97.) Triangulation in this research is achieved by combining the theoretical knowledge, analysis from the empirical study and observations and insights gained from communication with the case company representatives.

The writer is not personally a member of the case organization. Therefore, all information concerning the case company is limited to what the company wished to supply and to sources publicly available. In this research that included public sources and communication with the hotel manager via email, telephone and face-to-face discussions. According to Gillham (2001, 28), it takes time to penetrate the facade to really understand the company culture. Most companies and individuals put up a front that they present to outsiders. During the empirical study conducted at the premises, the director of Verve commented that *“there is nowhere as much bullshitting as in tourism industry; we know how to make things look good.”* It should be noted that this research project might not allow for an outside researcher sufficient time to see behind this front. Therefore, the role of the writer is more that of an outside consultant. Being an outsider reduces the typical risk

of insider bias, where the researcher of a case study is familiar with the context and expects to 'know' it, making assumptions (Gillham 2001, 18).

As a case study, the findings of this research cannot be generalized (Gillham 2000, 6). The aim of this study is to produce in-depth findings for the purposes of the case company only. If there are generalizable findings that match other Finnish SMEs in the tourism sector, they are merely a by-product, not the aim itself.

Case approach can be seen as the main method of this study, with different sub-methods in data collection and analysis. In order to collect empirical data for this research two methods of user-driven innovations were utilized. The data collection and analysis methods are presented and their choice is motivated in chapters 4 and 5, after the process of user-driven innovation is explained.

1.5 Structure of the thesis

The thesis is written in eight main chapters. The characteristics of tourism as an industry and tourism products are dealt with in chapters 2 and 3. Chapter 4 discusses product development and ways in which customers can be involved in NSD especially in the tourism sector, presenting the choice of research methods available for user-driven innovation. Chapter 5 motivates the choice of the data collection and analysis methods and describes the course of the empirical study. In chapter 6 the findings of the practical case are presented. The chapter to follow discusses the results of the empirical study and provides recommendations for the case company both in the field of NSD and regarding strategic management. The final chapter summarizes the research and draws conclusions.

2 TOURISM AS A FIELD OF TRADE

Operating in the context of tourism has special implications for a company. This chapter discusses those implications. It provides the backdrop of the practical development project presented in this research. The first subchapter discusses the development of tourism and future forecasts, commenting on the characteristics of the industry and their repercussions for the case company. Different types of tourists are presented in the second subchapter. The last subchapter deals with strategic management in the industry and brings up management issues that are typical for tourism industry and the case company.

2.1 Development of tourism industry

Tourism per se is almost as old as civilization itself, but only in recent times it has become a phenomenon of the masses (Page 2011, 35). The possibilities for individuals to travel have increased rapidly in the last decades. During the latter half of the 20th century tourism developed from a marginal activity with only local significance to an economic giant. (Weaver & Lawton 2010, 3.) The major consumption patterns have moved from home ownership to car ownership and later to spending on travel and tourism (Page 2011, 3). The growth of international tourism since 1950s and the expected development in the future are presented in figure 1.

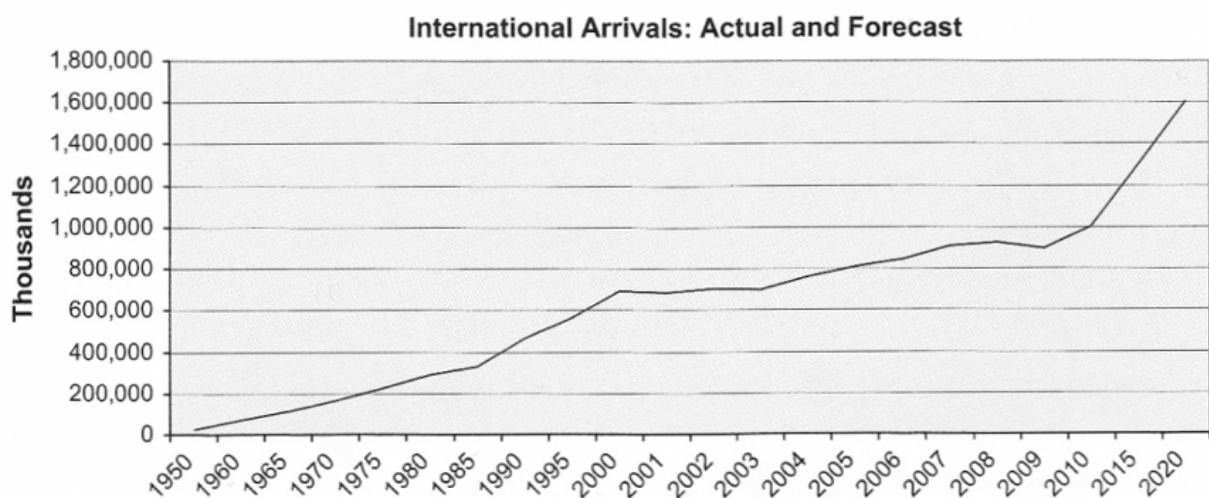


Figure 1. The growth of international tourism since 1950 and forecasts to 2020 (UN-WTO data, cited in Page 2011, 17)

The second half of the 20th century saw a rapid rise in modern mass tourism with the amount of inbound stayover visitors growing over 36 times between 1950 and 2007 (Weaver & Lawton 2010, 57). During this development phase tourism was democratized, as the increased free time, income and opportunities for international travel allowed middle and working classes in the Western world and later in some Asian societies to travel (Weaver & Lawton 2010, 153; Page 2011, 49). The pace of development has only increased with the low cost airlines entering the industry in the recent decade (Page 2011, 8 - 9).

Today, over 900 million international tourist trips are taken yearly, and it is estimated that the amount of domestic travel is tenfold of this volume. Currently, tourism attributes for about 10% of the global GDP, and around 235 million jobs are dependent on it. (Weaver & Lawton 2010, 3; Page 2011, 1 - 2.) The amount of tourists is expected to continue rapid growth in the future (Page 2011, 2).

In Finland there are about 27 000 tourism companies, of which over 90% micro companies. Tourism industry employed 184 400 employees in 2011, making the industry a significant employer at national level. The employment has grown 35% between 1995 and 2012. (Matkailu.org 2014.) It is expected that tourism will continue growing also in Finland. A total of 45.000 new jobs are expected to be created between 2007 and 2020. In 2012 there was a total of 20.3 million overnight stays in Finland, out of which 71% by domestic and 29% by foreign customers. (TEM 2014, 8-10.) In the foreign sector Russians are the largest customer group and their share is expected to grow, as demonstrated in figure 2.

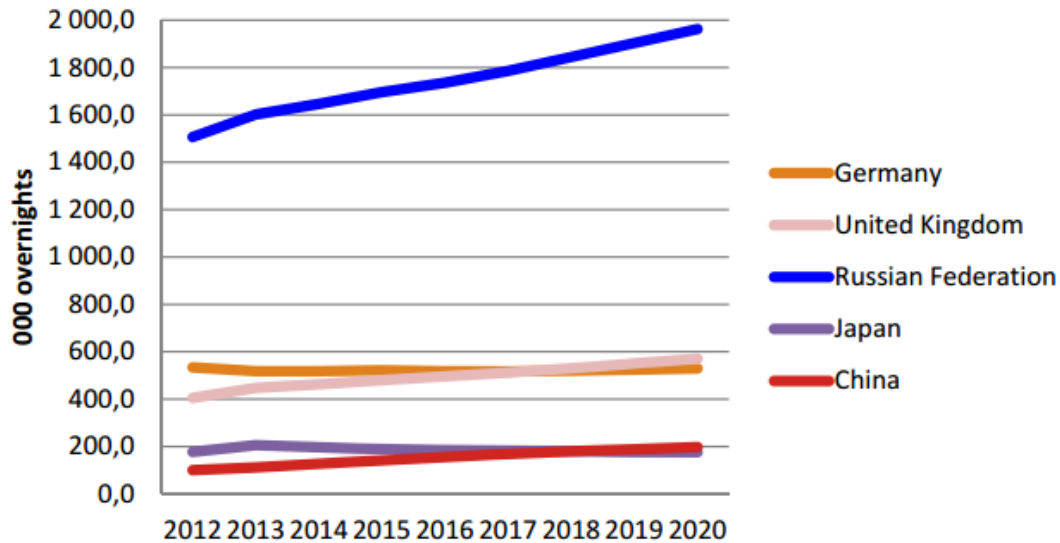


Figure 2. The prognosis of foreign stayovers (Hietasaari 2013, cited in TEM 2014, 12)

The significance of the Russian and Asian market is growing in Finland. In 2012, most foreign customers arrived from EU (49%), Russia (26%), Scandinavia (14%) and Asia (9%). Largest growth was seen in the customer segments from China, Japan, Great Britain and Russia. (TEM 2014, 12.)

However, the development in the number of arriving tourists does not always remain stable. Tourism as an industry is very susceptible to the effects of external shocks, such as terrorism or natural disasters, which often lead to decline in the number of visitors (Evans & Campbell & Stonehouse 2003, 32- 40). Currently this tendency is visible especially in Eastern Finland due to the events in Ukraine and Crimea in 2014. In March 2014 the combined amount of tax free shopping in Finland by Russian customers had sunk 34% from the previous year (Kemppainen 2014). Crises related to Russia are especially problematic for Finland. That is because Finland's most significant competitors in international tourism, i.e. Sweden and Norway, are situated closer to all source regions apart from Russia. Transit time to Finland is thus longer and trips more expensive from other source regions. Therefore, Finland's tourism is more dependent on the Russian market. (TEM 2010, 15.) Russian tourism is especially significant in Southern Finland and in Eastern Finland close to the border, where the case company is located.

Certain demographical trends are likely to influence tourism in the future. These include the growth of the active 50+ age group and an increase in the amount of single households as families are started later and due to divorces and single parenting. New trends also include information

technology becoming an essential element even more than it is today, environmental consciousness, preference for greater convenience while travelling, the media shaping the industry and technology providing new ways to access tourism opportunities. (Page 2011, 52; Matkailu.org 2014.) These new developments have an impact on most tourism companies and need to be taken into consideration in the strategic planning process, as they set new demands to the services. This holds true also for the case company.

2.2 Typology of tourists

Tourists travel different distances, lengths and for different reasons. Different types of visitors create different financial outcomes for companies. Tourists can be divided to domestic and international tourists depending on whether the experience occurs outside their country of residence. Domestic tourism is considered to be much larger than international tourism. Domestic tourists account for about 70% of total accommodation nights according to World Tourism Organization statistics. (Weaver & Lawton 2010, 22 – 23.) This ratio is similar in Anttolanhovi (Martikainen 2013).

Those visiting from nearby areas, such as Anttola or Mikkeli in the case of Anttolanhovi, are not officially considered tourists. These visitors do not leave additional revenue to the local economy, although their customer relationship may be highly desirable for local companies and help even out fluctuations in demand. (Weaver & Lawton 2010, 22 – 23.)

Depending on whether the tourist stays overnight the categories of excursionist and stayover are created. Excursionists are not labeled as tourists in official statistics. Those staying for a longer visit are likelier to need and use more services. In Anttolanhovi excursionists use catering and programme services, whereas stayover tourists use at least accommodation services. Some tourists stay up to ten weeks at the premises. Longer stays help Anttolanhovi to manage its capacity. (Weaver & Lawton 2010, 25; Martikainen 2014b.)

Tourists can also be categorized according to the purpose of their trip. The three main categories are leisure and recreation, visiting friends and relatives (VFR) and business. Leisure and recreation form the biggest category, with VFR and business being relatively similar in size. One tourist may have several purposes on one trip. Health tourism is often connected with leisure motivations.

(Weaver & Lawton 2010, 26 – 30.) Customers visit Anttolanhovi mainly for leisure, business or rehabilitation purposes. A significant part of the customer base consists of rehabilitation customers. In the business sector Anttolanhovi organizes meetings and workplace health promotion activities, but a recent law about companies no longer being allowed to deduct their representational costs in taxes has had an effect to the revenue from this sector (Koivuranta 2014). It was estimated that the law reduces companies' use of restaurant and accommodation services by 40% (Oksanen 2014). The Finnish Hospitality Association MaRa has reported increased unemployment figures (Koivuranta 2014).

2.3 Management in the context of tourism industry

Tourism industry can be seen as the sum of the industrial and commercial activities that produce goods and services for the use of tourists (Weaver & Lawton 2010, 40). According to Page (2011, 241), tourism is a “complex amalgam of businesses that cooperate and work together to supply products and services to tourists as consumers”. Weaver and Lawton (2010, 2) define tourism as follows:

Tourism may be defined as the sum of the processes, activities, and outcomes arising from the relationships and the interactions among tourists, tourism suppliers, host governments, host communities, and surrounding environments that are involved in the attracting, transporting, hosting and management of tourists and other visitors.

Different categories of operations include accommodation, transportation, food and beverage, tour operations, travel agencies, commercial attractions and sales of souvenirs (Weaver & Lawton 2010, 40). Thus the tourism sector is not a homogeneous segment of the economy. It is formed by companies and organizations directly or indirectly involved in tourism. The indirectly involved or allied industries, such as food suppliers, do not always see themselves as members of the tourism industry. There is no joint industry control from a single source. The most significant sector is accommodation. (Page 2011, 30 – 32.)

Tourism as an industry is constantly changing, and it is the role of the management to anticipate these changes and seek responses to them (Holloway 2004, 158; Page 2011, 54). Page (2011, 242) concludes that “management is about harnessing the organization's resources (especially people, as its most valuable asset) to create services, outcomes or products in line with what the tourist requires as a customer.”

Tourism can be managed at several levels. At the level of an individual enterprise the management is responsible for running the company. At destination level the responsibility for management is often handled by a public sector body, such as a tourism department. State-owned national tourism organizations usually are responsible for tourism management at the country level. The complex nature of the tourism industry must be taken into consideration at all levels. (Page 2011, 32.) This research operates at the level of an individual enterprise. Decisions on national and destination level also have an impact on the case company.

Individual companies are managed at operational and strategic level. Corporate level strategy focuses on long-term planning towards the overall purpose of the company, while operational level is concerned with putting these strategies into practice. Management between corporate level and strategic business units can also be distinguished. The focus of corporate level strategy is on the entire organization, while strategy of business level focuses on the different strategic business units (SBUs) (Evans et al. 2003, 206-207, 209; Page 2011, 32). In Anttolanhovi the SBUs have been divided into rehabilitation activities and the hotel and restaurant business, although all customer groups use the same resources. Strategic management is done jointly with Verve. (Martikainen 2014a; 2014b.)

One question in enterprise level strategy is resource planning, which can fall to three general categories. Strategies can be used to increase or decrease the company's resources, or to keep them relatively stable. (Evans et al. 2003, 289 - 290.) Anttolanhovi currently uses a combination of the latter two strategies. Concerning the Art&Design Villas a retrenchment strategy is presently being used. The capacity utilization of the villas has not met the company targets, and therefore the villas are currently on sale. Typically retrenchment strategies are used, when the competitive position is weak or the environment is hostile for growth strategies. (Evans et al. 2003, 238.) Despite the fact that the villas are treated with a retrenchment strategy, the company is not in a rush to sell them and they are still being rented to customers (Martikainen 2014b). The recent investments in the Art&Design Villas are also an encumbrance to the company's finances, and therefore the company is not planning on doing large investments in the near future, but intends to keep other business areas as they are (Martikainen 2013.)

Another consideration for the management is whether to produce services in-house or to obtain them through collaboration with other companies. It is often essential for companies to work

together to create services that respond to customers' needs. In the tourism sector there is a high level of interdependence, i.e. the accommodation, attractions, transport and organizing sector are all dependent on each other's services. Collaboration instead of competition between companies can to some extent create a competitive advantage. In strategic management theory the competence based approach suggests businesses to focus on their core competences, outsourcing any other activities. Collaborative networks allow the companies to focus on what they do best, increasing efficiency and flexibility. Collaboration can be either horizontal, where the partners are at the same level of the value network, or vertical, including partners at different levels of the value system. (Evans et al. 2003, 326.) In tourism, co-opetition is a typical strategy for small companies, who co-operate to attract the customers to a particular area, and then compete against each other for the actual patronage (Grängsjö 2003, 432-433).

