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EXPERIENTIAL TOURISM:

A STRATEGY FOR IMPROVING COMPETITIVENESS

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Doctoral Programme of Tourism and Environmental Economics

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ABSTRACT

This research is aimed at contributing to the existing knowledge in experiential tourism as an innovative strategy to enhance tourism competitiveness. Nowadays, the complexity surrounding the incipient notion of experiential tourism is embodied in the need for new analysis and contributions, both theoretical and empirical. Furthermore, the need to approach tourism competitiveness under the demand scope, rather than the adopting the supplier's point of view, is also present. Only once the ambiguous definitions of experiential tourism and tourism competitiveness are clarified, the link between both notions can be explored. For this purpose, the research starts with a detailed theoretical review around the concept of experiential tourism, subsequently suggesting a new theoretical framework to improve understanding of the functioning of this innovation strategy. This framework contributes to the existing literature through a new definition, at the same time it relates the prior co-creation process between the private business, the destination, and the guest with the resulting economic outcome, named experiential tourism. In this first stage, the guest's perceptions and feelings are recognized as essential aspects for economic value creation in experiential tourism. Once this first notion has been delimited, a second theoretical framework linking experiential tourism and competitiveness is presented, approaching competitiveness under the demand scope through the analysis of the guest's perceived value, final satisfaction or behavioral intentions. Furthermore, the economic impact of experiential tourism in terms of consumer and producer surplus is highlighted. Once the theoretical frameworks are introduced, an empirical analysis to test its validity is presented, using data collected from Ibiza (Spain). At this point, new instruments and scales are suggested to measure intangible variables, such as the guest's perceptions and feelings, the overall co-creation process or the resulting outcome, named experiential tourism. Some of the scales obtained and validated have not yet been applied in the existing literature, so this dissertation is a pioneer in the use of these new tools. Once the relationship between the co-creation process and experiential tourism is verified, the research finishes with the corroboration of the positive impact of experiential tourism on competitiveness through the new economic value created, in both the consumer surplus –through higher perceived value, final satisfaction and behavioral intentions – and the producer surplus – through price-premiums –.

RESUMEN EN CASTELLANO

La presente investigación pretende contribuir al conocimiento del turismo experiencial como estrategia innovadora para la mejora de la competitividad turística. Actualmente, la complejidad en torno al incipiente concepto de turismo experiencial hace patente la necesidad de nuevos análisis y aportaciones, no solo en su vertiente teórica sino también empírica. Así mismo, se pone de manifiesto la necesidad de abordar el estudio de la competitividad turística desde la óptica del demandante, pese a que tradicionalmente dicha noción ha sido analizada desde el punto de vista del oferente. Solo una vez delimitados los ambiguos conceptos de turismo experiencial y competitividad turística puede procederse a esclarecer la relación existente entre ellos. Para ello, la investigación se inicia con una revisión exhaustiva de las aportaciones teóricas en torno al turismo experiencial, facilitando a continuación un nuevo modelo teórico que permita entender el funcionamiento de este tipo de estrategias de innovación. Dicho modelo teórico no solo aporta una nueva definición a la literatura existente, sino que también permite entender y relacionar el proceso de co-creación previo entre empresas privadas, destino, y cliente con la oferta económica resultante, el turismo experiencial. En esta primera fase, las percepciones y las emociones experimentadas por el cliente son reconocidas como aspectos clave del turismo experiencial para la generación de nuevo valor económico. Una vez delimitado este primer concepto, se procede a relacionarlo con la competitividad turística mediante un segundo modelo teórico, que aborda la competitividad mediante aspectos de demanda como el valor percibido por el cliente, su satisfacción final, o sus intenciones de comportamiento. Así mismo, se hace especial hincapié en la repercusión económica del turismo experiencial, detectando las posibles mejoras en términos de excedente del consumidor y del productor. Una vez expuestos los nuevos modelos teóricos, se procede a su validación empírica utilizando datos de la isla de Ibiza (España). En esta fase, se sugieren nuevas herramientas y escalas para la medición de variables intangibles, como las percepciones y emociones del cliente, el proceso integral de co-creación, o su producto resultante, el turismo experiencial. Algunas de las escalas obtenidas y validadas aun no han sido utilizadas en la literatura existente, por lo que su uso en este caso ha sido pionero. Una vez validada la relación entre los distintos aspectos que integran la co-creación y el turismo experiencial, se procede finalmente a corroborar empíricamente que el turismo experiencial es capaz de generar un impacto positivo sobre la competitividad turística gracias al nuevo valor económico creado, tanto en el excedente del consumidor –vía mejoras en el valor percibido, la satisfacción o las intenciones de comportamiento – como del productor –vía primas de precio–.

RESUM EN CATALÀ

Aquesta investigació pretén contribuir al coneixement del turisme experiencial com a estratègia innovadora per a la millora de la competitivitat turística. Actualment, la complexitat entorn a l'incipient concepte de turisme experiencial posa de manifest la necessitat de nous anàlisis i aportacions, tant en la vessant teòrica com empírica. Així mateix, es reconeix també la necessitat d'estudiar la competitivitat turística des del punt de vista del demandant, tot i que tradicionalment s'ha estat analitzat des del punt de vista de l'oferent. Tan sols un cop delimitats els conceptes de turisme experiencial i competitivitat turística, es pot procedir a analitzar la relació existent entre ambdós. Amb aquesta finalitat, la investigació s'inicia amb una exhaustiva revisió de la literatura entorn al turisme experiencial, desenvolupant a continuació un nou model teòric que permeti entendre el funcionalment d'aquest tipus d'estratègies d'innovació. Aquest model no tan sols aporta una nova definició a la literatura existent, sinó que també permet relacionar el procés de co-creació previ entre empreses privades, destinació, i client amb l'oferta econòmica resultant, el turisme experiencial. En aquesta primera fase, les percepcions i emocions experimentades pel client són reconegudes com a aspectes clau del turisme experiencial pel que fa la generació de nou valor econòmic. Un cop delimitat aquest primer concepte, es procedeix a vincular-lo amb la competitivitat turística mitjançant un segon model teòric, on la competitivitat es tractada mitjançant aspectes de demanda com el valor percebut pel client, la seva satisfacció final i les seves intencions de comportament. Així mateix, es recalca la repercussió econòmica del turisme experiencial, en termes d'excedent del consumidor i del productor. Un cop presentats aquests nous models teòrics, es procedeix a la seva validació empírica utilitzant dades de l'illa d'Eivissa (Espanya). En aquesta fase, es suggereixen noves eines i escales per a la medició de variables intangibles, com són les percepcions i emocions del client, el procés integral de co-creació, o el seu producte resultant, el turisme experiencial. Algunes de les escales obtingudes i validades no han estat encara utilitzades a la literatura, essent pioneres pel que respecta el seu ús. Un cop validada la relació existent entre els aspectes que integren la co-creació i el turisme experiencial, es passa finalment a corroborar empíricament que el turisme experiencial te la capacitat de generar un impacte positiu sobre la competitivitat turística gràcies al nou valor econòmic creat, tant en termes d'excedent del consumidor – mitjançant millores en el valor percebut, la satisfacció, o les intencions de comportament –com del productor –mitjançant primes de preu –.

"És sa meva presó, sa meva llibertat,
on totes ses fronteres són cel, arena i mar.
Tan gros aquest petit món meu,
té un riu per creuar els seus ponts,
i jo que sóc natiu, aquí sa meva vida hi viu fent niu"

Poema "Illa" - Ben Clark
(Adaptació de Project Mut)

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GENERAL INTRODUCTION

Nowadays, the emergence of new destinations, the non-sustained economic growth, and the new demand patterns seem to be putting on risk the viability of mature tourism destinations. Firstly, the tourism industry is frequently recognized as a useful tool to achieve positive growth and social welfare, so an increasing number of destinations are gradually emerging. Secondly, many destinations have adopted non-sustained economic development along the last decades, improving their economic growth at the expense of the deterioration of their socio-cultural and natural resources. Thirdly, as long as the demand preferences seem to be changing, destinations that do not adapt their supply to these new patterns could experience a downturn on their competitiveness, against those delivering updated offerings. In this difficult environment, the need to develop new strategies aimed at sustaining competitiveness in mature destinations becomes a key challenge. This thesis studies the phenomenon of experiential tourism as a new innovation strategy to enhance competitiveness. This objective is in coherence with the guidelines and recommendations appearing in many strategic reports aimed at enhancing tourism competitiveness, in the European[1], Spanish[2], and Balearic[3] setting.

Despite the on-growing interest on the experience economy concepts across industries and countries, the need to clarify the true meaning of experiential tourism is still present. Furthermore, the study of the impact of this kind of strategy in tourism competitiveness also seems to deserve far more attention. This thesis is aimed at addressing both issues, in an attempt to contribute to existing knowledge through the development and validation of new theories. The research on the link between experiential tourism and tourism competitiveness will not be an easy task, since their very definitions are broad, heterogeneous, and currently subject to intense debate in the literature. With these challenges in mind, the following is a list of the specific objectives to be addressed by this dissertation:

1) To provide a new theoretical framework aimed at understanding the co-creation process of experiential tourism offerings and the key features sustaining its differentiation

2) To clarify the impact of experiential tourism strategies on tourism competitiveness through the development of a new theoretical framework aimed at linking both concepts

3) To validate the theoretical framework built around the notion of experiential tourism through empirical analysis

[1] European Program Horizon 2020
[2] Plan estatal de turismo español horizonte 2020
[3] RIS3 para Baleares and E7 Estrategia regional de innovación para la especialización inteligente de les Illes Balears

4) To validate the theoretical framework designed to study the impact of experiential tourism on tourism competitiveness through empirical analysis

The thesis is structured as a set of four different *lessons* to be learned along this study, each of which is developed as a self-contained piece of research with the structure of a publishable academic paper. In the first lesson, entitled *What is Experiential Tourism?*, the authors present a new theoretical framework to study the notion of experiential tourism aimed at addressing objective no 1). An inductive multidisciplinary method is followed, reviewing and combining the findings extracted in different fields of knowledge within the social sciences (experience economy, tourism economics, consumer behavior, psychology and neuroscience). The chapter initially discusses the key features sustaining differentiation in experiential tourism offerings, distinguishing this concept from the general notion of tourist experience generally applied in the literature. The chapter follows by the analysis of the co-creation process of experiential tourism, analyzing the role of the business, the destination, and the guest in economic value creation. A definition for experiential tourism is then provided. Finally, the co-creation process and the subsequent outcome, named experiential tourism, are linked in a new theoretical framework.

In the second lesson, entitled *What impact is Experiential Tourism having on Competitiveness?,* the authors develop a theoretical framework aimed at linking experiential tourism strategies and tourism competitiveness, in coherence with objective no 2). The chapter starts introducing the current literature debates around the definitions of tourism competitiveness and experiential tourism. Different suppliers, whether being private or public in nature, are considered in the general notion of tourism competitiveness. This concept is approached under the demand scope, through the analysis of the guest's perceived value, final satisfaction, and future behavioral intentions. Experiential tourism is then linked with these variables in a new theoretical framework, which allows for the discussion of the main channels leading to tourism competitiveness, also discussing the potential risks inherent to this innovation strategy.

In the third lesson, entitled *Validating the Experiential Tourism theory*, the authors test the validity of the theoretical framework developed in the first lesson of this thesis, according to objective no 3). For this purpose, a conceptual model is suggested and tested using data collected from a random sample of guests traveling to Ibiza Island during 2015 summer season. Structural equation modeling (SEM) methodology is selected for the empirical analysis. The co-creation process is measured through the design of a new multidimensional scale, while a new scale to measure experiential tourism offerings is also provided. The chapter finishes with a structural analysis aimed at exploring the relationship between co-creation and experiential tourism.

The fourth lesson, entitled *Validating the impact of Experiential Tourism on Competitiveness*, is aimed at testing the validity of the theoretical framework developed in the second lesson of this thesis, fulfilling objective no 4). A conceptual model aimed at testing the effects of experiential tourism in competitiveness is first suggested, adopting a demand approach. The validity of the model is assessed with quantitative data corresponding to the sample gathered during 2015 summer season, applying SEM methodology. The structural links between the variables are tested, in line with the set of hypotheses presented in the conceptual model. Finally, the chapter discusses the main channels leading to tourism competitiveness when experiential tourism strategies are adopted.

Finally, the general conclusions of the dissertation are summarized, highlighting the most relevant contributions and findings obtained during the journey.

- LESSON 1 -

What is Experiential Tourism?

ABSTRACT

The main purpose of this chapter is to present a theoretical framework to study experiential tourism and its process of co-creation. The chapter adopts an inductive multidisciplinary approach, reviewing the findings extracted from different fields of knowledge. The contributions from experience economy are accommodated in tourism economics. The chapter initially reviews the most relevant features of experiential tourism, distinguishing the concept from the general notion of tourist experience, usually applied as a synonym of the overall tourism product. A direct comparison against traditional tourism goods and services is conducted, in order to detect the key features conferring experiential tourism higher differentiation, named memorability, uniqueness and extraordinariness. The chapter provides a definition for experiential tourism, in coherence with the key features detected, and a new theoretical model aimed at explaining how this type of offering is co-created. The main findings suggest that different players, named the private business, the destination, and the guest are present in the co-creation process determining the subsequent offering, named experiential tourism. The guest's feelings seem to be playing a key role during the process of interaction and in the subsequent features associated to experiential tourism. Managerial implications for value creation are then discussed, at both the business and destination level, providing suggestions for those suppliers willing to adopt innovation strategies based on experiential tourism, finally discussion the need for coordination between the different tourism suppliers.

KEYWORDS: experiential tourism, co-creation, differentiation, feelings, perceptions

1.1. INTRODUCTION

Nowadays, many destinations around the world are facing several competitiveness problems. In this context, seeking new strategies to improve tourism competitiveness becomes essential. Experiential tourism, as an innovative strategy to be investigated (Walls et al. 2011; Walls and Lugosi, 2013), provides advantages for those suppliers who adopt this approach. The idea of developing a more differentiated product, able to enhance value creation by means of intentionally activating certain sensations and emotions, is widely extended in the business and management field (e.g. Schmitt, 1999; Gilmore and Pine, 2002). However, the academic understanding about how this strategy could be affecting the tourism industry becomes more limited. Even the very definition of experiential tourism is subject to ambiguity, and some authors point out that there is no general agreement within the existing literature (e.g. Uriely, 2005; Titz, 2007; Ritchie and Hudson, 2009, Ritchie et al., 2011). The special nature of the tourism industry could be jeopardizing theoretical developments in experiential tourism. As Candela and Figini (2012) noticed, "in tourism economics, production is always attached to a 'tourism destination' which is neither a firm nor and industry but represents a mix of companies, and of public and private support structures". Sundbo and Sørensen (2013) argued that the "Experience Economy concerns activities carried out in the public and private sectors", although Morgan et al. (2010) recognized that the implications of the experience concept were slowly accepted by destination managers. Since this innovation strategy is valid for both public and private sectors, limiting the applicability to the business approach does not capture the overall reality of the tourism industry (Pine and Gilmore, 2013). If the tourism product is assumed to be the main object of study in the tourism economics field (Smith, 1994; Vanhove, 2011), then the role of both private and public suppliers should be considered.

This chapter aims to provide a new theoretical framework to study experiential tourism and its co-creation process. On one hand, the definition of experiential tourism will be studied and clarified, discussing the key features that could be sustaining its differentiation. On the other hand, the intentional role of the different players taking part and interacting in the overall co-creation process will be analyzed. These objectives are in line with one of the main challenges of experience economy research: "to reach a consensus concerning the true meaning of the tourism experience through and thorough assessment of relevant theories" (Ritchie and Hudson, 2009). Sundbo and Sørensen (2013) argued that the analysis of experiential offerings was cross-disciplinary. In coherence with this statement, this chapter addresses the topic through a multidisciplinary approach, reviewing the findings extracted from other fields of knowledge in an attempt to shed light on the process of economic value creation.

The chapter starts reviewing the concept of experiential tourism, distinguishing it from the general notion of tourist experience, which is frequently used in the literature as a synonym of the overall tourism product. The contribution of this section is derived from the fact that previous theoretical underpinnings usually discussed the notions of tourist experience and experiential tourism indistinctly. The special characteristics that confer experiential tourism's higher differentiation levels are then discussed, performing a direct comparison with traditional goods and services. The chapter follows by stating a definition and a theoretical framework to understand the co-creation process determining experiential tourism offerings. Finally, the main conclusions of the chapter are presented, including some managerial implications and identifying the needs for further research.

1.2. LITERATURE REVIEW

1.2.1. What is an experiential offering? A Generic Approach

Why did you buy the shirt you are wearing now? When economists start thinking about a certain consumption pattern, several concepts about traditional consumption theory come to mind. Assuming that you are a rational individual, it could be argued that you decided to buy this shirt in order to satisfy a given need. Thus, you compared the attributes of all the alternatives and bought the one which maximized your utility, given some restrictions (e.g. income). Let's go beyond this example and imagine that one of the available shirts – the dirtiest and the oldest – belonged to your favorite singer. Despite its tangible attributes being lower than the other shirts, you may finally decide to buy this one. Is it a rational decision? As Maslow (1964) argued, "in some instances, emotional desires dominate utilitarian motives in the choice of products".

Dichter (1960) stated that "many of our daily decisions are governed by motivations over which we have no control". He described an example of false assumptions that occurred in a study for a baby-food company. Although it can be expected that mothers' priority was the concern with the baby's growth and health, Dichter discovered that "while this mother love was partially operative, a much more tangible and effective motivation was the mother's interest in making her feeding choice more convenient and pleasant". The real motivation of consumers, described as a "composite of factors which result in a specific action intended to change existing situation into a future one" (Dichter, 1960), was the object of study of motivational research. This field focused on the study of unconscious buried factors, going beyond the basic technical meaning of products and analyzing what a certain object means to the buyer, both in psychological and emotional terms. Thus, whatever the choice, feelings seem to be present.

Taking motivational research as a departure point, research in hedonic consumption highlighted the importance of feelings as an integral part of consumption (Holbrook and Huber, 1979; Holbrook, 1980, 1981; Hirschman and Holbrook, 1981, 1982). Hedonic consumption was described as "those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one's experience with products" (Hirschman and Holbrook, 1982). This vision was not intended to replace the traditional consumption theory but to complement it by associating multiple senses and emotions to product consumption. Nearly a decade before, Toffler (1970) already anticipated a similar idea. He wondered himself which economic system would follow the services economy in the future, introducing the idea of "experience industries". He assumed that there would be a rise in consumers' disposable income, asking for an increase in products' quality and being less concerned about price and material satisfaction. These more affluent conditions would give rise to new types of human needs, more psychological and less utilitarian. In order to meet these new needs, "experience industries" would create higher valued products, enhancing their value through adding a "psychic load". Thus, consumers would seek to go beyond the satisfaction of utilitarian needs and would start paying attention to intangible, psychological factors. Toffler described this process as "the psychologization of the economy", summarized in the following statement: "As rising affluence and transience ruthlessly undercut the old urge to possess, consumers begin to collect experiences as consciously and passionately as they once collected things".

The above-mentioned researchers, among others, set the basis for experience economy thought, since they were the ones who started the analysis of feelings in consumption, against the utilitarian dominant paradigm. Even though they did not introduce the research of experience as a separate area of study (they kept it confined within their own discipline), further research can only be understood by paying attention to its origins. Some of these authors already recognized isolated features of the experience. For instance, Dichter (1960) emphasized extraordinariness, recognizing a rupture with the ordinary routine: "change from the everyday life experience to a very unrealistic kind of thing which then in turn becomes a very exceptional thing”. Furthermore, research in hedonic consumption introduced individual’s subjectivity in the consumption process or, in other words, the belief in the uniqueness of every experience depending on the state of mind of each individual. According to Abrahams (1986), who followed an anthropological approach, an experience is perceived according to an individual’s perspective, against those experiences involving others, society, and the world.

It was not until the 1990s when most research on experience economy emerged. Psychologists such as Csikszentmihalyi (1990) described experiences through the concept of flow: “a state of concentration so focused that it amounts to absolute absorption in an activity”. Other authors characterized experiences as an extraordinary phenomenon, able to provoke radical redefinitions of the self (Denzin, 1992), and with high levels of emotional intensity (Arnould and Price, 1993). In the late 1990s, the marketing perspective started to play an important role. Edgall et al. (1997) distinguished between those experiences inside and outside the realm of the marketplace, arguing that non-marketed experiences could not be considered as consumer-related experiences. In fact, this distinction is crucial for the objective of the current chapter, as it is the basis from which the intentionality of the supplier is a relevant element of the proposed theoretical framework. Schmitt (1999) described experiences as “private, personal events which involve individual’s entire being, since he/she directly participates into the staging of this certain event”. Meanwhile, Pine and Gilmore (1999) described experiences as the *sensorialization* of things, a “process to make goods more experiential by adding elements that enhance customer’s sensory interaction with them”. The more *sensorialized* a given product is, the more it is differentiated in terms of competitive position. Pine and Gilmore argued that experiences performed as a distinct economic offering, with higher levels of differentiation in comparison with traditional products. Nevertheless, the service literature usually considered experiential offerings as a kind of service, rather than an alternative economic offering itself.

Recent contributions described an experience as: the total outcome derived from the combination of environment, goods and services purchased (Lewis and Chambers, 2000); “A blend of many elements coming together and involving the consumer emotionally, physically, intellectually and spiritually” (Mossberg, 2007); Or as “mental impact felt and remembered by an individual caused by the personal perception of the external stimuli” (Sundbo and Sørensen, 2013).

Some definitions seemed to regard to a broader notion of "experience", while others emphasized on the economic component, being more suitable to define "experiential offerings". So, what is an experiential offering? In line with the existing contributions, the proposal of this chapter is that an experience can be seen as an alternative economic offering marketed for value creation purposes, on which the suppliers intend to activate the sensory and emotional aspects of their offerings. Hence, the supplier's intentionality seems crucial for value creation in the market realm. The active role of the individual, through own thoughts and feelings, seems to sustain value creation resulting, in turn, in a higher differentiated economic offering.

1.2.2. Experiential tourism offerings

The special nature of the tourism industry requires the introduction of certain nuances into the generic concept of experiential offerings. Economic theory has historically focused on the analysis of single goods' production. Nevertheless, rather than being a single industry, tourism is usually seen as an amalgam of many offerings blending together in the context of a tourism destination. The final bundle of elements consumed by each visitor is normally selected by him. Hence, one of the main particularities of this industry is that the tourism product is defined by the consumer (Vanhove, 2011). Smith (1994) already noticed a gap in product development in the marketing field, arguing that research usually failed in recognizing the generic product inherent to the tourism industry. His conceptual model about the nature of the tourism product integrated different elements, named: physical plant, service, hospitality, freedom of choice, and involvement. While the physical plant and service elements corresponded to the objective aspects of a destination, hospitality, freedom of choice, and involvement required the inclusion of the tourist's subjectivity as part of the product. Andersson (2007) also highlighted the participation of the tourist in the selection of the consumption bundle, arguing that "consumers are assumed to be active and in charge of the last link in the production chain".

The heterogeneous nature of the tourism product and the existence of many offerings within it motivated the introduction of the "tourist experience" as a synonym of the overall outcome supplied by the industry. The concept of tourist experience was frequently used as a kind of umbrella covering an amalgam of different goods and services selected by the tourist. At this point, the generic concept of tourist experience must be distinguished from experiential tourism, which is the main object of study of this chapter. Experiential tourism is about a new economic offering based on the supplier's intentionality to enhance the sensory and emotional aspects of its product for differentiation purposes, in the context of the tourism industry. Any tourism supplier, whether private or public, could differentiate itself through this innovation strategy.

Recently, Sundbo and Sørensen (2013) stated that the non-consideration of the activities carried out in the public sector was a current handicap of experience economy research. This limitation is particularly relevant in the tourism industry where the "destination", which clusters many complementary elements, is the main object of study. What happens when different elements and stakeholders blend together to offer the tourism product? Candela and Figini (2012) noticed that a problem of coordination between the different economic agents may arise. The "Coordination Theorem" recognized the need for "a coordinating body in the destination (the destination management organization DMO) and/or the creation of a specific firm for producing the package holiday (the tour operator)" (Candela and Figini, 2012). Hence, the business approach seems insufficient to explain experiential tourism. As a concluding remark of this section, the peculiarities of this industry could have several implications when providing a theoretical framework to understand the co-creation process determining experiential tourism offerings.

1.3. EXPERIENTIAL TOURISM: A THEORETICAL FRAMEWORK

The state-of-art of tourist experience economy literature claims for the need of alternative frameworks that shed light on this phenomenon (Uriely, 2005, Titz, 2007; Ritchie and Hudson, 2009; Walls et al., 2013). This chapter aims at developing new theoretical foundations to understand experiential tourism. For this purpose, the chapter starts reviewing and discussing the key features that might be conferring higher differentiation levels to this kind of offering. Then, the chapter introduces a new definition for experiential tourism, addressing two limitations of the literature: First, existing definitions seem usually partial (Andersson, 2007, Larsen, 2007, Lashley, 2008), describing only isolated attributes of experiential tourism or conceptualizing the overall tourist experience; Second, the definition should go beyond the business approach to be consistent with the generic nature of the tourism product (Candela and Figini, 2012). Finally, the chapter postulates a new theoretical framework to comprehend how experiential tourism is co-created and who are the main players involved in the process.

1.3.1. Key features of Experiential Tourism

Firstly, it is essential to understand the specific features that might be conferring experiential design higher differentiation. For this purpose, this chapter runs a direct comparison between tourism goods and services, and experiences (Figure 1.1.), similar to the one suggested by Pine and Gilmore (1999) to describe general experiential offerings. The adaptation to the tourism economics field was made according to Middleton's et al. (2009) theoretical underpinnings.

