

Service Innovation: Unfolding the Future for the Hospitality Industry through Touch Points

Bhuvanesh Veerakumaran¹, Kashif Hussain² & Edwin Chung Chin Yau³

Taylor's University, Malaysia^{1, 3}

UCSI University, Malaysia²

Abstract: Innovation in the hospitality industry should become the new 'holy grail' in the near future. The hospitality industry is a part of service industry that includes accommodation, theme parks, air-land-sea transportation, event planning, cruise liners etc.. Advancements in digital technology and demanding customer behavior establish a reason for service innovation. There is a need for customer-friendly alternatives to the services support service innovation to be implemented in real time. Service innovation through structured service concept and design would be the future expectation of hotel guests. One such service design is the introduction of touch points system into the hospitality industry. The proposed methodology is the mixed method design of carrying out a qualitative and thereafter quantitative data collection and analysis. This research is preliminary in nature but defines and describes the concept of touch points and shows how it can be used to enhance the variety of service design that hotel guests would experience.

Key words: Customer experience, hotel industry, online interactions, service innovation, technological innovation, touch points

Suggested Citation: Bhuvanesh Veerakumaran, B., Hussain, K. & Edwin Chung, E.C.Y.(2017). Service innovation: unfolding the future for the hospitality industry through touch points. *TEAM Journal of Hospitality and Tourism*, 14(1), 65 – 80.

Introduction

Tourism industry promotes a variety of sectors within the service industry. It generally promotes business opportunities and also boosts the country's economy as well. In Malaysia, the tourism sector generated substantial revenue of RM 56.5 billion through 24.6 million tourist arrivals in 2010 to RM 65.4 billion through 25.7 million tourist arrivals in 2013 (Tourism Malaysia, 2013). World Tourism Organisation (UNWTO, 2014) reports Malaysia as the 3rd most visited country in Asia and the Pacific due to its strategic location in the region and variety of tourism products and services offered by the country.

The hotel industry as a part of the hospitality industry has over the years experienced increased globalization, competition, high customer turnover and rising customer needs; which goes to show that the competitiveness and success of a hotel is very much dependent on the hotels' ability to satisfy customers' efficiently and effectively. According to Wang, Chen and Chen (2012), the growing nature of the hospitality industry has caused rivalry among hoteliers,

Correspondence: Bhuvanesh Veerakumaran; Email: bhuvanesh.veerakumaran@taylors.edu.my

and at the same time, guests have become classier and demanding. In order to thrive and keep afloat, hotels need an efficient strategic implementation which could transform the overall strategic direction to meet the requirements of the changing marketplace (Okumus, 2003). Hence, the hotel industry would have to develop a combination of processes, people skills and materials that would appropriately be integrated to result in the planned service design.

Service constitutes a major part of total economic activity and employment (OECD, 2000; Anxo & Storrie, 2002). In striving for constant development and improvement, enterprises need to maintain a good relationship with customers in order to obtain real-time information on changing needs, expectations and consumption models in order to develop innovative capabilities (Kandampully, 2002).

The 2008-2009 worldwide economy turbulence took the world's economy through an unexpected change. It was that economic crisis which made it clear to most business organizations that the notion of managing quality for products and services as upheld in the 1980s and 1990s would no longer maintain the sustainability of an organization but instead tying the terms of quality with innovation (Dervitsiotis, 2010). According to Conti (2009), the concept of quality should include innovation because quality relates to everything an organization would do. Thus by introducing a tinge of innovation in the services delivered to customers, automatically additional value in terms of quality would be delivered. During the periods of stability in business development, organizations focus on completely satisfying customers' needs in order to achieve profitability. However, when aiming towards rapid change, organizations would have to turn to focus towards creating distinctive products, services and business models to satisfy the future customers' needs, and therefore ensure profitability. Thus, for organizations aiming at competing in the global economy, innovation should rank among the top priorities in their agenda.

In the hospitality industry, hoteliers have been innovative in the entire experience a guest would receive during their stay at the hotel. Hotels have attempted to be innovative in providing a valued added difference in their service. Information and communication technology is among the greatest change in the hospitality industry. Among these possible changes is the introduction of touch points to the hotel industry. Touch-points are one of the central aspects of service design. Touch points systems are very common in the banking industry, however in the hotel industry the concept is at its emerging stage. Therefore, this research attempts to define and describe the concept of touch points and show how it can be used to enhance the variety of service design that hotel guests would experience.