In the tourism industry various types of co-operation networks have been developed (Evans et al. 2003, 260). One common form of joint development in the tourism sector are public-private partnerships. In most areas tourism companies are complemented with public sector agencies or community groups for various purposes. The goals of these organizations can include regulatory action, provision of industry infrastructure, removing obstacles and providing industry leadership and promotion. (Evans et al. 2003, 257.) Anttolanhovi works together with the local Centre for Economic Development, Transport and the Environment in different development projects, mostly related to Russian tourism. Anttolanhovi is also a member in a local joint venture, Charms of Saimaa, which brings together local companies especially for marketing purposes. The goal is to attract tourists to choose the Lake Saimaa area. It might also be necessary for Anttolanhovi to co-operate with other local service suppliers to fulfill customer needs concerning the new activities stemming from this research. To the case company this is not a new practice. Anttolanhovi already co-operates for example with the local winery to create joint activities. (Martikainen 2014a.)

3 TOURISM AS A PRODUCT

This chapter examines the typical characteristics of a tourism product. Characteristics that differentiate products from services are handled, as well as features unique to tourism products. Other subchapters discuss how tourism products create value to customers, and discuss purchase decisions, the factors behind those and the different levels of customer loyalty.

Tourism product can be described as a three-level model, as done in Figure 3.

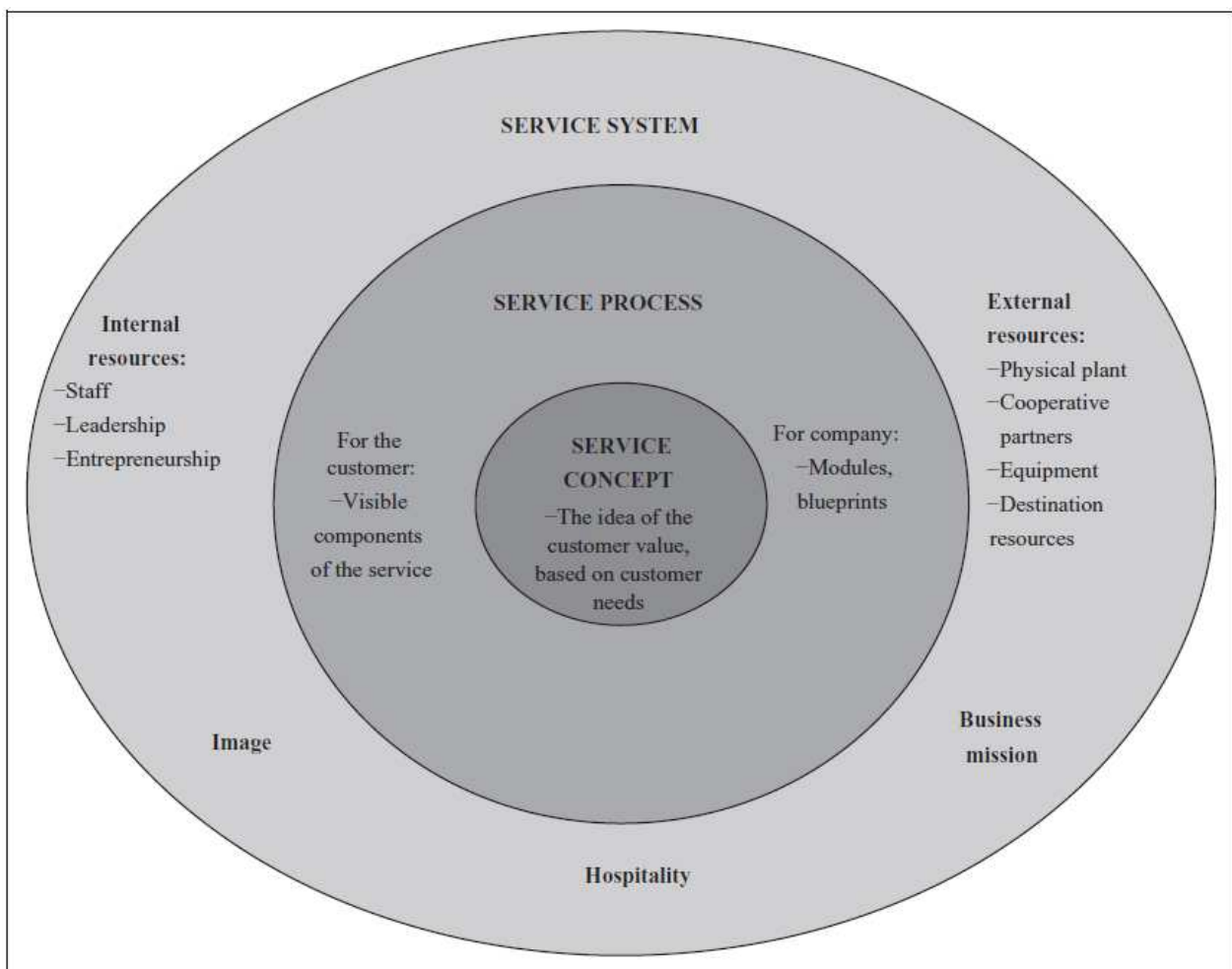


Figure 3. The tourism product model (adopted and translated from Komppula & Boxberg 2002, 24)

A tourism product consists of three levels; service system, service process and service concept. Service concept refers to the fulfillment of the customer's needs, i.e. what the customer expects to receive. Service process includes the processes, both visible and invisible to the customer, which are needed to create this experience. Service system refers to both external and internal resources

and the operational environment in which the services are produced. (Komppula & Boxberg 2002, 21; Konu et al. 131) This research concentrates on the creation of service concept, i.e. in what the company provides for its customers.

3.1 Characteristics of tourism products

Instead of producing tourism products as such, a hospitality organization produces services. A tourism product is created when a tourists utilizes these services by participating in their production process. This process creates an experience that is based on the customer's own subjective perception. It also has a particular price. (Komppula & Boxberg 2002, 21; Konu & Tuohino & Komppula 2010, 131.)

All service products are intangible, which means that they cannot be directly seen, touched or felt before the moment of consumption. It also means that customers only take away the memory of the services. Therefore, companies strive to create memories, i.e. produce experiences that are as memorable as possible. Often it is active doing that creates these lasting memories, and the selection of activities on offer also influences the choice of destination. Therefore, companies advertise both the resort and the activities available. (Page 2011, 246; Kotler et al. 2014, 39.) For this reason the case company wishes to develop the activities available.

If the product is unsatisfactory to the client, compensations can be made but the product itself cannot be returned. Thus the risk for buying tourism related products is higher than the purchase of tangible goods. The industry aims to reduce the felt risk by focusing on tangible elements such as brochures, merchandise and sales people as well as using the possibilities of modern technology on their website to give the customers as accurate image of the product as possible. (Weaver & Lawton 2010, 183.) Currently, Anttolanhovi does not provide pictures of all the different types of hotel accommodation facilities on their website. Doing so would provide an opportunity to reduce buyer's risk by providing accurate pictures of what the customer is purchasing.

Tourism products are also inseparable from their manufacturing process. It means that their consumption and production takes place simultaneously. The constant contact between the producers and consumers of the service means that the nature of this interaction impacts customer satisfaction. This feature also means that tourists influence each other's experience and perceived

satisfaction with their own behavior. (Middleton & Clarke 2005, 42-44; Weaver & Lawton 2010, 184.)

Tourism services are heterogeneous, i.e. they have a high level of variability. Each customer experience is unique, and often influenced by unpredictable factors usually related to the human element of the service. The moods, experiences and expectations of the customer have an impact the outcome. (Weaver & Lawton 2010, 184 – 185.)

Tourism services are also perishable; they are wasted unless they have been sold by the time of production. Empty hotel rooms or tables at a restaurant cannot be stored for later use, but the company still has to pay the fixed costs. Therefore, to the success of the company it is highly relevant how high the occupancy rate is, and it is the management's job to make sure that the company is functioning at full capacity as much of the time as possible. For reasons such as being able to keep year-round staff it is sometimes acceptable to sell the service at cost price. (Evans et al. 2003, 28 – 31; Middleton & Clarke 2005, 44-45; Weaver & Lawton 2010, 185.) In Anttolanhovi the capacity is fully used during summer time, but the rest of the year there is overcapacity. It is therefore the aim of this thesis project to find solutions which help Anttolanhovi to reduce the gap between supply and demand during low-season.

Besides the above discussed qualities of service products, tourism products have some additional factors that exist in the tourism context. These are high cost, seasonality, ease of entry and exit, interdependence, impact on society and the effect of external shocks. Typically tourism purchases are of high cost to the purchaser, and quite often they form the largest single item of a consumer's expenditure in a year. Therefore, tourism purchases are rarely impulse purchases and usually the purchase decision is preceded with careful consideration. This feature underlines tourism products' intangibility, and sets demands to strategy and especially marketing. Tourism is also highly seasonal, which influences the demand and thus the sales. This combined with the perishability of tourism products creates issues for many companies, including Anttolanhovi. Tourism products in general are relatively straightforward and easy to set up, therefore lowering the entry and exit barriers to the industry. However, this is especially true for tour operators, not so much for providers of accommodation, such as Anttolanhovi, and therefore the risk of new entrants is relatively low for the case company. (Evans et al. 2003, 32- 40; Middleton & Clarke 2005, 45-47; Page 2011, 160.)

It results from the previously mentioned features that many tourism companies have issues with their capacity usage. This has a direct impact on the profitability of the company, as overcapacity means that the company faces fixed costs without gaining revenue to cover them. (Albanese 2004, 11.) For Anttolanhovi, the main feature causing issues with overcapacity is seasonality. Between the months June and August demand exceeds or at least equals to the supply, whereas during the remaining months the company has overcapacity (Martikainen 2013). To solve these types of issues, strategic planning can be implemented (Albanese 2004, 11). Figure 4 describes strategies to manage the situation where supply and demand are not evenly matched.

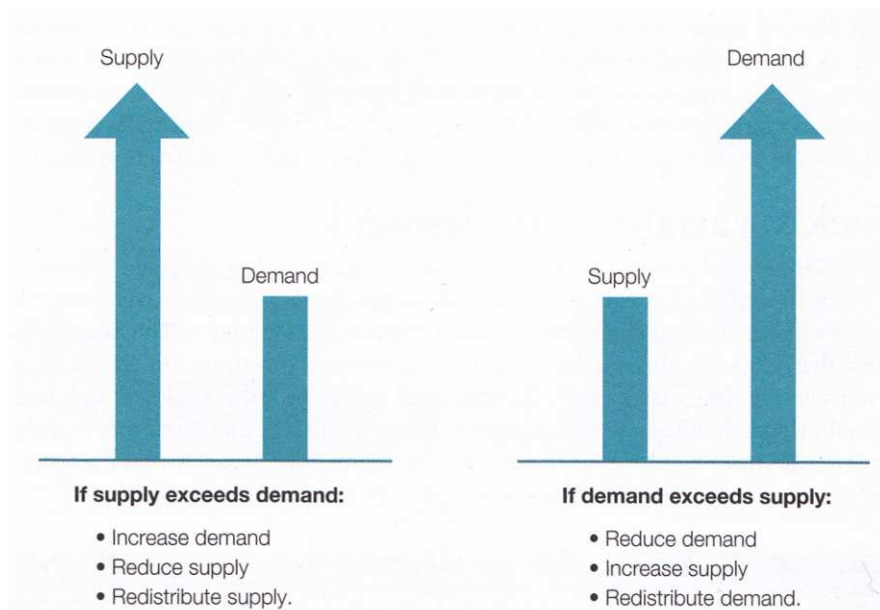


Figure 4. Supply/demand imbalances and appropriate strategies (Weaver & Lawton 2010, 188)

In Anttolanhovi supply and demand are in imbalance. Weaver and Lawton (2010, 188 - 189) suggest three strategies for managing excess supply in the context of tourism. These include increasing demand, reducing supply or redistributing supply. Increased demand can be sought from adapting the product to suit new types of customers, altering or strengthening distribution channels or identifying new sources of demand. The marketing mix can also be adjusted by giving price discounts or by redesigning marketing campaigns. (Weaver & Lawton 2010, 188 - 189.)

Conversely, reducing supply is achieved by shutting down part of the operations, such as closing one wing of a hotel. Lastly, redistributing or restructuring supply means modifying supply, when it no longer meets the needs it was created for. In hotels, rooms can be combined to meet the contemporary demand or they can be converted into timeshare units. (Weaver & Lawton 2010,

189.) Anttolanhovi expects that by altering the product during the low season, i.e. by offering different types of activities during the low season, demand can be increased. Reducing supply is sought through the sale of the villas. Restructuring supply strategies are not used by the case company.

In contrast, if demand exceeds supply, one possible solution is to raise prices. Another possibility is to increase the supply by creating more capacity. Hotels can do this for example by building new capacity or by providing more beds per room through cots and convertible sofas. The third option, redistributing demand from high season to low season is typically done by differentiating the seasonal price. (Weaver & Lawton 2010, 189-190.) At Anttolanhovi modest yield management is used, with a small variation in high season and low season prices. In summer temporary staff is hired to take care of the rising number of customers. (Martikainen 2013.)

3.2 Concepts of quality and value in tourism

The customer has certain expectations, which may or may not be met, or they can even be exceeded. Customer value refers to difference between the benefits for the customer and the cost of obtaining the product. (Kotler et al. 2014, 13.) The difference between customer expectations and reality determines whether the customer is satisfied. Most significant in creating the customer's perception are the moments where the customer encounters an employee of the organization. (Komppula & Boxberg 2002, 42 - 43.)

The quality of a tourism product is perceived as the total quality from the beginning of the trip to returning home. Therefore it usually includes parts that are produced by many different providers. Thus it is not possible for a single company in the tourism industry to control all the features which influence the total perceived quality. (Komppula & Boxberg 2002, 12.) For the case company this means that if activities are produced together with a collaborator, the case company has less control over the quality the customer perceives in comparison to activities that are produced by the case company itself.

It is not always self-evident who the customer is. Especially with companies as customers the user of tourism is usually different than the payer, who is different than the decision maker. These groups can have largely differentiating value expectations for the product. One way to divide

customer segments is to consider the way these different groups “use” the product. (Komppula & Boxberg 2002, 21, 67-68.)

3.3 Purchase decisions of tourism products

Purchase choices are influenced by many factors, including the purchaser’s personality, the point of purchase and the role of the sales person. It is also influenced by the buyer’s prior experience and by whether the customer is a frequent or infrequent buyer of the company’s products. Purchase decisions are also influenced by motivations, desires, needs, expectations and personal and social factors, which are in turn influenced by marketing, previous travel experiences as well as possible constraints in time and money. (Page 2011, 74.)

In tourism context one of the factors influencing purchase decisions is distance to the destination. The distance between the origin region and the destination influences the number of tourists. The greater the distance is, the fewer the tourists of that origin. This phenomenon is known as the distance-decay effect. Geographic proximity is expected to become an increasingly important pull-factor in tourism in the future, as the energy costs increase. (Weaver & Lawton 2010, 87.) For these reasons it is logical for Anttolanhovi to strive for creating customer relationships with tourists in Eastern Finland and Russia.

From the point of view of a tourism company, one measurement of a successful product is whether the customers repeat their purchase decisions and thus their visit. The advantage of repeat patronage is reduced need for marketing, not only because regular customers need less marketing activities to return, but because they provide the company with free publicity via positive word-of-mouth (WOM) and electronic word-of-mouth (eWOM). (Weaver & Lawton 2010, 172 – 173; Kotler et al. 2005, 24-25.) The loyalty matrix pictured in figure 5 divides customers into four groups based on the attitudinal and behavioral elements.

