

MARKETING INNOVATIONS IN TOURIST ENTERPRISES – HOW TO MEASURE THEM AND HOW TO EVALUATE THEM?

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Abstract

This paper aims to make a contribution to filling the above gap by the measurement and evaluation of marketing innovations in the tourist enterprises. The understanding of the marketing innovation process in this paper focuses on the theoretical and empirical considerations using the analysis of literature and poll methods. Realizing the empirical research the author selected a random sample without replacement of registered travel agencies and hotels operating in Poland. The research was carried out from October 2011 to February 2012. The marketing innovations in tourist enterprises were measured using the indicators applied by the Central Statistical Office and Eurostat. It was assumed that each innovation introduced should bring positive economic effects. As a result the Author attempts to propose the indicators of measurement of the innovativeness of service enterprises, giving examples of them in the tourist enterprises, and to point out which indicators are most important for respondents.

Keywords: innovation; marketing; tourist enterprise.

JEL Classification: M31.

Introduction

Innovation is the prime element of competition in the current economy. The research on the manifestations of innovativeness in the economy covers primarily production enterprises (Kline and Rosenberg, 1986; Chesbrough, 2003; PAS Reports, 2005-2011; Drucker, 2004; and others) but innovation in services exists, although it has to be accepted that it may possibly take different forms and be organized differently (Gallouj, 2002). Tourist enterprises are one of the groups of service enterprises which have been explored to the least extent in terms of innovativeness (Szymańska, 2009), even if today tourism is one of the largest and dynamically developing sectors of economic activities (Stankova, 2010). Since the sixties, when mass tourism appeared, until nowadays, tourism has been one of the most successful sectors in overcoming economic crises such as the current one (Bendito and Ramirez, 2011).

Many definitions of innovation can be found in the economical literature. The one mentioned below is based on the OECD definition: innovation contains conversion of an idea into a service or a product ready for sale; a new or an improved process of production or distribution or a new method of social servicing (OECD 2005, 2011). According to the Organisation for Economic Co-operation and Development, there are essentially four types of innovation identified in the Oslo Manual for measuring innovation: product innovation; process innovation; marketing innovation and organizational innovation (OECD, 2011). Marketing as a field of innovation appeared fairly recently in the literature and a breakthrough in the research was the publication of the third edition of the Oslo Manual (OECD, 2005), where marketing innovation was featured in addition to the innovation types mentioned earlier and was equally important. However, to date few studies have been carried out in this field. Marketing innovation is defined (Science, 2011) as the implementation of a new marketing concept or strategy which is significantly different from the marketing methods applied previously in a given enterprise.

It comprises significant changes in the product design, distribution, promotion and pricing. It does not include seasonal variations or regular and other routine changes in marketing methods.

This paper aims to make a contribution to filling the above gap by the measurement and evaluation of marketing innovation in the tourist enterprises.

The understanding of the marketing innovation process in this paper focuses on the theoretical and empirical considerations using the analysis of literature and poll methods. Realizing the empirical research utilizing the diagnostic poll method the author selected a random sample without replacement of registered travel agencies and hotels operating in Poland. The research was carried out from October 2011 to February 2012. As a result the Author attempts to propose the indicators of measurement of the innovativeness of service enterprises, giving examples of them in the tourist enterprises, and to point out which indicators are most important for respondents.

The results of the considerations presented in this paper could be useful for scientists and the management in the service business.

Research field and method

In the business literature in recent years there was more and more evidence demonstrating that in the hypercompetitive environment of the providers of substitutive products it is exactly marketing that enables them to become distinct on the market and to gain a market advantage (Bernacik, 2001). According to the America Marketing Association, marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large (AMA, 2007).

