



Experience economy in hospitality and tourism: Gain and loss values for service and experience



Seohee Chang

Division of Culture and Tourism, Sookmyung Women's University, Seoul 04310, South Korea

HIGHLIGHTS

- The hypothetical gain and loss values of service are higher than that of experience.
- Experience loss values are higher than experience gain values.
- Service loss values are lower than service gain values.
- The gain values differ significantly between service and experience, while the loss values did not.
- Experiential components-based monetary values are influenced by regional cultures.

ARTICLE INFO

Article history:

Received 13 December 2016

Received in revised form

3 August 2017

Accepted 4 August 2017

Keywords:

Experience economy

Service economy

Experienced utility

Gain values

Loss values

ABSTRACT

In the experience economy, distinct from the service economy, industry revenue increases according to the extent to which consumers enjoy their experience. This study explores the experience economy from various viewpoints, but particularly by examining whether consumers perceive differences in the monetary values between experience and service, as well as perceive gain and loss values differently in the same experiential component. The online survey was conducted with 550 adult participants. Data were analyzed using descriptive analysis, paired *t*-test, and multivariate analysis (MANOVA). The findings show that consumers still tend to perceive the service industry more important than the experience industry. However, as the loss values of experience are found to be larger than its gain values, it is very important to convince consumers to not lose an opportunity to experience future experiential consumption.

© 2017 Elsevier Ltd. All rights reserved.

1. Introduction

Consumers are likely to spend significantly more money at Tokyo's Aragawa steakhouse than at an outback restaurant because they are willing to pay more at a restaurant that incorporates a unique theme into its offerings and service (Pizam, 2010). This is an example of the experience economy, in which customers tend to pay more if they enjoy receiving additional experiential value (Pine & Gilmore, 1999, 2011). In the experience economy, distinct from the service economy, industry revenue increases according to the extent to which consumers enjoy their experience (Pine & Gilmore, 1999, 2011). Several researchers have attempted to develop dimensions and scales to assimilate Pine and Gilmore's (1999) concept of experience into its visibility in the fields of hospitality

and tourism (Kim, Ritchie, & McCormick, 2012; Loureiro, 2014; Oh, Fiore, & Jeong, 2007). However, little progress has been made, particularly regarding the subjectively perceived financial values identified with experiences, the core of the experience economy. It is also unclear whether consumers actually perceive experiences differently from services and what prices they are willing to pay for experiences as compared to services.

As the idea of the experience economy is derived from the theory of experienced utility in behavioral economics (Kahneman & Thaler, 1991; Kahneman & Tversky, 1979; Kahneman, 2000, 2003), research on the experience economy in the fields of hospitality and tourism need to delve into experienced utility. Most traditional economic theories consider decision utility, whereby consumers make decisions rationally to maximize the outcome utility between capital losses and gains. However, the theory of experienced utility focuses on the hedonic quality that individuals currently enjoy to explain irrational decision makers who pay

E-mail address: carol32@sookmyung.ac.kr.

different amounts of money to achieve the same gain in utility (Kahneman & Thaler, 1991, 2006). To account for the underlying decision-making mechanism of emotional decision makers, the theory of experienced utility argues that individuals tend to have different attitudes toward loss and gain for the same financial outcome, because the disadvantages of a potential loss loom psychologically larger than the advantages of a corresponding gain (Kahneman, 2011).

Few studies have investigated the subjectively perceived financial values identified with experiences in the experience economy or the ways in which consumers financially distinguish between experiences and services. Likewise, little research has been conducted on the difference between the loss and gain values perceived by consumers for the same financial outcome in terms of the psychological mechanism of loss aversion. This exploratory study examines the financial aspect of the experience economy from viewpoints previous studies have not taken. The study investigates how hospitality and tourism consumers perceive the financial values and estimate the loss and gain values of experience and service. Do consumers experience greater utility loss through value losses or greater utility gains through equivalent value gains, and are there differences in gain and loss utility values between experience and service? This study also compares gain and loss values between past and future purchases. The utility of past purchases comprises the financial experience and service values that consumers wish to add to the hospitality and tourism products they have already consumed, while future purchase utility comprises the financial experience and service values of the hospitality and tourism products they wish to consume in the future. The study also investigates the subjectively perceived financial values of products, including specific intangible experiential components, and the subjectively perceived financial loss when such experiential components are missing. Finally, the study examines whether subjectively perceived financial values differ according to residence.