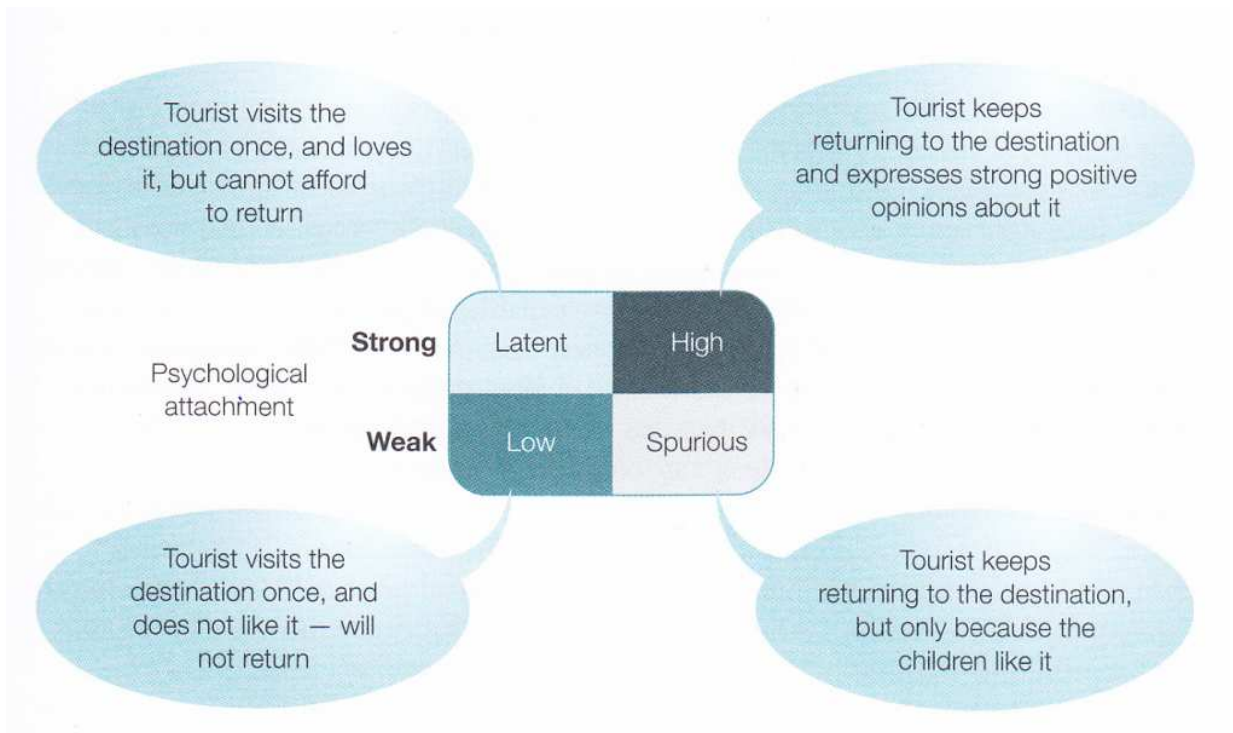


Figure 5. The loyalty matrix (Weaver & Lawton 2010, 173)

Customers who repeat their visits and express high attachment to the destination also by recommending it to others, are considered the high loyalty category. The opposite low loyalty category includes customers who visited only once and who harvest negative feelings towards the destination, not wishing to return. Spurious loyalty occurs when customers repeat their visit without their own desire to do so, usually due to outside pressure from peer groups or family members. The fourth group, latent loyalty, takes place when the customer has a strong affinity towards the destination, but is prevented from repeating their visit due to constraints such as distance, time or money. (Weaver & Lawton 2010, 172 – 173.) For any company, including Anttolanhovi, the best customers are those with high loyalty. Both latent and spurious loyalty are also beneficial for the company, the first through word-of-mouth marketing and the second through recurring revenue. It would make sense for a company to try to influence these groups of customers in a way that would move them towards the high loyalty category. In order to do so, companies need to develop products that are appealing to customers. The following chapter describes the practice of new service development in the context of tourism.

4 NEW SERVICE DEVELOPMENT IN TOURISM THROUGH USER-DRIVEN INNOVATION

One of the principles for competitive success in travel and tourism is continuous learning and developing of new ideas, experiences and destinations (Evans et al. 2003, 222; Page 2011, 261). Products are constantly altered to respond to changes in the markets. Product formulation is the ability of a company to adapt their products to the changing needs of the customers. (Page 2011, 247.) Company survival depends on new service development (NSD), a process where new services are produced, developed and launched to the markets (Sigala 2012, 967).

The rapid changes in today's society and markets has led to product life cycles shortening, which has driven many companies to innovate in order to maintain competitive advantage. Increased competition, often stemming from new product innovations, forces many companies to re-think their own products. The level of newness can vary from minor modifications in existing products to completely new products being offered to the customers. Higher level of modification means higher potential gains but also higher potential losses. The launch of a new, unsuccessful product can even lead to bankruptcy, as a very large proportion of new products fail. This issue is often solved by producing a large amount of new product ideas, of which only few will be adopted. (Evans et al. 2003, 141.)

Innovation can be seen as the route to competitive advantage, especially if it leads to growth, survival of the company or enhanced profitability. Companies' and entrepreneurs' ability to innovate is largely based on their accumulated internal knowledge and competence. Innovations, however, are often created as a response to outer challenges, such as environmental crisis or government intervention. This type of innovation is significant in the tourism industry, since it is sensitive to external shocks, as discussed in chapter 2.

4.1 Phases of new service development in tourism

New service development is a process consisting of several stages, as demonstrated in figure 6. The empirical part of this research focuses on the first part of NSD, namely service concept development. Especially the idea generation stage is dealt with.

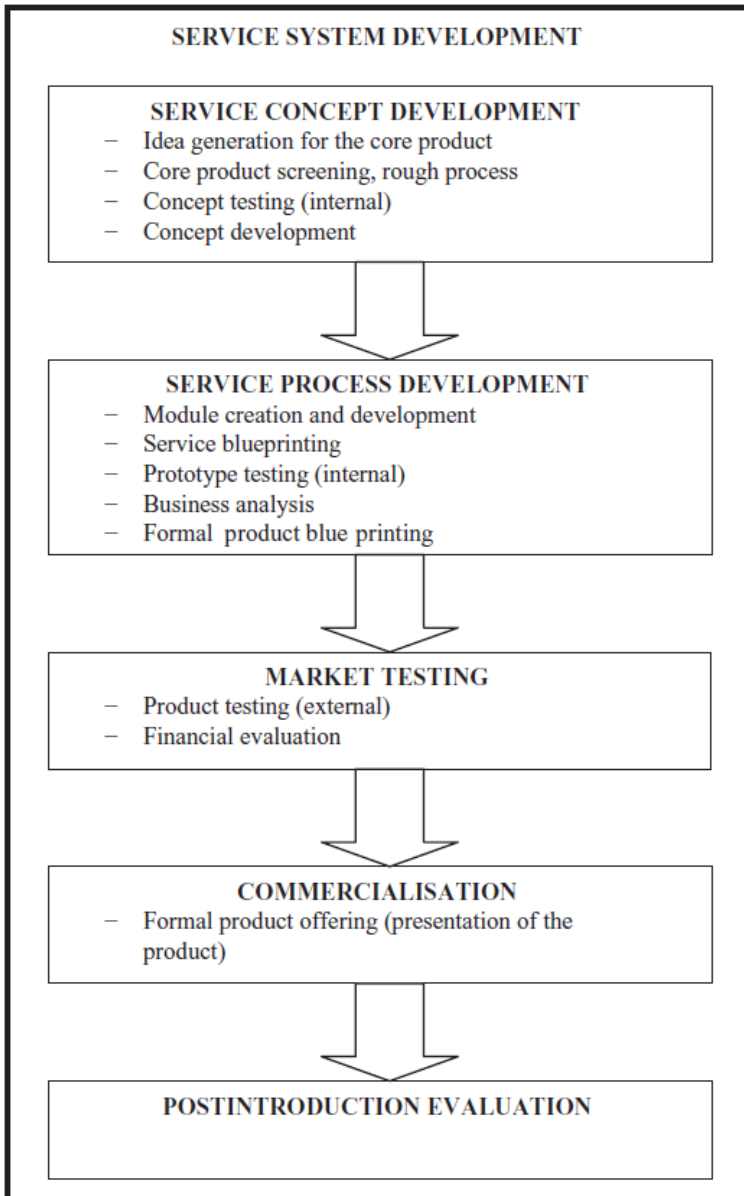


Figure 6. Service system development in tourism (adopted and translated from Komppula & Boxberg 2002, 99)

The first phase in NSD in the tourism sector is developing the service concept, which is the idea about how the company serves customer needs. This phase includes idea generation, core product screening, concept testing, and concept development. (Konu et al. 2010, 130.) First, ideas are created using either internal or external sources. The empirical part of this research is an example of this stage. At this point customers' needs and expectations are considered. All products must be aimed to a particular target group. (Komppula & Boxberg 2002, 99-100; Holloway 2004, 157.) Following this phase, the core idea is divided into key modules, which are then reflected against the

service system available. The roughly sketched service processes are tested internally, after which modifications can still be made. When the core idea is completed, the next phase begins.

During the phase of service process development the product is carefully designed and a price is set. The schedule, expenses, quality factors and possible flaws of each module are discussed. For the second time the product is internally tested. On the basis of the testing the final plan for the product can be drafted. (Komppula & Boxberg 2002, 103-112, Konu et al. 2010, 130.) During market testing phase, outsiders test the service concept and process and its attractiveness and functionality. Drawing from the results of the commercialization it is important to evaluate the successes and failures and use them as a basis for future NSD. (Komppula & Boxberg 2002, 112-114; Konu et al. 2010, 130-131.)

Evans and Campbell and Stonehouse (2003, 141 – 143) present an alternative view of the development process, dividing product development in tourism into three phases. After the initial ideas have been created, the second phase is to screen through the ideas for the ones with adequate market potential. The possible risks in this stage are approving an idea which ultimately fails to meet the expectations, or to drop an idea that would have made a successful product. This phase normally has several stages and at least one formal evaluation, where the ideas are assessed against predetermined criteria. (Evans et al. 2003, 142.)

The final stage in product development according to Evans et al. (2003, 142 – 143) is the development phase. The scope of this phase depends on the newness of the product and the resources available, but should not take place before the screening process in order to ensure that no resources are used on an unfeasible idea. Typical stages in the development process are initial appraisal, detailed business analysis and investment appraisal, technical development, market testing and launching the product. In the modern heavily competed environment these stages often overlap to ensure the launching of the product as soon as possible. This requires good communication within the organization and final decisions to be made by higher management.

Any new activities need to be subjected to a resource audit, which consists of three stages: testing sufficiency, adequacy and availability. Sufficiency appraises whether there are enough resources for the activity, adequacy evaluates whether the resources, such as skis and bicycles, are in a good condition and of high enough quality in order to serve their purpose. Lastly, availability assesses

whether there are enough resources available at the times when they are needed. (Evans et al. 2003, 290.)

The two models differ from each other especially when it comes to how a tourism product is seen. Evans et al. (2014) do not pay attention to the three levels of tourism product that form the core of Komppula and Boxberg's (2002) product model. Instead they consider tourism products as one entity. Despite the fact that some development phases are presented in a different order, in general the systems are similar. Both models of new service development start with an idea generation stage, which is also the aim of this research.

4.2 Customer involvement in NSD in tourism

The sources for new product ideas can vary, and the range of sources is likely to correspond to the scope and amount of ideas generated (Evans et al. 2003, 141 – 142). Since customers participate in the service process and thus in producing the service, customer participation in service innovations is essential (Hjalager & Nordin 2011, 289 – 290). Customers are often the most useful source of ideas, as ideas generated from clients themselves are likely to have a market (Evans et al. 2003, 141 – 142).

Despite the fact that companies often strive to keep their R&D activities private, such closed forums do not always yield the best results. Outsourcing these tasks can be useful even if it reveals the development direction to competitors. Occasionally tourist companies invite locals and customers to come up with development ideas, but in general this type of activity is still very rare. (Hjalager & Nordin 2011, 304.) Involving customers in the innovation process is often incidental and unsystematic, even though the tourism industry claims to listen to customers and learn from feedback. Interest towards user-driven innovation has continually risen. Participation of clients may reduce R&D costs. It also brings about other benefits such as improved product image or delivering message about the products through word-of-mouth. However, there is little scientific evidence of its contribution to the creation of innovations. It is also possible that customers produce radical ideas that are difficult to implement. This risk can be constrained by the participation of the operative staff because they have a realistic perception of the resources and technology available. (Hjalager & Nordin 2011, 291, 309; Sigala 2012, 982-983.) User-driven innovation is in general experimental. The level of risk is high, because companies cannot beforehand assess how valuable

information the process will produce. Often it is necessary to combine the new knowledge with existing data to achieve useful results. (Hjalager & Nordin 2011, 309.)

4.3 Methodologies of user-driven innovation in tourism

Sixteen methods of user-driven innovation in tourism context can be distinguished. These methods can be divided into four groups based on whether they involve a limited or a large number of users, and whether customers are passive suppliers of information or active co-developers. (Hjalager & Nordin 2011, 292.) The sixteen approaches to user-driven innovation are presented in Table 1.

Table 1. Sixteen methods of user-driven innovation (adapted from Hjalager et al. 2011, 292)

	Involvement of many users	Involvement of a limited number of users
Users as passive suppliers of information	1st group: Tapping data Customer surveys, complaints analysis, guest book analysis, blog mining and product ratings.	2nd group: Interpreting information Customer interviews, critical incidents interviews, focus group interviews, observing the users, user panels and diaries
Users as active suppliers of information	3rd group: Nurturing creativity User communities and open calls for product development and configuration	4th group: Experimenting and testing Lead user communities, innovation camps and co-production and toolkits

Tapping data is Hjalager and Nordin's name for many users passively supplying information, which is the first group of approaches in user-driven innovation. These methods include customer surveys, complaints analysis, guest book analysis, blog mining and product rating. In this category customers have not necessarily knowingly submitted their contribution for development purposes. They may also not be aware that their contribution is used in such a way. Information is gathered from existing and potential customers and often used for statistical purposes. (Hjalager & Nordin 2011, 293.)

The second group of innovation methods helps in interpreting information. In these methods the amount of customers is more limited, but they are still passive informants. This group of methods is used to understand consumer motivation and behavior. These methods include customer interviews, critical incidents interviews, focus group interviews, observing the users, user panels and diaries. (Hjalager & Nordin 2011, 292, 298.)

The third group of methods aims to nurture the creativity of the customers through crowdsourcing and distributed innovation. These methods allow consumers to take part in a mutually beneficial relationship of product development. These methods gather information and innovation from many active users, who are interested in the company and committed to improve their services. The two methods in this group are user communities and open calls for product development and configuration. (Hjalager & Nordin 2011, 292, 302 – 303.)

Experimenting and testing is the fourth and last group of user-driven innovation. Few selected customers are invited to take an active part in the product development process. These include lead user communities, innovation camps and co-production & toolkits. (Hjalager & Nordin 2011, 292, 304.) The different methods suit different situations, corporate cultures and budgets (Hjalager & Nordin 2011, 310).

5 METHODOLOGY OF DATA COLLECTION AND ANALYSIS

This chapter elaborates on data collection and analysis methods. Firstly, the choice of methods for the empirical study and data analysis are discussed. The course of the empirical study is described.

5.1 Choice of data collection and analysis methods

The sixteen methods of user driven innovation were presented in chapter 4. When choosing the methods most appropriate for this research, each group of methods was evaluated for their suitability in the case of Anttolanhovi. The methods of the tapping data group were ruled out as unsuitable for this research, as they would not produce enough information about activity ideas. The scope and in some cases also depth of the information available would not be sufficient for a reliable study. One method was chosen from both second and third group of approaches. The fourth group of methods is suitable for the testing phase, which is outside the scope of this research; therefore no methods of that group were used in this study.

