TOWARDS A MODEL OF NEW SERVICE DEVELOPMENT FOR DIFFERENTIATED TOURISM SERVICES

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ABSTRACT

As tourism services become increasingly competitive and the life expectancy of many services becomes shorter, there is a need to both develop new services and enhance existing services. The process for new service development remains a difficulty for most tourism firms and in particular for SME's who may be deficient in the skills necessary for service development Pikkemaat & Peters (2005). The perceived difficulty in the creation of new services is due in no small part to the fragmented and limited nature of research on the subject (Stevens & Dimitriadis, 2005) and the contention that empirical studies have not yet reached consensus on a well formalised New Service Development (NSD) process (Menor *et al.*, 2002).The purpose of this paper is to address this knowledge gap by identifying the activities and resources necessary to develop new services in a tourism context. It is the author's assertion that the development of tourism services requires a model tailored to the specific characteristics of the sector. This paper proposes to develop a conceptual model of NSD which will include applicable components of existing NSD and New Product Development (NPD) models, but will also add new components to reflect the specific characteristics and challenges of NSD in the tourism industry. It is anticipated that the study will make a significant contribution to both academic knowledge and tourism practice by addressing deficiencies in both tourism and service development literature and will assist practitioners in appreciating the stages and factors that should be considered in developing differentiated new services. This mini case study's primary aim was to build an understanding of the components of the experience concept at the Guinness Storehouse and to understand the process by which it was achieved. The following are a summary of the elements of the Storehouse experience concept: a scripted theme, authentic physical elements, a range of emotions including excitement, surprise, pleasure and personal control, tiered levels of knowledge transfer, sensory stimulation, brand connection & emotional engagement. The experience is supported by activities including the use of mobile elements, knowledgeable and engaging staff, the interactive use of mixed media, and the active solicitation of customer feedback.

Key Words: Tourism, Services, New Service Development

INTRODUCTION

Following several years of strong economic growth the Irish tourism industry is currently facing the most challenging circumstances for over a decade (Fáilte Ireland, 2008), due for the most part to international fiscal uncertainty. Innovation and NSD are widely accepted as a means of achieving strategic growth, competitive advantage and long-term sustainability (Hall and Williams, 2008) however evidence suggests that tourism firms are deficient in the skills necessary for service development generally preferring to imitate and adapt existing services rather than develop wholly new ones (Peters & Pikkemaat, 2005). The low levels of innovation and creativity in the sector have been attributed to a lack of systematic processes and knowledge of how new products and services should be developed (Dwyer and Edwards, 2008). NSD is not an optional pursuit for tourism organisations, the development of new consumer focused tourism products and experiences is imperative and is critical if the sector is to recover from current challenges and achieve long-term sustained prosperity (Fáilte Ireland, 2007; ITIC, 2006). It is clear that industry specific research is required to assist the tourism sector in building their service development capability, however, any research aiming to address this need must be focused, practical and reflective of the challenges facing a sector dominated by owner-operated SME's (Hjalager, 2002).

Stevens & Dimitriadis (2005) assert that the perceived difficulty in the creation of new services is due in no small part to the fragmented and limited nature of research on the subject. This argument is supported by Menor *et al.*, (2002) who state that empirical studies have not yet reached consensus on a well formalised NSD process with many studies generating conflicting results. Sundbo (2007) proposes that service development and innovation in tourism is inherently different to product development as such requires a tailored, context specific approach. Indeed, an extensive review of NSD literature indicates that to date, no model exists which makes clear to tourism practitioners *how to* undertake NSD. The purpose of this paper is therefore, to address this knowledge gap by developing a conceptual model that is tailored to the characteristics of the sector but yet integrates and adapts best practice from other product and service contexts. This will be achieved by identifying the activities and resources necessary to develop new services and applying them to a tourism context but will also add new components to reflect the specific characteristics and challenges of NSD in the tourism industry.

LITERATURE REVIEW

The aim of this paper is to generate a '*how to*' model of NSD to assist tourism practitioners in navigating the intricacies and perceived complexity of developing new services. This aim will be achieved by identifying the activities and resources necessary for NSD in tourism, accomplished through a synthesis of extant literature on new product and service development. The model will be made relevant to practitioners by incorporating specific service and sectoral elements that impact the development of new services. Figure 1 below presents a summary of the stages and activities of key NPD and NSD models with the final column depicting the emergent activities to be incorporated into the resultant conceptual model.

