

Business Models: A Motivational Approach for Consumers in Tourism

İş Modelleri: Turizm Hizmeti Tüketicileri için Motivasyonel bir Yaklaşım

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ABSTRACT

The general aim of this study is to discuss the role of tourists in the business models of tourism industry on the basis of their motivations in three domains, namely being the target customer, distribution channels and their relationships with service providers (i.e. touristic agencies, companies, facilitators etc.). Among these aspects, the impact of customer interface on the basis of their motivation in general and specifically in tourism sector will be analyzed. Furthermore the intention of this study is to explain and naively model the role of tourists in business models developed for the businesses in tourism. Regarding to literature, a rough model will be presented where tourist motivation is the main source for the effectiveness of business models. In conclusion, this manuscript will underline the importance of tourist motivation within the tourism industry.

Keywords: Business models, consumer motivation, tourist quality of life

Öz

Bu çalışmanın esas amacı, insan motivasyonunun rolünü turizm endüstrisinin üç farklı bölgesinde iş modeline olan etkisini incelemektir. Bu üç farklı bölge sırasıyla hedef müşteri, dağıtım kanalı ve servis sağlayıcılara (Turizm acentaları, aracı hizmet sağlayıcılar, destekleme hizmetleri vb) olan ilişkiler. Bu çalışmanın amaçları arasında, bir model aracılığıyla turist motivasyonunun rolünü ve önemini irdelemek de mevcut. Literatüre göre, kabaca bir model sunularak bu modelde turist motivasyonunun iş modelinin verimliliğinde oynadığı belirleyici rol ele alınacaktır. Netice itibarıyle turist motivasyonunun turizm endüstrisindeki rolünün anlam ve önemi bir kez daha altı çizilerek dile getirilecektir.

Anahtar Kelimeler: İş modelleri, tüketici motivasyonu, turistlerin hayat kalitesi

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Introduction

Business modeling is defined as the managerial equivalent of the scientific method where people can start with a hypothesis, test in action and reverse if necessary (Magretta, 2002). According to the definition of Timmers (1998) a business model is the architecture for the product or service that includes different business actors, their diversified roles, potential benefits derived from the business and the description of the resources required for the revenues. Although a business model is not the same concept as a strategy, it can be used as interchangeably in some instances (Magretta, 2002).

Historically, Drucker (1995) emphasized the role of customer and the function of customer value in the business models. Starting with the business model canvas of Osterwalder and Pigneur (2010), it reflects a “shared language for describing, visualizing, assessing and changing business models”. The canvas consists of four main pillars namely product, customer interface, infrastructure management and financial aspects (Osterwalder&Pigneur, 2005).

Customer interface of business model canvas include the elements which involve the target customer (tourist), distribution channel and relationship (Henne, 2014). The first element can be adapted as the tourist to whom the service or product offering is useful and therefore represent potential customers a touristic agency wants to address (Chesbrough&Rosenbloom, 2002; Osterwalder, 2004). From this point of view, it is significant to make use of successful market segmentation, that breaks a market into different groups of people who share common characteristics (Gordijn&Akkermans, 2003), particularly for tourism sector. On the other hand, the distribution channel focuses on the ways that tourist can be approached. Those channels may have various characteristics; for instance, inbound versus outbound forms, direct or indirect forms, and even automated forms (Anderson, Day &Rangan., 2012). Moreover, the right distribution channel also determines the richness of the information that would be transferred to the customer (Weill & Vitale, 2013). The other aspect is the relationship implies the proximity of tourists to the touristic company or agency. Valuable recommendations, good advice and trust are the fundamental elements that any organization should be offering in order to form a strong relationship with its customers (Weill & Vitale, 2013).

Being the Target Customer

The success in business sector depends on a firm’s ability to evaluate and capitalize on consumer behavior trends (Xiang, et. al., 2015). In order to test the applicability of a business model for a particular customer segment, the initial step must be understanding who the customer is. Through evaluating the environment and the experiences of customers within a geographic, demographic and social context, the likelihood of a customer’s response to a particular good or service can be determined. Thus, customer segments must be well examined and business models must be developed accordingly.

In general, customer segments are described as the community of customers to whom products and services are aimed to be sold. Customers can be segmented into various groups with respect to needs, behaviors and motivations. Furthermore, customer segment is dependent on demographic properties such as age, gender, ethnicity, profession. An organization can have multiple customers segments; however, careful analysis is required to market goods and services with maximum amount of profit.