For the purpose of nurturing customers' creativity the approach of open call for innovation was chosen. The time frame of the research process overlapped low season at the case company, meaning that the number of customers at the premises was limited. To ensure sufficient amount of responses it was decided that the first stage of empirical data gathering would happen online rather than face-to-face. Information from many active users is nowadays acquired especially through internet, because it is an affordable means to mobilize people. Consumers produce information that can be used for problem solving and for producing new services. (Hjalager & Nordin 2011, 302 - 304.) Therefore the best suited method for Anttolanhovi is an open call for innovation. It was decided to publish a request in a social media service to provide ideas for services that employ the surrounding nature. One participant was to be rewarded with an accommodation package to encourage customer participation.

In order to understand consumer motives and behavior, focus group interviews were chosen as the second approach to user-driven innovation. Interviews are one of the most important sources of information in a case study (Yin 2003, 89 – 92). An interview is a conversation where the interviewer is seeking responses for a certain purpose from the interviewee(s) (Gillham 2000, 1).

Group interviews were chosen because the interviewees often lead each other on and prompt each other to create ideas that would otherwise not be formed. Interviews with single customers do not necessarily provide enough new information. Several of the other methods require longer use of the services in question. (Hjalager & Nordin 2011, 298 – 302.) The chosen focus group was Anttolanhovi's customers at their premises. Participants received a small reward for their contribution. The aim of the focus group interviews was to use it to process further the ideas generated through the open call for innovation.

As the data analysis method content analysis was used for material derived from both open call for innovation and group interviews. Content analysis is a relatively objective analysis on what types of content are present in the material. It seeks to categorize the contents under different headings, giving a quantitative view of how the contents are divided into different categories. (Gillham 2000, 68.) In the case of the written answers to the open call for innovation the material was relatively straightforward to categorize, as a significant proportion of the responses consisted of listing the various activities the respondent wished to undertake. Usually such definitive categories cannot be achieved, since same items can often be categorized under various headings. (Gillham 2000, 71.) Quantitative analyses allow seeing the power relationships of the themes and visualizations in numerical forms help to grasp the overall picture. One way to reflect whether the results can be generalized is to evaluate how many times any particular theme came up in the material. (Gillham 2000, 76.) In this case one must differentiate between the materials collected through the various means used in this study. The open call for innovation in Facebook and the group interviews were due to their nature likely to produce more dialogue on topics that came up during the discussion, whereas the responses to the open call for innovation collected through the electronic form were each individual answers, independent from other respondents' contributions.

The two phases of empirical study are followed by a testing phase in the product development process, as discussed in chapter 4. While the testing phase is outside the scope of this study, the method of photo safari is presented as a possible suggestion for the case company. In this method customers are given cameras to record their experience, thus lending their eyes to the company. Customers are encouraged to take photos of events and facilities that require improvements. The customers are then asked to explain the photos in a group setting or individually. (Hjalager & Nordin 2011, 306-307.) This approach would allow the company representatives to see the activities through customers' eyes without affecting the experience by their presence.

In addition to the before mentioned methods initial data was gathered through informal conversations with the hotel manager. While visiting the premises observations were made about current practices the company uses. Some observations also stemmed from informal conversations with other guests. Later during the research a decision was made about an additional expert interview. Expert interviews are conducted with individuals who have a comprehensive perspective to the topic (Gillham 2000, 81-84). This additional interview was done to seek a holistic picture of the development trends in the field of tourism companies to ensure the usability of the recommendations.

5.2 Empirical data collection and analysis

Initial data about the company and the issues was received from emails and a phone call from the general manager of Anttolanhovi. This discussion continued on three informal occasions at the premises when the group interviews were conducted in January 2014. Empirical data was collected through an open call for innovation between November 2013 and January 2014, and through group interviews, which took place in January 2014. In addition, an expert interview was made later on in September 2014 to ensure the practicality of recommendations of this study.

5.2.1 Open call for innovation

Anttolanhovi's customers were invited to share their ideas through an open call for innovation, which was posted on the case company's Facebook site in November 2013. Customers were asked "*What would you like to do or experience on your holiday in the lake nature surrounding Anttolanhovi*". The question was presented both in English and in Finnish and was attached to a banner with pictures from different seasons at Anttolanhovi to stimulate participants' imagination. The customers were persuaded to participate with the possibility of winning an accommodation package. According to Lakhani and Panetta (2007, cited in Hjalager & Nordin 2011, 304) it is necessary to provide an incentive, if participation does not bring social status advantages or other benefits for the participant.

However, using Facebook as the platform for the research did not yield the desired participation rate even though paid visibility was used and Facebook fans were encouraged to share their views for a

second time. In total, only ten comments in Finnish were received, some of them merely repeating what others had previously said. The English open call for innovation received no answers. To increase the amount of customer participation, a newsletter was sent to the customer register of Anttolanhovi in December 2013. The respondents were asked to answer the same question which was previously presented in Facebook. The message informed the customers that their answers would be used as a material in a thesis to develop Anttolanhovi's service assortment. An electronic form was linked to the newsletter. The possibility of winning the accommodation package was also mentioned. As background information the customers were asked what their customer relationship towards the case company was, their gender and year of birth and during which seasons they had visited Anttolanhovi previously, in order to allow the company to use the same material later if necessary. In addition name and contact information were requested for to inform the customers about the possible win. All background questions were voluntary to ensure that they would not alienate any participants. Similarly, participants were encouraged to answer as shortly or thoroughly as they wished to the open-ended question.

In total the newsletter was sent to 2179 respondents, 425 of whom opened it. Hence the email open rate was 20%. The electronic form was accessible between 12th of December 2013 and 6th of January 2014. Of those who had opened the email 207 filled in the electronic form, which equals 48.7%. The total response rate was thus 9.7%.

Of the respondents 65 reported their gender as male and 139 as female. Three respondents did not announce their gender, but in the contact details they all gave female names and were therefore counted as women. Thus 69% of the respondents were female. As men are generally less likely to answer surveys, this can be seen as a typical ratio (Mason 2010). Respondents' birth years varied between 1935 and 1991, the median being 1960. The following table illustrated the respondent groups concerning their customer relationship.

Table 2. The absolute and relative number of respondents of the electronic form.

Customer relationship	Number	Percentage of respondents
Private customer	120	58 %
Corporate customer	14	7 %
Rehabilitation customer	19	9 %
Not yet customer	46	22 %
Did not enclose	3	1,4 %
Other	5	2,4 %
Total	207	100 %

Over half of the respondents were private customers. Rehabilitation customers formed one tenth of the respondent group, while more than one fifth of the respondents were not yet Anttolanhovi's customers. A few respondents decided not to enclose this information and some rather defined their customer relationship verbally than chose from the existing types, creating the category "other".

5.2.2 Interviews

The choice of interview technique is to reflect the nature of the information sought (Gillham 2000, 19). In case study interviews are usually conversational rather than structured. Unstructured interviews bring about the possibility of unexpected discoveries, which rarely occur during highly structured interviews. (Gillham 2000, 2, 17.) In this research unstructured face-to-face interviews were used to allow for the group to express their opinions freely. The chosen topics were covered in various depths depending on the interest shown by each interview group. Typically interviews are of an open-ended nature (Yin 2003, 89 – 92). The questions are not usually strictly drafted; instead a general theme or topic for the questions is created (Metsämuuronen 2002, 177, cited in Virsta 2014).

The original aim for the group interviews was to develop further the new activity ideas that were created with the open call for innovation. However, before the interviews this approach was abandoned based on the results of the open call for innovation. This was done in order to better meet the aim of this study. Instead of individual ideas, a holistic picture of successful activities was

sought. In addition the theme of communication was introduced. This solution is further explained in chapter 6 in connection with the empirical results.

In qualitative studies the interviewees are not usually chosen randomly, but for their ability to give answers regarding the particular topic (Metsämuuronen 2002, 177, cited in Virsta 2014). In this study group interviews were conducted with Anttolanhovi's customers in January 2014 on two subsequent days at the case company premises (appendix 1). Four group interviews were held, three of which with rehabilitation clients and one with private clients. One interview had six participants, the others four. First interview had one male and five female participants. The second and the fourth interview had two male and two female participants. Third interview group consisted of three males and one female. All interviewees were Finns and the interviews were conducted in Finnish. The interviews varied between 20 and 30 minutes of length.

In contrast to the group interviews, Sanna Tarssanen, CEO of Lapin Elämystuotanto Oy, was interviewed via phone in September 2014 (appendix 2). The expert interview was approximately 30 minutes long. The interviewee was chosen based on her position as a consultant to companies about creating memorable experiences and her expertise about the current developments in the industry. The interview was conducted via telephone due to the geographical distance between the interviewer and the interviewee. The interview template was sent to the interviewee beforehand per email.

5.2.3 Content analysis

The results for the open call for information were processed with the program Atlas.ti. Many respondents simply made a list of activities they wished to participate in, others described them in more detail or portrayed an ideal day or holiday. Each answer was equipped in the program with codes according to the names of activities mentioned. This allowed a quantitative analysis of the answers, making it possible to both evaluate how many times an activity was suggested and to survey all comments about a particular activity at once. Not all answers adhered to the instructions given to the participants, but in order to benefit the case company as much as possible, also groups such as 'food', 'indoor activities' and 'other feedback' were created. Activities such as horseback riding and sledge ride were grouped under the same heading, as both require collaboration with a

horse owner. Both responses on the Facebook wall and through the electronic form were handled in a similar manner, but as separate sets of material.

The group interviews were transcribed and the transcripts evaluated for common themes and denominators. The four interviews brought about various themes and suggestions related to the interview topics. Whilst the open call for innovation focused on individual activities, a more holistic picture was sought when analyzing the interviews. Instead of individual activities, attention was paid to characteristics of successful activities. Also here feedback not directly related to the activities was received and noted for the purposes of developing the case company.

The expert interview was recorded and transcribed. The answers were compared to the findings from earlier data analysis. Especial attention was paid to the expert's opinions and views where they confirmed or constricted the earlier findings.

6 FINDINGS

The first part of this chapter introduces the findings of the empirical study. The second part discusses the reliability of the empirical study, assessing the representativeness and usability of the data.

6.1 Findings of the empirical study

Most customers who answered the open call for innovation listed various activities they could imagine themselves doing at the company premises. Some of the respondents elaborated on what individual activities should include or gave other feedback about the company's operations. Answers from both Facebook wall and the electronic form were categorized with the programme Atlas.ti according to the different activities that were mentioned. Each individual mentioning of an activity was marked with a corresponding code. This allowed quantification of a qualitative material, i.e. made it possible to distinguish between activities that were desirable for many respondents and which only few. The resulting lists of activities are presented in Tables 3 and 4. The lists include also categories for other feedback to illustrate the amount of feedback received.

Table 3. The activities mentioned in the Facebook conversation classified under categories

Activity	Individual references in the Facebook conversation (total of 10 answers)
sleigh ride or other horse activities	4
snow shoe hike	4
fishing	4
skating	3
courses or themed holidays	2
indoor activities	2
sauna	2
swimming	2
activities related to mushrooms, berries or plants	2
winter swimming	1

(campfire) coffee	1
skiing	1
ice fishing	1
trip or hike in the nature	1
walking or jogging	1
visiting the local lean-to	1
other outside activities	1

In the Facebook conversation activities that were mentioned most often were activities related to horses, snow shoe hikes, fishing and skating. Also sauna, swimming and activities related to berries, mushrooms and plants received two mentionings. When interpreting the results one must remember that those writing their answers on the Facebook wall could see and comment the previous answers, possibly being influenced by them. Those answering the electronic form were not subject to this possible bias, unless they had visited Anttolanhovi's Facebook wall before answering the form. The list collected from the answers to the electronic form is depicted in the following table.

Table 4. The answers to the electronic form classified by the categories of activities mentioned.

Activity	Individual references in the electronic form responses (total of 207 answers)
trip or hike in the nature	78
skiing	63
activities related to mushrooms, berries or plants	41
sauna	34
hiking	34
snow shoe hike	34
fishing	27
walking or jogging	23
ice fishing	23
other outside activities	22
skating	20
canoeing	18

winter swimming	16
rowing a boat	16
relaxing	15
swimming	14
courses or themed holidays	10
indoor activities	10
(campfire) coffee	8
grilling sausages	7
music, dancing or performance	7
birdwatching or a bird related hike	7
campfire	7
visiting local destinations	7
culture	6
downhill sledding	6
visiting the local lean-to	5
kicksled	4
snowmobile	4
arts and crafts	3
frisbee golf	3
visiting Neitvuori	3
sleigh ride or other horse activities	2
cruise	2
traditions	2
napakelkka (a traditional sled attached to a pole it circles)	2

Mostly customers wished for trips into the nature, skiing, activities related to mushrooms, berries and plants, sauna, hiking, snow shoe hikes, fishing and ice fishing and skating. These results were discussed with the hotel manager before the group interviews. This discussion revealed that most of the suggested individual activities were already a part of Anttolanhovi's assortment. New activities included ideas demanding construction activities, such as a water slide and mini golf course, which do not concur with Anttolanhovi's current investment strategy as discussed in chapter 2. The hotel

manager offered a possible solution to why the customers suggested activities which are already available, namely that the company has so far not been very good in communicating about the activities to their customers. If the customers are not aware of Anttolanhovi providing those activities that they would like to undertake, it is less likely that they will choose Anttolanhovi as their destination. In order to facilitate purchase decisions, it is important to know how to deliver the message about Anttolanhovi's activity options. For this reason it was decided that during the interviews an additional theme of communication would be discussed, and that activities would be handled from a perspective of characteristics of a successful activity. Communication theme focused on finding out whether customers had received enough information about the activities available, and how customers wished to be informed about them.

Based on the group interviews the following attributes can be linked to activities which are perceived good:

- Novelty value: An activity, which the customer has not tried before
- Appropriate amount of instruction: In physical activities the technique needs to be taught if not previously mastered. However, the activity itself can take place without instruction after the initial learning phase.
- If the activity is mastered by all participants, it could be enough to announce the time and place for willing customers to meet and pursue the activity by themselves.
- Appropriate gear and settings in good condition
- Combining activities and/or other program
- Versatile activity options for customers with different fitness levels and interests
- Elements that make the activity different from every-day routines: E.g. campfire coffee waiting for those returning from a walking trip

Customers were also asked about activities without instruction. For such activities one important factor is to have good signposts. The participants' own motivation is the deciding factor in whether to undertake the activity. Activities were seen more pleasant in a congenial group. Customers who had arrived as a group found it mentally difficult to venture into the surrounding nature without their group.

Customers receive information about the activity possibilities mainly at the premises, partially through communication from the staff and partially by exploring. Communication about the

activities was discussed from three time perspectives: before booking, after booking and at the premises. Customers saw the company website as the key source of information before their stay. According to some of the customers Anttolanhovi could provide them with information about the activity options as an attachment to the booking confirmation email or as a link to the appropriate page where this information can be read. In the booking situation it would also be possible to enquire whether the customer wishes to receive additional information about the activities. Customers do not want to receive junk e-mail. Information on the website should be detailed enough especially concerning any events at Anttolanhovi, so that it would also attract locals.

Conversely, some interviewees commented that customers themselves should show initiative in acquiring information about Anttolanhovi's services. It was also stated that it is unlikely that anyone would become a customer without previous knowledge about the company's range of services. Some of the customers had received brochures about Anttolanhovi's services, but most customers only found out about the activities on the spot. Those who had acquired previous knowledge had either gotten it from the company website or were locals and knew the possibilities through that. Lack of previous knowledge had prevented at least one customer from participating in an activity she would have wanted.