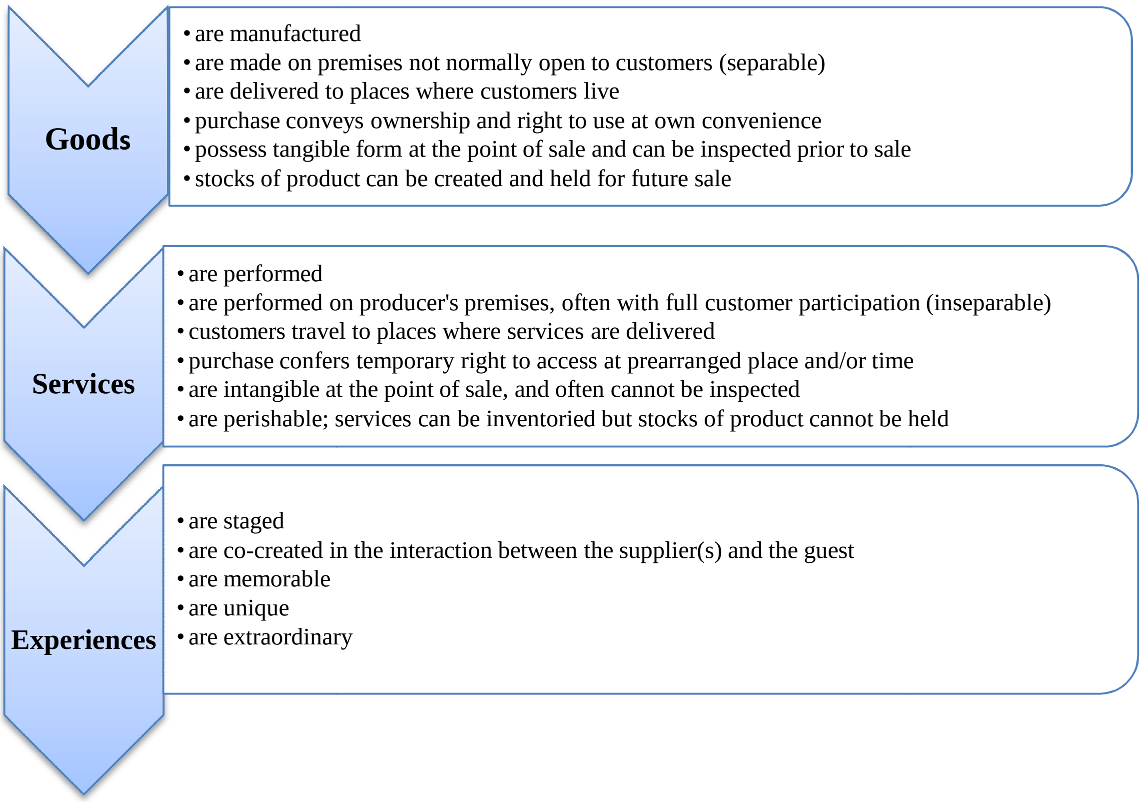

Figure 1.1. Economic distinction among tourist goods, services, and experiences
Source: Own elaboration, based on Pine and Gilmore (1999) and Middleton et al. (2009)

1. Experiential tourism is staged. While manufacturing goods implies the transformation of raw materials into tangible items, and the performance of services is based on the development of specific tasks, experiential tourism is based on staged events (Pine and Gilmore, 1999). The verb *stage* denotes the presentation of a certain play, concert, or other form of entertainment (Oxford Dictionary). In any theatre, the stage normally plays an important role, since its features will be essential to engage the individual into the performance. While the provision of goods and services pays less attention to the scenery, the consideration of this element is crucial for experiential tourism. Goffman (1959) characterized workers as performers, describing tourism activities as staged events in which guests[4] were the audience. His theory was based on a structural division of social establishments depending on their access to the "front" – meeting place of workers and guests – and the "back" – where workers retire between performances to relax and prepare –. While some suppliers decide to exhibit only the front, others base their offering on showing the backstage or even a "staged back region". MacCannell (1973) described a "staged back region as an expressed recreation of back activities with ludic purposes". For example, MacCannell stated that some restaurants allow guests to have access to their kitchen, taking part in the inner operations and turning the restaurant into "more than a mere place to eat". Gilmore and Pine (2007) argued that "when consumers want what is real, the management of the customer perception of authenticity becomes the primary source of competitive advantage". Other authors stated that tourists can also obtain a "real" experience even if they know whether it is fake or true story (Mossberg, 2007).

Whether being authentic or fake, the consideration of the guest's perceptions about the stage rather than an objective supply becomes essential in experiential tourism. This statement is in accordance with "constructive authenticity", which "highlights the role of people in the construction of attributes associated with displayed objects" (Wang, 2000). Uriely (2005) offered an interesting review of the differences between modernist and postmodernist literature regarding authenticity. While modernists saw experiential tourism as an absolute truth, postmodernists introduced the idea of relative truths, arguing that "postmodernity means very different things to many different people" (Bauman, 1992).

Hence, tourism experiential suppliers intentionally orchestrate complete themes to enroll each guest in an experience, derived from the combination of front and back regions and considering both their available resources and attractions. Workers can play an essential role in experience staging (Mossberg, 2007) and are usually customized in accordance to the theme or the role they play, such as in medieval markets, cafeterias from the 1960s, or night clubs performing a hippie flower power atmosphere. Even if the guests know that the product is fake, a complete theme allows for their total absorption. Whether they show the front, the back or even a staged back, whether being fake or authentic, tourism suppliers could detect and enhance the sensory and emotional features of their factors to design a staged environment for their experiential offering. However, is experiential tourism only concerned with the supplier's involvement?

[4] This paper denotes tourist as "guests", in coherence with Pine and Gilmore's (1999) suggestions in the fiel of experience economy

2. Experiential tourism is co-created. Co-creation is perhaps one of the most complex aspects of experience staging (Chathoth et al., 2013). This process is about the joint creation of the offering by both the supplier and the consumer (Prahalad and Ramaswamy, 2004). Traditional goods and services were integrally produced by a single supplier, considering a given set of factors. However, experiential offerings include the intentional engagement of the guest, who plays an active role in the very definition of the offering. The demand's participation is crucial for co-creation to occur and determines the intensity of the outcome obtained. The role of the guest during the performance, in terms of participation –active, passive – or connection with the supplier – absorption, immersion –, is usually considered to classify the co-creation of experiential offerings (Pine and Gilmore, 1999). Whether active or passive, absorbed or immersed, the crucial aspects of co-creation seem: First, the intentionality of the supplier to enhance the sensory and emotional aspects inherent to its product; Second, the engagement of the guest and its direct participation in the process of co-creation.

As a necessary condition to improve understanding of the interaction between the tourism suppliers and guests, certain situational variables are initially introduced. Figure 1.2. discusses how the stimulus affects a given organism and its subsequent response (Belk, 1975). Belk noticed that any stimulus was jointly conformed by a situation and an object. While the object represented those elements to which the person directly responds to, the situation represented the momentary encounter with those elements at a particular point of space (s) and time (t). The stimulus interacts with the organism, who adds a complete sequence of behavior, named an action pattern (ap). The resulting behavioral setting (or environment) is bounded by time, space and an action pattern (ap). Thus, co-creation represents the interaction between the situation, the object and each person. This interaction determines each singular environment (t, s, ap), so both the suppliers and the guest are involved in its very definition.

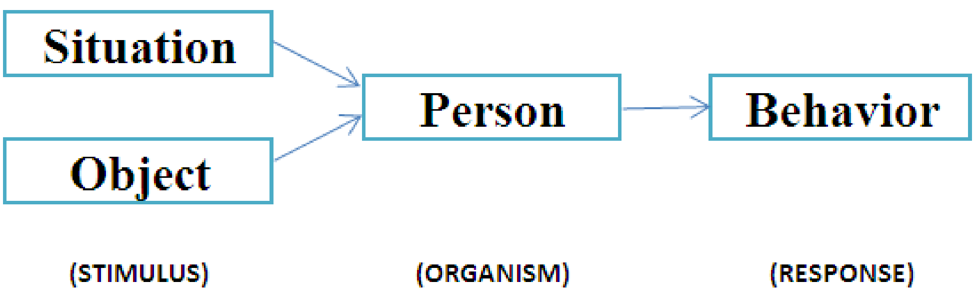

Figure 1.2. A Revised Stimuli-Organism-Response Paradigm
Source: Belk (1975)

Thus, while goods or services are produced by a unique economic agent, experiential tourism is *co-created* by the supplier(s) and each guest (e.g. Uriely, 2005; Walls and Lugosi, 2013). The supplier, whether being private, public, individual or composite, intentionally designs given situations and objects, providing different stimuli (e.g. technical, sensory, emotional). Meanwhile, each guest completes every environment through their own action patterns, which result from perceptions and feelings. As will be described later on this chapter, perceptions approach changes in the external environment, being associated with the exteroceptive system[5] (Damasio and Carvalho, 2013) and to the subsequent thoughts and rational evaluations, while feelings reflect a conscious change in the internal environment and seem associated to the interoceptive system[6] (Damasio and Carvalho, 2013). Andersson (2007) supported the essential role of the guest's action patterns in the value derived from tourist experiences, arguing that "the position of the consumer in his need space (basic, social and intellectual) influences the value of a new experience". Thus, assessing experiential tourism under the demand's subjectivity rather than from an objective, supply-oriented scope, seems more suitable within the context of this chapter.

Norman (1985) noticed that the inclusion of the consumer as part of the product was already present in services. Therefore situational variables influence consumption of goods, services, or experiential offerings. So, is co-creation inherent to experiential offerings, or is every good or service co-created? This debate is still ongoing (ATMC, 2015). The proposal of this chapter is that only when the participation of the guest is intentionally enhanced by the supplier and recognized as a new factor for value creation, are we able to argue the outcome obtained is co-created. Only in the previous case, does this phenomenon occur in the market place, and the value generation can be investigated. Goods possess a tangible form, while services are characterized as intangible at the point of sale (Middleton et al., 2009), being usually delivered around a core material good (e.g. restaurant service). Similarly, experiential offerings are delivered around core material goods and intangible services provided by single suppliers. The real change is based on the consideration of the guest's perceptions and feelings as a new source for value creation, which allows the supplier to achieve higher differentiation through the inclusion of sensory and emotional aspects.

3. Experiential tourism is memorable. How experiential tourism changes over time becomes a key source of differentiation with respect to traditional goods and services. Larsen (2007)

[5] The exteroceptive system comprises the mechanisms associated to the five senses, named sight, smell, touch, hearing, and taste

[6] Internal changes in the organism (visceral, striated muscle, or cognition)

described the tourist experience as “a past travel-related event which was significant enough to be stored in long-term memory”. Any offering seems subject to a dynamic time frame. So, what distinguishes experiential tourism from traditional offerings? Perceptions and feelings do. When the guest is assumed to be an active co-creator of experiential tourism, part of the value arising in the interaction process will be retained in his mind, even after this process is finished. Dolcos and Cabeza (2002) stated that “emotional events appealing to the senses tend to be remembered better than non-emotional events”, since “sensory-based emotional information having access to cognitive processing results in stronger memory formation”. This pattern explains why generic experiences are normally viewed as *memorable* events, since memories will remain after the experience has ended (Larsen, 2007). Oh et al. (2007) noticed that memories regarding negative experiences also tend to be intense. Thus, the higher the guest’s involvement during co-creation –whether through perceptions or feelings–, the more intense the memorability of experiential tourism.

The inclusion of feelings in the co-creation process seems to have complex implications in terms of time (t), since feelings don’t seem subject to rigid time frames. Part of the value co-created could be obtained before being engaged in an experiential offering *(t-1)* and afterward *(t+1)*. For instance, feelings co-created by the guest during the reservation process or the prior search for information could also be part of the final experiential offering. If a problem occurs while making a reservation, the guest could feel angry or frustrated, reducing the value obtained in co-creation. The same could be happening with spatial limits (s), since feelings seem even present when the guest is already at home. Certain sensory perceptions, such as the smell, seem neither bounded by time (t) or space (s). When a given fragrance is saved in our memory, subsequent exposure to this stimulus in other moment or in another place seems to have the capacity to evoke the same sensations. The overall environment co-created is, thus, dynamic, and seems subject to different points in time (t) and space (s). While the technical aspects of an offering are subject to a material physical space, the intangible aspects of this offering seem able to provide value in mental spaces.

4. Experiential tourism is unique. In a current context of globalization, many goods are subject to mass production processes aimed at minimizing the supplier’s costs, resulting in homogeneous offerings. From food to clothes, the guest can nowadays select similar consumption bundles, whether they visit Pekin, Moscow, Paris, or Bangkok. Several tourism services seem also subject to low differentiation and increasing homogeneity. Any Internet travel search engine could now easily enable instant price comparisons across flights, accommodation, car rental, etc… Intermediaries and tour operators also seem to be contributing to the standardization of many destinations' offerings, since market price pressures usually motivate constant cost reductions that could only be achieved by undifferentiated mass tourism production.

Experiential tourism is an innovative strategy which allows the suppliers to compete via product differentiation rather than price reductions. Uniqueness, or the capacity of being unlike anything else, becomes one of the features of experiential tourism sustaining differentiation. In economic terms, the absence of substitute offerings results in a more inelastic demand curve. Some natural and cultural assets are perceived as unique because of certain technical (e.g. Giza Pyramid, Egypt), sensory (e.g. Niagara Falls, U.S.), or emotional aspects (e.g. St Paul Church, Manhattan, U.S.). Similarly, some artificial attractions designed by private suppliers share these characteristics (e.g. Cirque Du Soleil, Starbucks, Build a Bear, Local Motors, etc.). These suppliers base uniqueness in intentionally enhancing certain technical, sensory or emotional features demanded by customers. In a similar manner, tourism public and private suppliers are able to capture and enhance the unique sensory and emotional profile of places (Moscardo, 2014) for value creation purposes. Perceived uniqueness arises as a result of co-creation. When the guest's perceptions and feelings are engaged, no two equal experiences exist (Pine and Gilmore, 1999; Mossberg, 2007). The uniqueness of every experiential offering lies in the idea that the environments co-created are always different, despite the stimuli provided by the supplier being similar (see Figure 1.2.). Thus, uniqueness seems a perception rather than an absolute truth, so every guest could behave differently depending on the availability of similar offerings around him.

5. Experiential tourism is extraordinary. While goods and services are usually related with ordinary behavior, experiences are described as extraordinary events. In that sense, the key question becomes: Why is experiential tourism considered as extraordinary phenomena? Some authors suggest that general experiences in tourism are extraordinary events because they "happen outside the daily routine" (Walls et al., 2011). According to the modernists, tourism-related activities have historically been seen as a reversal from everyday life, since they are beyond the scope of the activities we normally engage in, whether during work or leisure time. However, this is not the case for all the activities integrating the tourism product. Certain primary needs such as sleeping or eating are not extraordinary just because we satisfy them away from home. Some authors such as McCabe (2002) or Quan and Wang (2004) argue that peak (extraordinary) experiences and supporting daily experiences are able to coexist in the same trip.

Keeping in mind existing research, the concept introduced in this chapter argues that experiential tourism seems extraordinary not because it takes place outside the ordinary routine. Extraordinariness is not necessarily derived from the specific activity itself, since many daily activities can also be turned into experiences (Quan and Wang, 2004), but from the sensory and emotional stimuli added to the offering. For example, imagine a guest who has traveled to the Balearic Islands with the same boat company during the last ten years. Depending on variables such as comfort, food quality or punctuality rates, he obtains a given outcome from each trip. The boat company decided to adopt experiential tourism strategies and improved their offering by intentionally enhancing sensory and emotional aspects, such as music performances, customized employees, and entertainment shows for kids. The transition between the provision of a mere service and the co-creation of an experiential offering becomes an exceptional event outside the traditional outcomes assigned to the trip. The guest's perceptions and feelings during the journey are added to the co-creation process as new factors, explaining higher intensity of extraordinary. This example is not far from reality, since Balearia company –jointly with Supermartxé group – started offering music concerts and disco performances for the route Barcelona-Ibiza during the 2013 summer season.

But, what will happen in the subsequent boat trips? Enjoying a new music performance for the first time could result in higher-valued outcome due to its extraordinary appeal. However, if the music performance does not change, the intensity of extraordinary might decrease with subsequent trips, reducing the experiential level of the offering. Even though the firm is providing exactly the same offering, the outputs co-created jointly with a guest who has already enjoyed the performance would be lower, creating different experiential offerings every time. Here the economic law of diminishing returns is operational. A relevant managerial implication of this characteristic is that experiential firms are forced to keep innovating to ensure the maintenance of an extraordinary offering versus their competitors.

1.3.2. In Search of a Definition for Experiential Tourism

While peculiarities such as the stage performance or co-creation seem to correspond to the environment co-created by the suppliers and the guest, memorable, unique and extraordinary (m.u.e.) features seem to correspond to the outcome obtained in response. Most of the features described above have already been recognized in the academic literature. However, no general definition of experiential tourism has yet emerged (Uriely, 2005; Titz, 2007; Ritchie and Hudson, 2009). Walls et al. (2011) provided an interesting review about the various definitions for the tourist experience in the last decades. Nevertheless, definitions usually emphasized single attributes of the experience, resulting in a heterogeneous body of knowledge with no general agreement on the notion of experiential tourism as a kind of new offering. Furthermore, as it has already been mentioned in this chapter, it is very frequent to find the concept of tourist experience referring to the overall tourism product. On the contrary, this chapter emphasizes that experiential tourism is an economic offering based on the intentionality of the suppliers and on the participation of the guest during a joint co-creation process. Authors such as Smith (2006) reviewed the existing definitions of experiential tourism around the world, finding 20 different standards for practitioners to compare their business practices. Such as for the case of the tourist experience, no single definition for experiential tourism has yet emerged, qualifying the term as amorphous or stating that "experiential tourism shows rather than describes" (Smith, 2006).

The object of study should also be in coherence with the special features of the tourism industry. Experiential tourism can be designed by both the private business and the destination's support structures. As stated by Sundbo and Sørensen (2013) "much of the activity that provokes experiences is carried out in the public sector, such as culture, festivals, architecture…". Edinburgh International Festival is an interesting example of experiential offerings beyond the actions of individual companies. The interaction between guests and performers in the streets enhances co-creation and results in higher differentiation. Rather than enjoying a blend of different goods and services, guests play an active role, in the form of single perceptions and emotions. Other interesting examples of how experiential tourism can be applied to public goods appear in cultural assets, such as the Liberty Bell themed cultural tours (Philadelphia), or the Barcelona Maritime Museum. This museum display hologram performances recreating a storm in the sea when visiting the inside of an ancient ship. These examples show that cultural assets of any destination could be enriched through the improvement of sensory and emotional messages, leading to higher differentiation. However, the experience economy research usually adopts a more microeconomic approach focusing only on the role of business.

Considering the ambiguity surrounding the conceptualization of experiential tourism, the authors apply the features earlier discussed in section 3.1 to provide a definition:

"Experiential tourism is a memorable, unique and extraordinary economic offering, resulting from a staged co-created process based on the business and the destination's intentional enhancement of the guest's perceptions and feelings for value creation purposes"

1.3.3. Linking co-creation with experiential tourism: A theoretical framework

Experiential tourism possesses singular features that sustain its differentiation: memorable, unique and extraordinary (m.u.e). Other peculiarities seem to correspond to the prior interaction process, such as the performance of the stage and co-creation. The following paragraphs are aimed at developing a new theoretical framework to study the link between the co-creation process and experiential tourism.

Economics has historically seen individuals as rational human-beings. This assumption suggests that consumers behave and take decisions along their lives following cognitive processes or, in other words, those mental processes derived from knowledge and previous experience (Izard, 2007). Howard (1977) reflected this fact in one of his initial assumptions: "we expect rational expectations that reflect customers' ability to learn from experience and predict the levels of quality and value they receive". The role of other more primitive forms of appraisal, such as the sensory processes indicating any changes in the external environment, seem of less importance. Nevertheless, experiential tourism puts the guests on the spotlight of value creation, analyzing the co-creation process through the "subjective experiential window" (Damasio and Carvalho, 2013) and placing all types of perceptions and feelings as sources for value creation. Figure 1.3. approaches the co-creation process of experiential tourism offerings through the demand scope, discussing how the interactions process might be like from the guest's point of view. This figure can also be applied outside the tourism industry to analyze other types of experiential offerings.

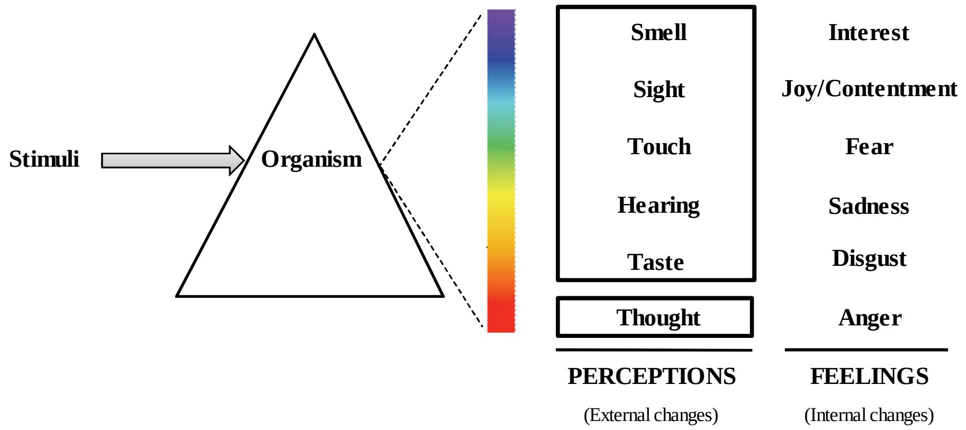

Figure 1.3. Assessing experiential tourism through the demand scope
Feelings approached as emotional schemas surrounding the basic emotions (Izard, 2007). Source: Own production.

Within the context of leisure activities, the guest receives the stimuli from the private and public suppliers, who provide a set of factors (e.g. accommodation's staff, stage, main room, food and beverage, destination's physical, social, cultural attractions, facilities). Historically, these factors were approached according to their technical characteristics, mainly resulting from the guest's rational ideas and thoughts. In contrast, Figure 1.3. suggests that the guest perceives every factor through a broader spectrum of perceptions, named smell, sight, hearing, taste, and touch. Thoughts are assumed to be part of a larger figure, which determines the overall perceptions of the external environment. According to Ledoux (2000), any stimulus is first received by the thalamus, which is responsible for relaying sensory information and drawing neural maps of the external world. Thereafter, the information travels to the amygdale, home of the emotions. At this point, it should be noticed that emotions and feelings are different terms, although they are usually applied indistinctively (Izard, 2007). While emotions are considered as natural kinds, cross-cultural, universal and emerging via natural selection and evolution (Ekman, 1999), feelings are associated to emotional schemas, involving more complex appraisals and arising as a combination of basic emotions, contextual factors and personality (Izard, 2007). This chapter emphasizes on the analysis of feelings, described as "the mental experiences than accompany body states" (Damasio and Carvalho, 2013), reflecting conscious changes in the guest's body state and internal environment. Perceptions and feelings are assumed to be happening simultaneously, so no causal links between both types of processing could be established (Izard, 2007). Ledoux (2000) argued that certain sensory information received from the external world has the capacity to enter in the individual's mind immediately, without any need of prior cognition in the neocortex area. In the same way as white light is comprised of the light spectrum, in experiential tourism every factor is comprised of perceptions and feelings when passing through the prism of the guest. The variety of human perceptions and feelings seems indeed as vast and complex as the light spectrum.

Theoretical frameworks in the tourist experience economy field alternatively emphasized on the interaction between the guest and the business[7] or between the guest and the destination[8]. Thus, private firms and the destination were treated as separate components. Most of these contributions applied a demand-oriented approach and recognized the relevant role of the guest's perceptions and feelings. Enumerating the different factors provided by the supplier

[7] e.g. Pullman and Gross (2004), Quan and Wang (2004), Mossberg (2007), Yuan and Wu (2008), Walls (2009), Brunner-Sperdin et al. (2012), Gracia et al. (2011), Tussydiah (2013), Torres et al. (2014).

[8] e.g. Prayag (2009), Moscardo (2010), Quinlan-Cutler and Carmichael (2010), Sundbo and Sørensen (2012), Assaker and Hallark (2013), Papadimitriou et al. (2015)

was the most common method to approach experiential offerings (e.g. physical context, relational interactions, sensory and emotional messages,...). Only Yuan and Wu (2008) suggested an alternative framework, distinguishing between the types of stimuli received by the guest (sense, feel, think perceptions and service quality). These different types of conceptualizations suggested that these elements represented experiential tourism. As for the Ph.D. candidate is aware no previous research attempted to establish a link between the prior co-creation process of experiential tourism and the subsequent outcome. The simultaneous consideration of the business and the destination in the co-creation process seems also of importance within the tourism setting.

Figure 1.4. shows a generic theoretical framework to study the link between co-creation and experiential tourism. The whole framework is assessed under the demand scope (Figure 1.3.), assuming that the supplier's intentionality to enhance the guest's perceptions and feelings is the spotlight for subsequent value creation. The framework is in coherence with Belk's Paradigm (1975), on which a given set of stimuli (situation and object) affect a person and determine a given behavior in response to the interaction.