As the marketing practice evolved from product marketing to relationship marketing and CRM (*customer relationship management*), terabytes of data, collected, inter alia, using modern information technology, accumulated (Bernacik, 2002). Indeed, the understanding and enhancing of the customer value for a company is not a simple function of the quantity of information collected. The capacity to analyse and use data does not increase at the same pace; thus, a sort of a gap in knowledge arises, which is often filled by marketing intuition. Thus, Shaw encourages companies to carry out a very inquisitive, multi-level analysis of measures designed to better understand the market and the customer (Shaw, 2001). It is important for the company to know whether customers attribute importance to such factors as quality, innovations, prizes and service, before it decides to invest resources for this purpose. Special consideration should be given to the innovations introduced in the scope of marketing, since companies measure those processes and phenomena that they consider important for their future and their present market position. This also concerns marketing. Following this train of thought, a company's declarations about its continuous care of customer satisfaction are completely groundless, if it has no tool to measure the customer satisfaction (Bernacik, 2002). The generally used market research tends to track products rather than customers; this may generate costs to introduce innovations which bring no expected effects.

For several reasons, the tourism market was chosen as the research area. Tourism plays an increasingly large role in the global economy. In spite of occasional shocks, international tourist arrivals have shown virtually uninterrupted growth: from 25 million in 1950, to 277 million in 1980, to 435 million in 1990, to 675 million in 2000, and currently to 940 million in 2010 (UNWTO, 2011).

Today, the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles (WTO, 2012). Tourism has become one of the major players in international commerce, and represents at the same time one of the main income sources for many developing countries. This growth goes hand in hand with an increasing diversification and competition among destinations, which makes it necessary to introduce innovations. This was pointed out by C. Józefiak (Józefiak, 2006), who indicated the dependence between innovativeness and competitiveness; the stronger the competition, the greater the need to introduce innovation; the weaker the competition, the lesser the need. As a typically service-based and, moreover, exceptionally interdisciplinary sector, tourism is also an important and very prospective labour market. Its importance is augmented by the fact that, in addition to job generation in its sector, it also drives the economic effects in many other fields of the economy and is a factor which actively determines the socio-economic development of less developed regions (Alejziak, 2003). Despite its so large importance for the economy, it is only in the last two decades that tourism became the subject matter of economists' considerations, but little attention was paid to the innovations introduced by tourist enterprises (Szymańska, 2009).

The research was done on two groups of tourist enterprises: accommodation sites and entities which organise and intermediate tourism, which are alternatively referred to here as travel agencies. A hotel is an accommodation site located mainly in an urban built-up area which offers at least 10 rooms, with most of places in single or double rooms, providing a wide range of services related to the customers' sojourn, including food provision services (Innovative activities, 2005, 2011). In most general terms, travel agencies can be defined as economic entities the only or the main business of which is to render services in the scope of the organisation or intermediation of sales in tourism (Konieczna – Domańska, 2008).

Empirical studies were limited to the area of north-eastern Poland, where 84 entities carried out their business, in accordance with the data held at the Central Records of tourism organisers and intermediaries (Central Records, 2012). In turn, 21 classified hotels were registered in Podlaskie Province (Directions, 2011).

Data were collected through their direct acquisition by pollsters who visited all the registered entities. It was possible to obtain data from 11 hotels, representing 52% of the population, and from 21 entities

engaged in the organization and intermediation, representing 25% of the population. Reliable results were obtained from a total of 32 tourist enterprises, representing a 30% response.

The research tool was a survey questionnaire including questions about the types of the innovations introduced, listing their types and giving examples. The respondents were expected to give specific innovations introduced in 2009-2011 and also to evaluate the scale at which a given innovation was introduced: an innovation at the global, national, regional or firm levels. In addition, in accordance with the definition of innovation adopted in the Oslo Manual, each of the changes mentioned above is regarded as innovation, although the last category mentioned may give rise to certain doubts and some economists (Meredyk, 2003) are unwilling to treat a novelty at the level of the firm as innovation.

It was assumed that the frequency of introducing marketing innovations in the following four areas could be used to measure the marketing innovativeness at service enterprises (Innovative activities, 2011):

- new promotion media or techniques,
- new methods for the distribution of offers,
- new sales channels,
- new service pricing methods.