Several customers reckoned that information about the activities should be available in the hotel room, either in a binder or on a television channel. Anttolanhovi has previously used information binders in the rooms but this practice was given up several years ago, for reasons unknown for the current management (Martikainen 2014b). According to the interviewed customers information should at the very least be available at the reception desk. At the moment there is no information available in the rooms. Customers receive an information leaflet at the check-in, with a few activities mentioned in small print. It was also said that during the check in the customers should be given the weekly schedule with information about the activities, like it is now done. When a big group of rehabilitation clients arrives it is not possible to explain them about the activities, and therefore the hotel binder or a television screen with an informational channel or an info presentation was seen as the preferred option. Usually private clients arrive in smaller groups, and therefore it should be less problematic to inform them about the activities.

Management's concern about insufficient communication was confirmed in the interviews. Customers suggested Anttolanhovi to offer new activities such as skating, plainly unaware of the

fact that they were already a part of the service assortment. One group of rehabilitation clients interviewed had received information about the activities at a walk, but due to the group size some customers had not heard it. Another interview group commented that there had been very little information given, and wondered whether the company didn't see rehabilitation clients as possible purchasers for the activities. The group was not aware of Anttolanhovi renting or lending any gear for activities, and also criticized the lack of information available about local services outside Anttolanhovi.

Customers were also asked about when it would be most logical for them to book the activities. Some of the customers wish to book their activities beforehand to ensure that they take place; others are more spontaneous and only wish to book them on the spot. Customers suggested that in the weekly program there would be a set of activities that would require prepayment from those wishing to participate, which would ensure participation. Otherwise customers not showing up could become an issue.

During the interviews one group of customers pointed out the importance of memorable experiences. Based on that, also the other interviews and answers to the open call for innovation were processed through the perspective of memorable experiences. Experiences are a process of actions, thoughts or feelings that takes place through senses, and which usually involves a learning experience. Today, customers are constantly searching for meaningful experiences. (Storbacka et al. 2001, 85). Many of the responses could be interpreted as customers seeking for memorable experiences, either by describing a sense perception or by combining two or more activities together.

Some of the customers wrote about sense perceptions in the following way:

“A guided tour walking in the dark, perhaps wearing head lamps”

“By a peaceful campfire, under the full moon frying a sausage and drinking campfire coffee.”

“Skiing during the night”

“Just enjoying the silence”

“Enjoying the waves of lake Saimaa”

“Admiring the surrounding environment during fall colors“

“Hiking or skiing a route that has beautiful scenery”

“Winter swimming”

“Skating with music on the background”

For others, memorable activities were related to learning, such as the following activities:

“Listening to stories about local history.”

“Mushroom picking with a guide”

“Courses in arts and crafts”

For some, memorable experiences included contact with others:

“Sitting by the campfire together with other guests”

“Ice fishing competition”

Joining different activities together was also mentioned. Customers suggested combining a skiing, snowshoeing or walking trip with frying a sausage or drinking campfire coffee at the local lean-to shelter. In one of the interviews customers commented about the idea as follows:

“Surely it would have been a different feeling.”

“People are crazy about campfire coffee.”

“But there’s the difference with an experience [...] experience is the thing here, and you go there with a different perception, so that someone like me with walking difficulties could do it slowly and that it doesn’t have to be like [...] I mean whether you go there sporting hard and sweating or...”

Campfire coffee and frying sausage after doing sports in the nature were mentioned in three of the four interviews and in several answers to the call for innovation. Altogether 64 answers to the open call for innovation were categorized as including elements of memorable experiences. These observations are discussed in detail in chapter 7.

6.2 Reliability of the empirical results

Reliability of the data evaluates the consistency of results gained through a research. Typically in qualitative research it is not possible to achieve the same results with a repeated study, as the human factor, both in the researcher and in the research subjects plays a role. Therefore this chapter discusses aspects that might have affected the results of the empirical study, and evaluates how reliable these results can be considered. The possible caveats of the research methods are reviewed, followed by an analysis of the representativeness of the data.

The chosen approach for this research was to use customers as a source of innovation. One of the significant caveats in conducting new service development with the help of customers is the reliability of the data. Few individuals have accurate self-knowledge about their feelings and motivations. From this it follows that what customers do differs from what they affirm. (Gillham 2000, 50.) Also interviews as verbal reports are subject to bias, poor recall and poor or inaccurate articulation (Yin 2003, 89 – 92). In this case it is possible that customers claimed a wish to participate in a particular activity, when in reality they would not. Therefore the ideas supported during the empirical research cannot automatically be assumed to become hit products. Instead they should be further developed according to the service system development concept and only commercialized when enough market potential is shown.

Research reliability can also be evaluated on whether the data collection methods were well-chosen. Studies have shown that the classic ways to participate customers in the product development process, such as focus group studies, market research, interviews and questionnaires fail to deliver adequate information about customers' needs, since they focus on gathering information about customers' rational and conscious needs, while not giving them the opportunity to explore and identify their true wants. Studies show two means to increase the breadth and depth of data collection: using web 2.0 to create a dialogue between the company and its customers, or using innovative dialogue methods such as ethnographic observation. (Sigala 2012, 970.) Partly for these reasons the initial data gathering stage was conducted online. Open call for innovation is considered especially suitable for understanding customers' needs.

Another thing to consider in relation to the methods is whether the participants were able to express their opinions freely. According to Gillham (2001, 78) group interviews can alert the researcher to

hidden complexities behind the issue. However, group dynamics have an effect on the results. Individuals with higher status can dominate or inhibit the flow of conversation. Group composition, such as one gender being in the minority also plays a role. (Gillham 2001, 78.) In this research two of the interview groups had only one male or female participant. As the case company arranged the interviews, it was not possible to influence the constitution of the groups. Especially in the interview with five women and one man the differences between genders were obvious. The male participant spoke only a few times, but very long when he did. This could either be a result of the situation or a characteristic of the person.

As most of the respondents to the open call for innovation submitted their answers privately, their answers were not likely influenced by other people. However, this is different for those answering on the Facebook wall. They were most likely influenced by previous respondents' answers, which led to same activities being mentioned several times. While the aim indeed was for customers to discuss with each other, the small amount of responses reduces the reliability of the data. These results cannot be considered representative of the full customer base. Therefore the Facebook answers can be seen as complementary rather than a reliable empirical study in itself. Thus greater emphasis should be put on the results received through the electronic form.

Another way to evaluate the representativeness of the sample and thus the reliability of the results is to consider whether the sample was large enough to yield reliable results, and whether the respondents were Anttolanhovi's typical customers. The reliability of results of the open call for innovation is influenced by the amount of people responding to it. It is a typical problem to receive a low response rate to web-based surveys in tourism related contexts, since their amount has increased rapidly since the 1990's (Weaver & Lawton 2010, 339). Although open call for innovation differs from a survey, from participant point of view the format is similar and therefore the participant ratios should be comparable. Capture rates below 10 percent are not uncommon due to the large amounts of surveys received (Weaver & Lawton 2010, 339). Good email open rates vary between 15 and 25% (Idealware 2008). The email open rate of the open call for innovation (20%) can thus be considered good. Of those who open the email, it can usually be expected that 10 to 40% click through and complete the desired action (Idealware 2008). In this study the amount was even higher, almost 50%. The total response rate in this research was 9.7%. Typically these vary between 1 and 10% in email surveys (Idealware 2008). Based on these figures it can be concluded that the request appealed to the newsletter receivers and that they were interested in

giving feedback and their ideas. This greatly adds to the reliability of the results. This data set can be thus considered quite reliable, since individual answers do not affect the holistic picture. Due to the large amount of answers it can be deduced, that the responses are a relatively reliable source of data and represent Anttolanhovi's different customer groups. It also allowed quantitative handling of the data. On the contrary, interviews were used to gather in-depth data and understanding. That type of method is rarely used for quantitative data gathering, and thus small numbers or subjects are chosen, like in this study.

The second element to evaluate is whether the sample is representative of the customer base. This is harder to evaluate, because the company itself is unaware of which proportion of customers is private, which rehabilitation and which corporate clients. Since the case company does not possess accurate data about their customers, it is not possible to evaluate whether the respondents presented typical customers of Anttolanhovi. However, since the aim of this study is to develop activities for private and later rehabilitation clients, these should be the two main target groups in this study. The open call for innovation was targeted to all Facebook fans and the full customer registry. Private customers drafted 58% and rehabilitation clients 9% of the answers to the open call e-form. In the group interviews the proportions were opposite. The availability of customers as research subjects was affected by the research timeframe. During the group interviews it was a low season at Anttolanhovi. The low number of customers at the premises had its effect on the number of possible interviewees and the composition of the interview groups in relation to their size, gender and relationship to the case company. Mainly rehabilitation clients were present at the premises. Therefore customer interviews were mostly done with groups of rehabilitating clients rather than individual private clients, and this could have an impact reliability of the information obtained during the interviews. The interviewed rehabilitation clients found it somewhat difficult to imagine themselves in a position where they would decide their programme and pay for their visit themselves. The private customers interviewed were more interested in quiet resting rather than the activities Anttolanhovi had to offer. However, the information gained from the interviews was mainly used to draft a holistic picture of successful activities. Together these two methods gave a voice to both types of customers, creating a fuller overall picture of the situation. Therefore the results can be considered relatively reliable.

Aside from the participants being representative of the different types of customers, one should also consider whether the results are representative for both domestic and international customers.

Although Anttolanhovi's customer base is international, the empiric part of this study was conducted with Finnish consumers. One of the forces behind globalization of companies is the increasing market homogenization, i.e. the needs of customers in various countries becoming more alike (Evans et al. 2003, 307). Tarssanen (2014) also stated that travel motivations are often similar despite the different source regions. This means that it is probable that Anttolanhovi can serve its international customers with a similar offering than its domestic customers. Therefore it is likely, that activities developed together with Finnish customer will attract also foreign visitors. To evaluate this conclusion the results were compared to a study made concerning Russian customers some years earlier. The results of this research are presented below in table 5.

Table 5. The Russians expressing interest in taking a Countryside holiday in Finland would especially be interested in the following activities. (Finnish Tourist Board 2007, 50)

Main Activities	Countryside Interest Potential for Finland		
	Total	Yes-Potential	Maybe-Potential
Making excursions / discover the surroundings	33%	38%	22%
Boating	26%	33%	12%
Horseback riding	26%	31%	16%
Walking	25%	27%	20%
Fishing / angling	23%	24%	22%
Bathing	22%	24%	19%
Hiking	20%	19%	20%
Guided hiking tours	20%	20%	19%
Biking / mountain biking	17%	19%	12%
Canoeing	12%	12%	11%
Golf	7%	7%	8%
Other	4%	5%	3%
Winter activities, such as:			
- dog sled rides	40%	41%	39%
- alpine skiing	38%	41%	31%
- snow mobile rides	35%	36%	32%
- cross country skiing	18%	19%	16%
No activities at all, pure relaxation	1%	1%	*

The previous study shows that activities are same or similar than were mentioned by the Finnish customers. The study concerning Russian customers was not focused on Eastern Finland, meaning that activities include typical pastimes for northern Finland, such as alpine skiing, which is not

possible at the case company. Therefore it can be concluded, that interest towards activities is similar in both of Anttolanhovi's two largest customer nationalities, namely Finns and Russians. The company can therefore offer the same activities to both domestic and foreign visitors.

To conclude, the sample size and representativeness of the data can be considered good. The opinions expressed by the sample can be interpreted as representative of Anttolanhovi's full customer base. The case company can further develop its services based on these results, while keeping in mind the potential inaccuracy stemming from customers analyzing their own wants. Considering the consistency of the results, conclusions about future development can be drawn, as is done in chapters 7 and 8.

7 DISCUSSION OF THE EMPIRICAL FINDINGS AND RECOMMENDATIONS FOR THE CASE COMPANY

The empirical part of the study was operated from the assumption that by developing the activities to better meet customer wants, the case company will be able to increase the occupation rates of its services during low season, as new activities would attract customers to visit Anttolanhovi outside summer season. However, the empirical study seems to indicate that this assumption is incorrect; the activities available are already to customers' liking. Therefore merely offering new activities is unlikely to directly influence the occupancy rates.

One possible explanation to the low occupancy is that the company has not satisfactorily succeeded in communicating about the activities to their current and potential customers. However, observations from publicly available sources and discussions with the management provided insights into the company and possible further reasons for the low occupancy rates. This chapter discusses those observations and provides recommendations for strategic management. Development suggestions related to activities and communicating about them are given based on the empirical results and literature on the subject. Other recommendations for the strategic management are based on literature and the expert interview. This expands the extent of conclusions and recommendations from the original scope of product development towards other areas of strategic management. Addressing certain strategic management development areas before focusing on product development should provide an additional benefit to the company, as demonstrated in the following subchapters.

7.1 Development areas for strategic management

The empirical part of the study indicated that the activities customers wished for were exactly those the case company already offers. Thus the service concept already pleases them. Hence possible explanations for low occupation rates outside summer season were sought in other areas. The general management of the case company believes that the company has not been able to effectively communicate about the activity possibilities to potential customers. The group interviews supported this view by indicating that many customers were unaware of all the possibilities the case company and its surroundings had to offer. The interviews also provided some possible solutions. While lack

of communication can be one factor explaining the differences in occupation rates, indications of other possible reasons at a more strategic level were observed.

Informal discussions with the management and publicly available sources provided insights to the way the company is operating. These included the fact that the company does not currently operate with a particular target market in mind, and that the luxury villas built a few years ago have been put on sale shortly after (Martikainen 2014b; Koponen 2014). In addition to these remarks, an observation was made about the current selection of products the company is offering. Accommodation options vary from modest row house apartments to luxury villas and everything in between. Through these pieces of information it was possible to make deductions about the case company's strategic management, which otherwise was beyond the access of an outsider researcher.

There seems to be space for strategically defining target customer segments. This conclusion was based on multiple observations. Firstly, the management currently had no accurate data about the ratios of rehabilitation, corporate and private clients. The company also does not have a defined target market. (Martikainen 2013, 2014a.) Secondly, the quality level of accommodation varies from modest row house apartments to luxurious villas on the shore (Anttolanhovi 2014). Product specifications determine what type of image the company is able to create in the minds of consumers (Middleton & Clarke 2005, 121). Therefore trying to provide accommodation at all levels of quality could prevent the case company from developing a recognizable profile and thus from differentiating itself from competitors (Komppula & Boxberg 2002, 154-155). Thirdly, it appears that the strategy concerning the luxury villas has not been successful. Millions have been invested to the Art&Design Villas, of which the seven beach villas were put to sale some years later. This change in the strategy concerning the villas could indicate that the company had either misinterpreted the market need for such services, or that they have not yet been able to market the villas sufficiently. Customer needs and wants are unlikely to have changed in such a short period of time, even if the recession around the time of the building process completion would momentarily limit consumers' leisure expenditure.

The treatment of the villas could also indicate another strategic management development area. There seems to be space for increased commitment from Anttolanhovi's owner towards long-term development goals. According to The Organisation for Respiratory Health in Finland the company has considered selling the villas for a long time, although during this statement they were only 5

years old (Koponen 2013). This seems to indicate that Anttolanhovi's owner has contemplated on selling the villas almost throughout their existence. Although a general recession was straining companies around the time the building project was completed, this alone may be insufficient to explain such a rapid change towards a retrenchment strategy. Economies are constantly either in down- or upturn, and the company should be prepared to manoeuvre these fluctuations. The decision to retrench the villas shortly after they were built seems to indicate that there either isn't a long term strategy or that the company is not following it for some reason. Instead it appears that short term earnings are sought. This development with the villas could be especially problematic considering the fact that the company has not yet made strategic decisions about target customers. Letting go of a significant proportion of the luxury accommodation without knowing the target markets the company wants to address in the future could potentially hurt the company in the future. It could be that luxury villas are the type of accommodation which satisfies the needs of one of the target segments the company chooses. Only when the company has chosen its target markets and knows whether luxury accommodation in this capacity is serving its strategic goals in relation to customer segments, the company is in the position to make informed decisions about the villas. The company could either develop the properties and their marketing further, or to retrench them by selling the villas to individuals or another company. Another option would be to rent them for a particular time for another company focusing on luxury accommodation. Selling the villas now would be a permanent solution that would prevent the company from making use of them or the shore area in the future. Considering that these villas are Anttolanhovi's only accommodation option directly situated on the lakeshore and take up a large area on the shore, selling them would mean giving up on the usage possibilities of a valuable land area too.