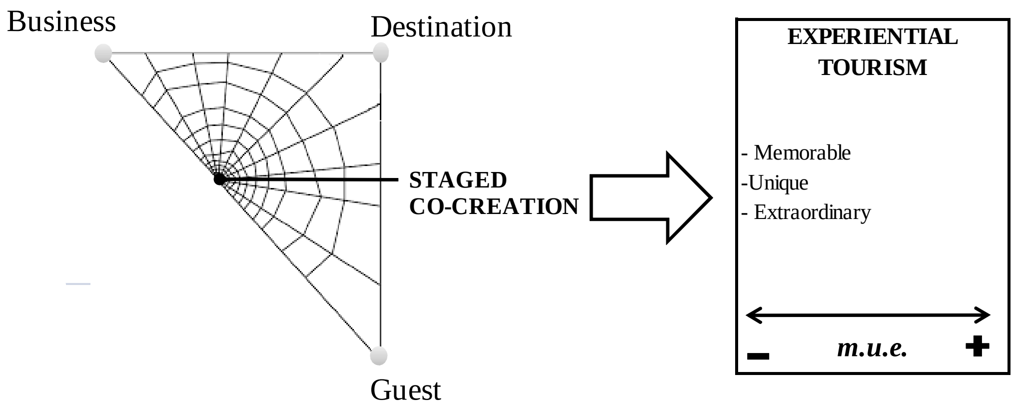

Figure 1.4. Theoretical framework for experiential tourism
Source: Own production.

1) Interaction between the stimuli and the organism. Co-creation is conceptualized to reflect the complex process of interaction between the business, the destination, and the guest. The initial stimuli are provided by the business and the destination and represent the guest's perceptions of the external environment. The organism or, the guest, draws at the same time a set of mental experiences in the form of feelings which represent his internal environment. Thus, the total environment arising in this interaction is exemplified as a kind of "spider web", on which the guest's perceptions and feelings about the private business and the destination become intertwined and inseparable, so one cannot go without the other. For example, the guest dimension could contain feelings associated to interest which are mental experiences related to the perceptions of the destination's attractions, enclosed in the destination dimension.

2) The response. Economic value creation resulting from the co-creation process is reflected in the outcome. When the business and the destination intentionally enhance the guest's perceptions and feelings, higher levels of memorability, uniqueness and extraordinariness (m.u.e.) can be achieved. The more intense the m.u.e. features of tourism offerings, the higher the experiential level perceived by the guest. These characteristics seem common to all types of experiential tourism, allowing the comparison across experiential offerings according to the intensity of the response.

On practical grounds, the interaction process shown in Figure 1.4. is exemplified in five factors, representing a simple interaction between one firm, one destination, and a guest (Figure 1.5.). It should be noticed that, the more suppliers, the higher the number of factors taking part in co-creation, generating new axis in the spider-web. The inclusion of new feelings (e.g. anger, fear, sadness, disgust) could also increase the number of axes.

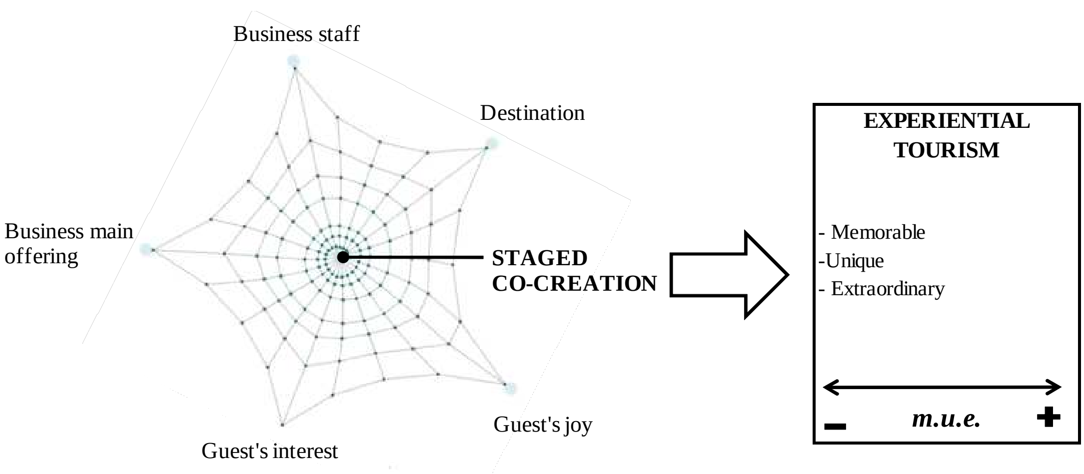

Figure 1.5. Exemplification of the theoretical framework for experiential tourism
Source: Own production.

The accommodation sector, which is just one element integrating the tourism consumption bundle, will be used as a proxy to exemplify the role of the business. Hotels can provide the guest a set of factors, such as the physical environment –overall design, property upkeep, sensory ambience– and human interaction –reliability, caring, professionalism, guest to guest– (Walls, 2009; Brunner-Sperdin et al., 2012). Similarly, Figure 1.5. approaches the role of the business through two factors, named the business main offering and the staff. In the accommodation setting, the first factor would include the room's cleanliness and décor, accommodation's overall design (colors, sculptures, fragrance, etc.), or surrounding landscape; the second factor would contain the staff's professionalism, efficiency, warmth or friendliness. The role of the destination is addressed in the third factor, including, for instance, the physical, socio-cultural attractions, and facilities (Untong, 2012). In this specific case, both the accommodation and the destination integrate the guest's perceptions of the external environment.

The guest's internal environment is represented according to feelings associated with interest and joy. The feelings shown in Figure 1.5. comprise a basic emotion of reference surrounded by more complex emotional schemas (e.g. relax, surprise, fun, serenity, nostalgia, etc). Negative basic emotions are usually less frequent in love, work or play activities, while positive basic emotions such as joy or interest seem predominant within these contexts (Izard, 2007), such as in leisure and tourism (Barsky and Nash, 2002; Hosany and Gilbert, 2010). For example, emotional schemas of relax, serenity or fun could appear around the basic emotion of joy, while emotional schemas such as personal growth or new knowledge could emerge around the basic emotion of interest.

An increasing number of suppliers and factors do not necessarily lead to higher value creation; it would simply increase the number of connections and the axes within the spider-web. It is the longitude of every axis what reflects the relative importance of each factor in the overall co-creation process. For instance, if the business main offering and the feelings of joy show the longest axis, these are the factors that would be playing a more important role during the co-creation of a given experiential tourism offering. The real goal for the suppliers is to recognize and coordinate the existing axes of the spider-web, going beyond single traditional production process. Homogeneous and well-proportionate spider-webs, on which the suppliers intentionally enhance both the guest's perceptions and feelings through new connections, seem more preferable to achieve sustained co-creation of experiential tourism.

1.3.4. Experiential tourism as a strategy for value creation

Finally, this chapter briefly discusses the impact on value creation of innovation strategies based on experiential tourism. In economic terms, value creation can be expressed as the difference between the consumers' willingness to pay (WTP) and the supplier's costs (Besanko et al., 2012). Value creation can be distributed between the consumer and the supplier. The difference between the WTP and the price of an offering is named the consumer surplus. Producer surplus is the difference between price and producer costs. Thus, two different strategies could lead to value creation: higher WTP and/or supplier's costs reduction. Experiential tourism strategies are based on the achievement of higher WTP, since the inclusion of the guest's perceptions and feelings sustains higher utility levels.

The final value distribution as consumer or producer surplus is subject to the decision of the supplier to capture part of this value as profits through price-premiums (Pine and Gilmore, 1999; Besanko et al., 2012). An improvement in producer surplus leads to higher profitability, so firms have incentives to start innovating through experiential offerings (Pine and Gilmore, 1999). This ensures both, incentives for the suppliers to engage in that strategy, and improvements in the guests' situation that would be reflected in higher perceived value. Nevertheless, overpriced experiential tourism offerings might result in a downturn in the guest's perceived value, penalizing the supplier's long-term competitiveness.

Figure 1.6. adapts the progression of economic value suggested by Pine and Gilmore (1999) to the specific case of the tourism industry. In the X-axis, *price* is substituted by value creation. The traditional mass tourism product is characterized by undifferentiated, homogeneous offerings, while the quality tourism product implies higher value creation and differentiation through improvements in the technical aspects of the offerings. Frequent improvements in this stage comprise the physical plant, the destination's security, ground and air transport, human resources, etc. When these strategies seem insufficient to sustain competitiveness in the tourism market, experiential tourism strategies could be adopted to keep enhancing differentiation.

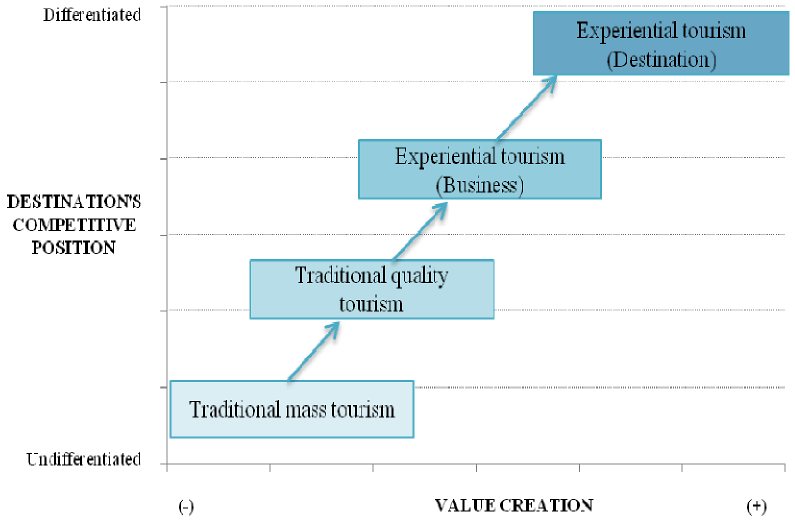

Figure 1.6. The progression of economic value in tourism destinations
Source: Own production based in Pine and Gilmore (1999).

The following stage in Figure 1.6. after traditional quality tourism suggests a scenario in which experiential tourism is, firstly, introduced by the business (e.g. accommodation, private transportation, leisure activities, restaurants, cafeterias, shops, etc.). In a context of strong price competition, when the firms are no longer able to maintain a cost leadership strategy, differentiation through experiential offerings could allow for benefit advantage. Tourism firms intentionally enhance the guest's perceptions and feelings and enhance them for value creation. The next step regards the value creation at the destination level, in the different support structures integrating the destination (e.g. museums, cultural assets, events, public transportation, etc.). The stages suggested in Figure 1.6. are subject to the peculiarities of every destination. If the business network is mainly integrated by small and medium enterprises, the tourism destination managers can start promoting experiential tourism activities, events and atmosphere even before individual businesses, providing the firms alternative tools to develop this innovation strategy.

1.4. CONCLUSIONS

The main goal of this chapter was to provide a theoretical framework to study experiential tourism and its co-creation process. For this purpose, the chapter started with a direct comparison between experiential tourism and traditional goods and services. The notions of tourist experience and experiential tourism were distinguished. The key features sustaining the higher differentiation levels of experiential tourism, named memorability, uniqueness and extraordinariness (m.u.e.) were detected. Other characteristics, such as the importance of the stage and co-creation seemed to regard to the prior interaction process, rather than to the outcome. The need to integrate the role of both the business and the destination in the co-creation of experiential tourism was suggested. Furthermore, the need to adopt a demand approach, putting the guest's perceptions and feelings in the spotlight of value creation in experiential tourism, was also discussed. The chapter followed suggesting a new definition for the experiential tourism and postulating a new theoretical framework linking the co-creation process of experiential tourism and the subsequent economic offering. The main findings suggest that the business, the destination, and the guest take part and interact in the co-creation of experiential tourism offerings. The theoretical framework was designed to assess the relative importance of every factor in the overall co-creation process. When the private and public suppliers within the destination intentionally enhance the guest's perceptions and feelings, higher levels of memorability, uniqueness and extraordinariness (m.u.e.) can be achieved, enhancing the experiential level perceived by the guest. Finally, the repercussions of this strategy in terms of value creation were discussed.

Managerial implications are based on the generic nature of the theoretical framework suggested in this chapter, which is useful for both tourism business and destinations. On one hand, tourism firms could adopt innovation strategies based on experiential design once they manage and enhance the guest's perceptions and feelings for value creation purposes. On the other hand, public offerings (e.g. museums, public transportation, natural and cultural assets, etc.) could also be turned into experiential offerings though intentionally enhancing the guest's perceptions and feelings, in the form of new sensory and emotional stimuli. Improvements in the basic technical aspects of any offering should be addressed prior the introduction of experiential features. Private suppliers should take care in meeting the minimum standards perceived by the guest before attempting to manage their feeling sensations. Improvements in the technical aspects of public offerings –e.g. efficient public transportation, security, legal frameworks, road maintenance,... -should also be addressed before any attempt to enhance co-creation through the guest's feelings. Coordination between the business and the destination is also of importance for co-creating experiential tourism offerings.

Finally, further research is needed to study the impact of experiential tourism on competitiveness. While being competitive was usually a matter concerning the suppliers, increasing engagement of the demand in product definition requires the design of models to recreate the new reality. There is strong scientific background to understand aspects such as the production process, profitability, costs or economic value creation. Nevertheless, additional emphasis should actually be placed on exploring other patterns, beyond rationality. Only by stepping outside traditional theories and adopting multidisciplinary approaches will the social sciences be able to address these future challenges.

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- LESSON 2 -

What impact is Experiential Tourism having on Competitiveness?

ABSTRACT

This chapter aims to provide a theoretical framework to study the impact of experiential tourism in competitiveness. The framework adopts a demand approach, suggesting the guest's perceived value, final satisfaction and behavioral intentions as proxies for tourism competitiveness. The main findings suggest that new economic value arises in the co-creation process of experiential tourism, resulting in a more differentiated economic offering, in terms of memorability, uniqueness, and extraordinariness. Experiential tourism could enhance the guest's perceived value affecting final satisfaction and, in turn, behavioral intentions. The results also discuss that the effects of experiential in competitiveness seem subject to the distribution of the value created between guests and suppliers. On one hand, experiential tourism increases the guest's utility, and this new economic value is reflected in the consumer surplus. Higher satisfaction levels and more positive behavioral intentions are obtained, providing the supplier competitive advantage. On the other hand, the producer is able to capture part of this new value through price-premiums, enhancing the producer surplus, increasing profitability and, thus, competitiveness. Managerial implications are suggested at both the business and the destination realm to take advantage of the implementation of experiential tourism, also discussing the potential risks inherent to this innovation strategy.

KEYWORDS: experiential tourism; value creation; willingness to pay; competitiveness.

2.1. INTRODUCTION

Competitiveness is usually seen as an ambiguous and imprecise concept. Many stakeholders frequently embrace competitiveness through their words and actions, and suggest multiple strategies to enhance it. However, before suggesting any improvement, it is crucial to understand what competitiveness is and which elements are integral to the concept. As Spence and Hazard (1988) noticed, 'disagreements frequently occur not only at the level of empirical effects and of the policies, but also in the very definition of the problem. Well-intentioned and reasonable people find themselves talking at cross purposes; sometimes it almost seems they are addressing different subjects'. If any aspect of competitiveness becomes unclear, managers and practitioners incur the risk of acting on erroneous conclusions.

The peculiarities of the tourism industry should be considered when addressing the notion of tourism competitiveness. Several authors assessed tourism competitiveness adopting a supply approach, emphasizing the different components provided by the supplier (e.g. Ritchie and Crouch, 1993; Buhalis, 2000; Hassan, 2000; d'Hauteserre, 2000; Mihalič, 2000; Kozak, 2001; Ritchie and Crouch, 2003 World Economic Forum, 2013). Nevertheless, the knowledge about how the demand patterns could be affecting tourism competitiveness seems interesting enough to deserve more attention. Dwyer and Kim (2004) argued that most theoretical frameworks focused on objective measures of tourism competitiveness, usually avoiding the analysis of subjectivity and travelers' perceptions. Some authors addressed this limitation introducing the demand perceptions into a general framework of competitiveness (e.g. Murphy et al., 2000; Gallerza et al., 2002; Ritchie and Crouch, 2003; Dwyer and Kim, 2004; Hsu et al., 2004; Bonn et al., 2005; Hong, 2006; Untong, 2012). Indeed, the issue of competitiveness seems not only about what a given business or destination might offer, but about how guests may perceive these offerings.

The guest's subjectivity is usually introduced into competitiveness research assuming rational perceptions. According to this approach, the guests assessed the different pillars of competitiveness through their evaluative and analytical thought, assigning a particular utility to the overall offering. Nevertheless, alternative perceptions regarding the sensory information received – sight, smell, touch, hearing, taste – and the feelings experienced by the guest could also be playing an important role. When these senses and emotions were engaged in the interaction process for value creation purposes, the literature introduced the idea of experiential offerings (e.g. Toffler, 1970; Pine and Gilmore, 1999; Schmitt, 1999). The more experiential a given offering is, the more it is differentiated in terms of competitive position. When experience staging is adopted as an innovative strategy for value creation in the context of the tourism industry, the notion of experiential tourism arises. A particular precaution should be adopted when this analysis is done in the case of tourism, as the concept of tourist experience is frequently used in the literature to refer to the heterogeneous bundle of offerings that integrate the tourism product. In this sense, this chapter adopts the concept of experiential tourism to avoid any ambiguity, described as 'a memorable, unique and extraordinary economic offering, resulting from a staged co-created[9] process based on the business and the destination's intentional enhancement of the guest's perceptions and feelings for value creation purposes' (Chapter 1).

Despite the increasing interest in experiential design as an innovative strategy for the tourism industry (e.g. Oh et al., 2007; Andersson, 2007; Larsen, 2007; Mossberg, 2007; Hosany and Gilbert, 2010; Morgan et al., 2010; Brunner-Sperdin et al., 2012; Walls, 2013), the link between experiential tourism and competitiveness is more unexplored. The role of demand's perceptions and feelings on competitiveness seems thus a critical area of study. The aim of this chapter is to suggest a new theoretical framework to study the impact of experiential tourism on competitiveness. For this purpose, a demand approach will be adopted, introducing and studying several variables, named the guest's perceived value, final satisfaction and behavioral intentions. The following two questions will be addressed throughout the chapter: Are human's perceptions and feelings able to impact tourism competitiveness? Is experiential tourism a useful strategy to enhance competitiveness?

2.2. LITERATURE REVIEW

Before analyzing the link between experiential tourism and competitiveness, theoretical underpinnings in the very definition of both concepts should be reviewed. For this purpose, this review starts discussing the conceptualization of tourism competitiveness, follows by the theoretical developments aimed at defining experiential tourism, and finishes with a discussion about the link between both variables.

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[9] Co-creation regards the joint creation of the offering by both the supplier and the consumer (Prahalad and Ramaswamy, 2004).

2.2.1. Conceptualization of Tourism Competitiveness

Many studies have attempted to provide a generic concept for competitiveness (e.g. Newall, 1992; European Commission, 1994; Krugman, 1994; The Economist, 1994; Durand et al., 1998), despite no generally accepted definition has yet emerged. The World Competitiveness Report described competitiveness as 'the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long-term' (World Economic Forum, 1994).

Dwyer and Kim (2004) recognized that the concept of tourism competitiveness should be consistent with the notion of competitiveness in international trade. However, it is also generally recognized that the tourism industry has certain characteristics that prevent the direct application of traditional theories. In this industry, the 'good' is a bundle normally selected by the visitor, so the demand plays an active role in the very definition of the product (Smith, 1994; Vanhove, 2011). Since traditional assessments of competitiveness focused on the resources provided by the supplier, the aspects of the product which involved the participation of the demand remain more unexplored. Another peculiarity is the generic nature of the tourism product (Smith, 1994). While the traditional analysis of competitiveness usually focused on single production, the amalgam of different offerings integrating the tourism product is provided by private and public suppliers. Hence, it is reasonable to defend that the main object of study should take the tourism destination as a whole, rather than isolated production of single business (Candela and Figini, 2012).

During the last twenty years, several authors provided alternative definitions that contributed to the consolidation of the conceptual understanding of tourism competitiveness (e.g. Ritchie and Crouch, 1993; Buhalis, 2000; d'Hauteserre, 2000; Hassan, 2000; Mihalič, 2000; Kozak, 2001; Ritchie and Crouch, 2003; World Economic Forum, 2013). It goes beyond the objective of this chapter to perform a detail analysis of these definitions; however, it can be noted that most contributions (e.g. Hassan, 2000; Dwyer and Kim, 2004; Hong, 2006) stem from Crouch and Ritchie's (1999) seminal research.

Probably the most condensed definition of tourism competitiveness was proposed by Hassan (2000): 'the ability of a destination to create, integrate and deliver tourism experiences, including value-added goods and services considered to be important by tourists'. Several aspects can be highlighted from this definition: The consideration of the tourism '*experience*' as the main outcome resulting from the tourism activity; The concept of value added to capture the economic impact (further discussion about this chapter's approach to value creation will be provided later); Finally, the implicit subjectivity recognized through the expression '*considered to be important by tourists*'.

The introduction of the demand scope has important implications in terms of describing the pillars that make competitiveness operational. Long-term competitiveness is usually analyzed adopting a supply approach, describing the different pillars or factors provided by the supplier. Nevertheless, it is not only about what a certain destination might offer, but about how the guest perceives each pillar of this offering. Smith (1994) argued for the need to study subjectivity, stating that 'the different components of the tourist's experience must be included as components of the tourism product'. The introduction of demand perceptions implies a high degree of subjectivity that complicates the assessment of tourism competitiveness. Smith (1994) noticed that a statistical approach seems insufficient to assess the tourism product, since 'experiential aspects of tourism do not fit because of the need of verifiable quantitative data'. Due to this limitation, some authors addressed tourism competitiveness under the demand scope, analyzing the competitive advantages gained through guest's behavior (e.g. Cronin et al., 2000; Murphy et al., 2000; Gallerza et al., 2002; Hsu et al., 2004; Bonn et al., 2005; Untong, 2012). The guest's perceived value, final satisfaction with the offering, and positive behavioral intentions were frequently used to represent tourism competitiveness. For example, Chi and Qu (2008) argued that certain behavioral intentions –e.g. likelihood to repurchase the tourism product, to recommend it to others –could increase the supplier's profitability, reduce the transaction costs and provide free word of mouth, allowing for competitive advantage. In this line, this chapter adopts a similar approach an assumes that innovation strategies such as experiential tourism could affect the competitiveness of private and public suppliers within the tourism destination by means of the guest's perceived value, final satisfaction, and more positive behavioral intentions.

2.2.2. Conceptualization of Experiential Tourism

Research in experience staging in the tourism industry is also subject to an intense debate (Ritchie and Hudson, 2009, Ritchie et al., 2011). The concept of tourist experience is frequently used in the literature as a kind of umbrella covering an amalgam of goods and services selected by the tourist. Walls et al. (2011) provided an interesting review about the different definitions of tourist experience suggested in the last decades. Given the aim of this research, the generic concept of tourist experience should be distinguished from experiential tourism. The latter concept is about a new economic offering based on the supplier's intentionality to enhance the guest's perceptions and feelings for differentiation purposes, in the context of the tourism industry. Smith (2006) reviewed the existing definitions of experiential tourism and concluded that no single definition has yet emerged, qualifying the term as amorphous or stating that 'experiential tourism shows rather than describes'.

The experiential design originates as a competitive advantage strategy in the business sector. The existence of a new economic system called the 'experience economy', which will subsequently follow the service economy when traditional goods and services are no longer enough to maintain competitiveness was initially discussed by authors such as Toffler (1970) or Pine and Gilmore (1999). In this sense, every good or service could be turned into an experiential offering by means of intentionally enhancing their sensory and emotional attributes. This new offering will be co-created in the interaction between the suppliers and the customer, in the form of single thoughts and feelings (Pine and Gilmore, 1999; Prahalad and Ramaswamy, 2004). Customers should then be obtaining a higher value for this individually constructed offering, while the suppliers enhance their product differentiation. Other contributions described experiential offerings as: 'The total outcome derived from the combination of environment, goods and services purchased' (Lewis and Chambers, 2000); 'A blend of many elements coming together and involving the consumer emotionally, physically, intellectually and spiritually' (Mossberg, 2007); Or as 'mental impact felt and remembered by an individual caused by the personal perception of the external stimuli' (Sundbo and Sørensen, 2013).

Beyond the generic definitions of experiential offerings, some authors recognized that the special nature of the tourism product hindered theoretical developments in tourist experience economy. No standard definition of the experiential tourism, as a kind of new economic offering, has yet emerged (Uriely, 2005; Ritchie and Hudson, 2009). Existing definitions usually emphasized on single features of the overall tourist experience, resulting in a heterogeneous body of knowledge with no general agreement about the notion of experiential tourism. Additionally, the literature usually emphasized on the business or the destination setting as separate components. Nevertheless, the notion of experiential tourism should be in coherence with the object of study in the tourism industry. Sundbo and Sørensen (2013) recognized that the 'experience economy concerns activities carried out in the public and private sectors', so any supplier within a destination should be able to adopt innovation strategies based in experiential tourism.

Chapter 1 attempted to overcome the ambiguity surrounding the notion of experiential tourism through an analysis of the different features sustaining value creation, against other types of traditional offerings. The chapter discussed five distinct traits of experiential tourism already studied in the literature: 1) staged performance, 2) co-creation process, 3) memorability, 4) uniqueness, and 5) extraordinariness. These characteristics seem common to all types of experiential tourism.