The respondents were also expected to indicate economic effects for individual innovations, choosing from three options: the introduction of an innovation brought higher revenues, there were losses and it had no effect on the economic result. The respondents were also asked to present the innovations planned until 2014.

How to measure marketing innovations in tourist enterprises?

According to the definition in the Oslo Manual (OECD, 2005), an enterprise should be considered innovative in terms of marketing innovation when over successive three years it implemented at least one marketing innovation.

How can the level of marketing innovations in enterprises be measured? Apparently, it would seem that it is simple to answer this question. The measurement can be carried out by examining the number of the introduced innovations of this type. However, how can innovations that are novelties at the level of the firm be compared with those with a global range? Both measures, i.e. the number of innovations introduced and their range, are applied in the relevant literature (OECD, 2005 and 2011; GUS, 2011, Szymańska, 2009).

However, the problem lies in the determination of the range of the innovation introduced, as indicated by the entrepreneur whose knowledge of the world market, and even the national market, may be limited. This problem is particularly conspicuous in the case of micro-enterprises and the overwhelming majority of tourist enterprises were such micro-enterprises, i.e. 84% (out of 25 respondents), who answered this question; 4 (16%) were small enterprises (2 companies), there was one small company and one in the "others" group (Szymańska, 2009; Institute of Tourism, 2010).

Therefore, when determining the innovativeness level of an enterprise the Author considered both indicators, i.e. both the number of innovations introduced and their range.

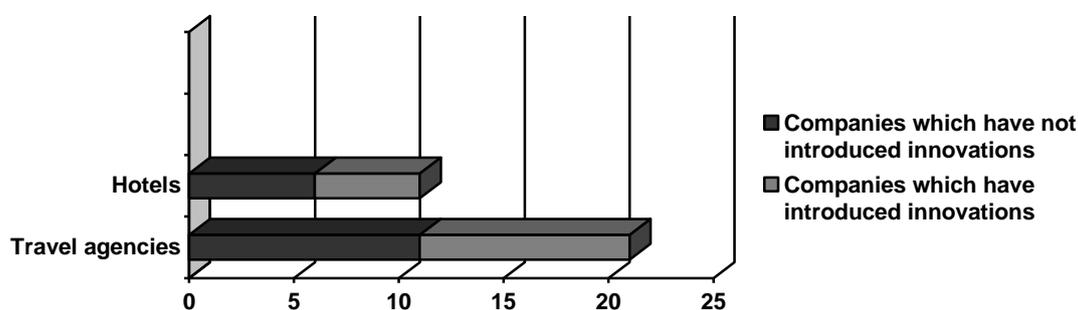


Figure 1. The number of innovations introduced in the enterprises surveyed in 2009-2011

Source: self-elaborated on the basis of the surveys performed

Almost half the respondents (47%) introduced at least one marketing innovation in 2009-2011, while 19% introduced several innovations of this type in the research period. However, there were certain

differences among the particular groups of enterprises, since marketing innovations were introduced by 10 entities engaged in organization and intermediation (48%), while 5 accommodation sites (45%) declared that they had introduced innovations of this type. However, accommodation sites can be considered more innovative in terms of marketing, since they introduced a total of 16 innovations; accordingly, there were 1.45 marketing innovations on average per site, whereas each entity engaged in organization and intermediation introduced 0.67 on average of innovations of this type.

In the survey, a single-choice was proposed regarding the range of innovations for each type of marketing innovation, distinguishing among the global, national, regional and firm levels. Usually, the global, market and firm ranges are distinguished in the literature (GUS, 2011); however, the Author thought that it would be desirable to divide the ranges of market innovations introduced into national and regional ones - and the research confirmed that it was correct to do so.

