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What influences tourists' overall holiday experience? Tourism company products versus destination products

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Abstract

There are as yet to our knowledge no systematic investigations comparing the effects of specific tourism company product and total destination product components on tourists' experience. The current study addressed this particular issue, based upon a convenience sample of 867 tourists visiting Northern Norway in the summer of 2011. The study results indicated that the effect of the company product components was indeed much greater than that of the destination product on the tourists' overall holiday experience. Further analysis revealed that three of the product components related to the tourism company (personnel, information, and product variety) and three of those related to the destination (transport to destination, accommodation, and restaurant/dining facilities) had a significant influence on the tourists' overall holiday experience. Theoretical and practical implications of the study are also discussed.

***Keywords*:** tourist company, destination, product, experience, Norway.

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Introduction

There are various factors that may contribute to explaining the variation in tourists' overall satisfaction with a holiday. Based on the push and pull motivation framework (Dann, 1977), one can suggest that factors influencing tourist satisfaction mainly reflect tourists' socio-psychological characteristics (i.e. motivations) and the destination attributes. Destination features represent a variety of products (e.g. accommodation, food and sightseeing, image) that attract tourists to a particular location. Studies often link this set of destination product components to tourist quality perception (Blázquez, Molina & Esteban, 2012), satisfaction or/and behavioural intention (Murphy et al, 2000); tourists are asked to rate the quality of such components and then these ratings are regressed on tourists' overall satisfaction ratings of their holiday or/and behavioural intention.

Studies (e.g. Baloglu, Pekcan, Chen & Santos, 2004; Mehmetoglu, 2012) have revealed that this particular approach does explain a considerable amount of the variation in tourist satisfaction levels. However, as the destination product components are on a macro level, models including only these components may fail to explain other aspects of the variation in overall tourist satisfaction. Mehmetoglu (2012) thus suggests including micro level variables in addition to the destination product components. The micro level variables represent tourists' considerations of various product components related to their experiences of a specific company such as personnel, information and product variety. Through such a model, one can *a*) ascertain and compare the magnitudes of the effects of the micro and macro level variables on overall tourist satisfaction, and *b*) identify the effects of the variables of individual tourism company product components and destination product components.

These are thus the research problems addressed in the present study. For the purpose of this study, data were collected from a sample of tourists spending a summer holiday in an area of Northern Norway in 2011.

Literature review

Company and destination products

A prerequisite for operationalising a tourism company or destination product is to know what a 'product' is in general terms. Several definitions of a product exist in the literature of business and marketing. One of these definitions, proposed by the well-known marketing academic Kotler (1984: 463), is that a product is 'anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organisations, and ideas.' Although this definition does convey the essence of what a product is on a general level, it does not fully capture the heterogeneous structure of the tourism product which encompasses tangible and intangible products supplied by various tourism actors. As the general definition of a product is not deemed optimal for defining tourism products, there have been several attempts by tourism researchers, more specifically tourism marketers, to provide a definition particularly for tourism products.

Middleton (1995: 334) is one of the tourism marketing scholars whose conceptualisation of the tourism product reflects its multi-faceted nature and its tangible and intangible components. Middleton thus envisages a tourism product on two levels, namely the overall tourism product and individual specific products. The former comprises a combination of all the product components a visitor consumes from leaving home to arriving back home (Buhalis, 2000). The overall tourism product therefore refers to the whole holiday consisting of various components such as transportation, accommodation, meals etc. On the other hand, a specific product is one of the product components (e.g. accommodation) that together comprise the overall tourism product, and each of these is related to the tourism company. The company may supply for instance various activities, entertainment, accommodation or a combination of these.

Both the company product and the destination product resemble a product mix which can readily be operationalised and examined using Levitt's (1981) typology of product stages, consisting of a core product (the essential service or benefit), a tangible product (the service actually offered for sale and consumed), and an augmented product (the tangible product plus all value-added features).