In coherence with the above peculiarities, the authors defined experiential tourism as 'a memorable, unique and extraordinary economic offering, resulting from a staged co-created process based on the business and the destination's intentional enhancement of the guest's perceptions and feelings for value creation purposes' (Chapter 1). According to this conceptualization, while peculiarities such as the staged performance or co-creation seem to define the prior interaction process of experiential tourism, memorable, unique and extraordinary (m.u.e.) features seem to regard to the subsequent outcome. When the guest's perceptions and feelings are intentionally recognized and managed by public and private supplier in a joint co-creation process, higher levels of m.u.e. can be achieved, obtaining more differentiated experiential tourism offerings. Hence, memorable, unique, and extraordinary features sustain the differentiation of the resulting offering. Finally, the authors link experiential tourism with value creation, discussing that the higher the economic value created in the co-creation process, the higher the differentiation of the subsequent experiential tourism offering (Chapter 1). This research adopts this definition of experiential tourism as the conceptualization of reference.

2.2.3. Experiential Tourism and Competitiveness: Two Ambiguities Blending Together

If tourism competitiveness is about the ability of a destination to create, integrate and deliver value-added offerings considered important by the guest, and experiences are an alternative economic offering, able to enhance differentiation and value creation, it could be expected that 'experiential destinations' might register an improvement on their competitive position. Several countries, particularly in Scandinavia, considered experiential design as a 'mega-trend', arguing that 'experiences occur in more and more industries and contexts and are no longer confined to a restricted area' (Bille, 2010). The Danish Government (2003) noticed that a new kind of economy was growing, which was based on an increasing demand for experiences.

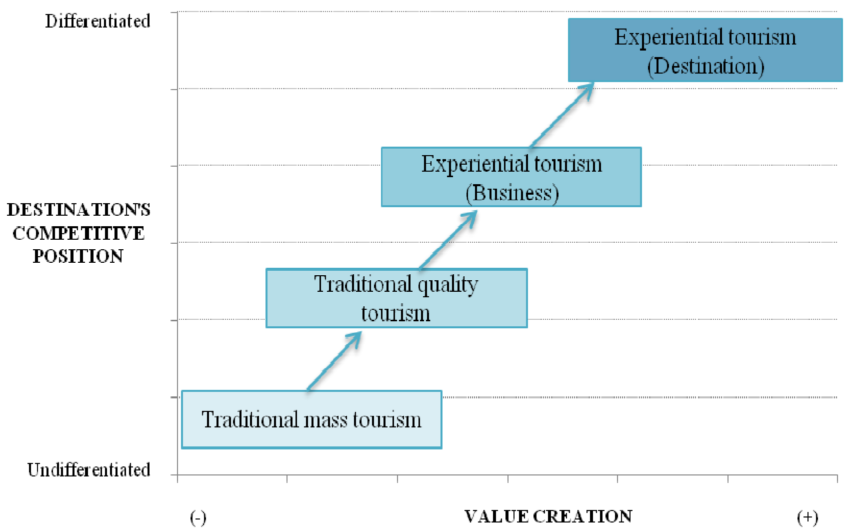

Figure 1.6. The progression of economic value in tourism destinations
Source: Chapter 1, based in Pine and Gilmore (1999)

Figure 1.6. adapts the progression of economic value to the specific case of the tourism industry. Mass tourism is characterized by undifferentiated, homogeneous offerings, while the quality tourism implies higher differentiation due to improvements in the technical aspects of the offering. The following steps suggest that, when economies of scale and conventional products are no longer valid to sustain competitiveness, firms might keep differentiating their offerings through experiential tourism. The final step stems from the need to incorporate the role of the overall destination as an alternative player in the value creation process, adopting experiential tourism as an innovation strategy. Sundbo and Sorensen (2013) noticed that value creation was not restricted to private firms, but any other stakeholder was also able to boost unique experiences.

Figure 1.6. suggests a direct link between the differentiation gained through experiential tourism strategies and value creation. Nevertheless, in Chapter 1, the authors already noticed that the effects of value creation in competitiveness seem constrained to the distribution of the new value created across customers and producers. Besanko et al. (2012) introduced equation (1) and suggested value analysis as a 'tool to identify where the value creation occurs along the value chain'. Value created results from the sum of the consumer (CS) and the producer surplus (PS). The difference between the guest's willingness to pay (WTP) and the market price

(P) determines value creation in the consumer surplus. Similarly, market price (P) minus average variable costs (C) captures value creation in the producer surplus.

$$Value\ created = CS + PS = (WTP - P) + (P - C) = WTP - C \qquad (1)$$

According to equation (1), two different strategies could lead to value creation: higher demand's willingness to pay (WTP) or lower supplier's costs (C). Experiential tourism can be described as a demand-oriented strategy aimed at increasing value creation through the intentional enhancement of the guest's perceptions and feelings in the co-creation process. Thus, the new value is created in the co-creation process, and this is reflected in higher WTP. Nevertheless, the subsequent distribution of this new value between guests and suppliers when the market price (P) is modified could be an essential matter to improve understanding about the different mechanisms leading to competitiveness[10].

2.3. SELLING MEMORIES: A THEORETICAL FRAMEWORK

Research in experience economy is mainly characterized by a multidisciplinary approach. Quinlan-Cutler and Carmichael (2010) suggested a framework to understand the overall tourist experience through the vision of environmentalists, while authors such as Moscardo (2008), from the field of psychology, suggested new tools to assess the impact of experiences on travelers. The management approach is particularly relevant to this research, since it emphasizes on the effects of marketed experiential offerings on business competitiveness across different tourism-related industries (e.g. Pullman and Gross, 2004; Andersson, 2007; Mossberg, 2007; Yuan and Wu, 2008; Walls, 2013; Brunner-Sperdin et al., 2012).

Multidisciplinary is not the only challenge for contemporary research in experiential tourism. Theoretical frameworks in the tourist experience economy field alternatively emphasized on value creation in the business[11] or in the destination[12] realm. Nevertheless, when the tourism destination is recognized as the main object of research, both the private and public

[10] Depending on the market price (P) and average variable costs (C), value creation would affect the supplier's competitiveness in different ways. Further discussion around this matter will be provided in 3.3.
[11] e.g. Otto and Ritchie (2000); Pullman and Gross (2004), Mossberg (2007), Yuan and Wu (2008), Walls (2009), Chen and Chen (2010); Brunner-Sperdin et al. (2012), Gracia et al. (2011), Tussydiah (2013), Torres et al. (2014).
[12] e.g. Oh et al. (2007), Prayag (2009), Quinlan-Cutler and Carmichael (2010), Sundbo and Sørensen (2012), Assaker and Hallark (2013), Papadimitriou et al. (2015); Prayag et al. (2015)

suppliers are able to create new economic value through innovation strategies based in experiential tourism. Essentially, tourism competitiveness is about the ability of different players to create and deliver value-added offerings, being the individual competitiveness of each supplier interrelated and almost indistinguishable from the others (e.g. Buhalis, 2000; Hassan, 2000). Considering the abovementioned challenges, the theoretical framework developed in this chapter is based on a multidisciplinary approach on which the role of the different players interacting in the co-creation of experiential tourism is analyzed, whether being private or public in nature. Tourism competitiveness is thus studied considering the ability of these different players to create new economic value a joint co-creation process.

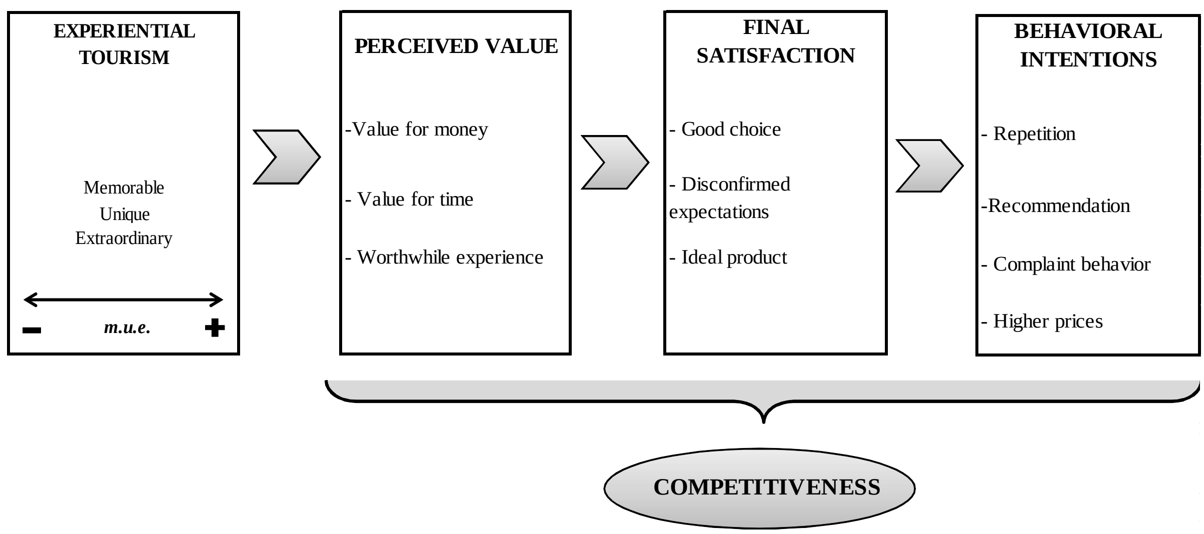

Figure 2.1. Theoretical framework linking experiential tourism and competitiveness
Source: Own production.

Figure 2.1. shows the complete link between experiential tourism and competitiveness, on which competitiveness is approached under the demand scope, considering the guest's perceived value, final satisfaction and behavioral intentions. The different components integrating the framework and the links between them are discussed in the following sections. Experiential tourism stems from a prior co-creation process involving the business, the destination and the guest. The intentionality of the suppliers to enhance the guest' perceptions and feelings during co-creation results in higher levels of m.u.e. associated to the experiential

tourism offering. The guest achieves higher utility levels, improving his perceived value[13] and, in turn, his final satisfaction with the offering. This improvement also results in more positive behavioral intentions, such as repetition, recommendation, complaint behavior, or intentions to pay higher prices in the future. The overall process shows how the new economic value co-created when experiential tourism strategies are adopted could be influencing the different variables associated to tourism competitiveness. Nevertheless, the different mechanisms leading to tourism competitiveness seem constrained to the proportion of these new economic value finally captured by the supplier, as it will be discussed by the end of this section

2.3.1. Conceptualization of the Different Stages

Due to the complexity of the theoretical framework suggested in Figure 2.1., the different stages integrating the value creation process should be defined before discussing the existing links between them. Experiential tourism is described first, followed by the guest's perceived value. The conceptualization of the guest's satisfaction is then studied, finishing with the analysis of behavioral intentions.

- *Experiential tourism*. Despite the emerging growth of theories and frameworks to study experiential tourism, few researchers simultaneously analyze value creation in both the business and the destination setting. Additionally, the concrete stage on which value creation seems to take place still becomes unclear. Chapter 1 attempted to address both challenges by suggesting a theoretical framework on which different suppliers interact with the guest in a co-creation process, subsequently resulting in a higher valued offering named experiential tourism. In coherence with this prior framework, this research conceptualizes experiential tourism according to the intensity of its key features: memorability, uniqueness, and extraordinariness (m.u.e.). Chapter 1 considered that these key features were determined by a prior co-creation process on which the interaction between the tourism business, the destination and the guest takes place. The private and public suppliers intentionally enhance the guest's perceptions and feelings in the co-creation process, so new value is created in this stage, resulting in a more differentiated economic outcome. A demand approach was applied, arguing that the whole co-creation process represented the total environment inherent to the guest. On one hand, the changes in the external environment were represented through the guest's perceptions about the factors provided by the private and public suppliers (e.g. business' physical environment and

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[13] The increase in the guest's willingness to pay (WTP) should be higher than the supplier's increase in price-premiums (P), as it will be discussed in 3.3.

human interaction, destination's physical, social, cultural assets and facilities,..). On the other hand, changes in the internal environment were represented through the guest's feelings (e.g. new learning and knowledge, serenity, forgetting the daily problems, zest for life, feeling amazed by the beauty of the landscapes,...). Thus, the overall co-creation process can be reflected as a kind of 'spider web' on which the perceptions about the suppliers and the changes in the guest's feelings are intertwined and connected, so one could not go with the other. This framework puts the guest's perceptions and feelings in the spotlight of value creation, since it is precisely when the different suppliers intentionally enhance this variety of factors in the interaction process when new value is co-created, obtaining a more differentiated offering named experiential tourism.

- *Guest's perceived value.* The perceived value was traditionally described as 'the consumers' overall assessment of the utility of a product based on perceptions of what is received and what is given' (Zeithaml, 1988). Alternatively, Fornell et al. (1996) described the perceived value of a certain product as the perception of its quality relative to its price, emphasizing the economic component. Other authors identified the economic component as functional perceived value, described as some financial or mental rewards that customers get from their input (Sweeney and Soutar, 2001). Untong (2012) analyzed the perceived value as the contrast between value and money, value and time, and worthwhile experience. This analysis was not restricted to the final price of the offering but also considered the opportunity costs inherent to consumption. Thus, perceived value is usually described as a kind of rational assessment, a comparison between the utility provided by a given offering and its economic value.

Some authors proposed other dimensions within the concept of perceived value, such as the guest's emotional value, described as the emotional reaction that customers gain during and after consumption (Schmitt, 1999). For instance, feeling happy, relaxed, pleasured, enjoyed, pampered or comfortable are recognized as different emotional values. The overall perceived value could be integrated by functional and emotional values (e.g. Sweeney and Soutar, 2001; Mathwick et al., 2001; Pullman and Gross, 2004; Yuan and Wu, 2008; Walls, 2013). Alternatively, Petrick (2002) identified five components: behavioral price, monetary price, emotional response, quality and reputation. Gallerza and Saura (2006) examined positive and negative dimensions: efficiency, quality, social, play and aesthetics and negative values addressed monetary cost, risk, time and effort.

Nevertheless, Izard (2007) recognized that 'theorists and researchers use the term emotion in ways that imply different processes and meanings'. Considering his distinction between basic emotions and emotional schemas[14], what a given guest might feel during the co-creation of an experiential offering will be totally different from what other guests might feel. Hence, what is funny and enjoyable for one guest cannot be simply accepted as enjoyed by other guests. Generalizing different emotional schemas in terms of the resulting emotional value becomes an arduous task. The theoretical framework shown in Figure 2.1. assumes that feelings involve the changes in the guest's internal environment, being reflected in the prior co-creation process of experiential tourism, rather than in its outcome or in the subsequent stage of perceived value. Thus, feelings are treated as an antecedent of experiential tourism offerings, jointly with perceptions (Chapter 1).

In sum, the underlying idea within the concept of perceived value developed in this framework is that the guest effectuates the contrast between what he gets and what he gives up once he has already evaluated the experiential tourism offering according to the intensity of its (m.u.e.) features. An interesting aspect of the guest's perceived value is that it can be used as a kind of proxy for the economic notion of consumer surplus, which is described as the difference between the maximum willingness to pay (WTP) and the final price paid for the offering (P). Figure 2.1. introduces the idea of the perceived value as a proxy for the consumer surplus, which could be reflecting the improvement on the guest's welfare when experiential tourism strategies are adopted. Applying Untong's (2012) conceptualizations, the perceived value includes the value for the money spent, the value for the time invested and the perception that the overall experience was worthwhile.

- *Guest's final satisfaction.* Hunt (1977) characterized satisfaction as a kind of assessment judging that an experience 'was at least as good as it was supposed to be'. The idea of satisfaction as a kind of contrast between prior expectations and the final output obtained became a recurrent topic among initial buyer behavior research. Oliver's (1980, 1981) contributions were especially relevant, since they provided a new framework to understand customer's satisfaction, introducing the idea of disconfirmation. Initial research in the consumer's satisfaction served as the basis for the construction of indexes in the 1990s, such the Swedish Satisfaction Barometer (Fornell, 1992) or the American Customer Satisfaction Index

[14] Basic emotions are considered as natural kinds, cross-cultural, and universal, emerging via natural selection and evolution. They should be distinguished from emotional schemas, which involve more complex appraisals and arise as a combination of basic emotions, each individual contextual factors and personality (Izard, 2007).

(Fornell et al., 1996). The customer's rational assessments about the overall quality, customization, and reliability of the products were assumed to be a good proxy for satisfaction (Fornell et al., 1996).

Other authors suggested alternative frameworks to integrate the role of emotions, arguing that an individual's affection constituted a powerful source of satisfaction (e.g. Zajonc, 1980; Westbrook, 1987). Zajonc (1980:172) noticed that 'if we stop to consider how much variance in the course of our lives is controlled by cognitive processes and how much by affect, (...) we cannot but agree that affective phenomena deserve far more attention than they have received'. Westbrook (1987) was initially one of the main opponents against Oliver's view. That is probably why their subsequent cooperation was especially interesting (Westbrook and Oliver, 1991). Indeed, Oliver's initial theory (1980) never closed the door to emotions, since he described attitudes as 'consumer's relatively enduring affective orientation for a product, store, or process'. His cooperation with Westbrook suggested a classification of satisfaction's prototypes: happy/content, pleasant surprise, unemotional, unpleasant surprise, angry/upset (Westbrook and Oliver, 1991). Further research attempted to extend their analysis, applying the different typologies of emotions suggested or creating new ones (e.g. Arnould and Price, 1993; Richins, 1997; Bloemer and Ruyter, 1999; Cronin et al., 2000; Huang et al., 2015).

In the tourism-related field, some studies conceptualized the guest's satisfaction as a summative overall measure (e.g. Kristensen et al., 2000; Yuan and Wu, 2008; Assaker and Hallak 2013; Sun et al., 2013; Engeset and Elvekrok, 2015). Similarly, Figure 2.1. conceptualizes the guest's satisfaction at an aggregated level, derived from 'evaluative' measures. Aspects such as disconfirmation of expectations, proximity to an ideal product and perception of good choice are considered. The model considers satisfaction as a rational post-evaluation, resulting once an experiential tourism offering is already finished. Thus, the use of 'emotion-based' measures of satisfaction is avoided, positioning feelings as an inherent aspect of the previous co-creation process of experiential tourism.

- *Guest's behavioral intentions.* This stage is conceptualized as the 'service provider's ability to get its customers to say positive things about them, recommend them to other consumers, remain loyal to them, spend more with the company, and pay price premiums' (Cronin et al., 2000:204). These aspects seem crucial for sustainable value creation in the tourism industry, since the behavioral intentions usually go beyond the business realm, also affecting the whole destination. Hence, two kinds of behavioral intentions are considered in the current framework:

ones affecting the private business (e.g. transportation, accommodation, complementary supply, restaurants, etc.) and the others affecting the destination. Both types of behavioral intentions comprise repetition, recommendation, complaint behavior and higher prices. Research in the tourism field usually emphasized the guest's behavioral intentions in terms of the destination. Chi and Qu (2008) described destination loyalty through repurchase intentions and recommendations to relatives. Similarly, Prayag et al. (2015) conceptualized the guest's behavioral intentions in terms of propensity to recommend the destination to others. Nowadays, positive comments through social media (Twitter, Facebook, Tripadvisor, Booking…) and even negative advises (Zâbkar et al., 2010) are also important to sustain long-term tourism competitiveness. In terms of short-term competitiveness, authors such as Ladhari (2009) and Yang (2008) emphasized the guest's intentionality to pay higher prices as an essential competitive advantage. Hence, positive behavioral intentions provide the supplier free word of mouth, reduce the transaction costs, and ensure profit growth (Chi and Qu, 2008), warranting its economic sustainability. Nevertheless, repetition could behave differently in the context of experiential tourism given the role of extraordinariness in this kind of offering. As a consequence, both the private and public suppliers seem forced to keep innovating to perform different experiences to sustain competitiveness through repetition.

2.3.2. Link between the Different Stages

Within the service research setting, part of the literature supported a direct link between the perceived service quality and behavioral intentions (e.g. Parasuraman et al., 1991; Zeithaml et al., 1996) or between the perceived value and behavioral intentions (e.g. Silohi et al., 1998; Sweeney et al., 1999). Against these direct models, other authors supported the intermediating role of customer's satisfaction (e.g. Oliver, 1980; Fornell et al., 1996; Cronin et al., 2000; Kristensen et al., 2000). Recalling the role of emotions, Westbrook (1987) provided evidence about the link between positive and negative emotions and satisfaction, word of mouth, and complaint behavior, finding that consumers were more satisfied or were more likely to recommend a product when affective elements were involved. Gracia et al. (2011) studied the mediating role of positive affect in the link between service quality and customer loyalty. Within the experience economy setting, Chen and Chen (2010) tested the path between experience quality, perceived value, satisfaction and behavioral intentions, finding a positive link for heritage guests. Song et al. (2015) found a similar link for temple stays. Prayag et al. (2015) linked the guest's emotional experiences, with perceived overall image, satisfaction, and intention to recommend in the destination realm. Figure 2.1. adopts the findings extracted in the literature and postulates a list of axioms concerning the link between the variables.

Axiom 1: Experiential tourism positively influences perceived value

The link between experiential offerings and the guest's perceived value has been usually corroborated separately, emphasizing in value creation in the business or in the destination setting. In the business setting, this relationship was studied in some tourism-related industries, such as events, cafeterias, or accommodation (e.g. Pullman and Gross, 2004; Yuan and Wu 2008; Brunner-Sperdin et al., 2012; Walls, 2013). For example, Walls (2013) linked experiential offerings in the accommodation sector with the guest's perceived cognitive and emotive value. Within the destination setting, authors such as Chen and Chen (2010) found that the experience quality perceived by heritage guests related positively to their perceived value. Song et al. (2015) discussed a positive link between different types of experiences and perceived functional and emotional value in temple stays.

Figure 2.1. considers that both the business and the destination have a relevant role in value creation. Both players are considered to be interacting with the guest in the co-creation process. The increased recognition and management of the guest's perceptions and feelings in the prior co-creation process determines higher levels of m.u.e. of experiential tourism (Chapter 1) resulting, in general, in higher perceived value[15]. In economic terms, the change in the utility arising during the co-creation process sustains the key features of experiential tourism and is translated into an improvement the guest's willingness to pay (WTP). The higher utility obtained enhances the numerator of the perceived value ratio, in terms of price, time and worthwhile experience. The guest could be thus willing to pay more to enjoy experiential tourism offerings. When the guest's perception and feelings are engaged in co-creation, the perceived utility of the resulting offering changes our perceptions about the price paid or the time spent. Starbucks' customers, Cirque Du Soleil guests, Disneyland visitors, or people enjoying a Rolling Stones' performance might provide good evidence about the capacity of experiential offerings to improve our perceptions of price and time.

[15] See footnote no. 5

<u>Axiom 2:</u> Guest's perceived value positively influences final satisfaction

There is abundant academic support for this axiom. In the business setting, Yuan and Wu (2008) tested the effects of the Starbucks' experience on guest's perceived value and final satisfaction, obtaining a positive link between the variables. Brunner-Sperdin et al. (2012) tested the effects of a hospitality experiential offering on emotional value and on the guest's final satisfaction. In the destination setting, Chen and Chen (2010) found a direct and indirect effect of experience quality in the guest's final satisfaction with heritage offerings. These findings are especially interesting, since they not only support an indirect link between experiential tourism and satisfaction through perceived value but also a direct link between both concepts. Song et al. (2015) found positive effects of different types of temple experiences in the guest's perceived value and final satisfaction. Similarly, Prayag et al (2015) connected the guest's emotional experiences with satisfaction. Thus, figure 2.1. postulates that the higher perceived value, the more likely the guest is satisfied with the offering. Satisfaction is recognized as one of the keys of business success (Sheth, 1991; Fonvielle, 1997). Guest's satisfaction should also be seen as a key success factor for destination competitiveness, as proposed in this framework.

<u>Axiom 3:</u> Guest's final satisfaction positively influences behavioral intentions

Similarly as in the previous axiom, there is plenty of academic support for a positive relation between guest's satisfaction and favorable behavioral intentions (e.g. Cronin et al., 2000; Kristensen et al., 2000; Zâbkar et al., 2010; Assaker and Hallak 2013; Prayag et al., 2015). The latter are, in turn, recognized as a source of competitive advantage (Sheth, 1991). Repetition, recommendation, reduction of complaints and higher prices are some of the behavioral intentions recognized in the literature (Cronin et al., 2000; Chi and Qu, 2008). Nevertheless, the particular traits of experiential tourism could be motivating different behaviors, against traditional offerings. Precisely, repetition is considered as a potential source of competitive advantage due to their effects in future profitability. Enjoying an experiential performance for the first time could bring higher value than in subsequent performances, if the co-creation process of the offering remains constant. This reason could explain why business performing experiential offerings should constantly keep innovating and changing the guest's perceptions and feelings in the co-creation process to maintain the competitive advantages associated to certain behavioral intentions, such as repetition.

2.3.3. Channels to tourism competitiveness

Figure 2.1. adopts a demand perspective and describes a set of variables –named the guest's perceived value, final satisfaction and behavioral intentions– influencing tourism competitiveness. The theoretical framework suggests that the new value arises in the co-creation process of experiential tourism, subsequently determining the key features associated to this kind of offering (m.u.e.). The higher utility levels achieved are captured in the guest's perceived value, conceptualized as a kind of contrast between what the guest receives and what he gives up, both in terms of price and time. In economic terms, similar changes in the demand welfare are approached by the notion of consumer surplus. Recalling Besanko et al. (2012) equation, experiential tourism is a demand-oriented strategy based on achieving higher value creation through improvements in the consumer surplus.

$$Value\ created = CS + PS = (WTP - P) + (P - C) = WTP - C \tag{1}$$

As early noticed, the appropriation of the new value between the guests and suppliers seems an essential matter to comprehend the different mechanisms affecting tourism competitiveness. Which channels could lead to higher tourism competitiveness when this innovation strategy is adopted by the different suppliers of a destination?