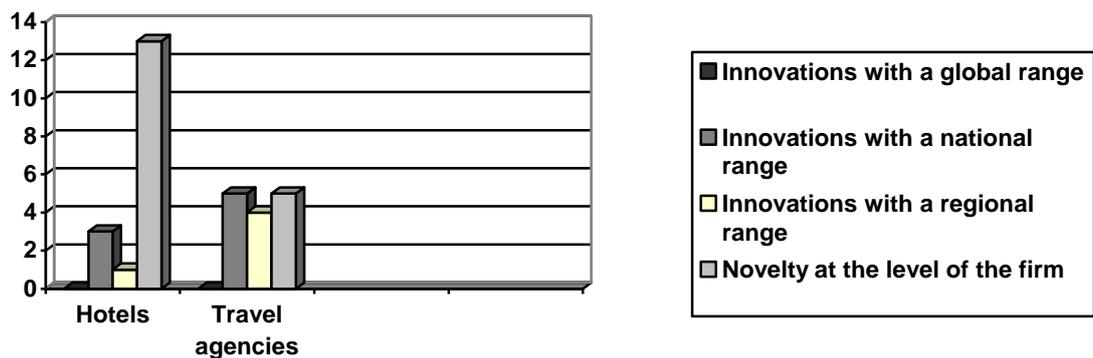


Figure 2. The range of marketing innovations introduced in the enterprises examined, in 2009-2011

Source: self-elaborated on the basis of the surveys performed

The range of innovations indicated by the respondents mainly represented novelties at enterprise level, since their share was largest, i.e. 58%; specifically, they represented 76% of the group of accommodation sites and 36% of the group of travel agencies. Equally frequently travel agencies indicated innovations with a national range and no company introduced an innovation with a global range. Innovations mainly represented new sales channels (the establishment of new outlets/branches, outsourcing, new booking platforms) and new promotion media and techniques (marketing using community portals, Google business cards, change of the graphic design of the website). No entity engaged in the organization and intermediation of tourism introduced new service pricing methods in the research period.

How to evaluate marketing innovations in tourist enterprises?

As a result of the introduction of a marketing innovation, the number of new customers may grow, the existing customers may become more interested in the offer and the customer satisfaction may be maximised (Nowakowska, 2004). P. F. Drucker perceives an innovation as a purposeful task subject to systematic and organised work and as a tool for the achievement of positive economic effects even at the micro-economic level (Drucker, 2004). We must admit that Drucker is right in saying that the innovation introduced should be reflected in a positive financial result. W. A. Szalkiewicz and K. Skoneczek (Szalkiewicz & Skoneczek, 2010) propose the evaluation of the benefits brought by the innovations introduced by means of a dynamic indicator of innovativeness. In their opinion, this measurement should be based on easily accessible data from the accounting system which describe both the costs incurred for the activity of this type and the economic effects achieved. The source of information for the evaluation of the profitability of the innovation introduced include: the revenues from sales, the costs of the products sold, the operating profit, the labour costs, the depreciation and net value of assets.

It should be realised that sometimes it is difficult to evaluate in a short time the effects of an innovation, if they do not relate to the sales of products – for two reasons. Firstly, the innovation introduced may fail to have a positive effect on the financial result; on the contrary: most innovations mean costs to be

incurred. Secondly, the effects of the introduction of an innovation may be impossible to identify or difficult to measure, e.g. they may require market research. However, at a micro-enterprise it is possible with large probability to evaluate the benefits arising from the introduction of an innovation and the overwhelming majority of respondents are micro-enterprises.

The Author assumed that the best method for the evaluation of the innovation introduced was its positive effect on the financial result of an enterprise; therefore, for each type of innovation the respondents were expected to indicate economic effects. In addition, it should be pointed out that no measurement method is perfect and their imperfection lies primarily in the ambiguity of the issues examined (cf. Szlakiewicz & Skoneczek, 2010). The respondents were asked to choose from the three options: higher profit, loss and no effect. The result of the survey is given in Figure 3.