Levitt's (1981) typology has been widely accepted by many scholars both in marketing and tourism. It has been adapted by Kotler (1984) for marketing and by Middleton (1988) for defining the visitor attraction product (Smith, 1994). Based on Kotler's conceptualisation, Levitt's model has also been used by Swarbrooke (1995) to define the visitor attraction product. This can easily be applied to the operationalisation of a destination product as shown in Figure 1 and also to a tourism company product in the same manner. Saraniemi & Kylänen (2011) identifies this approach to operationalizing a destination product as one of the major four theoretical approaches used in tourism research.

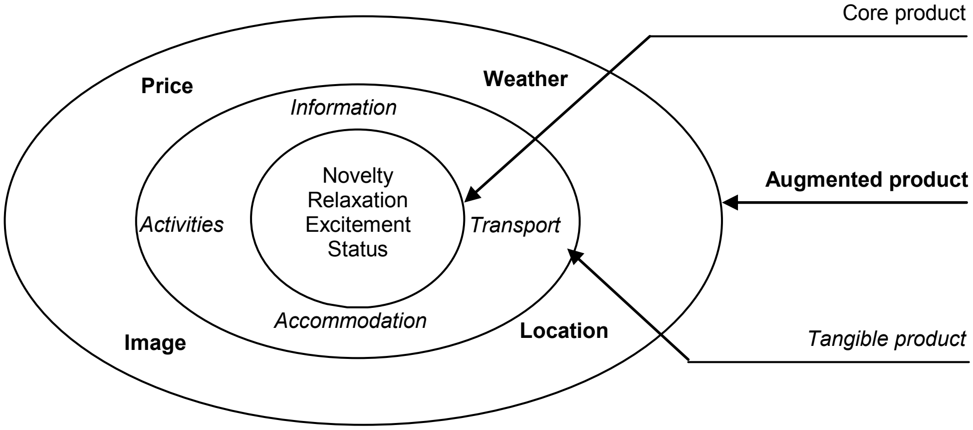

Figure 1. *Operationalisation of a destination product*

The *core product* is the essential service or benefit designed to satisfy the identified personal needs and motives of target customer segments. These are often intangible and comprise subjective attributes such as atmosphere, experience, relaxation or convenience. In other words, the customer purchases a product that he or she believes would be a solution for his or her problems or needs. Thus, the core product is said to reflect characteristics of the customer, not the product *per se*. Komppula (2005) suggests that it is the core product (motives) that lays the basis for a person's value expectancies in tourism.

The *tangible product* is a specific entity that the client receives for money, which has been found to be more influential on overall tourist satisfaction (Albayrak, Caber, & Aksoy, 2010). The tangible product comprises the formal offer of the product as marketed, for instance, in a leaflet detailing what is to be provided at a specified time for a given price. Marketers, knowing more about the core product, need to turn it into a tangible product. This tangible product can have up to five characteristics, namely features, brand name, quality, styling, and packaging. The *augmented product*, which contains the entire value-added features superior to the formal offer, may be built into tangible product offers to make them more appealing to their target customer segments. According to Middleton (1988: 90), this comprises the difference between the contractual essentials of the tangible product and the totality of all the benefits and services experienced in relation to the product by the customer – from the moment of first contact in considering a booking to any follow-up contact after delivery and consumption of the product. These are the aspects of a product where producers can differentiate themselves from their competitors. It should also be noted that there is a degree of overlap between the tangible and augmented elements of the product.

For the purposes of the current study, only the tangible and augmented product facets of Levitt's (1981) original typology have been used to operationalise the tourism company and destination products, thus omitting the core product. The reasons for this were that it would be difficult to distinguish the motives for visiting the company and the destination and that the exclusion of motives would provide us with more concrete/tangible product components.

Method and data

Study site

The study site was the region of Lofoten, Vesterålen and Southern Troms (the LOVEST region) in Northern Norway. The region is dominated by islands, one of which, Hinnøya, is the largest island in Norway. The road connections in the region are fairly good, and the islands are connected to the mainland,

Table 1. *Sample statistics*

	Frequency	%
Nationality		
Norwegian	166	20
Foreign	692	80
Gender		
Female	414	48
Male	448	52
Educational level		
Primary or secondary school	75	9
High school	175	21
Higher education	501	60
Other	83	10
Household income (in NOK)		
Up to 50000	52	10
50000-99000	25	5
100000-199000	59	12
200000-299000	116	22
300000-399000	116	22
400000 or more	151	29
Age		
18-30	95	11
31-40	129	16
41-50	193	23
51-60	210	25
61+	203	25

either by bridges or by tunnels. Any of the tourist businesses could be reached within three hours' drive from Harstad, the main town in the area.