Service Industry

In a world of customer service, it is the goal of every service provider to meet and exceed customer expectations. The common saying in marketing is that: Customers always go there where they are certain that a service will meet their expectations. In other words, a service provider does not necessarily have to offer high quality products, it is more important that his products are delivered with consistent service. In this aspect, researchers around the world have explored the notion of service since the early years dating back to the 1960s. There is a large body of research on the area of services and the services industry where researchers have given many different definitional versions of service. According to Grönroos (2006), services are processes that consist of a set of activities which take place in interactions between a customer and people, goods

and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aim at solving customers' problems.

The unique feature of a service is that while the customer cannot retain the actual service rendered after it has been produced, however the effect of the service can and will be retained by the customers through their experience. This experience would hereafter play a major role in the customer's decision making process for future revisits to the service provider. In the service industry, the intangible nature of most services, the overlap of the moment of production and consumption, non-storability, low tradability and the strong user-producer links are some of the features that render measurement studies in services extremely difficult (Sarkar & Carvalho, 2005). However, service providers' ultimate aim would be to measure the quality of service delivered to their customers and to periodically improve their service. The satisfaction of hotel guests is largely dependent on the quality of service offered in the hotel industry (Dominici & Guzzo, 2010).

Innovation

The growing market of the various industries makes competition among competitors a number one concern. Thus it is a matter of time before organization resort to new, unique, different and value adding measure to attract and retain their customers. An innovation may be an idea, practice, process or even a product which is considered as something new by an individual (Rogers, 1983). It may also be defined as a creation of value through the implementation of ideas. As mentioned by Cooper and Edgett (1999), innovation in an organization is an essential element for its long term stability and profitability and not mere survival reasons. In terms of management, innovation can generally have an impact on an entire management system of the organization.

Good innovation performance is the result of sound innovation management, innovation process can be improved significantly through institutionalizing innovation management and making innovation a salient part of quality management (McKinsey Quarterly, 2009). Accordingly, an organization's internal environment as a result of the implementation of innovation capability will be more visible in its customers' impact in the form of increased satisfaction levels and loyalty towards the organization. According to Ottenbacher (2008) innovation process may be introduced into an industry through five areas, namely (a) generation of new or improved product; (b) introduction of new production processes; (c) development of new sales markets; (d) development of new supply markets; or (e) reorganization or restructuring of the company. Other areas of innovation also include technological innovation (Nelson & Winter, 1982), organizational innovation (Caves, 1980) as well as creation of new sources (Penrose, 1959).

Service Innovation

According to Martínez-Ros and Orfila-Sintes (2009: p.634), "the service industry is highly heterogeneous and includes a great variety of interesting, complex and often highly innovative activities". It has become essential for organizations to be more adaptive and innovative in their business. As mentioned by Brannback (1999) if organizations intend to achieve growth, innovation would be the only line of action. Generally today's research is still primarily concentrated on product innovation. To increase the thrust in service and hospitality innovation, research that is specific to service and hospitality innovation is needed. Consequently, a top

Table 1. Brief on service innovation in hospitality management

Authors	Service Innovation in Hospitality Management
Grönroos (1990)	Innovation in services is the new service product, the new procedure for producing or delivering a service, the new organizational form and the introduction of a new technology.
Jones (1996)	Case studies in regard to the innovation process of hospitality organizations.
Hauknes (1998)	Innovation patterns in services is 'soft', or non-technological, even when restricted to product and process innovations.
Sundbo and Gallouj (1999)	An incremental innovation based on small adjustments of procedures and these are rarely radical and dimensional.
De Brentani (2001)	Success factors: product related, market-related, process-related, and organization-related.
Van Ark, Broesma, and Hertog (2003)	Multidimensional process, less technological compared with manufacturing but with more emphasis on the organizational aspect.
Enz and Siguaw (2003)	Study shows that innovations were significantly affected by outstanding hospitality individuals, also called 'best practice champions'.
Harrington (2004)	Foodservice firms and restaurants should establish a culture that supports innovation to create a competitive advantage.
Ottenbacher, Gnoth and Jones (2006)	Market-related aspects such as market attractiveness, market responsiveness, and marketing synergy are critical aspects for hospitality innovation.

research priority is to develop a set of new innovation frameworks and methods that focuses on complex service environments, such as the hospitality industry (Karniouchina, Victorino & Verma, 2006).