- *Channel I: Improvement in the consumer surplus.* When a given supplier starts adopting experiential tourism strategies, the guest captures this improvement through higher consumer surplus. In this situation, the guest's utility increases the perceived value, resulting in higher satisfaction and more positive behavioral intentions (repetition, recommendation, less complaints). Satisfaction and behavioral intentions sustain long-term competitiveness, since they could result in free word of mouth, lower transaction costs, and future earnings (Chi and Qu, 2008).

- *Channel II: Improvement in the producer surplus.* If the same supplier charges price-premiums (P) due to the adoption of experiential tourism strategies, the new value created is captured by both the consumer and the producer surplus. According to Pine and Gilmore (1999), differentiation in experience economy allows the supplier to charge price-premiums for the distinctive value provided. As noticed by Besanko et al. (2012), 'businesses survive and prosper by capturing part of the value created as profits'. In this case, the ability to charge higher prices would raise the producer surplus. An increase in the supplier's profitability[16] improves its competitive position and generates the justification for engaging in this strategy.

Tourism destinations, in the same way as individual business, can improve their competitiveness through the two channels discussed. Since the competitiveness of both the private and public suppliers is interrelated (Buhalis, 2000; Hassan, 2000), certain business could benefit from the improvements at the destination level. For instance, a traditional hotel close to a popular theme park could enjoy price-premiums due to the ability of the destination to create new value through memorable, unique, and extraordinary experiences. Interestingly, a themed hotel in a similar location adopting experiential tourism strategies can charge even higher prices due to its ability to create additional value in the co-creation process.

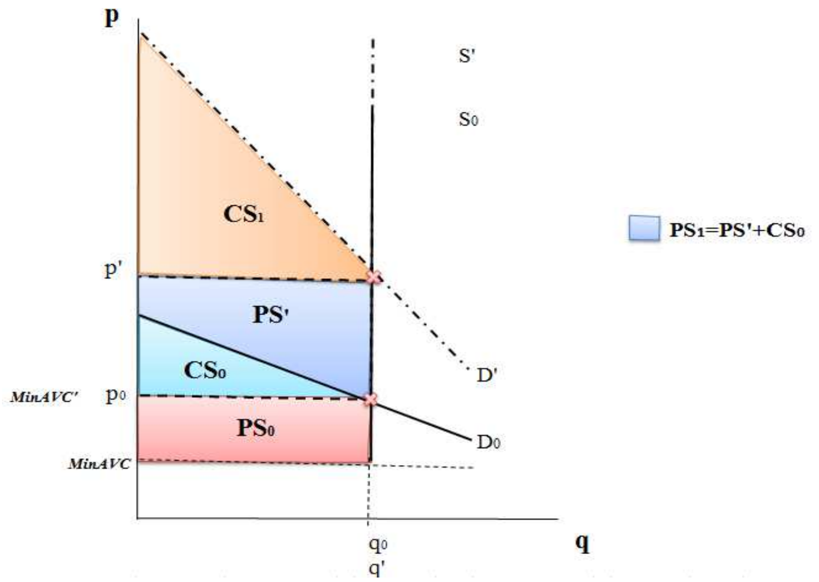

Figure 2.2. Hypothetic market equilibrium resulting from experiential tourism
Source: Own production.

Figure 2.2. postulates hypothetic short-run market equilibrium when innovation strategies based on experiential tourism are adopted. Price-premiums are assumed to be charged by the supplier in order to capture part of the new value created (Channel II). The final price of the offering (p') is higher than the initial equilibrium (p_0), but the new market quantity (q') becomes similar (q_0) due to the special nature of the supply in the tourism industry. Both the consumer surplus (CS_1) and the producer surplus (PS_1) have increased. Indeed, part of the

[16] Only when the price-premiums (p) achieved are higher than an assumed increase in the average variables costs (C)

new producer surplus (PS_1) results from the acquisition of the initial consumer surplus (CS_0), plus the new producer surplus (PS') gained through price-premiums. In economic terms, experiential tourism increases the maximum WTP, shifting the demand curve to the right and turning it more inelastic due to higher differentiation and the reduction of substitutes. Regarding the supply curve, Sheth (1991) argued that certain behavioral intentions result in less marketing and sales investments. Chi and Qu (2008) also noticed that customer retention through more positive behavioral intentions could reduce the transaction costs. Nevertheless, experiential suppliers might also be subject to higher costs (e.g. staff training, product design, decor…). Figure 2.2. assumes that the adoption of experiential tourism results in higher costs, increasing minimum average variable cost (AVC). Further research is needed to analyze the impact of experiential tourism in the supplier's costs structure.

2.3.4. Dying from success: The risk of experiential tourism

This chapter discusses that experiential tourism seems an interesting way to adopt a benefit advantage strategy based on price-premiums (Channel II). Nevertheless, if the price increase becomes too high with respect to the new value created, alternative forms of competitive advantage seem at risk. When overpriced offerings leave an insufficient consumer surplus, guests perceive a downturn in their final satisfaction and their resulting behavioral intentions (Channel I). Negative word of mouth to friends and acquaintances, higher managerial costs due to more complaints, or lower repetition could be some of the results of an excessive appropriation of the consumer surplus, penalizing sustainable competitiveness.

In the business setting, Pine and Gilmore (1999) noticed that companies overpricing their offerings relative to the value perceived could see pressure on demand. In a competitive market, guests attempt to maximize their consumer surplus so, if the producer captures an excessive amount of the new value created, the demand could simply select other competitors. Experiential tourism seems a sustainable strategy only when there is an improvement of both, consumer and producer surplus. The former will ensure that guests have a positive assessment of the offering, while the latter justify why suppliers adopt this strategy. Thus, price-premiums could seem an attractive option to increase competitiveness in the short run, but suppliers should bear in mind that value creation in the consumer surplus sustains long-term competitiveness.

2.4. CONCLUSIONS

The main objective of this chapter was to clarify the impact of experiential tourism on competitiveness. The chapter starts reviewing the main elements of the existing definitions of competitiveness and experiential tourism. On one hand, competitiveness is addressed through the demand's viewpoint, through the guest's perceived value, final satisfaction and behavioral intentions. On the other hand, experiential tourism is also studied adopting a demand approach, placing the guest's perceptions and feelings in the spotlight of value creation. The interaction between the business, the destination, and the guest in a joint co-creation process sustains value creation and determines, in turn, higher differentiation in the subsequent offering, named experiential tourism. A new theoretical framework is then developed, discussing the link between experiential tourism, the guest's perceived value, final satisfaction and behavioral intentions. These variables are then conceptualized, and the links between them are established through different axioms, validated with the existing literature. The theoretical framework presented in this chapter attempts to serve as a tool for the different fields of knowledge analyzing the phenomenon of experiential tourism.

The main findings suggest that experiential tourism can impact competitiveness through both, improvements in consumer and producers surpluses. On one hand, this strategy could increase the guest's utility; so the new economic value arising in the co-creation process is reflected in the consumer surplus. Higher satisfaction and more positive behavioral intentions are achieved, resulting in higher attractiveness and sustaining competitiveness. On the other hand, producers can capture part of the new value through higher prices, increasing profitability and improving their competitive position. Nevertheless, when price-premiums become excessive with respect to the new created value, sustainable competitiveness is penalized and the suppliers of the destination incur in the risk of 'dying from its success'.

Managerial implications go beyond the business realm, since destinations are also able to adopt innovation strategies based on experiential tourism. The capacity to recognize and enhance the guest's perceptions and feelings in the co-creation process determines the differentiation of experiential tourism offerings. The coordination between the different suppliers of the destination (whether being private or public in nature), boosting the unique sensory and emotional profile of their offerings, sustains value creation. Both the business and the destination realm are able to change the traditional guest's segmentation and take advantage of new forms of targeting, affecting their management, marketing and branding (Hankison, 2004; Blain et al., 2005; Boo et al., 2009). Some business and destinations might adopt the strategy of customizing their offering according to the context of the guest, providing a family experience or positioning themselves as romantic for couple travelers. Other business and destinations may target their guests according to their motivation (e.g. escape, relaxation, fun, adventure, etc.). Experiential tourism enables any supplier to adopt a benefit leadership of price-premiums relative to its competitors. In a context in which mature destinations adopted cost leadership strategies in the last decades, experiential tourism currently stands as a potential source of competitiveness and long term economic sustainability.

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- LESSON 3 -

Validating the Experiential Tourism theory

ABSTRACT

This chapter explores the link between the co-creation process of experiential tourism and the resulting offering. For this purpose, structural equation modeling is applied, using data collected from Ibiza. A measurement model is firstly developed to study the most relevant factors arising in the co-creation process, integrating the role of the business, the destination, and the guest. A demand approach was adopted, assessing co-creation according to the guest's perceptions and feelings and developing a reflective multidimensional measurement tool to represent this process. The main findings demonstrate that feelings of interest and joy become the most important factors in the co-creation of experiential tourism, followed by the perceptions of the destination. Thus, new economic value arises in the co-creation process. A new measurement instrument to study the intensity of experiential tourism is also validated, based on the key features sustaining differentiation of this kind of offerings: memorability, extraordinariness, and uniqueness. A structural model is secondly developed to test the link between co-creation and experiential tourism. The results validate this relationship, so the business, the destination, and the guest jointly co-create new value in their interaction, determining the key features sustaining the differentiation of experiential tourism. The intentional enhancement of the guest's perceptions and feelings in co-creation becomes the main source of value creation, leading to more memorable, unique, and extraordinary experiential tourism offerings. Managerial implications claim for the need to adopt a demand orientation to identify and enhance the most relevant factors arising in co-creation, and to implement new tools which allow for the simultaneous measurement of the guest's perceptions and feelings.

KEYWORDS

Experiential tourism, co-creation, measurement, perceptions, feelings.

3.1. INTRODUCTION

Experiential tourism currently stands as a new and innovative strategy to improve competitiveness, providing advantage for those suppliers adopting this approach (Walls and Lugosi, 2013). Nevertheless, some authors claimed for the need to reach an agreement in the literature regarding the theoretical foundations of experiential tourism and the search for new empirical frameworks to identify and measure its inherent aspects (e.g. Uriely, 2005; Knutson et al., 2006; Titz, 2007; Ritchie and Hudson, 2009; Ritchie et al., 2011, Pine and Gilmore, 2013). Ritchie and Hudson (2009) explicitly recognized that 'to reach a consensus concerning the true meaning of the tourism experience through and through assessment of relevant theories' was one of the key challenges within this field.

The special nature of the tourism industry, on which public and private suppliers come together to provide an amalgam of distinct offerings to guests[17], represents an additional challenge when attempting to transfer the experience economy knowledge to tourism economics. Smith (1994) already noticed that research usually failed in recognizing the generic product inherent to the tourism industry. Advances in experience economy suggested that those activities carried out by both public and private sectors should be of concern (Sundbo and Sørensen, 2013). However, the implications of the experience concept seem slowly accepted by destination management (Morgan et al., 2010). Chapter 1 discussed the differences between the notions of tourist experience and experiential tourism, arguing that the first conceptualization was frequently used in the literature as a synonym of the overall tourism product, while the second described an alternative economic offering marketed for value creation purposes. Chapter 1 also detected memorability, uniqueness, and extraordinariness (m.u.e.) as the key features sustaining higher differentiation in experiential tourism offerings. The higher the intensity of these features, the more likely an offering seems to be experiential. For these reasons, detecting which factors might be preceding these characteristics and who are the main players involved in the process seems essential. In this sense, Chapter 1 suggested a theoretical framework linking the co-creation process of experiential tourism and the resulting economic outcome. Their theoretical findings suggested that tourism business, the destination, and the guest were interacting in the co-creation process, and subsequently determined the key features of experiential tourism. A demand approach was followed, placing the guest's perceptions and feelings in the spotlight of subsequent value creation, according to the intensity of *m.u.e.*

[17] This dissertation follows Pine and Gilmore's (1999) approach in defining the buyers of experiential tourism as "guests"

This chapter aims to analyze which specific factors along the co-creation process might be determining higher differentiation in experiential tourism offerings. The specific objectives of the chapter are 1) to provide a new measurement tool for the co-creation process, aimed at assessing the importance of each factor and each player during their interaction, and 2) to test the link between the co-creation process and experiential tourism through the design and validation of a new conceptual model. For this purpose, the chapter starts discussing the role of experiential offerings across different fields of knowledge, emphasizing on the current debate between service quality literature and experience economy. The review follows with the most relevant contributions in the experience economy field, subsequently moving to the tourism and hospitality setting. Existing empirical frameworks studying experiential offerings across tourism-related industries are discussed. The baseline theoretical framework and the resulting conceptual model are then presented, followed by the empirical analysis. The analysis starts introducing the variables and their measurement instruments. Data description and methodological information is provided next. Finally, an integrated structural equation model is tested for the data set, discussing the results of both the measurement and the structural model. The chapter finishes with some concluding remarks, managerial implications, and suggestions for further research.

3.2. LITERATURE REVIEW

Experience economy can be termed as young, incipient field of research. It was not until the 1990s where most theoretical underpinnings in this field emerged (e.g. Csikszentmihalyi, 1990; Denzin, 1992; Arnould and Price, 1993; Edgall et al., 1997; Schmitt, 1999; Pine and Gilmore, 1999), recognizing experiences as their main object of study and as an alternative economic offering different from goods and services. Despite the theoretical developments in this field, experiences are sometimes lumped into the service economy and seem, even nowadays, hardly recognized as a different field of knowledge. Interestingly, while some service researchers argue that services facilitate value creation and that any resource could be turned into a service (Grönroos, 2015), experience economy researchers suggest that any economic offering could, in turn, be turned into an experience (Pine and Gilmore, 1999).

The term *experience* goes beyond the experience economy literature and also seems widely spread across the service literature. For example, Kandampully et al. (2014) recognized that the service experience was one of the most popular topics within service research in the hospitality literature. Other researchers noticed that the customer's experiences and perceptions were key to define and co-create new value (Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004). The customer-centric view and Service-Dominant (S-D) Logic paradigm appear to be imposing, placing the customer in the focus of service value-creation (Andersson, 2007; McColl-Kennedy et al., 2012). Prahalad and Ramaswamy (2004) noticed that the firm-centric view of the world, on which value creation occurred inside the firm, was being challenged not by new competitors, but by communities of connected, informed, empowered, and active consumers. The theoretical underpinnings around the S-D logic also studied which factors could be determining value creation, distinguishing between operant and operand resources (Vargo and Lusch, 2004). While operant resources are invisible and intangible (e.g. knowledge, friendliness, overall design, etc.), operand resources comprise tangible characteristics of the offering (e.g. infrastructure, monetary, land resources, etc.). The S-D paradigm argued that value creation was mainly generated by means of operant resources.

The research conducted by the service quality literature seems inherent to the development of the service economy. However, 'where does the economy go next? After the services, what?' (Toffler, 1970). Curiously, Toffler (1970) early anticipated which type of economy would follow the service economy: 'The very excitement aroused by the mushrooming growth of the service sector has diverted professional attention from another shift that will deeply affect both goods and services in the future. It is this shift that will lead to the next forward movement of the economy, the growth of a strange new sector based on what can only be called the *experience industries*. For the key to the post-service economy lies in the psychologization[18] of all production, beginning with manufacture'. Nearly three decades after, authors such as Pine and Gilmore (1999) popularized the idea of experience economy, describing experience staging as an alternative economic offering able to add new economic value by adding new senses and emotions to products. Contemporary definitions for the general notion of experience can be reviewed in Walls et al. (2011) and in Chapter 1 of this dissertation. Thus, the progression of economic value and the move from service to experience economy seems to have already taken place. Some authors in the experience economy field noticed that the term *experience* was sometimes used without fully assessing what an experience exactly means in the customer setting. Berry et al. (2002) noticed that an experience was more sophisticated than architecture, décor, or groomed employees, recognizing that many firms

[18] provision of psychic gratification

applied these notions 'without fully understanding or measuring experience marketing constructs, (...) simply by providing entertainment or through winsome creativity'. This chapter follows the experience economy approach, assuming the progression of economic value from service delivering to experience staging as a present condition.

General research in experience economy served as the basis for subsequent conceptualizations in the tourism and hospitality setting (e.g. Lewis and Chambers, 2000; Uriely, 2005; Andersson, 2007; Mossberg, 2007; Titz, 2007, Lashey, 2008; Ray, 2008; Walls et al., 2011). In this sense, the special peculiarities of the tourism industry should be considered, being the overall tourism product –integrated by an amalgam of offerings provided by both public and private suppliers – the main object of research, rather than isolated production from single suppliers (Smith, 1994; Vanhove, 2011; Candela and Figini, 2012). Sundbo and Sørensen (2013) noticed that experience economy comprised activities carried out in both the public and private sectors. Furthermore, Chapter 1 recognized the need to distinguish between the notions of 'tourist experience' –frequently used in the literature to describe the overall amalgam of offerings selected by the guest – and 'experiential tourism' –described as a memorable, unique and extraordinary economic offering, resulting from a staged co-created process based on the business and the destination's intentional enhancement of the guest's perceptions and feelings for value creation purposes–. Two implications are derived from this definition, named 1) memorability, uniqueness, and extraordinariness (m.u.e.) are the key features sustaining the differentiation in experiential tourism offerings, and 2) the business and the destination are the suppliers of experiential tourism, able to intentionally enhance the guest's perceptions and feelings to improve value creation.

Which factors integrate the co-creation process, preceding and determining the key features of experiential tourism? Research in the tourist experience economy alternatively analyzed these factors from the business or the destination setting. A demand approach is mostly adopted, recognizing the importance of the guest's perceptions and feelings as the main source of value creation. The factors were frequently used as a representation of experiential tourism per se, so no link between the co-creation process and the outcome obtained in response was assumed. In the business setting, experiential offerings were analyzed for separate components of the tourism consumption bundle (e.g. events, coffee shops, accommodation,...). Most studies approached experiential tourism through the factors composing the offering (e.g. Pullman and Gross, 2004; Quan and Wang, 2004; Mossberg, 2007; Walls, 2009; Brunner-Sperdin et al., 2012; Gracia et al., 2011; Tussydiah, 2013; Torres et al., 2014). Factors such as the physical context, relational interactions, and the customer's senses or emotions were frequently recognized, while individual characteristics (demographics, psychographics), contextual factors (repeating guests), or the role of daily experiences in tourism were occasionally studied. Thus, the analysis of the different factors provided by the private supplier seemed the most common approach to address experiential tourism. Alternatively, Yuan and Wu (2008) suggested a different framework, distinguishing the factors according to the types of stimuli received by the guest (sense, feel, think perceptions and service quality). Thus, experiential tourism offerings have been approached through two proposals, named 1) analyzing the different factors conforming the offering and 2) analyzing the types of stimuli inherent to the offering. For instance, the experience of having a coffee in Starbucks could be assessed by 1) the factors composing the supplier's offering – e.g. staff, location, food and beverage, shop's design and décor – or 2) the types of stimuli received by the guest when consuming the offering – e.g. rational perceptions (cleanliness, staff's professionalism,...), sensory aspects (music, scent, couches' comfort,...), or emotional aspects (feeling relaxed, peaceful, enjoyed,...).

In the destination setting, it is frequent to approach experiential tourism under the notion of tourist experience, putting the scope on the interaction between guests and destinations (Prayag, 2009; Moscardo, 2010; Quinlan-Cutler and Carmichael, 2010; Sundbo and Sørensen, 2012; Assaker and Hallark, 2013; Papadimitriou et al., 2015). Empirical research followed a similar orientation than that of tourism-related business. Some authors emphasized on the set of factors provided by the destination – e.g. connections, transportation, attractions, security, entertainment, local's friendliness, etc. (e.g. Chi and Qu, 2008; Alegre and Garau, 2010; Lee et al. 2014; Cong, 2016) –. Other researchers distinguished between the type of stimuli received, emphasizing on the destination's emotional (e.g. Bigné et al., 2005; Hosany and Gilbert, 2010; Prayag et al., 2015) and sensory aspects (e.g. Govers et al., 2007; Richards et al., 2010; Gretzel and Fesenmaier, 2010; Agapito et al., 2012).

3.3. CO-CREATION AND EXPERIENTIAL TOURISM: A CONCEPTUAL MODEL

Academic literature in the tourist experience economy field studied experiential tourism in the business or in the destination setting, as separate components. Nevertheless, many researchers in tourism economics recognized that, in the tourism industry, the overall tourism product becomes the main object of research (Smith, 1994; Vanhove, 2011; Candela and Figini, 2012). Thus, the simultaneous analysis of both the business and the destination as separate but intertwined players of the co-creation process becomes a key challenge. Additionally, existing literature approached experiential tourism according to the factors provided by the supplier or to the different types of stimuli received by the guest. In this context, this chapter recognizes the need to unify alternative paths of knowledge on an integrated framework, emphasizing on the guest's perceptions and feelings as the potential source of value creation. Finally, regarding the connection between the co-creation process and the subsequent economic outcome[19], named experiential tourism, only the framework suggested in Chapter 1 links both ideas, also integrating the role of the different players in the co-creation process.

Chapter 1 followed a demand approach, studying the guest's perceptions and feelings rather than the objective view of the supplier. This scope was in coherence with the idea of relative truths introduced by postmodernists (Uriely, 2005), who placed the individuals' subjectivity as the main source of value creation. The chapter applied multidisciplinary theorizations and developed a generic theoretical framework on which the guest's perceptions and feelings about the private business and the destination became intertwined and inseparable, so one could not go without the other. The framework included the business and the destination as the main suppliers in the tourism industry, forming the external environment perceived by the guest. Neural maps of the external world were relied on overall perception, represented by sensory information (smell, sight, touch, hearing, taste) and thoughts. Changes on the guest's internal environment were considered as simultaneous, being represented by feelings: those "mental experiences than accompany body states" (Damasio and Carvalho, 2013).The general framework was exemplified through a simple interaction between one firm from the accommodation sector, one destination, and one guest, describing a process of co-creation of five factors (Figure 1.5.).

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19 Grönroos (1984) early differentiated between the process of interaction connecting the service provider with the customer and the outcome delivered in response.

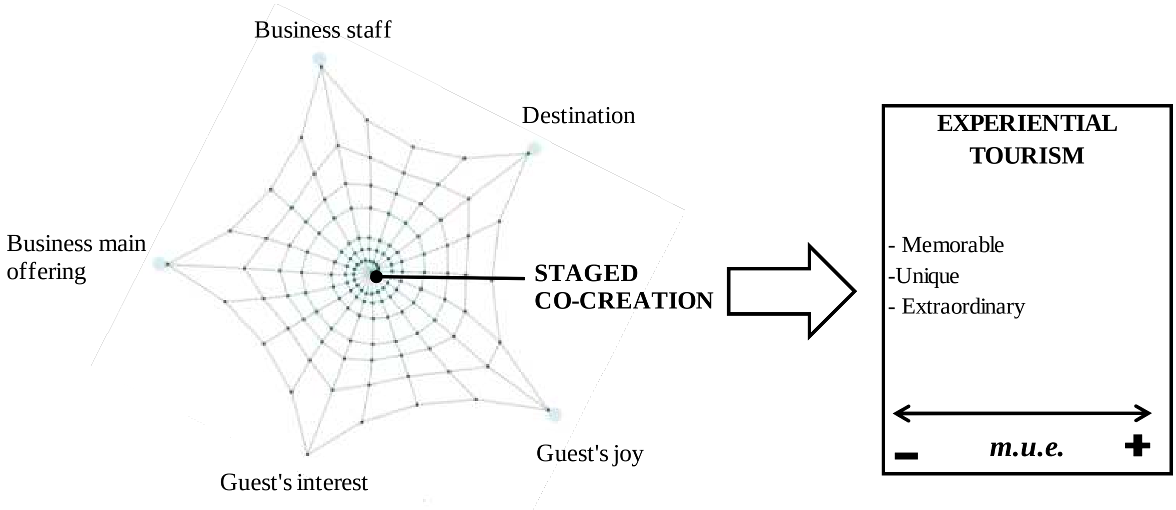

Figure 1.5. Exemplification of the theoretical framework for experiential tourism
Source: Chapter 1

The co-creation process represented the total environment, and was exemplified in the form of a "spider web" on which the guest's perceptions and feelings about the private and public suppliers were interrelated and could not exist separately. On one hand, the business and the destination constituted the external environment surrounding the guest, so they were approached according to his perceptions. Each axis regarded the perception of a factor, so the more the suppliers participating in the interaction, the higher the number of factors and the expected number of axes. In Figure 1.5., the accommodation sector was use as example to analyze the role of business, due to its relevance in the overall tourism consumption bundle. The business was represented by two axes, addressing the guest's perceptions about the main offering and the staff (e.g. Walls, 2009; Brunner-Sperdin et al., 2012). The destination was represented by one axis, containing the guest's perceptions about the physical attributes, socio-cultural attractions, and facilities (Untong, 2012). On the other hand, the feelings regarded the conscious changes in the guest's internal environment. The higher the number of feelings included in the analysis, the greater the number of axis. In this example, two feelings were included, in coherence with the literature arguing that predominant interest schemas together with occasional joy seemed the most common patterns in love, work or play activities (e.g. Fredrikson and Losada, 2005; Izard, 2007) and were frequent in tourism-related activities (e.g. Barsky and Nash, 2002; Hosany and Gilbert, 2010). It should be noticed that the length of the axis determined the relative importance of each factor in the overall co-creation process. Finally, economic value derived from the co-creation process was reflected in the intensity of m.u.e. of the resulting outcome, named experiential tourism. Hence, the experiential level of the final offering could be assessed according to the intensity of these characteristics.

Existing research frequently assumed some kind of causality or division between perceptions and feelings, considering that 'the initial service evaluation leads to an emotional reaction' (Cronin and Brady, 2000). On the contrary, the framework in Figure 1.5. was developed to deal with both processes at the same time, assuming that perceptions and feelings become intertwined in the guest's mind, so establishing any temporalization or segmentation between them becomes an arduous task (Zajonc, 1980; Ledoux, 2000; Izard, 2007; Damasio and Carvalho, 2013).