Sampling and sample

The data collection using a convenience sample took place in the period from June to August in 2011. All the tourism companies in the LOVEST region offering nature based activities were invited to participate in the survey. As a result, 3025 questionnaires available in eight languages were distributed to 26 tourist businesses, which represent the main bulk of the companies offering nature based activities in the LOVEST region. The hosts then distributed the questionnaires to their guests and collected them on completion. By 1 September, 867 questionnaires from 18 tourist businesses had been collected, representing a response rate of 29% and an average of 48 questionnaires per company (Normann & Mehmetoglu, 2012). The sample statistics are shown in Table 1.

Questionnaire

Respondents were asked to complete a three-page questionnaire consisting of standardised questions primarily about their socio-demographic profiles, visit characteristics, evaluation of various product components related to the company and destination, motivations for visiting the area as well as their overall satisfaction with their holiday in the region. These self-administered questionnaires were expected to take about 10-12 minutes to complete.

Measurement of study variables

Since the primary purpose of the study was to compare the effects of specific company product components (i.e. micro variables) and destination product components (i.e. macro variables) with respect to tourists' overall holiday experience, company and destination product components represented the exogenous variables, and tourists' overall holiday experience constituted the endogenous variable. Table 2 presents the descriptive statistics of the items representing these variables.

The tourism company products were measured using an ordinal scale (1=not satisfied at all to 5=very satisfied), and consisted of the following product components relating to the tourism company the respondents were visiting: personnel, information, price level, product variety and hygiene/cleanliness. *The destination products* were measured in a similar manner, where the respondents indicated to what extent they were satisfied with the following product components relating to the destination: transport to the destination, activities, and transport at the destination, accommodation and restaurant /dining facilities. Finally, tourists' overall holiday experience was operationalised and measured using an ordinal scale (1=disagree to 5=agree), asking the respondents to indicate to what extent they agreed with the following statements: 1) I am happy with my decision to visit this destination, and 2) I am going to recommend my friends to visit this destination.

Analytical strategy

A structural equation modelling (SEM) technique with a maximum likelihood estimation procedure was chosen as the analytical strategy for the current study. The reason for this choice was simply the fact that SEM, in contrast to traditional regression analyses, is a technique that takes into account measurement error in the observed variables (both dependent and independent) in a given model (Raykov & Marcoulides, 2006), where the variables consist of latent constructs. In line with the primary purpose of this study, the overall holiday experience (reflected by two items) was regressed on the company product (reflected by five items) and the destination product (reflected by five items) in a structural model. The resulting standardised regression coefficients were then compared. Subsequently, in line with the secondary purpose of the study, the overall holiday experience was regressed on all the enterprise and destination product variables in a single model in order to examine the individual effects. MPlus software was used to run these analyses.

Results

Measurement model

The confirmatory factor analysis showed that all of the factor loadings for the measurement model were significant (see Table 2). The values of TLI (Tucker Lewis Index) and CFI (Comparative Fit Index) were respectively 0.89 and 0.91, i.e. very close to or above the recommended level of 0.90. Furthermore, the RMSEA (root mean square error of approximation) value was 0.07, indicating a good fitting model (Hair, Black, Babin, Anderson, & Tatham, 2006). Having assessed the overall model, the psychometric properties

Table 2. Measurement model

Latent variables Items	**Loadings***	**SD**	**AVE**	**CR**
Tourism company product			0.49	0.80
Personnel	0.770	0.020		
Information	0.809	0.019		
Price level	0.532	0.030		
Product variety	0.753	0.022		
Hygiene/cleanliness	0.605	0.027		
Destination product			0.37	0.74
Transport to destination	0.587	0.034		
Activities	0.685	0.030		
Transport at destination	0.686	0.032		
Accommodation	0.563	0.034		
Restaurant/dining facilities	0.502	0.037		
Overall holiday experience			0.73	0.84
I am happy with my decision to visit this destination	0.867	0.025		
I am going to recommend my friends to visit this destination.	0.838	0.025		