In terms of future growth of the hospitality industry, it should be noted that many hotels may have reached their maturity stage of their life cycle. Such hotels may have also been driven towards developing new services or creating unique service to be differentiated in order to retain their customer's satisfaction and loyalty. In addition to financial performance measures, customer satisfaction and employee feedback are also important performance measures of innovation success in the hospitality sector (Ottenbacher & Gnoth, 2005). Over the recent years customers have also began expressing an increasing demand for unique experiences as well. This unique experience may either come during their service delivery or alternatively during a service recovery process in the event of a service failure.

In the hospitality industry, hoteliers have been innovative in the entire experience a guest would receive during their stay at the hotel. Hotels have attempted to be innovative in providing a valued added difference. For example, as illustrated by Németh, Friedrich and Clarke (2013) in their research entitled *Innovation in special hotels as a key to success*, their focus was on Hotel Bonvino Wine Spa – a hotel located in an extraordinary location of the Badacsony wine region of Hungary which focused on wine production. Thus in this hotel all their guest would

be assured of a one of a kind experience which is all centred around the wine industry, even to the extent of winery-based room styles. According to Cooper and Edgett (1999), successful innovators are effective communicators who can raise customer awareness and convince customers of the benefits of the new service.

Technological Innovation

Technology around the world is getting smaller and smaller. The functionality which used to once upon a time be preserved on a PC was later migrated into a laptop eventually a PDA and currently smart mobile phones. This indicates that hotel guests can now use their mobile devices to make travel bookings. Their mobile phones become the main medium of communication and transaction, thus indicating the guests may similarly expect the service providers to be prompt in their communication for instance confirmation of room booking through a short messaging system (SMS) confirmation. Technology platforms used by hotels would also have to be updated to support and enable all forms of user interface, from mobile phones to fax and all other technology devices. Hotels may need new technologies and infrastructure requirements. Some of these may include content and booking capabilities to be available on mobile devices, ability for more data to be stored with speedier access and more intelligent features. In some instances the system used and implemented in the hotel would also have to be more intuitive. These introduction of new technologies in hotels could make it easier to book rooms or for guests to stay entertained in their rooms or even make their stay more comfortable. For the implementation of top level technology, hoteliers would have to first upgrade their infrastructure in their hotels.

Touch Points

Touch points are contact points between service providers and customers. Each service encounter a customer experiences with a service provider is also described as touch points. According to Koivisto (2009), touch points are one of the three pillars of service design. Despite being a major part of service design, there is little or no documented research within the area of touch points (Howard, 2007). Touchpoints are also commonly referred to as a point or moment of contact between a service provider or a brand and its customer (moment of truth). From the media context, touch points are commonly perceived as a service encounter, service point, interaction or even customer experiences (Jenkinson, 2007). Further, Jenkins and Bisantz (2011) refer to touch points as key building blocks of a customer's experiences.

Hotel guests, be they leisure travelers or business travelers will feel special when they have their service expectations met by the service provider. This could range from the right kind of mattress, the kind of soft pillow, color of the sheets, room decorations or even the kind of beverages made available in the room prior to the guests' arrival.

In the airline industry for example, everything is done online. Customers before boarding their flight would have had their entire flight experience planned. When booking a flight the customers choose not only the date and time of their flights, but also their inflight experience such as their seat allocation, their preferred food and beverages; and to some extent their inflight entertainment, for instance, booking the usage of an iPad or other entertainment tools, or at the very least, their comfort pack with their eye pack, shoulder pillow and blanket to keep them warm and comfortable. Upon making their entire online choice the customers' next

contact with the airline company is only to sit in the plane for their departure as these days customers will also do their online check in, proceed to bag drop off and board their flights. In terms of a hotel comparison, it could be said that hotels have not reached such level of online interaction with their guests yet.

Hotels have yet to provide a complete online experience to their guest as the guest currently would still walk up to the hotel front desk to check in, receive their room keys and handle the other formalities before proceeding to their rooms. While in the room the guests would still traditionally order their room service through the phone and convey special request to the front office, housekeeping or room service using the phone in the room. The time has come for the hospitality industry to move holistically closer and closer to the airline industry in terms of online customer interactions. The hotel industry has to move towards truly making technology a part of the hotel's DNA. This would be the beginning of the complete online experience in the hotel industry. While currently the hoteliers require their guests to deal with the service providers and speak with them regarding their check in, check out, wake up calls, room service, etc.; the future of the hotel industry should see the hotel guests interacting with the service providers only when the guests want to interact with the service providers. The future of the hotel industry should evolve into a series of multiple touch points based on customer desire. When compared to the retail as well as the financial industry, the hospitality industry has not invested much in information technology. In the process of broadening their horizon and introducing service innovation it is inevitable that investments in information technology would be necessary.