There seems to be space for the case company to understand the needs of its customers on a deeper level to make strategic decisions accordingly. It is a typical problem for small companies not to make decisions about target markets. SMEs primarily focus on operational matters rather than long-term planning and strategically assessing what changes are happening in the tourism market and the needs of tourists, and how the company could respond to those (Page 2011, 263).

The following three subchapters provide possible development directions for the case company. Firstly, the case company is encouraged to map their customer groups and to make a strategic decision to commit to particular target segments. Secondly, suggestions on communications based on the interviews are given. Thirdly, the issue of product development is discussed through the

approach of memorable experience development. A practical tool of story based design is presented.

7.2 Customer segmentation

A single company cannot reach all customers to whom its products would be suitable. Targeting particular customer segments is much cheaper and more effective than mass marketing. (Komppula & Boxberg 2002, 74; Kotler et al. 2005, 15.) Segmentation is the process of grouping the customers or the markets into homogeneous segments that differ from each other (Kotler 1980, cited in Tkaczynski & Rundle-Thiele & Beaumont 2009, 169). From those segments the company then chooses the most interesting target groups and directs future business decisions to them (Puustinen & Rouhiainen 2007, 171).

As discussed in chapter 4, companies should know their customers and understand their needs in order to be able to offer products that bring value to them. In order to fulfil customers' needs in a competitive way the company has to know the needs, motives and purchase behavior of their clients (Komppula & Boxberg 2002, 66). In the long term only those companies survive, who know their customers and adapt their processes to the needs of each chosen target segment (Storbacka et al. 2001, 26-27). If products are designed to suit everyone's tastes, it is unlikely that all customers experience added value in comparison to competing products, meaning that they can just as easily choose another service provider (Komppula & Boxberg 2002, 100).

Currently there seems to be space to develop Anttolanhovi's customer segmentation further. Although the company serves customers in business, leisure and rehabilitation segments, the company does not plan its activities with a particular target group in mind (Martikainen 2014a). Customer segmentation was also touched upon during the group interviews. Customers pointed out, that the case company cannot provide every type of activity, and that there is a need to establish a recognizable profile and to direct the services to certain customer groups in the future.

It is essential for tourism companies to make strategic decisions about what products to offer and what is their quality level. These decisions are based on the resources available and the chosen target markets. A typical problem for companies is to initially develop services for all customer groups. This makes it difficult to focus on customers' needs and expectations so that the company could develop individual services tailored to different customers. (Komppula & Boxberg 2002, 154-

155; Tarssanen 2014.) Anttolanhovi seems to lean towards this type of strategy. Even though the case company tries to serve all customer groups, this message has not reached all customers. At the company premises one of the customers commented in passing that the case company does not want locals to use their services, which is why the spa department opening hours are so short. This anecdote demonstrates how difficult it is to try to target all possible customers and make them feel like the service is aimed at them. This is despite the fact that Anttolanhovi's management has been working for years to make everyone, including locals, feel welcome (Martikainen 2014b). Choosing a target group should help the company make strategic decisions in the future and to communicate their message clearly to the desired customers.

The basis of segmentation are customer needs, i.e. the company strives to find customer groups, who have a need for a similar product. Through segmentation the company can develop products that are suitable for each particular group, plan distribution routes according to the buying habits of this group and plan marketing in the medium that is most effective in reaching the particular segment. (Komppula & Boxberg 2002, 75.) Products are priced according to the particular target segment and marketing message is adapted to the needs and wants of the different groups (Puustinen & Rouhiainen 2007, 171).

Customers are usually segmented based on geographic, socio-demographic, psychographic and behavioural factors (Weaver & Lawton 2010, 157 – 175). For Anttolanhovi the geographical segmentation of foreign clients could be the division of Russian, central European and other tourists. In the Finnish customer groups they could perhaps separate customers based on whether their source region is near-by or further away, and further divide the former into excursionists and stayovers, as these groups use services differently.

In socio-demographic segmentation it is typical to include factors such as gender, age, family status, education, occupation and income. For Anttolanhovi these factors demonstrate themselves in the quality of the accommodation booked, how many beds or rooms are booked, frequency of visits, time of visits, size of the party and the customers' ability to spend money on other services. (Weaver & Lawton 2010, 160 – 166.) These are also very relevant facts when it comes to what types of activities the customers expect and wish to engage themselves into. When these facts about the customers are known, it is easier to plan activities that suit their preferences.

Psychographic segmentation is perhaps the most difficult and complex, and includes factors such as travel motivation and personality type. These factors can change depending on the situation and are relatively difficult to research reliably, as accurate self-knowledge is rarely achieved. (Weaver & Lawton 2010, 167 – 170.) Due to the complexity of this criterion, it is suggested that the case company focus primarily on other segmentation criteria.

Behavioural segmentation includes factors related to the decisions a customer makes about their travels. These include travel occasion, how long the customers stay in one destination and how many destinations they visit. It also includes customer loyalty, which was discussed in chapter 3. This category also contains elements such as accommodation type, mode of transport, amount of expenditure and activities the customer participates in. (Weaver & Lawton 2010, 170–174.) For Anttolanhovi accommodation type and desired activities in addition to customer loyalty could be helpful tools in separating customer segments from each other.

The segmentation of clients provides an opportunity for future research. Although some background data was collected about the respondents of this study, not enough details were asked to categorize the different customer types. Therefore it is suggested that the company commissions a quantitative research in which variables in demographics, socio-economical position, interests, attitudes and purchase behaviour are studied among their customers. These factors are then cross-tabulated to create customer groups, which all have their own identity. It is often helpful to give a describing name to the segment or to create a profile of a typical representative. When the company knows what kind of customer groups it serves, it could be easier to make decisions about the primary target markets, for which services will be created and perfected for. Further marketing and new service development could be targeted to these groups.

Not all possible segments can be chosen as the target market. Weaver and Lawton (2010, 157) suggest several criteria to evaluate whether a particular segment is useful for a company. It must be possible to measure the target criteria relatively easily, and the criteria must be relevant for the consumer behaviour. The segment must contain enough consumers to justify the actions the company takes to both reach them and serve them, and the segment must be sufficiently different from other segments. A company should only choose target segments whose values comply with the values of the company, otherwise the company cannot satisfyingly serve the customer segment without causing conflicts. In addition, the company premises must be adequate for serving this

particular segment. The chosen segments should preferably exist also in the future, and the company should have the means to reach the segments via marketing. All of these factors should be taken into consideration when the current customer groups have been identified and the case company is making strategic decisions about the future, but the most important factor when choosing target segments is the purchase power of the customers. The better the company knows the different segments, the easier the choice becomes. (Puustinen & Rouhiainen 2007, 172; Weaver and Lawton 2010, 157.)

7.3 Communication

One of the issues that arose during the research was the role of communication in attracting customers to Anttolanhovi. Based on the interviews and Martikainen's comments it can be stated that communication is an issue that has room for improvement. The key resource for information is the company website at www.anttolanhovi.fi. The case company currently provides a list of possible activities on its website. However, many customers had not visited it prior to their stay. Information was obtained mostly at the premises or as tacit knowledge in the case of local residents. The biggest concern pertaining to communication is that even customers currently staying at the premises were not well informed about the activity possibilities. Without successful communication about the activities Anttolanhovi cannot expect customers to participate in them and thus to create additional revenue.

Communicating about the activity possibilities to potential customers is especially important, since the majority of purchase decisions in tourism are made based on the activity possibilities rather than the destination itself, as is pointed out in chapter 1.3. Since Anttolanhovi is located in a scarcely populated area, the number of potential customers who base their purchase decision on location only is not very large. Therefore, it would seem advisable to use the activity possibilities as the spearhead in marketing. The contents of the visit should be the aspect that makes potential customers interested.

The case company could also provide a means to access information about the activities together with the booking confirmation email. As many customers dislike receiving unwanted email attachments, Anttolanhovi could consider whether to attach to the email confirmation a document with details about the activities or merely a link to the corresponding website URL, leading to the

webpage where the activities are presented. Despite the fact that different activities are presented thoroughly on Anttolanhovi's website, few of the interviewed customers mentioned having visited the site. However, this could be due to the fact that the interviewees were either rehabilitation clients with ready-made schedules or experiences customers quite familiar with the company.

It would seem advisable for Anttolanhovi to create a communications strategy considering three time perspectives, i.e. prior to the purchase decisions as a means leading to conversion, after the purchase has been made but before the visit and lastly during the visit. In addition to the website and possible attachments to booking confirmation, the case company needs to consider how to provide information at the premises. Check-in might not be the best time to provide detailed information about individual activities, as groups might be large and reception personnel under time pressure. Some customers preferred to have the information in their rooms in a hotel binder, but it was also noted that such folders might be strenuous to keep up to date. Another solution would be to provide this information at the reception desk, either in a binder or via a television screen. The latter could provide a cost-effective solution which would be easier to update than individual sheets of paper. Information about the activities could also be available by the restaurant, since not all customers stay at the hotel and therefore rarely visit the reception area during their stay.

As is discussed in chapter 3, tourism purchases are often the largest individual item the customer buys in a year. The associated risk is high for intangible purchases, including services. If the purchase is unsatisfactory, it cannot be replaced the same way a physical product can. It is, therefore, the responsibility of the company to provide as accurate descriptions of their services as possible. For the case company, a simple improvement in communication would be to provide images of all accommodation types on their website. Currently only the superior room is presented with pictures. Moreover, the terrace houses are presented with one image only, which does not assist the potential customer in making informed choices.

Decisions on target segments should also facilitate communication. It is easier to choose the right channels and create a message to a specific target group. Knowing the customers' needs could help emphasize important points that aid the customers in making purchase decisions, as discussed in chapter 3.

7.4 New service development

According to the results of the empirical study the selection of activities on offer seems to be in line with customers' expectations. Since it was apparent that the services themselves were not the main source of problems, the extent to which customers could be the source of new service development was limited. Therefore the amount of ideas for new activities was low. For the case company this is an essential piece of information, as it can now focus on developing the existing activities and communication about them. To tweak the service concept multiple approaches can be taken. Customers expressed a desire for memorable experiences either directly or by describing elements that are a part of memorable experiences, such as learning experiences or sensorial perceptions. Therefore, the following subchapters discuss a possible approach to the case company's future product development: experience design through story based design.

7.4.1 Experience design

According to Pine and Gilmore (1998, 97) the society is moving towards a new era, experience economy. The same development towards more affluent societies that has led to the rapid rise of tourism, allows consumers to spend more money on experiences (Tarssanen & Kylänen 2006, 134). As consumers desire memorable experiences, companies are responding by designing and promoting experiences rather than products or services (Pine and Gilmore 1998, 97).

In the future memorable experience will be the core of a tourism product. The destination itself, the environment and the staff are just supporting elements. (Borg & Kivi & Partti 2002, 28 – 30.) Competition in the industry is formed by the producers' ability to support customers' experiences (Storbacka et al. 2001, 22). If a company can build a unique moment between a customer and the brand, a tight bond is created, keeping the customer loyal for years (Kunde 2000, cited in Aaltonen & Heikkilä 2003, 83).

A memorable experience is a multi-sensorial, positive and comprehensive emotional experience that in the best case scenario leads to learning and personal change (Storbacka et al. 2001, 86; Tarssanen & Kylänen 2009, 10). The prerequisite for learning is that customers can be activated through actions, thoughts and feelings (Storbacka et al. 2001, 104). Experiences are personal, created in the

mind of an individual. No two people can have exactly the same experience. (Pine & Gilmore 1998, 99.)

Experiences cannot be produced, but the company can create the necessary preconditions with the service concept, service process and service system, as described in chapter 3 (Tarssanen & Kylänen 2006, 137-138). Often the traditional products and services provide simply as the stage for the experiences the company is really selling (Pine & Gilmore 1998, 98-99). “An experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event“ (Pine & Gilmore 1998, 98).

Memorable experiences differ from services through customisation, dramaturgy and theming (Tarssanen & Kylänen 2009, 8). Pine and Gilmore (1998, 102) suggest theming the experience so, that the customer knows what to expect. The theme doesn't have to be publicly articulated, but the design elements should be chosen in accordance to it to keep the experience uniform. The authors also suggest that the company introduce positive visual and aural cues that support the theme and remove those that contradict it. They suggest that sensory stimulants for all five senses should be used, and that the customer should be provided a chance to purchase memorabilia of the experience. (Pine & Gilmore 1998, 102-105.)

The six elements that create memorable experiences are individuality, authenticity, story, multi-sensory perception, contrast and interaction (Tarssanen & Kylänen 2009, 12-14). Individuality means two things. First, the experience must be unique, so that the customer cannot experience a similar experience elsewhere. Secondly, for a customer it should feel that the experience was developed to respond to his or her individual needs. This can be costly to a business, and therefore experiences are usually produced for groups with similar wants and needs. (Tarssanen & Kylänen 2006, 141.) This again underlines the need of understanding customers and customer segmentation. An example of this element was presented in the interviews; customers noted that activities should be adapted to the fitness level of the participant.

Authenticity means credibility in the eyes of the customer. It is related to the local way of living either currently or in the past. The experience or activity can feel genuine to the tourist even if such habits never existed. The customer is the ultimate judge of this characteristic. Conversely, stories can either be historical narratives of authentic events or tales of belief, depicting the relationship

between humans and supernatural beings. A story gives meaning and explanation to why the customer is participating in the activity. It binds the experience to reality and gives a meaning to the activity. (Tarssanen & Kylänen 2006, 142-145.) These two elements were not explicitly mentioned by customers in the empirical research, but several customers mentioned they would like to learn more and hear stories about the history of the estate and area.

Multi-sensory perception means that the product should be experienced with as many senses as possible. This produces stronger emotions and leaves a stronger imprint in memory. (Tarssanen & Kylänen 2006, 145.) Several customers discussed sense perceptions in their answers to the open call for innovation. Especially visual, aural and tactile sense perceptions were described, as explained in chapter 6.

The element of contract refers to the experience being different from the customer's daily routines. This allows the client to experience something out of the ordinary and at the same time to view themselves from a different perspective. What can be considered out of the ordinary naturally depends on who the customer is and from what kind of culture they come, highlighting again the importance of customer segmentation as the first development phase for the case company. (Tarssanen & Kylänen 2006, 145-146.) During the interviews, customers reflected this element by emphasizing the newness of the activity to its participants. When it comes to foreign clients a memorable experience can arise from clashes of culture, when the way something is experienced changes (Borg et al. 2002, 28 – 30). For foreign customers at Anttolanhovi it could be the Finnish white nights, silence of the country side or a rattling campfire that allow the tourist to experience what it is like in Finland.

The last element, interaction, stands for the relationship between the customer, employees and possible other participants. Being part of a group enhances the experience by making it socially acceptable and gives a social boost to the customer by linking him or her to other members of the group, creating a feeling of belonging. For these reasons interaction among customers should be encouraged. (Tarssanen & Kylänen 2006, 146-147.) In interviews customers stated that undertaking an uninstructed activity would be less complicated in a congenial group of people. In the open call for innovation customers commented about sitting by the campfire together, or having an ice fishing or an orienteering challenge.

Often the transformation from a regular activity to a memorable experience can be reached with relatively small changes, such as turning ice fishing into children's fishing competition or lighting the sauna with lanterns instead of bright lights. Creating memorable experiences is an individual process, which especially in the context of tourism is related to strengthening of sensations or the lack of regular sense perceptions. A memorable experience leaves such a strong imprint, that it is spontaneously remembered. One participant of the open call for innovation reminisced:

“In one destination there was an ice fishing competition for the children (abt 2 hours), after which we fried sausage and pancakes by the fire. They still remember that trip now that they are 20 years old, although they have been fishing since they were three.”

