



# TOURISM ID

## Design Innovation Support Scheme for Tourism Industry

*The project aims to promote the interest and investment of small-and-medium-sized enterprises of Tourism Sector (SMEs) in relation to utilizing design and transforming design activity into tradable deliverables that manifest exploitation. To achieve this, three organizations that facing this issue with different expertise are joining forces to create the most suitable and sustainable supporting instrument. TOURISM ID project adopts a co-creation focused on breaking down the above barriers by evolving all the relevant stakeholders to the process for the creation of the dedicated Support Instrument for Innovation In tourism industry and gathering insights from the SMEs in order to reframe the barriers.*

## Deliverable D1

# Design Options Paper

“Design Innovation Support Scheme  
for Tourism Industry” – TOURISM ID

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for Tourism Industry – TOURISM ID**

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## **Tourism ID**

### **Context – Challenge**

Tourism is a major economic activity with a broadly positive impact on economic growth and employment in Europe. It is also an increasingly important aspect in the life of European citizens, especially to those who are travelling, either for leisure or business. As an activity which impinges on cultural and natural heritage and on traditions and contemporary cultures in the European Union, tourism provides a textbook example of the need to reconcile economic growth and sustainable development, including an ethical dimension. Tourism is also an important instrument for reinforcing Europe's image in the world, projecting our values and promoting the attractions of the European model, which is the result of centuries of cultural exchanges, linguistic diversity and creativity. European tourism has recently experienced a difficult economic situation. The economic and financial crisis, which has affected all economies since 2008, has had a considerable effect on demand for tourist services. This difficult background for the tourism industry has highlighted a number of challenges which the European tourism sector must face. In order to respond, it is essential that all operators in the sector combine their efforts and work within a consolidated political framework that takes account of the new EU priorities set out in the 'Europe 2020' strategy: Europe must remain the world's No 1 destination, able to capitalize on its territorial wealth and diversity.

Tourism is an economic activity capable of generating growth and employment in the EU, while contributing to development and economic and social integration, particularly of rural and mountain areas, coastal regions and islands, outlying and outermost regions or those undergoing convergence. With some 1.8 million businesses, primarily SMEs, employing approximately 5.2 % of the total workforce (approximately 9.7 million jobs, with a significant proportion of young people), the European tourism industry generates over 5 % of EU GDP, a figure which is steadily rising. Tourism therefore represents



the third largest socioeconomic activity in the EU after the trade and distribution and construction sectors. Taking into account the sectors linked to it, tourism's contribution to GDP is even greater; it is estimated to generate over 10 % of the European Union's GDP and provide approximately 12 % of all jobs. In this regard, observing the trend over the last ten years, growth in employment in the tourism sector has almost always been more pronounced than in the rest of the economy. With this project, the consortium intends to encourage a coordinated approach for initiatives linked to tourism SMEs and define a new framework for action to increase their competitiveness and their capacity for sustainable growth through dedicated innovation support measures.

The importance of innovation was long underestimated in service activities. In contrast to the radical innovations vital to growth in manufacturing sectors, innovations in services and tourism were secondary and capital-scarce, and for this reason they were excluded from the scope of government interest and action. It is interesting to note that the discourse changed with the emergence of new information and communication technologies (NICT), which have been especially influential in the realm of tourism. The dissemination of new modes of production and the resulting organizational shock waves, along with the marketing adjustments this has entailed, have been the subject of much research. Yet the issues involved in innovation in tourism are not confined to the information revolution, and many other questions remain.

Innovation in tourism industry does not feature as a high priority amongst tourism SMEs and investment in innovation by this group is notably low across the EU due to a number of behavioral, financial and operational barriers.

Generally, the rather modest innovativeness of tourism businesses is commonly associated with fragmented nature of tourism industry dominated by small entities. Problems of risk aversion, resistance to change, low awareness about importance of innovations, resource limitations that are common among small-scale businesses become the whole industry struggle.

## **Design as a tool for innovation in Tourism**

A particular importance of design as a key discipline and activity to bring ideas to the market, has been recognized in the Innovation Union, Europe's 2020 flagship initiative. In line with the commitment taken in the Innovation Union, the EC has launched in 2011 the European Design Innovation Initiative (EDII) to exploit the full potential of design for innovation and to reinforce the link between design, innovation and competitiveness. It is clear that design has become a discipline of management and strategy. Management, since design gathers the staff and their skills around the solving of complex issues. Strategy, because design uses creation and innovation as a way to project into the future to ensure the durability of the structure and its profitability. When design principles are applied to strategy and innovation the success rate for innovation dramatically improves. Design is a methodology used to solve complex problems, and find desirable solutions for clients by integrating innovation. Design draws upon logic, imagination, intuition, and systemic reasoning, to explore possibilities of what could be, and to create desired outcomes that benefit the end user (the customer). A design mindset is not problem-focused, it's solution focused, and action oriented. It involves both analysis and imagination. Innovation is a discipline that can be managed. SMEs could approach the practice of innovation (creating new products, services, and customer experiences) with a set of practical and rigorous methods, tools, and frameworks by design.