There are several main characteristics that organizations may intend to categorize their customers into distinct groups on these bases. First, customer groups may have a specific need which makes the production of a certain product or creation of a certain service possible. For example, presence of people with disabilities leads to the emergence of related services, which increase the likelihood to be preferred by people with disabilities for the organizations providing those services. The group may also require a different distribution channels, as it will be explained in the next section. Moreover, the group may have a different type of relationship with other groups in the market. Regardless of this relationship is financial, social, political or a combination of these, it prevents consumers to benefit from these products or service in an equal proportion with other groups. Profitability is an vital element for the determination of a particular customer segment. As the main dynamic of capitalist economic system, if investing in a domain is more profitable than the other, an organization will surely select the area with more returns. Therefore, profitability may create customer segments by its own. The types of customer segments can be listed as mass market, niche market, segmented, diversified and multi-sided platforms. Since the discussion of these customer segment types in detail exceeds the scope of this manuscript, the discussion will be limited to customer segments within the tourism industry.

Specifically for tourism research, segmentation of travelers has long been discussed in destination marketing literature (Prayag&Hosany, 2014; Prayag et. al., 2015; Paker&AltuntasVural, 2016).For these segments, motivation is argued to be the most important source for the behavior models of tourist consumption (Gnoth, 1997) Motivational domains of tourists may vary from socio-psychological, prestige, cultural, social, educational and utilitarian (Prayag&Hosany, 2014) based on their benefits. Well-determined customer segmentation will make it easier for organizations in tourism industry to control what their customers require and what they do not. As a result, parallel to the increase in the service quality for customers from selected segments, tourist satisfaction will increase and the aim of business models will become realized.

Distribution Channels

Having discussed the impact of customer segmentation in business models, distribution channels appear as another important aspect for business modeling. Distribution channels are defined as the company's interface with its customers (Barquet et. al., 2013) and related to concepts such as value creation and delivery (Bocken et. al., 2014).Distribution channels can be either direct or indirect. Direct distribution channels allow consumers to receive a good or service directly from its provider or manufacturer whereas indirect distribution channels include wholesalers and retailers. In tourism

industry, indirect channels are mainly the case despite increasing number of examples for direct channels.

Direct distribution channels are the simplest form that travel suppliers utilize. In this form of distribution channel, there are no intermediaries between tourists and service providers and tourists directly purchase what they want or need from these suppliers. Parallel to the advancements in technology, such as the use of internet, has increased the direct availability of purchase as well as information about the service. Considering the benefits of direct distribution channels, it makes purchasing the service and reaching the information simple for potential travelers, allows flexibility, provides greater profits for service providers and increases competition in tourism market by maintaining a higher quality for tourism services.

On the other hand, indirect distribution channels include intermediaries between service providers and tourists and it is the most common practice among tourism suppliers. It allows professional and low-cost assistance along with multiple options. These indirect distribution channels can be two, three or even more levels with respect to the number of intermediaries between the service suppliers and the end customers. The clearest example of indirect distribution channels in tourism sector is package tours, where two or more services are priced together. For instance, the tour operators purchase tourism services in advance, make a meaningful combination, and offer it to the customers. By doing so, these tour operators purchase the tourism services earlier at a reasonable price and receive a profit margin by offering it later to the travelers. This process is mutually beneficial both for tourists and for service providers, since the providers arranging a tourism plan and inform tourists about these options.

Nevertheless, as the end customers differ, the necessary distribution channels may differ accordingly, since an organization is prone to allocate its capital to the most profitable investments, leading the already established technology to be disproportionately favored whereas leaving disruptive technology to scarcity of resources (Chesbrough, 2010). Although, in tourism sector, wholesalers or retailers do not take place between service providers and end users, there can be numerous ways of direct relationship. Internet is one particular example of this variety. After internet has become a common means of communication, tourism agencies started to use this area actively, through online advertisements, social media, or even online reservation and check-in for a room. As a response to the advancements in technology, new distribution channels have emerged, creating a variety for users to apply which one is suitable for them. Moreover, efficient use of technology also has benefits for service providers, since providing a well-designed channel for marketing touristic services will more likely to increase the number of customers for these tourism organizations. In the end, distribution channels play a significant role in determining the impact and success of a particular business model.

The selection of a particular distribution channel, or a combination of different distribution channels are dependent on the motivation of tourists. Previous studies have indicated that tourists with the similar motivations, such as self-centered or community-

related motivations (Munar& Jacobsen, 2014) are inclined to contribute to different sites (Brooner& de Hoog, 2011; Wilson et. al., 2012). Therefore, along with all aspects of distribution channels that have been discussed above, tourist motivations lie at the core of these selections.