According to Choy (2008), customer relationship management practices in recent years have shown attention towards using touch points as part of customer experience. According to Hartigan (2011) the route towards a successful innovation implementation is by improving customers' outcomes at key points in their interaction by focusing on understanding exactly what benefits customers want at a given touch point. As mentioned by Clatworthy (2010), there is abundant literature on the importance of touch points but little on the 'what' and 'how' of creating and implementing touch points.

Methodology

The proposed methodology for this research is to conduct a mixed method research design. According to Abreu, Grinevich, Kitson and Savona (2010), in measuring innovation driven by interaction with customers, service providers would most often adopt a mix of qualitative and quantitative measures, such as examining the volume and quality of referrals and the relationship between the service providers and their customers. It is proposed by the researcher that the reliability and validity of the research outcome would be more precise with the qualitative and quantitative results analysis. The proposed design is to firstly conduct a qualitative data collection through the interview of managers of 10 luxury hotels (ranging between 4 to 5 stars). Upon the collection and analysis of the data from the 10 luxury hotels, a questionnaire would be prepared based on the outcome of the qualitative data. Thereafter the questionnaire would be distributed to hotel guests to capture the quantitative data from the hotel guests' perspective. Following the quantitative data collection the results would be analysed to determine the position and reception of the concept of touch points being introduced in the hospitality industry.

Conclusion

This research being at its preliminary stage, the objective is to explore the implementation of service innovation into the hospitality industry in Malaysia. The researcher will be focusing on the implementation of touch points into the luxury hotels' service delivery as well as for service recovery systems. The research would establish a body of knowledge for touch points in the variety of service designs in the hotels. This system in the long run will be able to enhance customer satisfaction and loyalty among the hotel guests.

References

- Abreu, M., Grinevich, V., Kitson, M. & Savona, M. (2010). Policies to enhance the 'hidden innovation' in services: Evidence and lessons from the UK. *The Service Industries Journal*, 30(1), 99 – 118.
- Anxo, D. & Storrie, D. (2002). The job creation potential of the service sector in Europe. *Transfer: European Review of Labour and Research*, 8(3), 377-391.
- Brannback, M. (1999). The concept of customer-orientation and its implications for competence development. *Innomarket, Technical Reports, No. 1*, Finland.
- Caves, R. E. (1980). Industrial organisation, corporate strategy and structure. *Journal of Economic Literature*, 18(1), 64-96.
- Choy, D. (2008). What exactly is touchpoint? Retrieved 15 January 2016 from http://www.customertobink.com/blog/what_exactly_touchpoint
- Conti, T. (2009). Systems thinking: The new frontier in quality management. Proceedings of the 53rd EOQ Conference, May 2009, Dubrovnic, Croatia.
- Cooper, R. G. & Edgett, S. J. (1999). Product development for the service sector. Cambridge, MA: Perseus.
- De Brentani, U. (2001). Innovative versus incremental new business services: Different keys for achieving success. *Journal of Product Innovation Management*, 18(3), 169-187.
- Dervitsiotis, K. (2010). A framework for the assessment of an organisation's innovation excellence. *Total Quality Management*, 21(9), 903-918.
- Dominici, G. & Guzzo, R. (2010). Customer satisfaction in the hotel industry: A case study from Sicily. *International Journal of Marketing Studies*, 2(2), 3-12.
- Enz, C. & Siguaw, J. (2003). Revisiting the best of the best: Innovations in hotel practice. *Cornell Hotel and Restaurant Administration Quarterly*, 44(5/6), 115-123.
- Grönroos, C. (2006). Adopting a service logic for marketing. *Marketing Theory*, 6(3), 317-333.
- Harrington, R. J. (2004). The culinary innovation process: A barrier to imitation. *Journal of Foodservice Business Research*, 7(3), 35-57.
- Hartigan, J. (2011). The 7 steps of hotel innovation. Retrieved 15 January 2016 from <http://www.hotelnewsnow.com/Article/7155/The-7-steps-of-hotel-innovation>
- Hauknes, J. (1998). Services in innovation – Innovation in services. *Synthesis Report for European Commission*, Oslo, Norway.
- Howard J. (2007). Design for service: On the origin of touch-points. Retrieved 15 January 2016 from <https://designforservice.wordpress.com/2007/11/07/on-the-origin-of-touchpoints/>