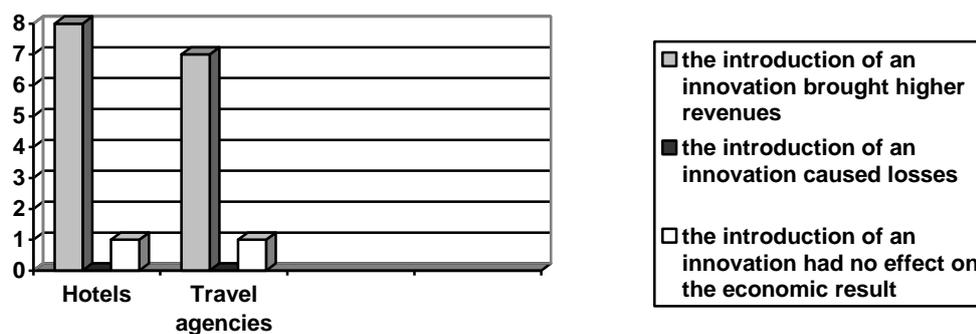


Figure 3. The effectiveness of marketing innovations introduced in 2009-2011

Source: self-elaborated on the basis of the surveys performed

The overwhelming majority of respondents indicated positive financial effects brought by the marketing innovations introduced, since as much as 88% of innovations caused an increase in the profits of the enterprises surveyed and only 12% of these innovations had no effect on their economic results. Therefore, it can be recognised that marketing innovation is profitable.

An important question emerges here: if marketing innovations are so profitable, why so few entities plan to implement them in the near future? The prediction period covered the nearest three years, specifically 2012-2014. Only three companies said that they planned to introduce innovations in the field of marketing, representing barely 10% of the respondents. This issue seems to deserve further, more in-depth research.

Conclusions

In summing up the above considerations and taking into account the results of empirical studies, it can be said that the level of the marketing innovativeness in enterprises can be investigated by calculating the frequency of the innovations introduced and indicating their range. Moreover, in the latter case, it seems well-advised to distinguish innovations with a global, national and regional range. A controversial issue is the smallest range of the novelty at the level of the firm; however, there is no doubt that if this category were dropped the statistical number of innovations would fall significantly, since most of innovations indicated by the respondents involved changes at the level of the firm. Nevertheless, when considering the evaluation of the effectiveness of the innovations introduced as proposed here, i.e. indicating the economic result obtained due to the innovation introduced, the overwhelming majority of them brought benefits. Therefore, it should be said that the most innovative enterprises in terms of marketing are those that most often introduce innovations at the global scale, contribute to a higher economic result of the enterprises and are introduced in all the four areas: the use of new methods for the distribution of offers, the use of new promotion media or techniques, the application of new service pricing methods and the establishment of new sales channels.

The following conclusions can be drawn from empirical surveys:

- almost half the respondents (47%) introduced at least one marketing innovation in the research period, while 19% implemented several innovations of this type,
- the range of innovations indicated by the respondents mainly involved novelties at the level of the firm, since their number was the largest, i.e. 58%; moreover, in the group of accommodation sites they represented 76% in contrast to 36% in the group of travel agencies,

- none of the companies examined implemented a marketing innovation at the global scale,
- the respondents clearly distinguished between innovations with a national versus regional range, although the innovations implemented were most often those representing novelties at the level of the firm itself,
- 88% of marketing innovations caused an increase in the revenues of the enterprises examined, only 12% of these innovations had no effect on their economic result and none of them generated losses,
- barely 10% of the respondents plan to introduce marketing innovations until 2014.

Conclusions of a general nature can also be drawn from the empirical studies performed. First of all, the enterprises examined are significantly different, as a result of the character of their activities; therefore, research should be continued for hotels and travel agencies separately. It should also be noted that the respondents found it difficult to assign innovations to particular ranges, particularly to distinguish between sales channels and new methods for the distribution of offers; therefore, it seems correct to combine these areas in the course of further studies or to define (specify) them in a slightly different manner in the economic literature. Another clearly conspicuous factor is a shortage of comparative research on innovations in the tourist services market; in the light of this, such research should be continued and enhanced.

This paper is a voice in the discussion about the development of marketing innovation in enterprises and can be useful in creating marketing innovation not only in tourist companies, but also other service companies.

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