Table 3. Discriminant validity (Squared correlations < AVE)

	Company product	Destination product	Holiday experience
Company product	1		
Destination product	0.265	1	
Holiday experience	0.284	0.162	1
AVE	**0.49**	**0.37**	**0.73**

Table 4. *Structural model results*

	Model 1		Model 2	
	ß	SE	ß	SE
Tourism company product	**0.443******	**0.047**		
Personnel			0.157**	0.062
Information			0.168***	0.064
Price level			-0.081	0.052
Product variety			0.109*	0.061
Hygiene/cleanliness			-0.012	0.057
Destination product	**0.175*****	**0.053**		
Transport to destination			0.111**	0.054
Activities			0.014	0.057
Transport at destination			-0.008	0.058
Accommodation			0.132**	0.053
Restaurant/dining facilities			0.106*	0.054

Endogenous (dependent) variable: Tourists' overall holiday experience
*significant at 0.1; **significant at 0.05; *** significant at 0.01; ****significant at 0.001

of the latent variables in the measurement model were also evaluated. Firstly, the reliability values for all of the constructs were clearly above the recommended level of 0.70. Secondly, the AVE (average variance extracted) values for all of the latent variables were close to or above the recommended level of 0.50 (see Table 2). Moreover, as shown in Table 3, the AVE of each of the constructs was clearly greater than squared correlations between any two constructs in the model, which was indicative of discriminant validity.

Structural model

The commonly applied fit measures (TLI, CFI and RMSEA) were acceptable, thus suggesting that the data fit the model quite well. Furthermore, the study's model explained 30% of the variance in tourists' overall holiday experience (see Model 1 in Table 4). In addition, the findings indicate that both the tourism company product and destination product positively influence tourists' overall holiday experience. That is, the more satisfied tourists were with the product components of the company and destination; the more satisfied they were with their overall holiday experience in the region. Furthermore, it is clear that the effect of the company product (ß=0.443) was much greater than that of the destination product (ß=0.175). While the effect of the company was substantial, the effect of the destination could be considered moderate.

Having assessed the tandem effects of company and destination product components, individual effects of these product components were also examined in a separate regression model (see Model 2 in Table 4). Here, it can be observed that three of the company product components (personnel, information, and product variety) and three of the destination product components (transport to destination, accommodation, and restaurant/dining facilities) had significant effects on tourists' overall holiday experience. That is, the more satisfied a tourist was with each of these product components, the more satisfactory was the tourist's overall holiday experience in the region. Among these product components, personnel and information had the strongest effect.

Discussion and conclusion

Destinations are regarded as the most important component in the tourism system (Bahar & Kozak, 2007) as they represent the pulling effect in the tourist's process of decision making (Mehmetoglu, 2012). This study takes this acquired knowledge a step further in examining the importance of the core producers of experiences, i.e. the tourism companies, together with the destinations. In the evaluation of the study, the effect of the product components of the company and the destination will first be discussed, followed by a consideration of the six components that showed a small to moderate effect. Finally, some implications of the findings will be suggested, against the backdrop of the family-run small-scale tourism businesses participating in the study.

With few exceptions the companies in this survey are small-scale tourism businesses, and thus represent the large number of family-owned tourism enterprises that provide services to the tourists who visit the region where the survey was conducted. In this paper a small-scale tourism business is defined according to Wendelborg & Sønstebø (2003), referring to businesses with 3 or fewer man-years and an annual turnover of <€125 000. In their survey from Nord-Trøndelag in Central Norway (op. cit.), these businesses had on average 0.8 man-years and two employees. Furthermore, 70% of the firms had an annual turnover of <€30 000 and 80% of the managers had an additional income. By definition, small tourist businesses generally exhibit low barriers to entry (Zehrer, 2009), and very few of the managers have an education relevant for operating a tourism business (Wendelborg & Sønstebø, 2003). This description seems to apply well to rural tourism businesses in Norway in general, and thus also to those participating in this study. In the context of this paper it would not be appropriate to apply the EU definition of micro companies (<10 employees and turnover <€2m) (EU Commission, 2003).