Figure 1: Summary of Key NPD and NSD Models

Compound Stages	Booz et al. (1982)	Scheuing & Johnson (1989)	Edvardsson & Olsson (1996)	Tax & Stuart (1997)	Menor et al. (2002)	Stevens & Dimitriadis (2005)	Core Stages
	Linear	Linear	Holistic	Iterative	Iterative	Learning	
1. Service Audit Occurrence of a Cognitive conflict				X		X	1. Service Audit
1. Formulation of New Service Objectives & Strategy	X				X		2. Strategy & Objectives
2. Idea Generation	X	X			X		3. Idea Generation/ Screening & Refinement
3. Screening & Evaluation/ Building Alternative solutions, Refining initial ideas	X	X		X		X	
4. Service Concept Development/ Service Definition		X	X	X	X		4. Concept Development/ Testing
5. Concept Testing		X			X	X	
6. Business Analysis / Definition of extent of change (participants/Physical facilities)	X	X		X	X		5. Definition of Service System (processes, participants & physical facilities)
7. Project Authorisation/ Adoption		X		X	X	X	6. Project Authorisation
8. Service Design and Testing Process & System Design & Marketing Program Testing		X	X	X	X	X	7. Design Service Process & System & Test
9. Product Prototype Final Writing of Processes, Procedures & Behaviours Training and Pilot Run	X	X		X	X		8. Training & Pilot Run
10. Test Marketing/Adoption		X				X	
11. Full Scale Launch/ Implementation/ Commercialisation	X	X		X	X	X	9. Launch & Review New Service & Learning
12. Post-Launch Review/Feedback		X			X		

Biemans (1992) identified that an idea has to pass through several stages before becoming a completed innovation. The literature on the subject of NPD is abundant with models attempting to summarise the process of product development in a simple structure however it was the seminal linear process model of Booz, Allen and Hamilton (BAH) (1968, 1982),

which first delineated the process as a set of sequential stages and activities. The BAH model has become the basis of all subsequent models and is still relevant today. The model identifies seven key stages of NPD: development strategy, idea generation, screening and evaluation, business analysis, prototype development, and testing leading to final stage of new product commercialisation. The BAH model was however orientated entirely towards the development of tangible products and its shortcomings in guiding NSD stem primarily from the intangible nature of services and the inability of service providers to realistically *prototype* their ideas.

Growth in the development of NSD models was as a result of the enlarging service economy and momentum from the increasing need for design of the supporting services required by manufacturing companies (Shostack, 1984; Bitran and Pedrosa, 1998). The most definitive of the NSD models of the time was the linear model of Scheuing and Johnson (1989). Many academics felt that the concept stage was understated in the BAH model and they accordingly added the concept development and generation stage to their models (Scheuing and Johnson, 1989). Concept development involves turning an idea into an articulated picture that provides a description of the potential new service, the rationale for its development and an outline of its main benefits and attributes (Scheuing and Johnson, 1989). Reflecting the dynamic nature of services, the model outlined fifteen stages with an active presence of supporting internal and external inputs and defined activities during the development process. The model generated considerable debate, much of which focused on the large number of stages to be navigated and whether development tasks should indeed follow a sequential order (Johne, 1993). Seeking to simplify the process and to emphasise the concept development stage Edvardsson and Olsson (1996) developed a three stage model depicting the NSD process as three activities commencing with the development of a service concept, followed by design of both the service system and the service process. Central to the ethos of this model is the perception of the NSD process as a means to fulfil customer needs through the provision of customer value; the concept development phase clearly articulates the customer value being proposed and the service process and system are designed to ensure its reliable delivery.

Tax and Stuart (1997) extended the theory further by developing an iterative NSD model that acknowledges that new services are frequently born in or of existing service systems. Their model commences with an audit of the existing service system (process, physical facilities and participants) so as to understand the context of the new service. The model also

emphasises the importance of a service concept, which they assert must include articulation of the benefits to be delivered to the customer. Menor et al. (2002) adapted the NSD process placing the organisations service concept at the heart of the process. The iterative nature of their model emphasises the use of key resources or enablers to support and drive the NSD process. NSD development teams, design tools, and organisation culture all enable the smooth running of the NSD process and provide the knowledge/skill architecture for future innovations. The Stevens and Dimitriadis (2005) model is the final model to be reviewed, chosen due to its strong focus on organisational learning. They assert that the development of new services creates new individual competencies, which if integrated, can result in overall organisational transformation. They consider that a key task of the development team is to imagine, design and formalise scenarios (intangible outputs) for service delivery. Stevens and Dimitriadis (2005) consider that innovation is fostered through learning, and extol managers to build multi-functional teams comprising individuals with appropriate experience and knowledge to support the NSD process.