This chapter provides a conceptual model aimed at testing the exemplification suggested in Figure 1.5., connecting a simple process of co-creation –integrated by one firm, one destination and one guest – with the main economic outcome. Thus, a structural link between an integrated co-creation process and experiential tourism is suggested (Figure 3.1.):

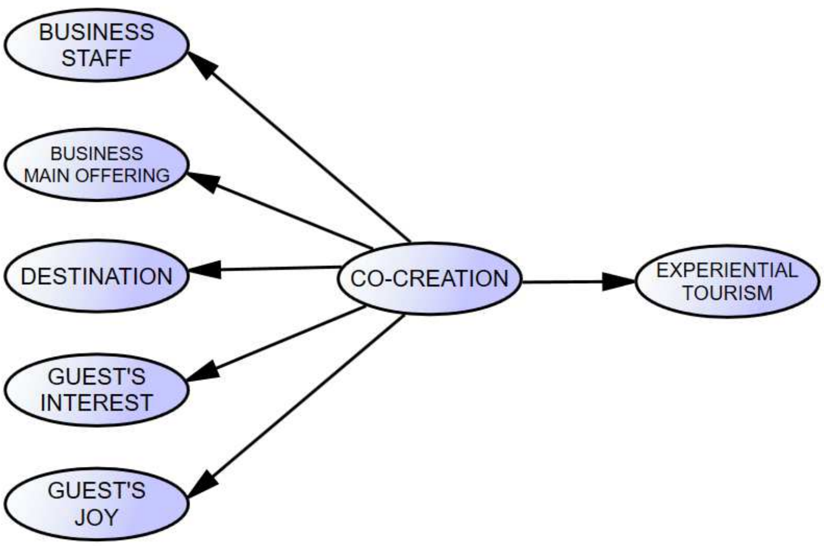

Figure 3.1. Conceptual model linking co-creation and experiential tourism
Source: Own production

These five variables represent the interaction between the suppliers and the guest, named the overall co-creation process. This kind of schema suggests the suitability of reflective-type measurement instruments to assess overall co-creation, on which a set of factors represent a multidimensional instrument. The guest's perceptions and feelings assessing the external and the internal environment, respectively, are considered simultaneously, so no separation or structural links between them are suggested. The conceptual model approaches the role of business through the analysis of accommodation sector, following the exemplification suggested in Figure 1.5. The model also selects joy and interest as the positive basic emotions of reference. The composition of every variable will be described in detail in the next section. Once the co-creation process is finished, a more differentiated offering results, named experiential tourism. Thus, the main hypothesis of this chapter can be summarized as follows: the integration of the guest's perceptions and feelings in the co-creation process determines memorable, unique, and extraordinary experiential tourism offerings.

3.4. EMPIRICAL ANALYSIS

The state-of-art of tourists experience economy claims for the need of alternative frameworks that shed light on this phenomenon (e.g. Uriely, 2005, Titz, 2009; Walls and Lugosi, 2013; Ritchie and Hudson, 2009). In this context, this chapter is aimed at studying the validity of the theoretical framework developed in Chapter 1 by means of empirically testing the conceptual model in Figure 3.1. Firstly, a brief discussion of the measurement instruments selected for the variables will be provided. Secondly, the sample selected for the analysis will be studied, jointly with the most relevant descriptive statistics of the variables. Thirdly, the methodology used for the analysis will be introduced. Finally, the results of the measurement model and the structural links within the conceptual model will be tested and discussed.

3.4.1. Measurement instruments

All the variables of the model seem not directly observable, so latent variables are constructed to represent the factors of co-creation and experiential tourism. Latent variables are described as 'random (or nonrandom) variables for which there is no sample realization for at least some observations in a given sample' (Bollen, 2002). The latent variable (construct) is measured through a set of observable variables (items), designed to 'tap-into' the latent variable. On one hand, a multidimensional reflective scale of five latent variables is presented to measure the co-creation process. The co-creation is the representation of the guest's total environment. Thus, the five variables integrating co-creation are measured according to the guest's perceptions and feelings, representing the external and the internal environment, respectively. On the other hand, a new measurement instrument for experiential tourism is also presented.

The business staff, main offering and destination represent the guest's external environment, so these variables are assessed according to perceptions. Firstly, the *business staff* regards the interaction between the guest and the accommodation's employees. A list of adjectives for service attitude is adapted from Wakerfield and Blodgett (1999) and Walls (2009). Secondly, the *business main offering* considers the object to which the guest is directly responding to, named the accommodation's main room, the internal and the external stage. Additional visual, auditory, smell, taste, and touch stimulations intentionally provided by the supplier are also considered (Schmitt, 1999; Yuan and Wu, 2008). The items are adapted from Walls' (2009) research. Thirdly, the *destination* is conceptualized following Hong's (2006) theoretical contributions, selecting the main endogenous and exogenous resources according to singular natural, social and cultural resources, and facilities. Items are adapted from Untong's (2012) scale.

The guest's joy and interest represent the guest's internal environment, being assessed according to his feelings. Feelings are conceptualized as 'the mental experiences than accompany body states' (Damasio and Carvalho, 2013). At this point, it should be noticed that emotions and feelings are different terms. While emotions are considered as natural kinds, cross-cultural, universal and emerging via natural selection and evolution (Ekman and Friesen, 1971), feelings are associated with emotional schemas, involving more complex appraisals, and arising as a combination of basic emotions, contextual factors and personality (Izard, 2007). Existing literature usually measured the notion of basic emotions, through unipolar (e.g. Lee et al., 2008; del Bosque and San Martin, 2008; Grappi and Montanari, 2011; Brunner-Sperdin et al., 2012) or multi-item scales (e.g. Gracia et al., 2011; Hosany et al., 2015; Prayag et al., 2015). In contrast, this chapter pretends to study the role of feelings, measuring more complex emotional schemas which arise as a combination of a basic emotion, the context and the personality of every guest. For instance, the guest's joy could comprise more complex feelings such as having fun with other people, being glad for the joy of the acquaintances, forgetting the daily problems, etc. Basic emotions have historically been associated with a set of universal face and bodily expressive reactions (Ekman and Friesen, 1971). In this vain, the authors argue that feelings could also be associated with complex facial expressions. New scales for the guest's *feelings of joy* and *feelings of interest* are developed in this chapter according to more complex facial expressions recognized by Center for non verbal studies (Morris, 2007) and to some feelings early recognized by Arnould and Price (1993). Prior exploratory factor analysis performed with SPSS statistical software revealed how complex feelings merge in these two factors (Appendix I). While surprise feelings converge around the basic emotion of interest, relax feelings appear combined with the basic emotion of joy[20].

Finally, a new reflective scale is developed to measure *experiential tourism*, according to the conceptualizations suggested in Chapter 1. Experiential tourism is measured as a unidimensional construct through new items aimed at representing the key features sustaining differentiation in experiential tourism: memorability, uniqueness, and extraordinariness (m.u.e.).

3.4.2. Data description

This study uses data collected from a random sample of travelers to Ibiza (Spain). Ibiza is an island in the Mediterranean Sea, 79 kilometers off the coast of the city of Valencia, in eastern Spain. Ibiza is part of the Balearic Islands' archipelago and covers an area of 572.56 square kilometers. Tourism and traveling sectors are the main economic activity of the region, accounting for 2,733,558 tourist arrivals and 2,438,962 thousand Euros total expenditure in 2014 (Instituto de Estadística de las Islas Baleares, 2016). Nowadays, Ibiza is a mature destination positioning itself as a fun and party experience in international markets. This competitive advantage, jointly with other comparative advantages based on endogenous natural resources, seems to be sustaining the differentiation of the offering. Destination's policy planning is focused on quantitative strategies aimed at increasing the number of arrivals. Nevertheless, non-sustainable environmental, social, and economic growth along the last decades seems to be jeopardizing the current tourism model. The need for new innovative strategies aimed at sustaining competitiveness becomes a recurrent debate among the destination's stakeholders.

Data was collected during the peak months of 2015 summer season (July and August). A pilot study on 20 guests was previously conducted to test the validity of the measurement scales and semantic differences across different nationalities. Some semantic differences were recognized and included in the final survey version. Tourist arrivals accounted for 1,162,067 tourists in the same months of 2014, being considered as the population of reference (Instituto nacional de estadística, 2016). The sample size was determined assuming 95% confidence level and 3% margin error. The data was extracted from a demand scope, asking the visitors about the feelings and perceptions experienced during their stay. In order to gather a representative

[20] The validity of these new scales will be assessed in section 4.4.1., applying confirmatory factor analysis (CFA)

sample, respondents were randomly selected and asked to complete a standardized, self-administered questionnaire at the end of their stay. Respondents were intercepted at Ibiza's airport when waiting for their returning flight, at the corresponding gates and at the rest areas. The study comprised 1400 questionnaires, some of which were incomplete or corresponded to Formentera island, accounting for 1145 questionnaires in the final data set. The survey was designed following Obadia and Vida (2011) suggestions to mitigate potential common method variance problems, advising respondents that there were no good or bad answers, using semantic differential scales and scattering the items around the questionnaire. Missing data patterns were analyzed using SPSS package, checking that only 1.35 % of the responses were missing from the overall sample and suggesting that missing data was not a problem.

Descriptive statistics offer initial insight into the guest's typology. In terms of gender distribution, 48.4 % of the respondents were male, while females accounted for 51.6% of the sample. The average sample age was 31.5 years-old. Age cohorts revealed that 56.9 % of the sample was under thirty, 34.7 % between thirty and fifty and 8.4 % more than fifty years-old. Statistics by nationality show a rich variety of guests from all over the world, coming from fifty-two different countries. Traditional origin markets, such as the Spanish (30.6 %), English (25.5%) and Italian (8.4%) accounted for the largest rates. Curiously, a traditional origin market such as the German experienced a downturn in 2015 summer season, which is reflected in the results obtained in this survey (4.2%). On the other hand, American tourists reported good performance as an emerging market (3.9%), outnumbering other traditional markets such as the French (3.5%). The remaining percentage of the sample (23.9%) was very heterogeneous, grouping forty-six different nationalities, highlighting countries such as Belgium (2%), Austria (2%), Argentina (1.9%), Netherlands (1.8%), Brazil (1.5%), Mexico (1.4%) or Canada (1.3%). These results are very interesting, since they imply that the destination has de capacity to attract guests from very different regions and nationalities around the world. Regarding the guest's behavioral intentions, 54.2% were first-time visitors, while 45.8% were repeaters. The average length of stay was 5.8 nights, being seven (20.7%) and four (18%) nights the most common options, usually associated to standardized packages offered by tour operators and other intermediaries. Nearly half of the visitors selected accommodations in Ibiza city and surrounding areas (44.9%), followed by San Antonio-San José (31.6%), Santa Eularia (17.8%) and San Juan (5.7%) municipalities. Finally, concerning the trip's context, 51.4% of guests traveled with friends, 21.2% traveled in couples and 9.3% in family, while 6.1% were on their own and 7% choose a combination between different contexts. Hence, this destination seems an attractive choice to travel with friends, although traveling in couples seems also a common scenario.

3.4.3 Methodology

Structural Equation Modeling (SEM) methodology is selected for data analysis. SEM is a general approach to multivariate data analysis early developed by Jöreskog (1973), Keesling (1972) and Wiley (1973). Jöreskog and Sörbom (1982) introduced the LISREL model approach for creating SEM with confirmatory factor analysis. Historically, SEM derives from the hybrid of two separate statistical traditions. The first tradition is factor analysis developed in the disciplines of psychology and psychometrics. The second tradition is simultaneous equation modeling, mainly developed in econometrics but having an early history in the field of genetics and introduced to the field of sociology under the name path analysis (Kaplan, 2000). Among the strengths of SEM is the ability to construct latent variables, which are not observed directly but measured through other observable variables, each of which is predicted to 'tap into' the latent variables. This allows the modeler to explicitly assess the validity of the measurement model and, in turn, to estimate the structural relations between the latent variables.

SEM methodology can be approached through alternative scopes, being covariance structure analysis (CSA) and Partial Least Squares (PLS) the most common approaches within the social sciences framework. While the first method emphasizes on the analysis of the variance-covariance matrix for parameter estimation, the second is based on linear combinations of the observed variables. When the model contains one or more common factors, such as the one specified in this chapter, CSA methods seem more appropriate than PLS to represent the data. According to this consideration, Mplus software, based on CSA approach, is selected for the data analysis.

The general SEM as outlined by Jöreskog and Sörbom (2001) consists of two parts: (a) the structural part linking latent variables to each other via systems of simultaneous equations, and (b) the measurement part which links latent variables to observed variables via a restricted (confirmatory) factor model. The structural part of the model in Figure 3.1. is formulated according to the following equation:

$$\gamma = \Gamma\xi + \zeta \qquad (3.1.)$$

where γ represents the endogenous latent variable, ξ is exogenous latent variable, Γ is a vector of regression coefficients relating the endogenous variable to the exogenous, and ζ is a vector of disturbance terms.

The measurement part links the latent variables –or constructs[21] – to observable variables – or items[22] – via measurement equations. A construct can be measured in two ways depending on the causal link between the construct and the items. Reflective measurement is recommended when the construct is the cause of the observed measures or, in other words, when a variation in the construct leads to a variation in all its measures. Alternatively, in formative measurement, a variation in the items leads to a variation in the construct[23]. There is currently an interesting debate in the literature regarding the suitability of formative measurement scales (Bollen and Diamantopoulos, 2015), with some authors discouraging its use (e.g. Lee et al., 2013; Hardin and Marcoulides, 2011; Edwards, 2011) and others claiming to incorporate this type of indicators (e.g. Bollen and Diamantopoulos, 2015). Authors such as Chang et al. (2016) recently provided new insights, comparing both types of measures through Monte Carlo simulations. They concluded that 'researchers need to recognize that, under certain circumstances, scholars can appropriately model constructs using both reflective and formative approaches' (Chang et al., 2016). Chang et al.'s (2016) findings highlighted the strength of reflective analysis when constructs can be represented by both approaches, demonstrating potential bias and limited power in testing formative indicators and structural relationships in this situation. Jarvis et al. (2012) suggested that specifying the measurement models to match the theoretical conceptualizations was essential for meaningful theory tests. In this sense, all the constructs are conceptualized to be reflective rather than formative.

Experiential tourism is conceptualized to be unidimensional, while the co-creation process is conceptualized to be multidimensional. While unidimensionality regards a single trait consisting on a set of items (Hattie, 1984), multidimensionality is described as a 'higher-level construct that underlies its dimensions' (Law et al., 1998). Multidimensionality implies that the effects of a higher-order latent construct are mediated by one or more latent variables. Unidimensional constructs, such as experiential tourism, are formalized as:

$$y = \Lambda_y \eta + \varepsilon \qquad (3.2.)$$

[21] Edwards and Bagozzi (2000) defined a construct as "a conceptual term used to describe a phenomenon of theoretical interest"

[22] Law et al. (1998)

[23] Futher discussion about the different formative specifications found in the literature can be found in Bollen and Diamantopoulos (2015)

where y represents the vector of observed variables, Λ_y is the matrix of effects of η on y, and ε is the vector of measurement errors. In contrast, the co-creation process is formalized according to the following systems of equations:

$$\eta^* = \beta\eta + \delta \tag{3.3.}$$

and

$$y = \Lambda_y\eta^* + \varepsilon \tag{3.4.}$$

where y represents the vector of observed variables, Λ_y is the matrix of effects of η^* on y, η^* is the vector of mediating latent variables, β is the matrix of effects of η on η^*, η represents the latent variable, and ε and δ are vectors of measurement errors, respectively.

Twenty different items were measured through 1 to 7 Likert scales (1=Strongly disagree, 4=Neutral, and 7=Strongly agree), obtaining categorical outcome variables. Kolmogorov-Smirnov and Shapiro-Wilk tests were initially performed to test the single normality of the data. All the variables used in the analysis were significant under 0.05, refusing the initial hypothesis of normality in both tests. Multivariate Kurtosis was also assessed through Mardia's test, obtaining a value greater than 10 and concluding that multivariate normality criteria does not hold for the data. For these reasons, estimation methods assuming multivariate normality were discarded. Mean and variance-adjusted weighted leas squares (WLSMV), which estimates parameters using a diagonal weight matrix and robust standard errors, was selected as the estimation method of reference due to its suitability to estimate models containing categorical outcomes.

Finally, the validity of the measurement scales will be assessed according to the average variance extracted (ρvc), and the composite reliability (ρf) criteria. Values equal or superior to 0.5 for the ρvc and 0.6 for the ρf are accepted. Nevertheless, Fornell and Larcker (1981) noticed that, even when the average variance extracted is lower than 0.5, the convergent validity of the construct is still adequate when composite reliability is acceptable (0.6). The overall godness of fit of both the measurement and the structural model will be evaluated through the chi-squared test (χ^2), the comparative fit index (CFI), the Tucker-Lewis Index (TLI), and the root mean square error approximation (RMSEA). Values exceeding 0.90 for the CFI and TLI and values of RMSEA below 0.08 are considered as acceptable (Browne and Cudeck, 1992).

3.4.4. Results

An integral SEM was developed to analyze the data set, consisting of two parts. The first part discusses the results obtained in the measurement model, linking latent variables to observed variables via a restricted (confirmatory) factor model. The second part discusses the results obtained in the structural part, linking latent variables to each other via parameter estimation.

3.4.4.1 Measurement model

A measurement model was evaluated for the data set applying Confirmatory Factor Analysis (CFA) with Mplus software, including six unidimensional constructs and the multidimensional instrument. CFA is theory-driven, allowing the researcher to place meaningful constraints on the factor model. The results of the CFA appear in Table 1. The fit statistics indicate a good fit to the data (χ^2=796, d.f.=155, p=.00, CFI=.97, TLI=.96, RMSEA=.0.06). The convergent validity of all the measurement scales was also acceptable, with all the values being equal or superior to the values of reference (ρvc=0.5 ρf=0.6) except for the construct *destination*, which shows a lower than recommended average variance (0.44)[24]. The discriminant validity of the constructs was assessed through a direct comparison between each constructs' averaged variance extracted and its squared correlations with the remaining constructs of the model (Fornell and Larcker, 1981). All the scales passed the test, sharing more variance with their own items than with any other latent variable. The measurement model corroborates the traditional scales suggested in the literature –business staff, main offering, and destination– and validates the new scales developed in this chapter –guest's interest and joy, experiential tourism, and co-creation. The standardized loadings shown in Table 1 allow for the detection of the most relevant aspects within every latent variable.

[24] Fornell and Larcker (1981) noticed that, even when the average variance extracted is lower than 0.5, the convergent validity of the construct is still adequate when composite reliability is acceptable. The construct destination shows a higher than recommended composite reliability (0.7), so the convergent validity can be accepted.

TABLE 3.1.: RESULTS OF THE CONFIRMATORY FACTOR ANALYSIS

Scales Properties and Items	Standarized Loadings
(Items measured with seven-point Likert scale)	
Business staff: ρvc= 0.8 ρf=0 .9	
The staff was competent	0.93
The staff was professional	0.91
The staff was good at problem solving	0.81
Business main offering: ρvc= 0.6 ρf=0 .9	
My room was clean	0.82
My room was well-decorated (beautiful colors, paintings, sculptures,…)	0.80
The scent of the accommodation was pleasant	0.80
The accomodation was surrounded by beautiful scenery	0.71
Destination: ρvc= 0.44 ρf=0 .7	
The natural environment is beatiful	0.69
Local residents are friendly	0.67
The service sector (retail, leisure activities,…) offers a wide range of products	0.62
Guest's interest: ρvc= 0.5 ρf=0 .8	
New learning and knowledge	0.80
Personal growth	0.73
Impressed by the shows, the people	0.65
Involved in unexpected situations (1)	-
Guest's joy: ρvc= 0.5 ρf=0 .8	
Serenity and inner peace	0.69
Forgetting my daily problems	0.64
Glad for the joy of my acquaintances	0.71
Zest for life	0.71
Experiential Tourism: ρvc= 0.6 ρf=0 .8	
My holiday experience was extraordinary	0.90
My holiday experience will remain in my memory even after coming back home	0.77
My holiday experience was unique and difficult to find in other places	0.62
Co-creation: ρvc= 0.5 ρf=0 .8	
Business staff	0.45
Business main offering	0.35
Destination	0.66
Guest's interest	0.92
Guest's joy	0.85

Fit indexes: χ^2=796, d.f.=155, p=.00, CFI=.97, TLI=.96, RMSEA=.0.06

(1) Item eliminated during the purification procedure

On one hand, traditional scales built around the accommodation's staff, main offering and destination are corroborated. The staff's competence (0.93), professionalism (0.91) and the capacity to solve problems (0.81) converge to represent the guest's perceptions in his interactions with employees. The perceptions of the main offering regard the room's cleanliness (0.82) and décor (0.80), the accommodation's fragrance (0.80), and beauty scenery (0.71). Interestingly, the importance of the accommodation's fragrance and its correspondence with certain technical attributes of the main offering, such as room's cleanliness, is recognized. The perceptions of the beautiful natural environment (0.69), locals' friendliness (0.67) and the wide range of services offered (0.62) represent the role of the destination.

On the other hand, the new scales presented in this chapter are validated. The scales created to measure the feelings of interest and joy work properly and allow for the quantification of complex schemas, beyond traditional single-item and multi-item scales based on basic emotions. These instruments allow for the measurement of more sophisticated feelings, proving the existence of complex combinations between basic emotions, guest's contextual factors and personality (Izard, 2007). Firstly, feelings such as new learning and knowledge (0.8) and personal growth (0.73) are of importance to reflect the guest's interest. Interestingly, the feeling of being impressed by the shows and the people (0.65), which seems to reflect the guest's surprise during their interactions with the suppliers, also converge around this scale. Secondly, feelings such as being glad for the joy of the acquaintances (0.71), zest for life (0.71), serenity and inner peace (0.69), and forgetting the daily problems (0.69) represent the guest's joy. Thus, feelings related to the guest's relax during his stay converge with feelings of own joy and companion's welfare to represent an overall sensation of contentment. The validation of a new scale for experiential tourism also becomes an interesting outcome, demonstrating that memorability (0.77), uniqueness (0.62), and extraordinariness (0.90), converge properly to represent the higher differentiation levels achieved in this kind of offerings (Chapter 1). Thus, the experiential level of any kind of offering, within and outside of the tourism industry, could be approached according to the intensity of the m.u.e features.

A multidimensional reflective instrument to measure the overall co-creation process was also validated, including the five unidimensional scales. The results of this multidimensional scale raise several interesting issues, since the relative importance of every factor in the overall co-creation can be discussed according to the standardized loadings. To clarify the quantitative results shown in Table 1, the standardized loadings are shown in the form of a "spider web", as suggested in the theoretical framework of reference (Chapter 1). The longest axes represent the most important factors in the overall co-creation.

Figure 3.2. shows that changes in the guest's internal environment, represented by interest and joy, are the most relevant factors of the co-creation process. Feelings of interest show the highest loading (0.92), followed by feelings of joy (0.85). Alternatively, the factors representing changes in the guest's external environment in the form of perceptions are of lesser importance. Perceptions about the destination (0.66) are more important than the ones concerning the accommodation, such as the staff (045) and the main offering (0.35). Thus, the destination plays a greater role in the overall co-creation of experiential tourism, while the accommodation factors show lower relevance.

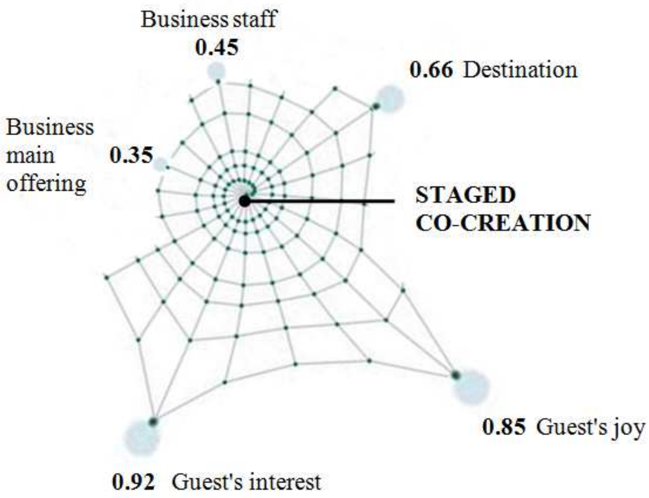

Figure 3.2. Co-creation of experiential tourism in Ibiza
Source: Own production

The higher importance of the destination is sustained by the greater number of available connections established with the guest's feelings within the spider web. In other words, the feelings experienced by the guest during his stay are more connected to the external environment provided by the destination. For example, the guest's perceptions about the wide range of services could include complementary offerings such as those provided by the night clubs, which play a key role within the context of this destination and could be directly connected with the feeling of being impressed by the shows and the people. Furthermore, feelings of relax could be intertwined with the positive perceptions of the natural environment. On the contrary, the accommodation factors are less connected to the guest's feelings of interest and joy. These results appear to be reflecting the gradual implementation of experiential tourism strategies within the accommodation sector. Only 23.8 % of the firms showed some intentionality to enhance certain aspects of their offerings on the basis on the guest's perceptions and feelings, against the remaining percentage (76.2 %). Thus, as long as a high proportion of the sample is still operating according to the principles of the service economy, the shift that will lead to the next forward movement of the economy seems still not yet been completed. In contrast, the destination seems to exhibit stronger experiential patterns, playing an essential role in the co-creation process of new economic value through improvements in the guest's perceptions and feelings.