Relationship with Service Providers

The last factor that has a fundamental impact on the success of business models is the relationship with service providers. Some factors that affect customer's receptivity to relationship maintenance, including environmental variables, partner variables, customer variables and interaction variables arise either from constraints or from dedication (Bendapudi, 1997).The relationship between service providers and end users is important for the maintenance of the economic relationship itself, and for tourism sector, it can also be considered as the relationship with the service providers in whole destination. Since tourists use different types of services during their stay in a destination, such as F&B services, accommodation, entertainment etc. failing to recognize the importance of one relationship will end up with the failure of other service providers.

Service providers or stakeholders in a given destination are of great importance for the economy in general. As long as service providers invest in tourism industry by maintaining high quality services, the destination will be capable of luring tourists and general welfare of this destination will increase. Not only for their own sector, but also for the other sectors, the activities of service providers appear as the determinant factor of economic growth and development of this particular destination. Through directly affecting the motivation of tourists, service providers play a significant role in touristic activities.

The demand-based point of view proposes that both product-oriented and customer-oriented business models are capable of creating economies of scope in use as compared to product-only business models (Visnjic et. al., 2016). The product-oriented business model is claimed to source products and product-related services from the same provider as "one-stop shop", preventing customers from extra time spending, transaction costs and search costs with only one product or service provider (Ye et. al., 2012). Therefore, profit margin of product-oriented business model is expected to be higher than product-only business model (Visnjic et. al., 2016).

On the other hand, integrating product and service offerings is claimed to have the potential for improving the efficiency, leading to a positive economic and environmental impacts for the industry and community (Mont et. al., 2006; Reim et. al., 2015). These improvements will eventually add uptime and total-care services by increasing the likelihood of intensified use of products as well as timely replacement with more efficient and innovative products (Sundin and Bras, 2005). Thus, service providers should enrich their offerings by marketing products combined with their services in order to provide more benefit both for themselves and for the rest of the society.

The Model

In the previous sections, the concepts contributing to the success of business models have been discussed in detail. These concepts are related to customer segments, distribution channels and the relationship of customers with service providers. In order to reveal the impact of business models in a quantitative manner, a rough model will be presented, since mathematical representation of such effects will be both objective and falsifiable.

Thus, our model can be considered as:

$$BM_{imp} = \beta_0 + \beta_1.CS + \beta_2.DC + \beta_3.SP + \varepsilon \quad (1)$$

where,

BM_{imp} implies the *impact of Business Model*

CS implies the *effect of Customer Segment*

DC implies the *impact of Distribution Channels*

SP implies the *effect of Service Providers*

$\beta_0, \beta_1, \beta_2$ and β_3 imply coefficients, and,

ε implies residual (i.e. the effect of other variables).

Objective indicators such as Quality of Life can be used for determining the impact of service providers and financial or psychological (satisfaction) improvements can be taken into consideration for the assessment of the customer segment. Similarly, the impact of distribution channels can be also transformed into numeric data, such that percentage of use of a particular channel in all possible channels in the sector.

By using the model above, the combination of customer segment, distribution channels and service providers is claimed to depict the impact of a particular Business Model. The findings derived from this rough model can also be generalized for other type of models and allows comparison among models to determine which is best for one particular context and which for other situations.

Concluding Remarks

When a new model is capable of altering the economics of a particular industry and if it is difficult to replicate, it can automatically create a strong comparative advantage (Magretta, 2002). Insights on the advantages and disadvantages of the current design of products could be readily used to design better-performing and easier-to-service products (Visnjic et. al., 2016). Since quality of service is dependent on the competition

among the actors in the economy, increasing number of new models contribute to the quality of services. In turn, motivation of customers as well as service providers for better quality services will increase.

Furthermore, different business models have long been required by firms in order to change the particular characteristics of sustainable technologies into new ones to create economic value as well as prevent markets from barriers that hinder market penetration (Bohnsack, et. al., 2014). As tourism organizations have various business models for different types of customers (customer segmentation), availability of different distribution channels and different relationship types with service providers, they will be ready for possible shifts and alterations in the market and adapt these changes easily. Also, the profit they make will be more meaningful, as different factors are taken into consideration and the organization expands itself within the market.

The variables that have been discussed above are effective in the success of business models by manipulating customer motivations. In tourism sector, determination of customer segment, selection of distribution channels and the relationship that service providers maintain involve in the process of creating a successful business model which serves to the satisfaction of customers as well as service providers and/or stakeholders. In short, through contributing to tourist motivation, these aspects determine the success of a potential business model in tourism sector.

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