

Chapter 40

Hospitality Innovations in the Emerging Experience Economy: A Case Study of the Oberoi Resorts

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ABSTRACT

With the emergence of the experience economy, hospitality consumers have become qualitatively more discerning and are increasingly demanding innovative products and services. In order to understand the DNA of successful hospitality innovations, this chapter uses the case study of the Oberoi Group's luxury resorts to examine the innovations in the components of the marketing mix. The chapter then looks at the innovative personalized experience options offered by the resorts to meet the exponentially rising bar of guest expectations. The strategic role that hospitality employees play in contributing to and implementing service innovations, as well as the importance of embedding a culture of excellence and creative thinking in the organisation by recruiting the right employees and by providing training, empowering and engaging them to enable to innovate on a continuous basis, is also highlighted.

INTRODUCTION

Increasing connectivity and growing interdependence of world economies and markets over the past quarter of a century bear testimony to the wave of globalization sweeping across the world. The removal of trade and travel barriers and the resultant growth in global travel in context of changing dynamics of international business has been a significant driver of economic progress the world over. The services sector has been at the core of this global economic transformation

with significant progression taking place in the hospitality and tourism sectors. Hospitality and tourism is a key sector in the world economy today and accounts for more than a third of the total global services trade (ILO, 2010). It is estimated that tourism contributes approximately 5 per cent to the worldwide gross domestic product (GDP) (UNWTO, 2011). The phenomenon of globalization has unfettered the latent economic potential of the international hospitality industry. Advances in communication, transportation and information technology have increased the exposure and aware-

ness levels of the global traveller. New dimensions have emerged and the customer's basic perception of service has altered considerably.

Over the past 25 years, an increasing degree of importance has been ascribed to leisure time pursuits with larger amounts of discretionary incomes being available at the consumers' disposal (Williams, 2006). There has been an evolution in needs and wants of the hospitality consumers who have become qualitatively more discerning and are increasingly demanding innovative products and services. Also, there has been a paradigm shift in the way economic value is perceived across the globe.

As services, like goods before them, increasingly become commoditized, experiences have emerged as the next step in what we call the "progression of economic value.".. Economists have typically lumped experiences in with services, but experiences are a distinct economic offering, as different from services as services are from goods (Pine & Gilmore, 1998, p.97).

Thus, the product-focused, physical-asset intensive nature of the hospitality industry the world over has been gradually evolving to become increasingly customer-focused and experience-centric (Knutson, Beck, Him, & Cha, 2006). In this atmosphere of volatility, changing customer perceptions, globalised competition and the emerging experience economy, hospitality service organisations have to choose appropriate and innovative strategies in order to remain competitive, survive and stay ahead of the pack.

Introducing a new product or process is only one dimension of service innovation. The ultimate goal of service innovation is to increase productivity and improve customer experience. However, surprisingly, there is only very limited research carried out on the design and deployment of specific hospitality innovations, despite the widespread acceptance of innovation as a key driver of sustained success (Ottenbacher & Gnoth, 2005).

In order to understand the DNA of successful hospitality innovations in the context of the emerging experience economy, this chapter uses the case study of The Oberoi Group's innovation of luxury resorts which were launched at the threshold of the new millennium. The objective of this chapter is to examine the innovations in the components of marketing mix of the Oberoi Resorts to develop an understanding of what contributes to successful hospitality innovations.

COMPETITIVE ADVANTAGE THROUGH INNOVATION STRATEGY

To enable firms to develop and sustain their competitive advantage, they must pursue one of three generic strategies - differentiation, cost leadership or focus (Porter, 1980, 1985). The performance of organisations with a specific strategic orientation usually surpasses those do not have a clear-cut strategy. Firms which adopt the strategy of differentiation are innovation-oriented and endeavour to proffer something new or unique to products and services to their customers. Strategies of cost leadership aim to provide lower costs to customers relative to competitors, while focus strategies target a specific market segment or develop particular product lines. Further research has indicated that although these strategies may be presented as distinct types some overlap can occur, and a firm may pursue one or more strategy simultaneously (Schuler & Jackson, 1987).

By pursuing a strategy of innovation, organisations attempt to embrace the challenges through the adoption or development of new products, services, operations or practices.

This would suggest that innovative organisations are problem solvers, actively focusing on existing customer or market problems on the one hand, and existing practices and procedures on the other, and then generating ideas aimed at improving or solving these problems through the development or

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