In addition to the literature on NSD processes the researcher also reviewed the antecedents or key success factors for NSD. As a large proportion of NSD initiatives are not entirely successful (Johne and Storey, 1997) it is therefore important to explore the factors that contribute to NSD success. Four key themes emerged from the literature as being central to the success of new service development initiatives; namely leadership, customer participation, market acuity and strategic human resource management. It is the role of senior management or a project champion to provide clear direction and to steer the NSD process, while adhering to the strategic objectives initially set down (Scheuing and Johnson, 1989; Kessler and Chakrabarti, 1999). Good leadership will mange conflict constructively (Johne and Storey, 1997) and coordinate the cross-functional teams in a manner which influences the pace with which the process moves (Froehle, Roth, Chase and Voss, 2000). Martin and Horne (1995) suggested that direct customer participation at specific stages in the NSD process would likely increase the potential for success. Edvardsson and Olsson (1996) underscore the importance of understanding the customer's needs, wishes and expectations as the driving force in any new service development. A study by Ottenbacher et al. (2006) to identify the factors that discriminate between successful and less successful high contact NSD projects concluded that market attractiveness and market responsiveness contribute to NSD success in high contact services. Finally, numerous authors have identified that strategic human resource practices such as employee empowerment, structured training and the use of cross-functional

teams are all important contributors of NSD success (Ottenbacher et al., 2006; Sundbo, 1998; Froehle et al., 2000)

Johnson et al (2000) contend that the product development paradigm fails to address the distinctive characteristics of services and the innate differences in how goods and services are produced, asserting therefore, that it is not sufficient to apply NPD models to NSD. The NSD process needs to concentrate particularly on the factors that distinguish services from physical products, intangibility, co-production/consumption, heterogeneity and perishability. Services vary by degree of intangibility with high contact services such as tourism at the high end of the continuum. The selection of models reviewed was chosen for their integration of the aforementioned characteristics and therefore it is from these models that the key stages of the conceptual model are drawn. Intangibility was addressed in NSD models through the addition of a service concept development stage where a formal description of the service is created (Scheuing and Johnson, 1989). The issue of co production and consumption was resolved by involving users and frontline staff at stages throughout the process, which also reduces service variance as the co-producers facilitate the service design.

It is clear from literature reviewed that NSD models have advanced a great deal from the original BAH model, with much active academic discussion and argument being given to their structure and substance. However, to date few NSD models have been empirically tested and those that have been tested were based in the areas of financial services, which do not share many of the characteristics of the tourism sector. It is notable that the tourism sector lags behind the wider services sector in terms of innovation (Hjalager, 2002) implying to some extent that current NSD models are not meeting specific sectoral needs. This lack of innovation in tourism is due largely to specific structural conditions such as size and availability of resources. Many SME's operate seasonally in a turbulent economic environment and have inadequate resources for research & development or formalised market research (Pikkemaat and Peters, 2005). Hall and Williams (2008) assert that a common feature of tourism firms is the high degree of firm '*births and deaths',* which indicates a high degree of skill and knowledge loss and transfer, and it also reflects how innovators operate in a high-risk environment. They contend that the high levels of firm attritions also lead to knowledge loss and transfer, making it easier for competitors to imitate successful services. Altogether, these sectoral characteristics make the development of new services more

challenging and emphasise the importance of adapting and improving existing models to further to meet the characteristics of the tourism sector.

DEVELOPMENT OF CONCEPTUAL MODEL

The degree of commonality across the models presented in figure 1 illustrates a broad consensus that certain stages and activities are common in all NSD initiatives. The final column of figure 1 delineates the nine core stages and activities that will underpin our conceptual model. Sectoral characteristics have dictated a number of criteria for the composition of our model. Firstly, the context, the tourism sector is predominated by SME's with low barriers for new entrants, a high degree of imitability in the sector (Hall and Williams, 2008) and poor NSD knowledge and skills. The model therefore is required to be not only instructive but also straightforward and uncomplicated in its communication to tourism practitioners the stages and activities of NSD. It must be customer centric, and focus on integrating the qualities that customers use to evaluate a service and also incorporate the knowledge and competencies of external suppliers and partners.