From the empirical research it follows that it would seem advisable for the case company to think about how memorable experiences their activities offer. Customers' wishes about combining the activities together are an indication that they want to experience something memorable, a real experience. One too to reach this goal is to bring all activities under a common denominator by using story based design.

7.4.2 Experience design tool: story based design

According to Jensen (1996, 9) the future society will focus on dreams, adventure, spirituality and feelings. In the future successful companies create images and tell touching stories (Aaltonen & Heikkilä 2003, 18). The highest paid person in the new economy is a storyteller, and products are valued for the story they tell rather than their utility value. Companies must build values and a story to their products. In the industrialized world people consume much more than they need. A story is part of what consumers buy when purchasing a particular product. In the future people will buy stories, legends, emotion and lifestyle. (Jensen 1996, 10.) From now on a smaller portion of the product price consists of physical product. Instead, a growing proportion derives from the design, story and brand. (Aaltonen & Heikkilä 2003, 80.)

One tool for companies to stay ahead in the competition and to enhance the memorability of experiences is to use story based design. Story based design means developing and planning services based on a story. (Kalliomäki 2014b, 13-14.) Using a story is a strategy that helps the company to focus its actions and clarifies company goals (Aaltonen & Heikkilä 2003, 15, 75). Through it companies can either create new services or develop their existing ones to become more

memorable (Kalliomäki 2014b, 14). Story based design is a practice that has emerged during the last decade (Tarssanen 2014).

According to Tarssanen (2014) stories matter especially in tourism, but companies rarely use them systematically in their functions. Instead, using story based design depends on the enthusiasm of individual employees. Companies are aware of the importance, but execution is still missing. Story based design is similar to other academia induced ideas in that there has to be enough evidence of its usefulness before it will be adopted by companies on a larger scale. One has to be able to see the benefits before story based design can be considered as an investment. (Tarssanen 2014.)

According to Tarssanen (2014) story based design can be one of the success factors for a company, but not the most important. However, it does have one important advantage. It offers the company a possibility to differentiate itself from its competitors. (Tarssanen 2014.) Story based service design supports creating memorable experiences and company differentiation (Kalliomäki 2014b, 5). Actions and events disappear from memory, but stories remain (Aaltonen & Heikkilä 2003, 13-14). Considering that story based design is not yet very widely used, implementing it at this stage could provide Anttolanhovi competitive advantage.

Stories can also be used as a tool to develop a company. Mere descriptions are often too simple tools to describe the feelings, values and complexities involved in a company. Stories reach this goal more efficiently. (Aaltonen & Heikkilä 2003, 11.) A strategy based on a story is easier for the employees to communicate and remember. Through stories essential information can be quickly delivered. In best case scenario stories create change in humans and organizations. (Kalliomäki 2014b, 53 – 54; Aaltonen & Heikkilä 2003, 16.) Story based service design can be utilized in all operations from service to marketing. Story design is a part of strategic planning, productization, service design, marketing and branding (Kalliomäki 2014b, 7, 14). Tools such as story identity manual and the service story scripts become strategic tools for the company (Kalliomäki 2014b, 53 – 54). Stories are thus a modern way to develop an organization (Aaltonen & Heikkilä 2003, 15). Story based design can also serve as a tool for product development. Often through story elements new ideas about products and services are created (Kalliomäki 2014b, 90).

Story designing is a creative process consisting of several stages. The main tool is a story identity manual, which includes nine separate elements, i.e. story tree, core message, core story, characters,

themes, picture of the times, service environment, services and products, and marketing, the last three being related to the story as a service experience. (Kalliomäki 2014b, 94.) The preferred solution would have been to organize a workshop with the case company to develop the full story identity manual, but this type of co-operation was not possible due to time constraints. Instead, suggestions about how to implement the different elements of the story identity manual are presented based on the writer's own perceptions.

The first stage in story based design is to create a story tree, which is depicted in figure 7.

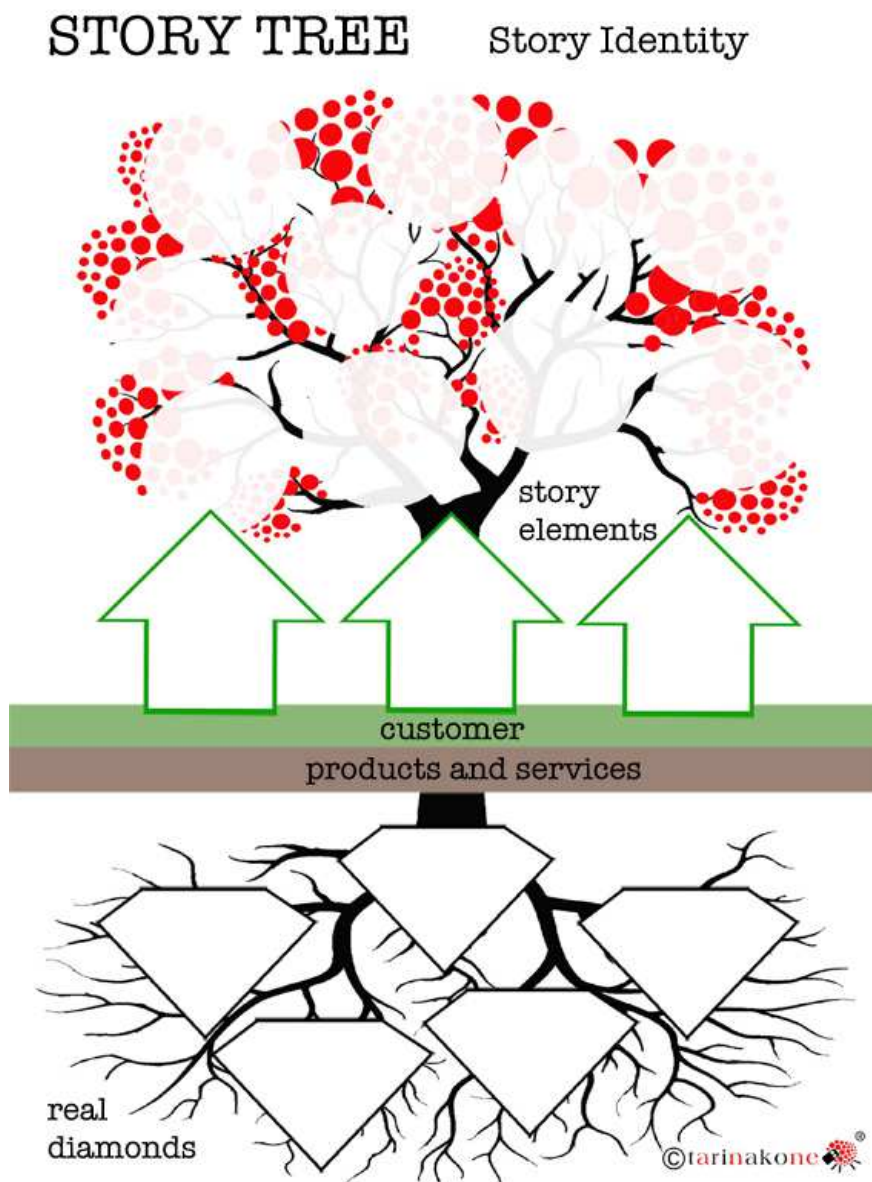


Figure 7. Story tree (Kalliomäki 2014a)

The drafting of the story tree is started in the roots. The core of the business, i.e. the reason for the company's existence is written there. This section can include the core values and the history of the company, the "real diamonds". (Kalliomäki 2014b, 81.) Once the roots are completed, customers are depicted in the tree trunk. The main customer group is sketched in the middle through keywords. It is beneficial to approach these keywords through consumer behavior and popular culture, i.e. what type of entertainment the customer uses. For the purposes of story based design it is essential that the company knows its customer groups. Story identity is built from the viewpoint of the customer. If there is no viewpoint, the story and thus the company appeal to no one. (Kalliomäki 2014b, 82.) Therefore story based design should be implemented after the company has identified its customer segments and chosen the target groups. The importance of first deciding the target segments was also emphasized by Tarssanen (2014) during the expert interview.

The products and the services of the company are written in the two other tree trunks to bear them in mind throughout the process. (Kalliomäki 2014b, 87.) In the treetop, story elements related to the company are written. These can be themes related to the company, characters, the story of the company name, history of the company, uniqueness of the service environment, symbols or sayings that depict what the company does. They can also be story elements that are already used by the company. (Kalliomäki 2014b, 88-89.) A story must always be concrete and, therefore, the ideas should be written as nouns, when possible (Kalliomäki 2014b, 90).

Depending on the company the story can emphasize the company history, present time or future (Aaltonen & Heikkilä 2003, 76-77). It is typical of companies to use the history of the area in their stories (Tarssanen 2014). For Anttolanhovi history provides many elements that can be utilized. The history of the estate goes back to year 1639 when it was owned by a Russian boyar family. During the following centuries the ownership of the estate changed several times. After the Russian revolution in 1917 the estate was bought by a Russian prince Aleksander Nikolajevitš Lopuchin-Demidoff. The prince and his wife lived on the estate only for a short time, as they quickly exhausted their funds. The mansion was bought by the Anttola municipality with the purpose of turning it into a nursery home. In reality it became a school until the estate was sold to the predecessor of The Organisation for Respiratory Health in Finland for a rehabilitation center. (Salmela 2008.) The story is linked to the company name Anttolanhovi, i.e. 'Anttola court', which makes it easy for customers to remember. The prince and his wife provide obvious choices for characters, although several others, working either with or against the couple can be created. The

word 'hovi', i.e. court, in itself has connotations of luxury, which can be used to create an image of royal treatment or good food and fancy apartments. Currently the history of the estate is not explicitly used in the marketing or branding of the company and the story about how the farm became the home for a noble family and later a sanatorium for people with respiratory organ illnesses is not told on the company website (Anttolanhovi 2014). Tarssanen encouraged Anttolanhovi to use its royal history and its characters in the story. This history would be especially interesting for the Russian travelers. (Tarssanen 2014.) According to Tarssanen (2014), domestic and foreign customers have similar travel motivations and therefore the same story can appeal to multiple customer groups.

From the elements depicted in the treetop the best three are chosen for further development. The elements should be detailed, unique and in line with the company values. Merely hearing the story element should evoke customers' interest. (Kalliomäki 2014b, 94.)

Drawing from the story tree, a core message is drafted. It is a short story, told with a few sentences. The core message has an open ending, as events are still taking place. (Kalliomäki 2014b, 102-103.) For the case company the story could e.g. be the following: A hundred years ago a Russian prince lived here with his wife, enjoying the beautiful lake and the forest. So started the story of Anttolanhovi, where visitors are taken care of even today in a royal manner.

The following stage is creating of the core story. It is created as a narrative from the following subsequent elements:

- Starting point: How did everything start, and who are the characters?
- Presentation: Why is the company what it is? Here causal relationships are made visible.
- Deepening of the plot and a twist: A surprising event impacts what the company has become.
- Solution: Through the story, the company's service promise is presented.
- Fade-out: How the customer feels when the service has been delivered and what is the story experience created by the company. (Kalliomäki 2014b, 105-106.)

While core stories are most often fictional, Anttolanhovi's history provides elements that match Kalliomäki's template. The starting point of the story could either be further back in history or the

point in time when the Demidoffs moved to the estate. The presentation stage could describe how the name Anttolanhovi came to existence. The deepening of the plot could describe the life of the couple in the mansion, enjoying the surrounding forest and Lake Saimaa and local foods. The actual history even presents a twist and a solution. After only a couple of years, the prince ran out of money despite the family being almost as wealthy as the Russian Tsar, and the couple had to return to Russia, therefore leaving the estate and hospitality of the locals for others to enjoy. As the fade-out, it could be described how today Anttolanhovi serves seekers of relaxation and pampering from around the world.

After the core story has been completed, characters are created. They can either be real or fictional. Even a product, service or the service environment can become a character in the story. Characters have both weaknesses and strengths, and always an aim that they strive for. The aim should be bound to the company's service promise at some level. The character can also be an anti-hero, in which case the aim is opposite to the service promise. The character(s) can be used for example on the website to introduce products or to communicate with clients in social media. (Kalliomäki 2014b, 110-113.) For Anttolanhovi the characters could be the two Demidoffs, both with their own personalities, members of their staff, Lake Saimaa, the surrounding boreal forest of pine trees, a forest elf or one of the gods in the Finnish ancient religion. There are also several beliefs related to forest animals, which could be used as characters (Seppälä 2009, 65).

At the stage to follow, a list of themes is created. They are usually elements that are present in the core story, such as places, characters or their professions, styles or events. About 5 to 10 themes are discussed elaborately in the story identity manual, and an explanation is given on how they are related to the company. These elements are also suitable to be used in service design, for example by using related objects as decorations. (Kalliomäki 2014b, 117-119; Tarssanen 2014.)

After the themes are complete, a decision needs to be made concerning the era that the story is related to. It is typical of tourism companies to use a period of time as the planning source for the company. If the company has interesting history during a particular era, such as the case company, the planning process should start from there. (Kalliomäki 2014b, 120-121.)

To complete the story based design process, three starting points for practical implementation of the story are defined. The service environment is staged with cues from the story, both at the premises

and for virtual encounters on the website. The story can become a part of the service environment through small clues, such as objects, colors, sensations, sounds, lights and indications of the characters' lives. The company also needs to think how the story made is visible in their service. Through adding visible cues such as employees' themed uniforms both the customer and the employees obtain roles in the story, and the services develop a plot. Finally questions of marketing are discussed. The company needs to decide how the elements or characters of the story are added to the marketing message. (Kalliomäki 2014b, 122-126.)

As a tool both for strategy and for product development story based service design could be used to solve challenges at several levels. Combined with thorough customer segmentation it should provide the company tools for future development and means for differentiation. Using story based design as a tool will clarify the service concept, the core idea, which needs to be the starting point for any product development processes. For the case company adopting this process could help solve the initial issue of needing more activities the company assumed it was having, and consequently help the management in the future when further ideas for activities are developed.

Story based design is not without its complications. Tarssanen emphasized, that story based design is no panacea. Before implementing story based design the company must have other processes in order. The company needs to know what it is offering and to whom, and plan it well. Mere story based design won't bring any benefits. (Tarssanen 2014.) The most challenging part in story based design is leading memorable experiences. It is very hard to distinguish and measure which part of the experience is the one creating added value to the customer. Only in-depth interviews could shed light to this issue, and therefore memorable experiences are often managed and choices made based on a gut feeling rather than strategic planning. (Tarssanen 2014.)

In practice there are many ways to add story elements to the visitor's experience. According to Tarssanen (2014), creating the whole customer experience into a story is the most effective way to bring added value. This means that all employees would stick to a role and cite premeditated lines. Tarssanen admitted that this would require a lot from the employees. (Tarssanen 2014.) As stated earlier, it is hard to know which part of the experience design brings the most added value to customers. Therefore in this case Anttolanhovi might want to gradually increase the elements of a story. Logical places to start would be the website, the restaurant menu and themed weekends, which Anttolanhovi provides to customers. In addition, outdoor activities could be designed around

the story. It is even possible to build a route in the surrounding area without touching the actual physical infrastructure. Modern smart phone applications allow the company to create GPS based themed walking tours that contain multimedia content about different check points. (Koljander 2014.) Since information technology is expected to become a vital element in tourism in the future, adopting it in connection with story based design would allow Anttolanhovi to make use of this trend.

Implementing story based design through the suggested methods would allow Anttolanhovi to slowly implement the story into its processes without large investments. Things such as menus, weekend programmes and websites are updated on regular intervals, so they would allow the possibility to evaluate the results with the possibility of modifying the story later if needed. That would reduce the risk and lower the initial cost of story based design.