Although the products of both tourism companies and destinations positively affected the tourists' overall holiday experience in the region, the effect of the company product was much greater. There may be several reasons for this outcome, one probably being connected to the level of personal contact and service that the small, family-run businesses are able to provide. One of the hallmarks of small-scale businesses is that they are generally characterised by enthusiastic owners and operators. This personal enthusiasm is a factor that makes the companies attractive and vital actors in the market (Valtonen 2009, Wanhill 2000). Another aspect to be considered is that the businesses in this study were all providing products that would help the tourists' experiences to live up to their expectations, which involve elements in the core product (see Figure 1).

The relatively modest effect of destination products on the tourists' overall holiday experience deviates from the results reported by Mehmetoglu (2012) from the Lillehammer region in Southern Norway. He found that the tangible products (e.g. accommodation, activities and transport) had a greater effect on the tourists' overall holiday satisfaction than the core products and augmented products. One reason for this difference could be that the LOVEST region to a greater degree is a primary destination (op. cit.). Another reason could be that the main goal of the destination products is not to provide experiences. The tourist might find the destination products in the Lillehammer region more impersonal than the activity products offered by a family-run business in the LOVEST region, where they can be co-created under circumstances that can provide the customer with a meaningful experience (Boswijk *et al.*, 2007).

The fact that the components of the small-scale tourism businesses seem to influence the tourists' overall satisfaction so much more strongly (ß=0.443) than those of the destinations (ß=0.175) (see Table 4) is an argument for focusing on the quality development of the businesses. It is therefore vital to enhance knowledge of service provision and other quality aspects in the miscellany of small-scale tourism businesses which are to be found in most countries. Considering the size and financial situation of small-scale tourism businesses in general, most must be regarded as highly vulnerable to changes in the market (Bertella, 2012). The findings in this study about their importance for overall tourist satisfaction is accordingly yet another argument for better organisation of this vital group of tourism operators. In order to further develop the tourism industry in rural areas, one obvious step is the establishment of venues for competence enhancement, cooperation and exchange of experiences, as suggested by Bertella (2012).

As the secondary purpose of the study, the overall holiday experience was regressed on all of the company and destination components (see Table 2) to examine the effect of each variable. Of the three company variables with a significant effect, personnel and information had the strongest effect on the tourists' satisfaction with the overall holiday experience in the region. Both of these are closely linked to the service product of a company, and are important elements in the quality of the core product. The third significant variable, product variety, had less effect. This emphasizes the importance of personal engagement (Valtonen 2009). The three destination variables with a significant effect all had a small effect on tourist satisfaction. Accommodation, however, was a little stronger than transport to the destination and restaurant/dining.

Practical implications for the LOVEST region

It seems likely that the staff of the LOVEST region enterprises that participated in the survey have good relations with their clients. The degree of repeat visits is also an indication of this fact. The challenge to the tourism industry in the region is to maintain this level of quality, by e.g. regularly updating staff and owners on service. Information, with its moderate effect on overall satisfaction, should be given greater attention, both by those involved in the tourism companies and at the destination. Knowledge about the region, its possibilities and what is offered to tourists seems to be a recurrent challenge, as the front-line staff in the tourism season tend to be young people and/or unfamiliar with the region. Judging from the regression coefficient, the product variety in the LOVEST region also has the potential to increase tourists' overall satisfaction. Some of the most popular tourist activities in this region (e.g. hiking, biking, bird watching, guided trips, and photo safaris) only require simple and easily implemented organisation.

Regarding the destinations, the product components which proved to have a positive effect on the tourists' overall holiday experience also provide important information for efforts to enhance the product. It is normally difficult to influence decisions about transport to an area, as these are made elsewhere. Accommodation and dining facilities could, however, be influenced, directly and indirectly, and these should receive special attention in the LOVEST region. Word-of-mouth is regarded as a very effective marketing tool. 75% of the international tourists visiting the region are first time visitors, and especially tourists unfamiliar with the destination tend to take advice from friends and relatives. Therefore special attention needs to be given to customer satisfaction and complaint handling. Tourism destination organisations and providers of subsidies, courses, etc. should therefore focus on enhancing the quality of this particular product component.

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