3.4.4.2. Structural model

Correcting for attenuation involving measurement errors was a prior step to structural analysis, so the most problematic correlated residuals were detected and added to the model (Cole et al., 2007). A model linking co-creation and experiential tourism was tested for the data set. The fit statistics indicate a good fit of the model to the data: comparative fit index (CFI) =.98, Tucker-Lewis index (TLI) =.98 and root mean square error of approximation (RMSEA) =.045.

TABLE 3.2.: RESULTS OF THE STRUCTURAL MODEL

Hypothesis	Link	Standardized path coefficient	t-value*	Result
H1	Co-creation → Experiential Tourism	0.77	29.77	Supported

Fit indexes: χ^2=432 d.f.=143, p=.00, CFI=.98, TLI=.98, RMSEA=.0.045
* Significant at $p \leq 0.01$

Table 2 shows the results of the structural model. The estimated parameter showed a positive path coefficient between the exogenous multidimensional construct and the endogenous variable (0.77). Thus, the hypothesis of this chapter is validated, indicating that the co-creation process is individually significant ($p \leq 0.01$) to explain the key features sustaining differentiation of experiential tourism. These findings validate the conceptual model in Figure 3.1. and the theoretical framework suggested in Chapter 1. Thus, it is demonstrated that new value arises in the co-creation process by means of integrating the guest's perceptions and feelings. A higher differentiated economic offering, more memorable, unique, and extraordinary, arises as a result of this process. The hypothesis of this chapter is corroborated, showing that more differentiated economic offerings can be achieved when experiential tourism strategies based on the integration of the guest's perceptions and feelings in the co-creation process are adopted.

3.5. CONCLUSIONS

This chapter was aimed at offering new insights into understanding the co-creation of experiential tourism offerings and the subsequent economic outcome. Theoretical contributions to the experience economy paradigm were based on the simultaneous analysis of the different co-creators taking part in the interaction process –the business, the destination, and the guest – and on placing the guest's perceptions and feelings in the spotlight of value creation. A measurement model was first tested using data collected from Ibiza (Spain). The main findings demonstrated the validity of the new scales developed in this chapter. On one hand, new scales for the measurement the guest's joy and interest were obtained, shedding light on sophisticated feelings arising as result of the guest's basic emotions plus his contextual factors and personality. This treatment allowed the obtainment of new and detailed information regarding the guest's feelings, overcoming the traditional use of single and multi-item scales based on basic emotions. On the other hand, a new scale for measuring the differentiation of experiential tourism offerings was provided, based on the intensity of its key features, named memorability, uniqueness, and extraordinariness (m.u.e.).

A multidimensional reflective instrument to approach co-creation was also suggested and validated, containing a set of five factors. The business, destination, and the guest were all present and interacting in a joint co-creation process. The adoption of a demand approach suggested that the guest's perceptions and feelings are interconnected by a complex network of links, so every aspect could not be totally understood without the others. While the guest's perceptions assessed the changes of the external environment provided by private and public suppliers, feelings denoted changes in his internal environment. The main findings suggested that guest's feelings of joy (0.92) and interest (0.85) have the greatest importance in the co-creation process, jointly with his perceptions of the destination (0.66). The results also evidenced the greater role of the destination in relation to the accommodation factors, represented by the staff (0.45) and the main offering (0.35). The higher importance of the destination was supported according to the greater number of connections established with the guest's feelings. On the contrary, the accommodation sector seemed to be co-creating less links, probably because of the incipient adoption of experiential tourism strategies. The new scale for measuring differentiation in experiential tourism was also validated, demonstrating that memorability (0.77), uniqueness (0.62) and extraordinariness (0.90) converge properly to represent the experiential level of the offering.

The evidence derived from the structural model demonstrated the positive impact (0.77) of experiential tourism strategies adopted in co-creation in the differentiation of the subsequent economic offering. When the guest is placed in the spotlight of value generation by means of integrating single perceptions and feelings during the co-creation process, memorable, unique, and extraordinary (m.u.e.) experiential tourism offerings are obtained. The guest's perceptions and feelings are thus recognized as an additional source for value creation, so the suppliers could intentionally enhance them to improve the experiential level of its offering.

Managerial implications of this study are of importance for both the destination management organizations and private business across tourism-related industries. Specifically, the accommodation sector should focus the efforts on building new connections with the guest's feelings. On the contrary, the destination seems to be playing a key role in determining the experiential level of the overall offering. The design of new tools and technologies able to measure the guest's perceptions and feelings within the experiential tourism setting draws interesting future challenges, at both the business and the destination level. Finally, further research plans to investigate the consequences of experiential tourism offerings in competitiveness, studying variables such as the guest's perceived value, overall satisfaction with the offering and behavioral intentions.

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3.7. APPENDIX I

Rotated component matrix[a,b]

	Factor	
	1	2
Personal growth	**.808**	.243
New learning and knowledge	**.760**	.206
Involved in unexpected situations	**.701**	-.142
Impressed by the shows, the people	**.559**	.267
Glad for the joy of my acquaintances	.007	**.740**
Zest for life	.163	**.726**
Forgetting my daily problems	.144	**.705**
Serenity and inner peace	.173	**.688**

a. Varimax rotation method (Kaiser's normalization)

b. Total variance extracted: 54.4 %

- LESSON 4 -

Validating the impact of Experiential Tourism on Competitiveness

ABSTRACT

This chapter is aimed at validating the link between innovation strategies based on experiential tourism and competitiveness. For this purpose, a new conceptual model is postulated and tested, considering the role of the business, the destination, and the guest as joint co-creators of new economic value. The validity of the model is tested applying structural equation modeling (SEM) using a sample extracted from Ibiza (Spain). Experiential tourism emphasizes on the intentional recognition of the suppliers of the guest's perceptions and feelings for value creation purposes. This new value results in higher guest's willingness to pay, being generally captured in the consumer surplus. These effects are studied in the model through the notion of guest's perceived value. The main findings demonstrate that experiential tourism leads to higher levels of perceived value, overall satisfaction, and more positive behavioral intentions. Thus, the effects of experiential tourism strategies in tourism competitiveness are mainly channeled indirectly. The existence of some direct effects of experiential tourism on guest's overall satisfaction is also corroborated. Higher satisfaction and more positive behavioral intentions sustain long-term competitiveness. Thus, experiential tourism strategies have positive impact in tourism competitiveness, at both the business and the destination level. For experiential tourism to be sustainable, an improvement of both the consumer and the producer surplus is suggested. The former will ensure that guests have a positive assessment of the offering, while the latter justify why suppliers adopt this strategy.

KEYWORDS

Experiential tourism, competitiveness, demand, value creation, willingness to pay

4.1. INTRODUCTION

Experience economy was early introduced as a management strategy to improve business competitiveness by means of differentiation (e.g. Edgall et al., 1997; Schmitt, 1999; Pine and Gilmore, 1999). The idea of creating a more differentiated product, able to add new economic value through the *sensorialization*[25] of traditional offerings, seems to provide competitive advantage for those suppliers adopting this approach (Walls and Lugosi, 2013). The implementation of experience economy strategies within the tourism setting seems a current challenge, since the special nuances of this industry prevent the appliance of traditional notions of competitiveness, on which a single supplier is usually in charge of the production process. Tourism competitiveness is about the ability of different players to create and deliver value-added offerings, being the individual competitiveness of each supplier interrelated and almost indistinguishable from the others (e.g. Buhalis, 2000; Hassan, 2000). In this line, experience economy comprises activities carried out in both the public and private sectors (Sundbo and Sørensen, 2013), so integrating the role of both the business and the destination becomes essential to analyze the link between this kind of innovation strategy and tourism competitiveness.

An additional peculiarity of the tourism industry is the active role played by the guest in the very definition of the product, so the demand elements could be playing an essential role in tourism competitiveness (e.g. Smith, 1994; Dwyer and Kim, 2004; Hong, 2006). Experiential tourism strategies are based on the intentional enhancement of the guest's perceptions and feelings by the supplier for value creation purposes (Chapter 1). Thus, the demand becomes the central driving force for value creation through this kind of innovation strategies. In this line, Chapter 2 postulated a theoretical framework to study the effects of this strategy in tourism competitiveness, at both the business and the destination level. The aim of this chapter is to contrast the validity of this theoretical framework. For this purpose, a conceptual model will be developed and tested through structural equation modeling (SEM) methodology using data collected from Ibiza (Spain).

The chapter starts reviewing the most relevant theories around the ambiguous and heterogeneous notions of tourism competitiveness and experiential tourism. The link between both variables is then discussed, detecting those issues that seem more problematic. The

[25] Sensorialization is described as the process of making products more experiential by means of enhancing the emotional and sensory interaction with them (Pine and Gilmore, 1999)

chapter follows by presenting the theoretical framework selected for the analysis, postulating a new conceptual model and the research hypotheses. The model is then tested, previously introducing the measurement instruments for the variables, the data description and the methodology. The chapter concludes with the most relevant findings extracted along the research. The measurement model assesses the reliability of the scales suggested for the variables, while the structural model tests the links between these variables. Managerial implications are also suggested, as well as potential guidelines for further research.

4.2. LITERATURE REVIEW

The importance of experiential offerings as a managerial tool to enhance tourism competitiveness is usually highlighted at both the business (e.g. Pine and Gilmore, 2002; Ritchie and Hudson, 2009) and the destination level (e.g. Denmark Government, 2003; Bille, 2010; Canadian Tourism Commission, 2012; Walls and Lugosi, 2013). Several countries, particularly in Scandinavia, considered experiential design as a "mega-trend" across industries, arguing that 'experiences occur in more and more industries and contexts and are no longer confined to a restricted area' (Bille, 2010). Curiously, the idea of experiential offerings is not that new, since Toffler (1970) already anticipated the arrival of 'experiential industries' decades ago, predicting that 'as rising affluence and transience ruthlessly undercut the old urge to possess, consumers begin to collect experiences as consciously and passionately as they once collected things'.

Nearly three decades after, experience economy emerged as a as a separate field of knowledge. The importance of this distinctive offering in terms of business competitiveness was emphasized, describing it as a strategy to enhance differentiation allowing, in turn, to charge price-premiums for the distinctive value provided (e.g. Pine and Gilmore, 1999; Schmitt, 1999). Differentiation strategies were early described by Porter (1990) as 'creating something that is perceived industry-wide as being unique'. In the destination setting, differentiation is usually seen as a way to escape the 'commoditization drap'[26] (Gilbert, 1990) and as a renovation strategy for mass tourism destinations (Buhalis, 2000).

Nevertheless, certain issues inherent to the challenge of experiential tourism seem to deserve far more attention in academic research (Ritchie and Hudson, 2009). Agreements in

[26] Definition extracted from Pine and Gilmore (1999)

the very definition of experiential tourism and the development of new theoretical frameworks seem a recurrent topic of concern (e.g. Uriely, 2005; Titz, 2007), as well as the need for new insights into the link between this kind of economic offering and tourism competitiveness (Chapter 2). The specific peculiarities of the tourism industry, usually described as an amalgam of offerings provided by different suppliers in the form of an integrated experience to consumers (Buhalis, 2000), restrict the appliance of the traditional definitions of competitiveness. In the tourism industry, the tourism product, rather than isolated production of single suppliers, is recognized as the main object of research (Candela and Figini, 2012). In this line, the theoretical underpinnings developed by Buhalis (2000) become especially interesting, noticing that the tourism competitiveness depends on the ability of all economic sectors 'to maximize their performance for each individual element assessed', and that 'the competitiveness of each player is often interrelated and almost indistinguishable from one another'. Hassan (2000) also provided an interesting definition for sustainable tourism competitiveness, describing it as 'the destination's ability to create and integrate value-added products that sustain its resources while maintaining market position relative to competitors'.

Does the ability to maximize the performance merely depend on the perceptions of the tourism suppliers about their offerings? Researchers noticed that tourism competitiveness might not only be about what a certain destination might offer, but about how the guest perceives each pillar of this offering (e.g. Murphy et al, 2000; Dwyer and Kim, 2004; Hong, 2006; Chapter 2). Murphy et al. (2000) highlighted that 'the importance of tourist's perceptions is such as to warrant separate recognition in a model of destination competitiveness', while Dwyer and Kim (2004) recognized that 'not all the influences in competitiveness are objectively quantifiable'. In this context, the relationship between the guest's perceived quality and tourism competitiveness has been assessed through the use of certain mediating variables, named the perceived value, overall satisfaction, and behavioral intentions (e.g. Alexandris et al., 2006; Chi and Qu, 2008; Untong, 2012). Experiential tourism strategies are also demand-based, so analyzing the guest's scope becomes essential to understand the process of value creation.

If experiential tourism concerns activities carried out in the public and private sectors (Sundbo and Sørensen, 2013) and tourism competitiveness is about the ability of all economic sectors to create value-added products (Hassan, 2000), the role of different players should be integrated. Nevertheless, the literature usually related experiential tourism and competitiveness alternatively emphasizing on value creation at the business or at the destination level. Some authors adopted a business approach across different tourism-related sectors and tested the effects of the different factors integrating experiential offerings on his perceived value (e.g. Pullman and Gross, 2004; Yuan and Wu, 2008; Brunner-Sperdin et al., 2012; Walls, 2013), overall satisfaction (e.g. Yuan and Wu, 2008; Brunner-Sperdin et al., 2012) and behavioral intentions (e.g. Pullman and Gross, 2004). Experiential offerings were usually addressed through the different factors provided by the supplier (e.g. social interactions, physical environment, food and beverage, sensory and emotional messages, etc.) or through the types of stimuli received by the guests (e.g. cognitive, sensory, emotional,...). In the destination setting, the literature followed a similar path to address the link between experiential tourism and competitiveness. In some cases, experiential tourism was approached according to the set of factor provided by the destination (connections, transportation, attractions, security, entertainment, etc.) and linked them to competitiveness through the use of perceived value, satisfaction, or behavioral intentions (e.g. Chi and Qu, 2008; Alegre and Garau, 2010; Lee et al. 2014; Cong, 2016). Other authors focused on the emotional stimuli received by the guests and their link with the overall image, final satisfaction and behavioral intentions (e.g. Bigné et al., 2005; Yugsel and Yugsel, 2007; Grappi and Montanari, 2011; Lee, 2014, Prayag et al., 2015).

As already stated, the peculiarities of the tourism industry draw interesting challenges for the academic literature. On one hand, the need to address tourism competitiveness as the joint ability of private and public suppliers to provide value-added offerings is recognized. On the other hand, clarifications to several matters, such as the economic process of value creation taking place in experiential tourism and how this new value could be affecting competitiveness, are also needed.

4.3. EXPERIENTIAL TOURISM AND COMPETITIVENESS: A CONCEPTUAL MODEL

This chapter addresses the key challenges within the analysis of the link between experiential tourism and competitiveness adopting the findings extracted from Chapters 2 and 3. Firstly, the intertwined role of the business, the destination, and the guest in the economic process of value creation should be considered. Chapter 3 demonstrated that the new value obtained when experiential tourism strategies are adopted arises in the co-creation process between the business, the destination, and the guest. A demand scope was considered, placing the guest's perceptions and feelings in the spotlight of value generation. While perceptions represented the guest's sensory information and thoughts about the external environment – integrated by the different factors provided by the suppliers – feelings represented changes in his internal environment. The findings suggested that the guest's feelings of joy and interest had the greatest importance in the co-creation process of experiential tourism and sustained value creation, jointly with his perceptions of the destination. Their findings concluded that, when the guest's perceptions and feelings are recognized and managed by the suppliers during co-creation, a more memorable, unique, and extraordinary (m.u.e.) offering is obtained, named experiential tourism. Higher levels of m.u.e. sustain the higher differentiation of this kind of offering, against traditional goods and services. Secondly, improving knowledge about how this new economic value could be affecting tourism competitiveness becomes de central role of this research. In this line, Chapter 2 suggested that experiential tourism could impact competitiveness through both, improvements in consumer and producers surpluses. On one hand, this strategy could increase the guest's utility, so the new economic value arising in the co-creation process is reflected in the consumer surplus, by means of higher willingness to pay. The economic notion of consumer surplus was approached by the guest's perceived value. Thus, improvements in the guest's perceived value could lead to higher satisfaction and more positive behavioral intentions, resulting in higher attractiveness and sustaining competitiveness. On the other hand, the suppliers can capture part of the new value through improvements in the producer surplus. Higher prices could increase profitability, improving the supplier's competitive position. Nevertheless, the authors also noticed that, when price-premiums become excessive with respect to the new created value, sustainable competitiveness is penalized and the suppliers of the destination incur in the risk of 'dying from its success'. Thus, experiential tourism seemed a sustainable strategy when there is an improvement of both, consumer and producer surplus. The former will ensure that guests have a positive assessment of the offering, while the latter justify why suppliers adopt this strategy. Figure 2.1. illustrates this situation, assuming that both improvements in the consumer and the producer surpluses are needed for experiential tourism to be sustainable. For this purpose, tourism competitiveness is approached through the guest's perceived value, final satisfaction, and behavioral intentions.

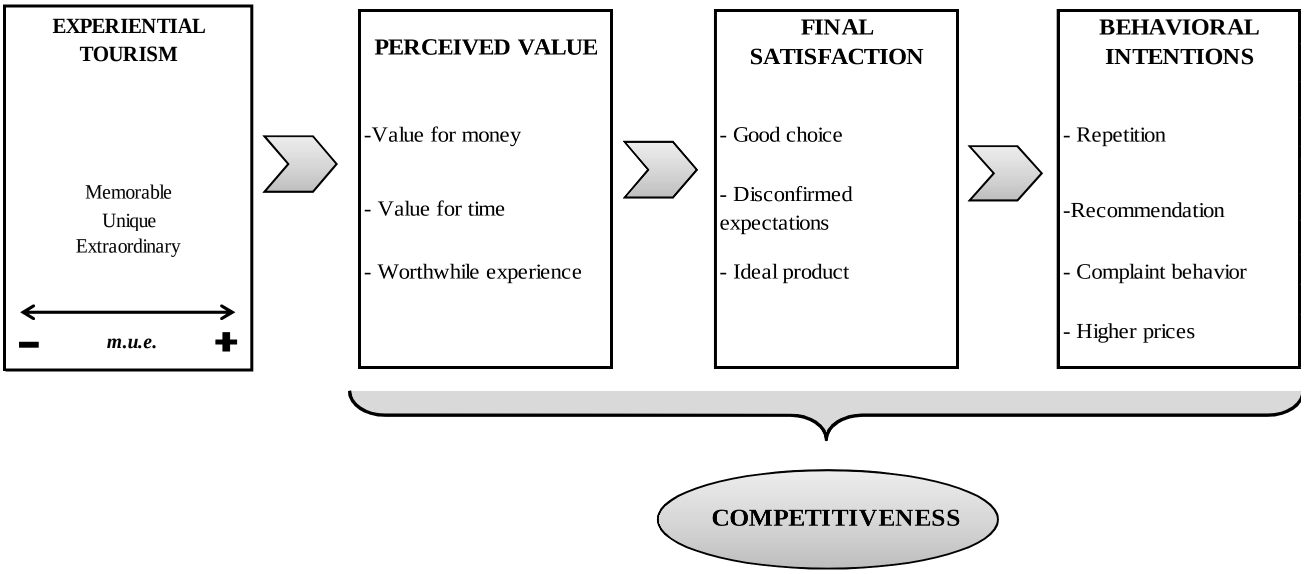

Figure 2.1. Theoretical framework linking experiential tourism and competitiveness
Source: Chapter 2

Figure 2.1. considers that the new economic value arises in a prior co-creation process of experiential tourism, on which the business, the destination and the guest interact to jointly define the subsequent outcome. As a result of this process, a more memorable, unique, and extraordinary (m.u.e.) offering could be obtained (Chapter 3). The change in the guest's utility arising during the co-creation process could be translated into an improvement in his willingness to pay. In terms of perceived value, an improvement in the utility levels could enhance the numerator of the perceived value ratio, against the price paid or time invested. Thus, higher levels of m.u.e. of experiential tourism could lead, in general, to higher perceived value[27]. In turn, higher final satisfaction could be achieved, and more positive behavioral intentions could be obtained. In order to study the validity of this theoretical framework, this chapter postulates the following conceptual model:

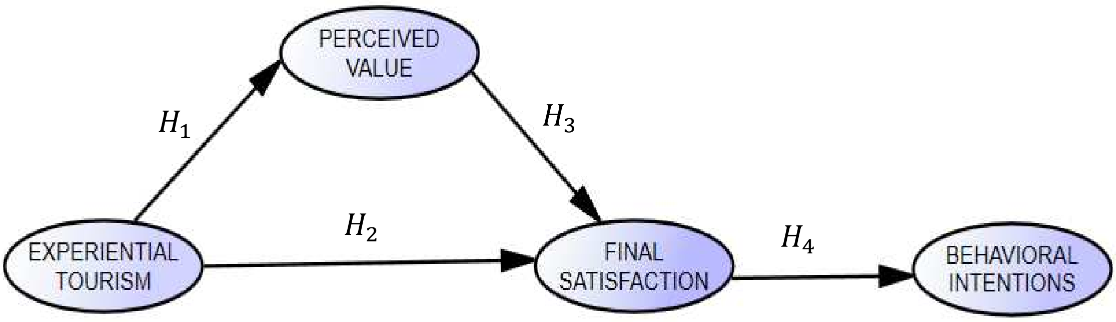

Figure 4.1. Conceptual model linking experiential tourism and competitiveness
Source: Own production.

[27] The increase in the guest's willingness to pay should be higher than the supplier's increase in price-premiums. Further discussion can be found in Chapter 2

In coherence with the existing literature within the field of tourist experience economy and with the theoretical framework suggested in Chapter 2, the following hypotheses are suggested:

Hypothesis 1: Experiential tourism has a positive impact on guest's perceived value.

Hypothesis 2: Experiential tourism has a positive impact on guest's final satisfaction

Hypothesis 3: The guest's perceived value has a positive impact on his final satisfaction

Hypothesis 4: The guest's final satisfaction leads to more positive behavioral intentions

4.4. EMPIRICAL ANALYSIS

The development of new models aimed at understanding experiential tourism and its impact on the guest's behavior is usually considered as an interesting challenge to be addressed (Ritchie and Hudson, 2009). In this context, this chapter is intended to verify the validity of the theoretical framework suggested in Chapter 2. The link between experiential tourism and competitiveness will be analyzed through hypotheses testing, applying structural equation modeling (SEM) methodology using data collected from Ibiza (Spain). The measurement instruments selected for the variables in the model are first introduced, to subsequently present the sample used and data description. A brief description of the methodology selected is then provided. Finally, the results obtained in both the measurement and structural model are examined and interpreted.

4.4.1. Measurement instruments

Latent variables are constructed to represent experiential tourism and the subsequent sequence of behavior. Latent variables are described as 'random (or nonrandom) variables for which there is no sample realization for at least some observations in a given sample' (Bollen, 2002). The latent variable (construct) is measured through a set of observable variables (items), designed to 'tap-into' the latent variable. All the constructs are measured through unidimensional[28], reflective[29] scales and operationalized according to the existing literature.

[28] While unidimensionality regards a single trait consisting on a set of items (Hattie, 1984), multidimensionality is described as a 'higher-level construct that underlies its dimensions' (Law et al., 1998).

[29] Reflective measurement is recommended when the construct is the cause of the observed measures or, in other words, when a variation in the construct leads to a variation in all its measures. For further discussion, see Bollen and Diamantopoulos (2015)

Firstly, experiential tourism is conceptualized as 'memorable, unique and extraordinary economic offering, resulting from a staged co-created process based on the business and the destination's intentional enhancement of the guest's perceptions and feelings for value creation purposes' (Chapter 1). This construct will be measured through the scale for experiential tourism developed in Chapter 3. Secondly, the guest's perceived value is assessed under a functional approach, being conceptualized as 'the consumers' overall assessment of the utility of a product based on perceptions of what is received and what is given' (Zeithaml, 1988). This kind of contrast between what the guest receives and what he gives up could be a good representation of the economic notion of the consumer surplus, described as the difference between the consumer's willingness to pay and the market price. The perceived value will be measured using Untong's (2012) scale. Thirdly, the guest's final satisfaction is conceptualized as the 'psychological state resulting when emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience' (Oliver, 1981) and measured through the global scale of satisfaction applied in Fornell (1992) and Fornell et al. (1996). Finally, the guest's behavioral intentions are described as the 'service provider's ability to get its customers to say positive things about them, recommend them to other consumers, remain loyal to them, spend more with the company, and pay price premiums' (Zeithaml et al., 1996). Assuming that the private firms and the destination are the main service providers of experiential tourism, the ability of both suppliers is integrated. Due to its importance in the overall consumption bundle, the accommodation sector was selected to represent the role of private suppliers. Thus, this construct is designed to represent both the guest's behavioral intentions with the destination and with the accommodation. Nevertheless, the authors are aware that other economic sectors[30] excluded from the analysis for practical reasons could also be playing an important role in tourism competitiveness and deserve more attention in further research. The items applied by Cronin et al. (2000) and Yang (2008) will be adapted for the purpose of this study.

4.4.2. Data description

This study uses data collected from a random sample of travelers in Ibiza (Spain) during the peak months – July and August –of 2015 summer season. Ibiza is a mature destination located in the Mediterranean, currently facing the rejuvenation stage of their product lifecycle (Butler, 1980) through a differentiation strategy in international markets based on offering fun

[30] Complementary offers (nightlife entertainment, beach clubs, hippie markets, concerts, restaurants, cafeterias, nautical services...)

and party experiences. In 2014, the tourist arrivals accounted for 2,736,034 and the total expenditure was 2,453,386 thousand Euros (Instituto nacional de estadística, 2016). Despite the increasing year-on-year demand, non-sustainable environmental, social, and economic growth along the last decades seems to be jeopardizing their tourism model. The need to provide better understanding about new innovative and sustainable strategies seems a topic of concern among different stakeholders. Experiential tourism strategies seem to be gradually emerging in the destination, so providing new insights about how this type of strategies could be affecting tourism competitiveness becomes essential.