In the interest of parsimony the stages and activities will be collated into four phases, 'Exploring Opportunities', 'Define Service Concept', Define Service System', and 'Launch Service'. In the design of the conceptual model it was deemed appropriate not to stipulate where the process of NSD should commence or finish, rather the model seeks to reflect the on-going and iterative nature of NSD. This assertion is supported by literature which increasing acknowledges that NSD an iterative process, that overlaps and circles back on itself many times, in the course of pursuing individual or multiple new service developments (Tax and Stuart, 1997; Johne and Storey, 1998; Menor et al, 2002). However, we would suggest that tourism practitioners that are pursuing a NSD for the first time should undertake the "exploring opportunity" phase first in order to underpin and inform subsequent activities.

The first two stages of 'exploring opportunities' and 'defining service concept' are considered as the front-end activities of NSD, stages which Reid and de Brentani (2004) assert are crucial to success and which, upon completion of feedback and learning, determine if the NSD process is to proceed onto subsequent operations design phases. Menor et al. (2002) viewed NSD as a process, driven not only by operations strategy but also by a set of overall organisation strategic objectives devised to unite and incorporate both the front and

back ends of the development efforts. At these stages a development team is assembled from internal and external sources to generate and screen a list of 'raw' ideas or opportunities in terms of their feasibility and profitability as potential new services (Scheuing and Johnson, 1989). In the 'defining service concept' stage screened ideas are expanded into service concepts by the project coordinator and his team, with promising concepts formalised in service scenarios.

Figure 2: A Model of NSD for Tourism Services
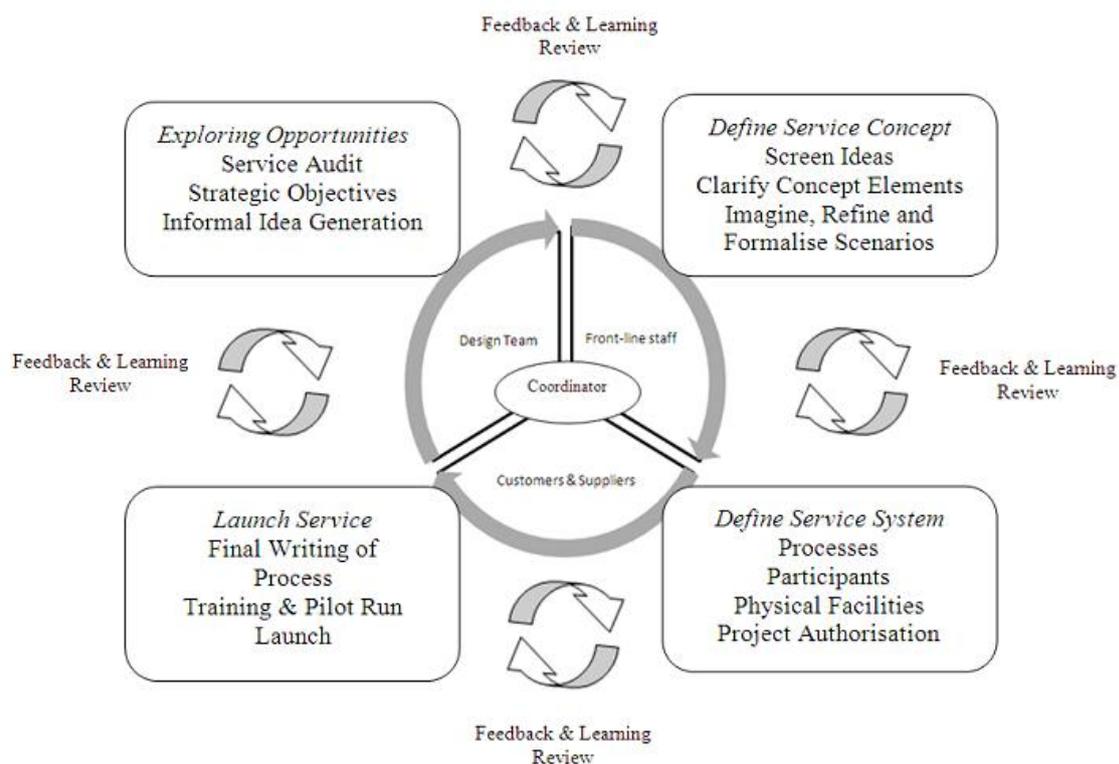
The back-end or operational focused activities refer to the design and execution of the new service concept (Khurana and Rosenthal, 1997). In the model they are presented as the 'Define Service System' and 'Launch Service' stages. At the defining stage the NSD team determine how the concept developed in the earlier stages is to be operationalised from the perspective of process, physical facilities and service delivery personnel. All parties involved in the process come together at this stage to 'flesh out' the new service and assess it from the three perspectives. Firstly, a set of selection and training criterion for new service delivery personnel are identified, in tandem with a description of the customer's role in service delivery. This allows for the cohesive development of new processes that accurately reflect and deliver on the original service concept. The service processes are tangibly supported by