It is also possible for Anttolanhovi to first test the concept with a particular customer segment. It can be expected that the Russian segment might be most interested in the history of the Demidoffs, and therefore it could be one of the first segments for the case company to test the new concept. Since rehabilitation customers are not fully responsible for their purchase decisions themselves, Tarssanen recommended not to make extensive efforts in story based design considering this customer group, unless additional revenue can be created (Tarssanen 2014).

Linking the story to outdoor activities is also possible. In relation to outdoor activities, stories are great tools in motivating people. Through stories seemingly unrelated activities can be constructed into a coherent series of events. The plot motivates people to engage themselves in activities they might otherwise consider silly. (Tarssanen 2014.) Considering the ability of stories to bind events together, outdoors activities related to the story would also provide the customers a motivation to include these activities in their visit. For Anttolanhovi this approach would also help combine the elements of nature to the activities, thus fulfilling the original objective of the research.

8 CONCLUSIONS

In this research a practical project in new service development was conducted for an SME in the tourism sector. The objective of this project was to develop new activities for the case company Anttolanhovi to provide to its customers. This should allow them to increase demand during low season and thus balance seasonality, a typical problem in the tourism industry. Hotel rooms and restaurant space produce fixed costs even when they are not in use. Therefore companies aim to maximise their capacity usage.

The most significant motive for tourists to choose a particular destination is what the premises and surroundings provide as entertainment and past time options during the stay. For these reasons customers were asked to share their opinion about what kind of activities they would like to engage themselves in during a visit at Anttolanhovi. The objective was to create new activities for Anttolanhovi by using customers as a source of information through methods of user-driven innovation.

The empirical research indicates that the current selection of activities meets customers' needs well. The current service concept appeals to Anttolanhovi's customers. Therefore lack of suitable activities is not likely to be the only reason contributing to the lower occupancy rates. From this it results that new service development per se is not likely to be sufficient tool to solve that issue.

Interviews with customers and discussions with the management indicated that customers were not sufficiently aware of the activity possibilities and therefore the company had not yet been adequately successful in making them known to customers. Observations and discussions with the management also revealed indications of possible strategic issues. The analysis from observations suggests that it would be advisable for the case company to make a strategic choice about which customer segments to target in the future. Doing so could assist the company in developing a strategy for the future and to plan its operations efficiently. Currently it seems that the company aims to please many customer segments, possibly with conflicting interests. As a result, it can be hard for the case company to achieve a recognizable profile and to differentiate itself from its competitors. Making a clear choice about target segments could also ease the decisions on how to develop the premises in the future.

A company has to define its target segments in order to remain competitive in the long run and to be able to develop products and services that respond to customers' needs. Only when it is clear what type of customers the company wishes to serve, it can successfully continue its product development process. (Komppula & Boxberg 2002, 66.) During the research process the case company has started to collect information about its customers through its booking systems. The company has also withdrawn the Art&Design villas from sale. (Martikainen 2014c.) It is recommended that the company continues this development by making an additional research in order to identify the current customer groups it serves. Drawing from this research, the company could make informed decisions about which customer segments to target in the future. A further research into customer segments combined with the data gathered in the booking system could provide additional information to the company, thus alleviating making strategic choices in the future.

Despite the fact that the empirical research did not yield practical new activity ideas from the customers, there was a pattern to what types of activities the customers were longing for. During the interviews customers expressed their desire for elements that are typical of memorable experiences, such as sensory perceptions and contrast to everyday life. Based on the analysis of the material derived from the customers, experience design is the angle from which Anttolanhovi could proceed with its service development in the future.

As the practical tool for enhancing customers' experiences the technique of story based design is suggested. Anttolanhovi could use its own history as a starting point for the story. Building a story identity could help the company to identify the core of their services and bring all elements of the service process under the same brand. Most importantly, using story based design could help the company to gain a recognizable profile and to differentiate it from competitors. It would also provide as a tool for product development in the future. Through successful product development, interesting activities could attract not only stayover visitors, but also excursionists from nearby areas to visit Anttolanhovi. Since the activities available are more important a decision criterion than location for most customers, it would seem advisable for the case company to emphasize them in marketing and communications.

Despite all efforts to increase the occupancy rate throughout the year, seasonality is a typical problem for tourism companies and it cannot be fully expected to be solved through any means of

strategic management. While there are ways to influence supply and demand imbalances, as seen in chapter 2, there is no panacea to fully fix it. Seasonality remains a characteristic of the industry and therefore it cannot be fully removed. The objective of this research has been to offer means for the management to alleviate its effects and to reduce the differences between the high and low season capacity usage.

Through the suggested strategic decisions the company should be able to focus its future activities on the chosen target groups. This could provide multiple advantages to the current situation. It could help the company to make decisions on how to develop the premises in the future. Planning company operations with consideration to desired target segments should ultimately lead to advancement in product development also, as products are easier to plan with consideration to the needs and wants of a particular target market. Creating memorable services could facilitate enhancing customer experiences. In addition, using a story could help the company create a distinguishable profile, which could create competitive advantage for the company.

REFERENCES

- Aaltonen, Mika & Heikkilä, Titi 2003. *Tarinoiden voima*. Helsinki: Talentum.
- Albanese, Pietro 2004. *Revenue management – periaatteet ja käytännöt palvelualalla*. Helsinki: Edita.
- Anttolanhovi 2014. Anttolanhovi Website. Downloaded July 20 2014.
<<http://www.anttolanhovi.fi/>>
- Borg, Pekka & Kivi, Elina & Partti, Minna 2002. *Elämyksestä elinkeinoksi. Matkailusuunnittelun periaatteet ja käytäntö*. Juva: WSOY.
- Egger, Roman 2012. *Open Tourism*. Downloaded July 20 2014.
<<http://www.open-innovation-in-tourism.com/>>
- Eskola, Jari & Suoranta, Juha 1998. *Johdatus laadulliseen tutkimukseen*. Tampere: Vastapaino.
- Evans, Nigel & Campbell, David & Stonehouse, George 2003. *Strategic management for Travel and Tourism*. Great Britain: Butterworth-Heinemann.
- Finnish Tourist Board 2007. *Countryside holidays in Finland. Part 3: Market study for Russia*. Jyväskylä: IPK International.
- Finnish Tourist Board 2013. *Suomen matkailustrategia vuoteen 2020. Tuotekehityksen painopisteet vuosille 2014 – 2020*. Downloaded July 20 2014.
<<http://www.mek.fi/wp-content/uploads/2014/01/Teemat-ja-tuotekehityksen-painopisteet-2014-alk-.pdf>>
- Gillham, Bill 2000. *The Research Interview*. Padstow: Continuum.
- Gillham, Bill 2001. *Case Study Research Methods*. Padstow: Continuum.
- Grängsjö, Yvonne von Friedrichs 2003. *Destination networking. Co-opetition in peripheral surroundings*. *International Journal of Physical Distribution & Logistics Management*, Vol. 33 No. 5, 427-448.
- Gummesson, Evert 2000. *Qualitative Methods in Management Research*. London: Sage Publications Ltd.
- Hjalager, Anne-Mette & Nordin, Sara 2011. *User-driven Innovation in Tourism – A review of Methodologies*. *Journal of Quality Assurance in Hospitality & Tourism*, 12, 289 – 315.
- Holloway, J Christopher 2004. *Marketing for Tourism*. Harlow: Prentice Hall.
- Idealware 2008. *The Basics of Email Metrics: Are Your Campaigns Working?* Downloaded July 20 2014.
< http://www.idealware.org/articles/email_metrics.php>

- Jensen, Rolf 1996. The Dream Society. The Futurist, May-June, 9-13.
- Kalliomäki, Anne 2014a. Story Identity is the Foundation of Your Story Design! Downloaded May 1 2014
<<http://www.tarinakone.fi/en/services/story-identity/>>
- Kalliomäki, Anne 2014b. Tarinallistaminen. Palvelukokemuksen punainen lanka. Estonia: Talentum.
- Kemppainen, Heikki 2014. Tax free-myynti romahti - onko Ukrainan kriisi syynä? Lappeenrannan uutiset 10.4.2014. Downloaded May 1 2014.
<<http://www.lappeenrannanuutiset.fi/artikkeli/289447-tax-free-myynti-romahti-onko-ukrainan-kriisi-syyna>>
- Komppula, Raija & Boxberg, Matti 2002. Matkailuyrityksen tuotekehitys. Helsinki: Edita Prima Oy.
- Koivuranta, Esa 2014. MaRa: Edustuskulujen verovähennysoikeuden poisto on lisännyt työttömyyttä matkailu- ja ravintola-alalla. Yle 25.6.2014. Downloaded July 20 2014.
<http://yle.fi/uutiset/mara_edustuskulujen_verovahennysoikeuden_poisto_on_lisannyt_tyottomyytta_matkailu-ja_ravintola-alalla/7318230>
- Koljander, Kalle 2014. Software Engineer, Citynomadi Ltd 15.9.2014.
- Konu, Henna & Tuohimo, Anja & Komppula, Raija 2010. Lake Wellness – a practical example of a new service development (NSD) concept in tourism industries. Journal of Vacation Marketing, 16(2), 125 – 139.
- Koponen, Paavo 2013. Anttolanhovi myy luksushuvilansa - ja lomauttaa väkeä. Yle Etelä-Savo 27.2.2013. Downloaded July 20 2014.
< http://yle.fi/uutiset/anttolanhovi_myy_luksushuvilansa_-_ja_lomauttaa_vakea/6515301>
- Kotler, Philip & Bowen, John T. & Makens, James C. 2014. Marketing for Hospitality and Tourism. Pearson International Edition. Harlow: Pearson.
- Martikainen, Eija 2013. Asiakaslähtöinen matkailutuotteen kehittäminen Anttolanhoville. 30.09.2013.
- Martikainen, Eija 2013. Hotel manager, Anttolanhovi. Email sent 30 September 2013.
- Martikainen, Eija 2014a. Hotel manager, Anttolanhovi. Personal face-to-face communication 23 January 2014.
- Martikainen, Eija 2014b. Hotel manager, Anttolanhovi. Personal face-to-face communication 24 January 2014.

- Martikainen, Eija 2014c. Hotel manager, Anttolanhovi. Personal communication via telephone 9 October 2014.
- Mason, Neil 2010. Analytics Basics: Understanding Survey Data. Downloaded July 20 2014.
< <http://www.clickz.com/clickz/column/1721875/analytics-basics-understanding-survey-data>>
- Matkailu.org/University of Eastern Finland 2014. Huhtikuun teemakooste: Matkailu työnä. Downloaded April 15 2014.
<<http://www.matkailu.org/tutkimukset/tietoa-teemoittain/muut/568-teemakooste-matkailu-tyona>>
- Middleton, Victor T. C. & Clarke, Jackie 2005. Marketing in Travel and Tourism. Oxford: Elsevier.
- Oksanen, Jaana 2014. Tämä etu vietiin firmoilta - "iso merkitys" ravintoloille. Ilta-Sanomat 18.3.2014. Downloaded March 18 2014.
< <http://www.iltasanomat.fi/tyoelama/art-1288666691016.html?pos=ok-nln>>
- Page, Stephen J. 2011. Tourism Management. An Introduction. Oxford: Elsevier.
- Pine, B. Joseph II & Gilmore, James H. 1998. Welcome to the experience economy. Harvard Business Review, July-August, 97-105.
- Puustinen, Arja & Rouhiainen Ulla-Maija 2007. Matkailumarkkinoinnin teorioita ja työkaluja. Helsinki: Edita.
- Salmela, Marja 2008. Tiesitkö? Ruhtinoilta kuntoutujille. Helsingin Sanomat 6.6.2008. Downloaded July 20 2014.
<<http://www.hs.fi/tulosta/1135236949035>>
- Seppälä, Timo 2009. Mythology. In Sanna Tarssanen (ed.) Handbook for experience stagers. Rovaniemi: Oy Sevenprint Ltd, 58-73. Downloaded July 20 2014.
<<http://www.leofinland.fi/wp-content/uploads/2014/06/Handbook-For-Experience-Stagers.pdf>>
- Sigala, Marianna 2012. Social networks and customer involvement in new service development (NSD). The case of www.mystarbucksidea.com. International Journal of Contemporary Hospitality Management, 24, 7, 966 – 990.
- Silverman, David 2005. Doing qualitative research. London: Sage Publications Ltd.
- Storbacka, Kaj & Korkman, Oskar & Mattinen, Hannu & Westerlund, Markus 2001. RED. Tee asiakkuudesta kokemus! Helsinki: WSOY.
- Tarssanen, Sanna 2014. CEO, Lapin Elämystuotanto Oy. Interview conducted September 9, 2014.
- Tarssanen, Sanna & Kylänen, Mika 2006. A Theoretical Model for Producing Experiences – A Touristic Perspective. In Mika Kylänen (ed.) Articles on Experiences 2. Lapland Centre of Expertise for the Experience Industry (LCEEI), Rovaniemi. 134-154.

- Tarssanen, Sanna & Kylänen, Mika 2009. What is an experience? In Sanna Tarssanen (ed.) Handbook for experience stagers. Rovaniemi: Oy Sevenprint Ltd, 8-23. Downloaded July 20 2014.
<<http://www.leofinland.fi/wp-content/uploads/2014/06/Handbook-For-Experience-Stagers.pdf>>
- TEM 2010. Suomen matkailustrategia 2020. Downloaded July 20 2014.
<https://www.tem.fi/files/27053/Matkailustrategia_020610.pdf>
- TEM 2014. Suomen matkailun tulevaisuuden näkymät. Katse vuoteen 2030. Downloaded July 19 2014.
<http://www.tem.fi/files/38503/TEMrap_4_2014_web_17012014.pdf>
- Tkaczynski, Aaron & Rundle-Thiele, Sharyn R. & Beaumont, Narelle 2009. Segmentation: A tourism stakeholder view. *Tourism Management* 30, 169-175.
- UNWTO 2014. World Tourism Barometer. Volume 12, January 2014. Downloaded July 20 2014.
<http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_barom14_01_jan_excerpt.pdf>
- Verve 2014. Historia. Downloaded April 19 2014.
<<http://www.verve.fi/verve-2/historia.html>>
- Virsta 2014. Laadullisen ja määrällisen tutkimuksen erot. Downloaded July 20 2014.
< <http://tilastokeskus.fi/virsta/tkeruu/01/07/>>
- Weaver, David & Lawton, Laura 2010. *Tourism management*. Milton Qld: Wiley.
- Yin, Robert K. 2003. *Case Study Research*. London: Sage Publications Ltd.

APPENDICES

Appendix 1. Interview form: Group interviews

Appendix 2. Interview form: Tarssanen, interview via telephone

APPENDIX 1

Face-to-face group interviews on January 23 and 24, 2014.

Interviewees: 18 customers at Anttolanhovi. Names have been omitted to protect the privacy of the interviewees.

Questions have been translated from Finnish into English by the writer.

1. How to make the activities attractive?

- Which activities have the interviewees participated in?
- What makes an activity interesting and successful?

2. What are the requirements for an independent (unguided) activity?

- How can Anttolanhovi make these activities as successful as possible?

3. How to communicate about the activities to the customers?

- Where should information about the activities be available?
- At what point and how should the case company inform customers about the activity possibilities?
- Is the current level of communication sufficient?

APPENDIX 2

Interview via telephone September 9, 2014

Interviewee: Sanna Tarssanen, CEO, Lapin Elämystuotanto Oy

Questions have been translated from Finnish into English by the writer.

1. How much do Finnish tourism companies make use of memorable experiences and story based design? Has there been any development and what does the future look like?
2. In your opinion, what effect do these practices have on the success of the company?
3. What are the most successful cases?
4. What are the best practices?
5. Are there any pitfalls for the companies to watch out for?
6. Should different customer segments be treated differently? How should a company treat international clients and do cultural differences play a role?
7. Are there examples of incorporating memorable experiences or story based design with various activities such as exercising? Can seasons be utilized?
8. Are there examples where actual history of the company or the surrounding area have been used?