This chapter uses the same data applied in Chapter 3, which was extracted from the demand scope, analyzing the latent variables through the guest's point of view rather than the objective measures of the supply. The sample size was determined assuming 95% confidence level and 3% margin error. A pilot study on 20 guests was previously conducted to test the validity of the measurement scales and semantic differences across different nationalities. Some semantic differences were recognized and included in the final survey version. The study comprised 1400 questionnaires, some of which were incomplete or corresponded to Formentera Island, accounting for 1145 questionnaires in the final data set. Further discussion about the survey design and the main descriptive statistics can be found in Chapter 3. Missing data patterns were analyzed using SPSS package, checking that only 0.61 % of the responses were missing from the overall sample and concluding that missing data is not a problem.

4.4.3 Methodology

Structural Equation Modeling (SEM) is selected as the methodology of reference of this study. This methodology was early developed by Jöreskog (1973), Keesling (1972) and Wiley (1973). SEM methodology can be approached through different scopes, being Partial Least Squares (PLS) and Covariance Structure Analysis (CSA) widely applied within the social sciences framework. This chapter selects CSA method, which emphasizes on the analysis of the variance-covariance matrix for parameter estimation. Mplus software, based on CSA approach, will be used for the data analysis. This methodology is very useful to measure non-observable variables by means of other variables which are directly observable. The general SEM consists of two parts (Jöreskog and Sörbom, 2001): (a) the structural part linking latent variables to each other via systems of simultaneous equations, and (b) the measurement part which links latent variables to observed variables via a restricted (confirmatory) factor model. The structural part of the model (Figure 4.1.) is formulated as:

$$\eta = \mathrm{B}\eta + \Gamma\xi + \zeta \qquad (4.1.)$$

where η is a vector of endogenous (criterion) latent variables, ξ is a vector of exogenous (predictor) latent variables, B is a matrix of regression coefficients relating the latent endogenous variables to each other, Γ is a matrix of regression coefficients relating endogenous variables to exogenous variables, and ζ is a vector of disturbance terms.

The measurement part of the model (Figure 4.1.) links the latent variables (constructs) to observable variables (items) via measurement equations for the endogenous and exogenous variables. Unidimensional constructs were measured through a reflective approach, assuming a direction of causality in which every latent variable causes the observed measures, not the opposite. Further discussion about the state-of-art of the existing approaches to measure latent variables and its suitability in different contexts can be found in Bollen and Diamantopoulos (2015) and Chang et al. (2016). The measurement model is formulated according to the following equations:

$$\mathrm{y} = \Lambda_y\eta + \varepsilon \qquad (4.2.)$$

and

$$x = \Lambda_x + \delta \qquad (4.3.)$$

where Λy and Λx are matrices of factor loadings, respectively, and ε and δ are vectors of uniqueness, respectively. The SEM procedure is highly relevant for the objectives of the present chapter, since it implies the elaboration and testing of a measurement model and a structural model for Figure 4.1.

Thirteen items were measured through 1 to 7 Likert scales (1=Strongly disagree, 4=Neutral, and 7=Strongly agree). Experiential tourism, guest's perceived value and final satisfaction were represented by three items each, while behavioral intentions included four items. A categorical outcome was thus obtained. In order to verify the normality of the data, Kolmogorov-Smirnov and Shapiro-Wilk tests were performed, with all the variables being significant under 0.05, indicating that all of them are subject to non-normal distribution functions. Mardia's test was also performed to assess multivariate Kurtosis, obtaining a value greater than 10, and concluding that the overall data showed non-normal patterns. In this context, traditional methods aimed at estimating continuous outcome variables seem not appropriate. For these reasons, mean and variance-adjusted weighted least squares (WLSMV) estimation method was selected, since it provides the best linear, unbiased estimators when dealing with categorical, non-normal data.

Finally, the reliability of the measurement scales will be assessed according to the average variance extracted (ρvc), and the composite reliability (ρf) criteria. Values equal or superior 0.5 for the ρvc and 0.6 for the ρf are accepted (Fornell and Larcker, 1981). The overall godness of fit of both the measurement and the structural model will be evaluated through the chi-squared test (χ^2), the comparative fit index (CFI), the Tucker-Lewis Index (TLI), and the root mean squar error of approximation (RMSEA). Values exceeding 0.90 for the CFI and TLI and values of RMSEA below 0.08 are considered as acceptable (Browne and Cudeck, 1992).

4.4.4. Results

The results for the SEM model are divided according to the measurement and the structural parts. The main findings obtained in the measurement model are first analyzed and interpreted, linking latent variables to observed variables via a restricted (confirmatory) factor model. The results of the structural part are presented next, discussing the links between the latent variables through hypotheses testing. Finally, a brief discussion about the main channels affecting tourism competitiveness when experiential tourism strategies are adopted is provided.

4.4.4.1 Measurement model

A measurement model was evaluated for the data set, including four unidimensional constructs and thirteen observable variables. The results of the Confirmatory Factor Analysis (CFA) appear in Table 1. The item loadings appear standardized (Chang et al., 2016) and the fit statistics indicate a good fit to the data (χ^2=131, d.f.=47, p=.00, CFI=.99, TLI=.99, RMSEA=.0.04). In order to validate the reliability of each scale, the average variance extracted (ρvc), and the composite reliability (ρf) criteria were applied. All the scales extracted from the existing literature were validated, with higher indexes than the reference values (ρvc= 0.5 ρf=0 .6). The discriminant validity was then analyzed, with all the scales passing the test recommended by Fornell and Larcker (1981) successfully. Thus, all the constructs shared more variance with their items than with the rest of the constructs.

TABLE 4.1.: RESULTS OF THE CONFIRMATORY FACTOR ANALYSIS

Scales Properties and Items (Items measured with seven-point Likert scale)	**Standarized Loadings**
Experiential Tourism: ρvc= 0.52 ρf=0 .76	
My holiday experience was extraordinary	0.86
My holiday experience will remain in my memory even after coming back home	0.83
My holiday experience was unique and difficult to find in other places	0.64
P. Value: ρvc= 0.54 ρf=0 .78	
My holiday experience provided me a good value for the price I paid	0.71
My holiday experience provided me a good value for the time I spent	0.82
My holiday experience was worthwhile	0.89
Satisfaction: ρvc= 0.68 ρf=0 .86	
My holiday experience made me feel I did the right when booked this trip	0.90
My holiday experience was better than expected	0.82
My holiday experience was exactly what I needed	0.84
Behavioral Intentions: ρvc= 0.72 ρf=0 .84	
In the future, I would certainly recommend the island to friends and acquaintances	0.95
In the future, I would come back again to the island	0.84
In the future, I would certainly recommend the accommodation to friends and acquaintances	0.61
In the future, I would choose this accommodation again	0.56

Fit indexes: χ^2=131, d.f.=47, p=.00, CFI=.99, TLI=.99, RMSEA=.0.04

The importance of every observable variable on the latent construct can be interpreted according to the value of the standardized loading. In that sense, the results of the measurement model raise several interesting issues. Firstly, the intensity of extraordinariness (0.86) and memorability (0.83) features are of importance to sustain the differentiation of the experiential tourism offering. The uniqueness feature (0.64) is also relevant, although the guest seems to perceive that similar experiential offerings could be found in other places. Memorability, uniqueness, and extraordinariness (m.u.e.) features are proved to be a useful tool to approach the differentiation achieved in experiential tourism. Secondly, the guest's perceptions of worthwhile experience (0.89) and the contrast between the value received and the time invested (0.82) play an essential role in representing the guest's perceived value. The ratio between the value received and the price spent (0.71) seems also relevant despite it appears slightly less important, explaining a little lower percentage of the variability of the guest's perceived value against the other items. Thirdly, the guest's feeling to have done the right thing when booking the trip (0.9) seems of relevance to represent overall satisfaction, converging with the sensation of having obtained exactly what is needed (0.84) and better than expected outcomes (0.82). Finally, the overall guest's behavioral intentions seem to be better represented by the destination, emphasizing in recommendation (0.95) and repetition (0.84), while the role of the accommodation seems less important, both in terms of recommendation (0.61) and repetition (0.56). Thus, the greatest effects in tourism competitiveness as result of the adoption of experiential tourism strategies are captured by the destination. These findings are in coherence with the results extracted in Chapter 3, who suggested that the destination played a more relevant role during the co-creation process in enhancing the guest's perceptions and feelings. Thus, the greater importance of the destination in the co-creation of new economic value seems later evidenced by the larger role played to sustain tourism competitiveness, via more positive behavioral intentions. It should be noticed that these findings are also in coherence with Hassan's (2000) or Buhalis' (2000) theories, who noticed that the individual competitiveness of each supplier was interrelated and almost indistinguishable from the others. In this specific case, improvements in tourism competitiveness originated at the destination level are intertwined with the individual competitiveness in the accommodation sector.

New evidence for traditional scales aimed at approaching the guest's behavioral intentions was provided. Recommendation, word of mouth or repetition were usually selected as the main competitive advantages gained through the guest's satisfaction (e.g. Cronin et al., 2000), assuming that lower transaction costs and higher future earnings were ensured. Perceived value, satisfaction, and behavioral intentions were thus the classical channels to approach competitiveness improvements (Figure 2.1.). Nevertheless, in the business setting, Besanko et al. (2012) recognized that 'a firm is said to have competitive advantage only if it can create more economic value that its competitors'. In coherence with these findings, this chapter considers that tourism competitiveness improvements are not only reflected by the channels traditionally suggested in the literature, but also by the price fixed by the supplier, which allow for competitive advantage by means of higher-than average profits. Furthermore, how the supplier's costs structure behaves when experiential tourism strategies are adopted is still unknown, so further research is needed to detect the possible competitive advantages gained through costs changes (Chapter 2).

4.4.4.2. Structural model

The set of hypotheses linking experiential tourism and competitiveness through the use of several mediating variables (Figure 4.1.) was tested for the data set. The fit statistics indicate a good fit to the data: comparative fit index (CFI) =.99, Tucker-Lewis index (TLI) =.99 and root mean square error of approximation (RMSEA) =.04. Table 2 shows the results of the structural model. All the hypotheses were supported and all the standardized parameters were individually significant ($p \leq 0.05$), showing a positive path coefficient between the exogenous and the endogenous variable.

TABLE 4.2.: RESULTS OF THE STRUCTURAL MODEL

Hypothesis	Link			Standardized path coefficients	t-value *	Results
H1	EXP. TOURISM	→	PERCEIVED VALUE	0.89	34.5	Supported
H2	EXP. TOURISM	→	SATISFACTION	0.21	3.29	Supported
H3	PERCEIVED VALUE	→	SATISFACTION	0.80	12.63	Supported
H4	SATISFACTION	→	BEHAVIORAL INTENTIONS	0.85	50.75	Supported

Fit indexes: χ^2=131, d.f.=47, p=.00, CFI=.99, TLI=.99, RMSEA=.0.04
* Significant at $p \leq 0.01$ if $|t| \geq 1.64$ (one-tailed).

The findings demonstrate that experiential tourism offerings are able to impact tourism competitiveness though improvements in the guest's perceived value, final satisfaction and behavioral intentions. Two components of the total effect of experiential tourism on every variable should be distinguished, named the direct and the indirect effect. While some effects are able to impact directly on every endogenous variable, others are channeled through other variables (mediators). Table 3 decomposes the total effect of experiential tourism on every variable associated to competitiveness into its direct and indirect components.

TABLE 4.3.: DECOMPOSITION OF THE TOTAL EFFECTS OF EXPERIENTIAL TOURISM

Standardized effects			Total= direct+indirect	Direct	Indirect
EXP. TOURISM	→	PERCEIVED VALUE	0.89	0.89	-
EXP. TOURISM	→	SATISFACTION	0.92	0.21	0.71
EXP. TOURISM	→	BEHAVIORAL INTENTIONS	0.78	-	0.78

Firstly, experiential tourism offerings have a positive direct impact on the guest's perceived value (0.89) and overall satisfaction (0.21). On one hand, the higher utility levels achieved by the guest during the prior co-creation process of experiential tourism result in higher willingness to pay and are captured in the consumer surplus[31]. The perceived value is assumed to be a good proxy for the economic notion of consumer surplus. Thus, improvements in the perceived value confirm that the guest sees his economic welfare improved when being engaged in experiential tourism offerings. On the other hand, positive changes in the utility levels determine direct improvements in the guest's overall satisfaction. These results are in coherence with Chen and Chen's (2010) findings in the destination setting, who found a direct and indirect effect of experience quality in the guest's final satisfaction. Interestingly, when the guest is engaged on experiential tourism, overall satisfaction increases regardless of perceived value. For instance, Starbucks, Cirque Du Soleil, Disneyland, or numerous musical and artistic performances (Rolling Stones, Cats Musical,...) provide so memorable, unique, and extraordinary experiential offerings that the guest seems to finish the encounter with the feeling of not caring about the high price paid or the long time spent. Thus, higher intense m.u.e. offerings have a positive direct impact in both the guest's perceived value and final satisfaction.

Secondly, the effects of experiential tourism on the guest's overall satisfaction are also channeled through perceived value (0.71) confirming that, the higher the perceived value, the higher the overall satisfaction. Finally, experiential tourism leads to more positive behavioral intentions, in terms of repetition and recommendations to friends and acquaintances. All this positive effect is channeled indirectly, though higher perceived value and final satisfaction (0.78). Recalling the findings extracted in the measurement model presented in this chapter, the whole destination benefits most from that improvement. In sum, these findings corroborate that the higher willingness to pay achieved by the guest in experiential tourism generally leads to higher perceived value, higher overall satisfaction and more positive behavioral intentions, resulting in higher attractiveness and sustaining long-term competitiveness. The theoretical framework suggested in Chapter 2 is thus validated, providing evidence about the impact of experiential tourism in competitiveness through improvements in the consumer surplus.

[31] The suppliers could alternatively be capturing part of this value via improvements in the producer surplus through the achievement of price-premiums

4.4.4.3. Impact on tourism competitiveness

Is the new economic value creation arising in experiential tourism only captured through improvements in the consumer surplus? Besanko et al. (2012) suggested equation (4) and argued that 'businesses survive and prosper by capturing part of the value created as profits'.

$$Value\ created = CS + PS = (WTP - P) + (P - C) = WTP - C \qquad (4)$$

As already shown in this chapter, the difference between the guest's willingness to pay (WTP) and market price (P) is determining value creation in the consumer surplus. Alternatively, the difference between market price (P) and average variable costs (C) determines value creation in the producer surplus. From the supplier's viewpoint, the economic rationale to adopt innovation strategies based on experiential tourism could be based on seeking improvements in the producer surplus by means of price-premiums (P), capturing part of the value generated in the consumer surplus. The capacity to achieve price-premiums (Pine and Gilmore, 1999) increases the supplier's profitability[32], improves its competitive position and generates the justification for engaging in this strategy. Some of the private and public suppliers within this specific destination currently show an increasing degree of intentionality to manage the guest's perceptions and feelings for value creation purposes. As long as experiential tourism strategies are already being adopted, improvements in the producer surplus by means of capturing part of the new value created become apparent. Corroboration for this suspicion is provided by the analysis of the profitability of the accommodation sector[33] for the period of reference, on which the year-on-year increment accounted for 41.3 % in Ibiza-Formentera Islands, against the 3.35 % and the -1.18% registered in Mallorca and Menorca Islands, respectively. Thus, this chapter reflects the most frequent situation, on which experiential tourism is able to impact competitiveness through both, improvements in the consumer and the producer surpluses. The later justifies why suppliers adopt this strategy, while the former ensures the guest's positive assessments and sustains long-term competitiveness.

[32] Only when the price-premiums (p) achieved are higher than an assumed increase in the average variables costs (C)

[33] Revenue Per Available Room (RevPAR) during July and Agust 2015 (Ibestat, 2016)

4.5. CONCLUSIONS

This chapter was intended to validate the link between experiential tourism and competitiveness. When the guest's perceptions and feelings are intentionally enhanced by the private and public suppliers of a destination during the co-creation process, more memorable, unique, and extraordinary (m.u.e.) experiential tourism offerings are obtained in result (Chapter 3). The higher levels of m.u.e. achieved sustain the differentiation of this kind of offering. In order to improve knowledge about the different mechanisms affecting tourism competitiveness when experiential tourism strategies are adopted, this chapter analyzed the existing links between experiential tourism, the guest's perceived value, final satisfaction, and behavioral intentions. SEM methodology was applied to provide empirical evidence about the relationships between these variables through hypotheses testing, using data collected from Ibiza Island. The main findings suggested that experiential tourism is, in general, able to increase the guest's perceived value (0.89) affecting, in turn, the overall satisfaction (0.92) and generating more positive behavioral intentions (0.78). Some of the total effects of experiential tourism in the variables were channeled indirectly, while others appeared to be direct. This seemed to be the case of the guest's perceived value (0.89) and his overall satisfaction (0.21). These results evidenced that experiential tourism strategies have the capacity to increase the guest's utility and his willingness to pay, enhancing the numerator of the guest's perceived value at the same time the overall satisfaction with the offering gets improved, regardless of the price paid or the time spent. Nevertheless, most of the effects of experiential tourism on the guest's satisfaction were channeled indirectly (0.71), considering the mediating role of the perceived value variable. Finally, all the effects of experiential tourism on the guest's behavioral intentions were channeled indirectly (0.78), with the guest's overall satisfaction and perceived value mediating this link.

The results of this chapter demonstrated that, when experiential tourism strategies are adopted, the guest increases his utility, so the new economic value is created in the consumer surplus through higher values of willingness to pay (WTP). Since the economic notion of consumer surplus is approached by the guest's perceived value, improvements in this variable are associated to value creation in the consumer surplus. Besanko et al. (2012) noticed the capacity of the supplier to create higher than average value can be used as an indicator to determine its competitive position. Thus, higher overall satisfaction and more positive behavioral intentions sustain long-term tourism competitiveness. Tourism competitiveness was conceptualized as the overall ability of different players to create and deliver value-added offerings, so the role of both the business and the destination was jointly assessed. The results for this particular destination evidenced the greater importance of the destination in sustaining long-term tourism competitiveness. Recommendation and repetition at the destination level were more important than at the accommodation level, in terms of overall guest's behavioral intentions. It should be noticed that the accommodation sector appears to be benefiting from improvements in the producer surplus due the higher levels of profitability achieved during the period of analysis, so they could be jeopardizing the guest's behavioral intentions. Besanko et al. (2012) argued that 'business survive and prosper by capturing part of the value created as profits'. Thus, while improvements in the consumer surplus sustain long-term competitiveness, improvements in the producer surplus are essential to create more incentives for innovation through experiential tourism.

Bearing in mind that the competitiveness of each individual player is interrelated, managerial implications claim for the need of cooperation between the different suppliers and the destination management organization (DMO) to adopt joint experiential tourism strategies. Finally, further research is needed to study the effects of price-premiums in tourism competitiveness. When both the business and the destination are engaged, price-premiums could alternatively be associated to the destination and/or to the business. The risky effects of over-priced experiential offerings in tourism competitiveness also deserve more attention, following with the adoption of the demand perspective.

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GENERAL CONCLUSIONS

This dissertation was aimed at studying experiential tourism as a new and innovative strategy to enhance tourism competitiveness. For this purpose, prior theoretical underpinnings were needed in order to clarify the ambiguous notions of experiential tourism and tourism competitiveness.

The first step was intended to improve understanding about the very definition of experiential tourism. In the first lesson, connected with objective no. 1), the authors detected the existing gaps in the literature and distinguished the general notion of tourist experience from the concept of experiential tourism. While the former was frequently used in the literature as a synonym of the overall tourism product, the later regarded an alternative economic offering marketed for value creation purposes. Experiential tourism was recognized as a demand-based strategy, on which the suppliers intentionally enhance the guest's perceptions and feelings during a joint co-creation process involving the business, the destination and the guest. As a result from this complex process, a more differentiated economic offering arises, named experiential tourism. A new definition for experiential tourism was provided, based on the most important features sustaining differentiation, named memorability, uniqueness, and extraordinariness (m.u.e.). Finally, the co-creation process and its subsequent outcome were linked in a new theoretical framework, on which the guest's perceptions and feelings were placed in the spotlight of economic value generation.

The second step regarded the introduction of another major challenge: the complex notion of tourism competitiveness. In the second lesson, connected to objective no. 2), the authors linked experiential tourism strategies with tourism competitiveness. Theoretical underpinnings around the notion of tourism competitiveness were initially discussed, finding no general agreement within the literature regarding the existence of a homogeneous definition. Tourism competitiveness was considered as the ability of different suppliers to deliver value-added products within the destination, including the private business and the destination. The notion was approached under a demand scope, analyzing the guest's perceived value, overall satisfaction, and behavioral intentions. When experiential tourism strategies are adopted by the suppliers of the destination the impact in tourism competitiveness is reflected in improvements of both consumer and producers surpluses. On one hand, this strategy could increase the guest's utility, so new economic value is created in the consumer surplus by means of higher willingness to pay. The economic notion of consumer surplus was approached through the guest's perceived value. Improvements in the guest's perceived value lead to higher satisfaction and more positive behavioral intentions, resulting in higher attractiveness and sustaining competitiveness. On the other hand, producers could capture part of the new value created through price-premiums, increasing profitability and improving their competitive position. Nevertheless, excessive price-premiums could jeopardize long-term competitiveness, by means of lower guest's perceived value.

Finally, the third step was meant to validate prior theoretical underpinnings using data collected from Ibiza Island during the peak months of 2015 summer season. The empirical frameworks developed in the third and forth lessons were in line with objectives no. 3) and no. 4). The most relevant findings obtained in this final step are summarized as follows:

- Design of new instruments to measure the complex process of co-creation and experiential tourism offerings

On one hand, a multidimensional instrument to approach the co-creation process was designed and validated, emphasizing on the guest's perceptions and feelings as the main source of value creation. The main findings suggested that the guest's feelings of joy (0.92) and interest (0.85) have the greatest importance in the co-creation process, jointly with his perceptions of the destination (0.66). The results also evidenced the higher relevance of the destination in relation to the business factors, represented by the accommodation staff (0.45) and main offering (0.35). New scales for measuring complex feelings were also designed and validated, overcoming the traditional use of single and multi-item scales based on basic emotions. Hence, value creation in experiential tourism takes place in the co-creation process, and the importance of the guest's perceptions and feelings as the main sources for economic value was corroborated.

On the other hand, a new scale for measuring the differentiation of experiential tourism offerings was provided, based on the intensity of its key features, named memorability (0.77), uniqueness (0.62), and extraordinariness (0.90). The experiential level of any tourism offering could be approached according to the values obtained in the m.u.e. scale.

- Validation of the link between co-creation and experiential tourism

The empirical evidence demonstrated the positive impact of the adoption of experiential tourism strategies in the differentiation of the resulting economic offering, named experiential tourism (0.77). When the guest is placed in the spotlight of value generation so that his perceptions and feelings are recognized and managed during co-creation, more memorable, unique, and extraordinary (m.u.e.) experiential tourism offerings are obtained. The guest's perceptions and feelings are thus recognized as an additional source for value creation, so the suppliers could intentionally enhance them during the co-creation process to improve the experiential level of the resulting offering.

- Validation of the impact of experiential tourism strategies on tourism competitiveness

On one hand, when experiential tourism strategies were adopted by the suppliers of the destination, improvements in the consumer surplus were accounted. These improvements were reflected in the guest's perceived value. Experiential tourism is able to increase the guest's perceived value (0.89) affecting, in turn, the overall satisfaction (0.92) and generating more positive behavioral intentions (0.78). Some of the total effects of experiential tourism in these variables were direct, while others appeared to be channeled indirectly. Experiential tourism strategies have the capacity to increase the guest's utility and his willingness to pay, directly enhancing the numerator of the guest's perceived value (0.89) at the same time the overall satisfaction with the offering gets improved (0.21), regardless of the price paid or the time spent. The indirect effects considered the mediating role of the guest's perceived value on the link between experiential tourism and overall satisfaction (0.71) and of his perceived value and overall satisfaction on the link between experiential tourism and behavioral intentions (0.78). Thus, higher guest's satisfaction and more positive behavioral intentions sustain long-term tourism competitiveness. The results for this particular destination evidenced the greater importance of the destination in sustaining long-term tourism competitiveness. Recommendation and repetition at the destination level were more important than at the accommodation level, in terms of overall guest's behavioral intentions.

On the other hand, when experiential tourism strategies were adopted, the suppliers captured part of the new value created through price-premiums, achieving improvements in the producer surplus. Precisely, the accommodation sector appears to be benefiting from improvements in the producer surplus due the higher levels of profitability achieved during the period of reference. The year-on-year increment of the profitability accounted for 41.30 % in Ibiza-Formentera Islands, against the 3.35 % and the -1.18% registered in Mallorca and Menorca Islands, respectively. Price-premiums in the accommodation sector could be jeopardizing the guest's subsequent behavioral intentions.

Empirical evidence demonstrated that the adoption of experiential tourism strategies is able to impact tourism competitiveness by means of enhancing both the consumer and the producer surpluses. While improvements in the consumer surplus sustain long-term tourism competitiveness through higher guest's satisfaction and more positive behavioral intentions, improvements in the producer surplus also provide competitive advantage via higher profitability, being essential to create more incentives for innovation.