the organisations physical facilities. The NSD design team must balance the new service process requirements with equipment, interior design and ambiance that correctly support and augment the new service (Tax and Stuart, 1997). Project authorisation comes about when top management allocates the organisations resources to the implementation of a new service idea (Jones, 1995). At this stage, the new service concept can be converted into an operational entity progressing towards final commercialisation. The next stage outlined in the model is the 'Launch Service' stage when the new service process is formalised and clearly defined and internal and external conflicts resolved through training and learning of new and competencies unique to the new service and the organisation as a whole (Stevens and Dimitriadis, 2005). Following a successful pilot run to resolve any remaining issues the new service is fully launched. The new service implementation requires a launch strategy (Bitran and Pedrosa, 1998) which can occur in various manners: a full-scale launch to the entire market (Scheuing and Johnson, 1989), or allowing customers to experience a service for free for an initial period to ensure full understanding (Bitran and Pedrosa, 1998).

A set of feedback loops connect the four phases, each one has dual objectives; firstly to allow for continual retrospective modifications (i.e. the need to adapt to sudden market changes) throughout the process, and secondly, to monitor organisational learning and furnish any additional resources. In additional to continuous evaluation and reflective learning, it must be recognised that certain organisational resources are required to support and drive the development process. Scheuing and Johnson (1989) assert that the process can falter at this stage due to lack of structures to support the process. Therefore, it is critical that adequate human and economic resources are present to support the activities of a project development team to allow them to effectively carry out the task of imagining, designing and formalising scenarios of the proposed service. The conceptual model (figure 2) places key resources (enablers) at the centre of the model to support and drive the activities of the NSD process. Enablers act as cross-functional lubricants in the process (Johnson et al. 2000), and can include the NSD design team, organisational staff members, customer bases, and suppliers or external partners. Fundamental to the entire NSD process is the presence of an individual who will coordinate all activities, interact with both internal and external enablers. A project coordinator will provide the pivot upon which the entire NSD process will turn, uniting both the initial front and back-end activities. This individual requires a broad skill set including interpersonal skills, dependability, expertise, efficiency and flexibility (Lynch and Holden, 2008). Front-end activities occur at the early stages of service development and require strong

efforts by the project coordinator to avoid 'fuzziness' (Khurana and Rosenthal, 1997) and to make decisions on whether to proceed to development. This model will allow practitioners to develop entirely new services by following each stage and activity presented, however practitioners can also utilise the model to enhance and improve existing services by carrying out regular service audits and idea generation sessions. The value of developing services in this manner not only focuses on the outcome of a new service but on building inimitable internal resources and knowledge which can be utilised in an ongoing manner to develop uniquely differentiated service and to achieve overall competitive advantage.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

The model has achieved its original aim in delineating the stages and activities to be followed for the development of new tourism services; it also places the key resources of leadership (project coordinator) and enablers at the center of the entire process, a component that we deem critical for a continuously transforming sector. The model seeks to address the identified gap in knowledge on the complex issue of developing new services. The authors assert that it is challenging to capture the complexity of tourism service development in a single one-dimensional model.

As the model is untested, it has its limitations and possibly raises more questions than answers. For instance, should each stage be sequential or run concurrently? Does the issue of seasonality in tourism propel the NSD process to quieter business periods, resulting in practitioners being less able to integrate the 'voice of the tourist' and frontline staff in the process? Indeed, the question remains as to whether tourism SME's have adequate resources and dynamic project coordinators to undertake NSD in an on-going manner? Furthermore, the model did not tackle the nature or the flow of knowledge generated at each of the four stages and how this knowledge is integrated into the ensuing stages? Therefore the model will require further testing by undertaking a number of case studies on a selection of tourism practitioners to explore its applicability and whether particular stages and activities require further modification. Indeed, building upon the model presented here will form the researcher's future research agenda. In the next stage a methodology will be designed to incorporate the key issues raised from the development of this conceptual model, thereby generating a comprehensive model that reflects the real life NSD practices of tourism practitioners.

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