- Jenkins, M. P. & Bisantz, A. M. (2011). Identification of human-interaction touch points for intelligence analysis information fusion systems. Proceedings of the 14th International Conference on Information Fusion, 5-8 July, Chicago, Illinois, USA.
- Jenkinson, A. (2007). Evolutionary implications for touch point planning as a result of neuroscience: A practical fusion of database marketing and advertising. *Database Marketing & Customer Strategy Management*, 14(3), 164-185.
- Jones, P. (1996). Managing hospitality innovation. *Cornell Hotel and Restaurant Administration Quarterly*, 37(5), 86-95.
- Kandampully, J. (2002). Innovation as the core competency of a service organisation: The role of technology, knowledge and networks. *European Journal of Innovation Management*, 5(1), 18-26.
- Karniouchina, E., Victorino, L. & Verma, R. (2006). Product and service innovation: Ideas for future cross-disciplinary research. *Journal of Product Innovation Management*, 23(3), 274-280.
- Koivisto, M. (2009). Frameworks for structuring services and customer experiences. In S. Miettinen & M. Koivisto (Eds.), *Designing Services With Innovative Methods*. Helsinki: Akatemia/UIAH.
- Martínez-Ros, E. & Orfila-Sintes, F. (2009). Innovation activity in the hotel industry. *Technovation*, 29(9), 632-641.
- McKinsey Quarterly (2009). Assessing innovation metrics: McKinsey global survey results. Retrieved 15 January 2016 from <http://www.cbsnews.com/news/assessing-innovation-metrics-mckinsey-global-survey-results/>
- Nelson, R. R. & Winter, S. G. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard Press.
- Németh, P. G., Friedrich, N. & Clarke, A. (2013). Innovation in special hotels as a key to success. Proceedings of the Management, Knowledge and Learning (MakeLearn) International Scientific Conference, 19 -21 June, Zadar, Croatia.
- OECD (2000). Promoting innovation and growth in services. In Organisation for Economic Cooperation and Development (OECD, Eds.), *Science, Technology and Industry Outlook 2000* (Chapter 4). Paris, France: OECD Publications.
- Okumus, F. (2003). A framework to implement strategies in organizations. *Management Decision*, 41(9), 871-882.
- Ottenbacher, M. & Gnoth, J. (2005). How to develop successful hospitality innovation. *Cornell Hotel and Restaurant Administration Quarterly*, 46(2), 205-222.
- Ottenbacher, M., Gnoth, J. & Jones, P. (2006). Identifying determinants of success in development of new high-contact services: Insight from the hospitality industry. *International Journal of Service Industry Management*, 17(3), 344-363.
- Ottenbacher, M. (2008). Innovation Management. In P. Jones (Ed.), *Handbook of Hospitality Operations and IT* (pp. 340-366). Oxford, UK: Elsevier Ltd.
- Penrose, E. (1959). *The theory of growth of firm*. New York, US: Oxford University Press.
- Rogers, E. (1983). *Diffusion of innovations*. New York, US: Free Press.
- Sarkar, S. & Carvalho, L. (2005). Which model is best suited to measuring innovation in tourism sector. Paper Presented in International Conference Theoretical Advances in Tourism Economics, 18-19 March, Évora, Portugal.
- Sundbo, J. & Gallouj, F. (1999). Innovation in services in seven European countries. *Synthesis Report for European Commission*, Oslo, Norway.

- Tourism Malaysia (2013). Facts and figures. Retrieved 15 January 2016 from http://corporate.tourism.gov.my/research.asp?page=facts_figures
- Wang, C. H., Chen, K. Y. & Chen, S. C. (2012). Total quality management, market orientation and hotel performance: The moderating effects of external environmental factors. *International Journal of Hospitality Management*, 31(1), 119-129.
- Van Ark, B., Broesma, L. & Hertog, P. (2003). Services innovation, performance policy: A review. Synthesis Report in the Framework of the Project Structural Information Provision on Information in Services. The Netherlands: University of Groningen and Utrecht University.
- UNWTO (2014). Tourism Highlight: Annual Report. Madrid, Spain: UNWTO Press.