2. Literature review

2.1. The experience economy

People tend to pursue more multisensory experience-based hedonic consumption than utilitarian consumption (Addis & Holbrook, 2001). Pine and Gilmore (1999, 2011) argue that the hedonic quality of tangible and intangible products as subjectively perceived by guests may lead to an increase in industry revenue. Specifically, Pine and Gilmore (1999) emphasize that the experience economy should be distinguished from the service economy, as the former stages memorable and personal experiences instead of merely delivering intangible and customized services. From this perspective, Pine and Gilmore (1999) suggest that the experience economy is based on the four experiential domains of entertainment (desire to enjoy), educational (desire to learn), escapist (desire to go and do something), and esthetic (desire to be in a certain place) experiences. In both guest participation and connecting guests to events, entertainment experiences are produced when guests passively participate as observers/listeners, but their attention is fully occupied with the experience. Educational experiences are generated when guests actively participate in the performance and fully concentrate on the experience. Escapist experiences occur when guests' participation actively influences the performance and their state is physically or virtually a part of what is being experienced. Esthetic experiences occur when guests play a passive role as observers and feel physically or virtually a part of what is being experienced.

Pine and Gilmore (2011) assume that the experience economy

generates greater revenues than the service economy and suggest that pricing strategies based on the four experiential domains be developed. However, since the experience economy concept is abstract, establishing practical pricing strategies for it is difficult. Ritchie, Tung, and Ritchie (2011) point out that research on the experience economy is at a very early stage. Tourism and hospitality studies begin by conceptualizing and developing sub-concepts and items with which to adapt the concept of the experience economy (Hosany & Witham, 2010; Hwang & Lyu, 2015; Loureiro, 2014; Oh et al., 2007). These studies operationalize experience types and develop scales with which to examine the relationships among psychological variables such as guests' perceptions and satisfaction, but they do not investigate the experience economy per se. Pine and Gilmore (2011) do not present a viable experienced utility associated with the concept of the experience economy. Moreover, the experience economy estimating the financial experience values does not clearly appear in the literature on tourism and hospitality.

Oh et al. (2007) develop a scale based on the four experiential domains of the experience economy suggested by Pine and Gilmore (1999) to understand the experiential components perceived by bed-and-breakfast guests. Loureiro (2014) adapts this scale to examine the experiences of lodging guests, finding that the perceived experiential components significantly influence emotional attachment and loyalty (such as intention to revisit, recommendation, and positive word-of-mouth) to a destination, mediated by arousal and memorability. Using the scale in Oh et al. (2007), other studies investigate tourist experiences in different tourism contexts such as cruises (Hosany & Witham, 2010) and golf (Hwang & Lyu, 2015) to examine their relationship with other psychological variables. Hosany and Witham (2010) use educational, entertainment, esthetic, and escapist experiences to predict memory, arousal, overall perceived quality, satisfaction, and intention to recommend as dependent variables, finding that esthetic experience explains the dependent variables better than other experience types do. Hwang and Lyu (2015) indicate that educational, entertainment, and escapist experiences play an important role in enhancing perceived wellbeing.

Tourist experience studies are not limited to the aforementioned. Tourist experience emerged as an important topic of study around 2000. Vittersø, Vorkinn, Vistad, and Vaagland (2000) use Csikszentmihalyi's (1975) flow state to classify tourist experiences. Vittersø et al. (2000) define a flow state as an experienced moment, but Csikszentmihalyi (1975) defines it as the optimal/peak state that occurs when experiencing a balanced moment between skills and challenges. Individuals feel bored when they have a higher level of skills than the level of challenges they face and will experience fear or anxiety when facing a higher level of challenge relative to their current skill level. Apathy takes over when individuals have low levels of both skills and challenges, while a flow state occurs when a high level of skills meets a high level of challenges. Based on the original flow state theory, Vittersø et al.'s (2000) flow-simplex mental map is simplified further into positive hedonic states (i.e., flow-related) and negative hedonic states (i.e., flow-unrelated) to distinguish tourist experiences in the hedonic map. Laing, Wheeler, Reeves, and Frost (2014) use a similar framework of peak/supporting experiences to categorize tourist experiences. Focusing on psychological needs and affect, Kim et al. (2012) develop the memorable tourism experience (MTE) scale, which comprises seven factors: hedonism, novelty, local culture, refreshment, meaningfulness, involvement, and knowledge. The MTE scale is rooted in 16 potential experiential components (e.g., hedonism, relaxation, stimulation, refreshment, adverse feelings, social interaction, challenge, novelty) along with assessments of perceived value and service suggested by existing studies (e.g., Bloch & Richins, 1983; Dunman & Mattila, 2005; Otto & Ritchie,

Download English Version:

<https://daneshyari.com/en/article/5108582>

Download Persian Version:

<https://daneshyari.com/article/5108582>

[Daneshyari.com](https://daneshyari.com)