TOURISM ID project adopts a co-creation approach focused on breaking down the barriers by evolving all the relevant stakeholders to the process for the creation of a HandBook for designing dedicated Support Instruments for Innovation in tourism industry and gathering insights from the SMEs in order to reframe the barriers.

## *TOURISM IN THE EU: POLICY REVIEW*

### **Tourism, an undoubtedly strategic sector...**

It is well-known that tourism is a major economic activity in the European Union with wide-ranging impact on economic growth, employment and social development. According to the European Commission, **tourism is the third largest socio-economic activity in the EU** (after trade and distribution, and construction sectors). The tourism industry generates (directly and indirectly) 9.9% of total EU-28 GDP<sup>1</sup>, a figure which is forecasted to rise to 11% by 2026. In some EU countries, this figure raises to 15% of the national GDP.

Tourism is highly labour intensive and a significant source of employment in EU countries. The Commission estimates that EU tourism industries comprise almost 2 million enterprises, most of them small and medium-sized enterprises (SMEs), **providing work for 5.2% of the total EU workforce**. In 2013, the accommodation and food services sector alone offered almost 10 million jobs (4% of total EU employment)<sup>2</sup>. According to the sector ('Tourism Manifesto for Growth & Jobs'<sup>3</sup>), in the EU, the travel and tourism sector employs almost 25 million people and visitor exports generate 374 billion EUR per year.

### **...facing major challenges**

The European Commission's Communication on 'Europe, the world's No. 1 tourist destination' highlights a number of trends and challenges facing the

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<sup>1</sup> 'Tourism Manifesto for Growth & Jobs': [www.tourismmanifesto.eu](http://www.tourismmanifesto.eu) (last retrieved 12 December 2016)

<sup>2</sup> European Parliament Research Service (2015): 'Tourism and the European Union. Recent trends and policy developments':  
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_IDA\(2015\)568343](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_IDA(2015)568343)  
(last retrieved 12 December 2016)

<sup>3</sup> 'Tourism Manifesto for Growth & Jobs': [www.tourismmanifesto.eu](http://www.tourismmanifesto.eu) (last retrieved 12 December 2016)



sector<sup>4</sup>, including: the demand for higher quality, extension of the season, diversification of the supply of tourist services, the need for accessibility, the need for sustainability, new developments in ICT and the need for tourism employers (particularly SMEs) to be more adaptable. In this regard, the Communication identified four priority areas for action:

1. simulate competitiveness in the European tourism sector;
2. promote the development of a sustainable, responsible and high-quality tourism;
3. consolidate the image and profile of Europe as a collection of sustainable and high quality destinations;
4. maximise the potential of EU financial policies and instruments for developing tourism.

### *Innovation in the tourism sector*

Despite the key and growing importance of innovation in EU policies and funding programmes, **innovation does seem to have such a prominent role when it comes to tourism policies and other initiatives.**

### **Innovation is stressed but linked almost exclusively to ICT**

Firstly, the European Commission's Communication on 'Europe, the world's No. 1 tourist destination' indeed includes a paragraph on innovation. However, all references to it are linked to ICT and all the measures planned refer to information and communication technologies (launching of an 'ICT and tourism' platform, legislative initiatives on electronic commerce).

Moreover, no reference to innovation is made either in the 'Tourism manifesto for Growth & Jobs' signed by the main actors of the industry. Innovation –and

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<sup>4</sup> COM/2010/0352: 'Europe, the world's No1 tourist destination: a new political framework for tourism in Europe'

design as a methodology conducting to innovation– can play though a key role in achieving some of the goals stated in the Manifesto and in the Communication. Indeed, “reducing seasonality” or “successfully adapting supply and demand” so that the “quality of the visitors’ experience is safeguarded” will require a great deal of innovation.

### **Innovation is not just technological innovation – innovation in tourism is much about innovation in services**

Innovation can be defined in multiple ways. In the Innovation Union, the European Commission has described it as “change that speeds up and improves the way we conceive, develop, produce and access new products, industrial processes and services. Changes that create more jobs, improve people’s lives and build greener and better societies”<sup>5</sup>.

In this regard and although it might seem obvious, it is worth recalling that tourism is mainly a service industry with numerous intangible assets. Not only that but delivering tourist products is getting more and more about providing experiences, “validated *ex post facto* by consumers, who commit their experience to memory and build upon it”<sup>6</sup>.

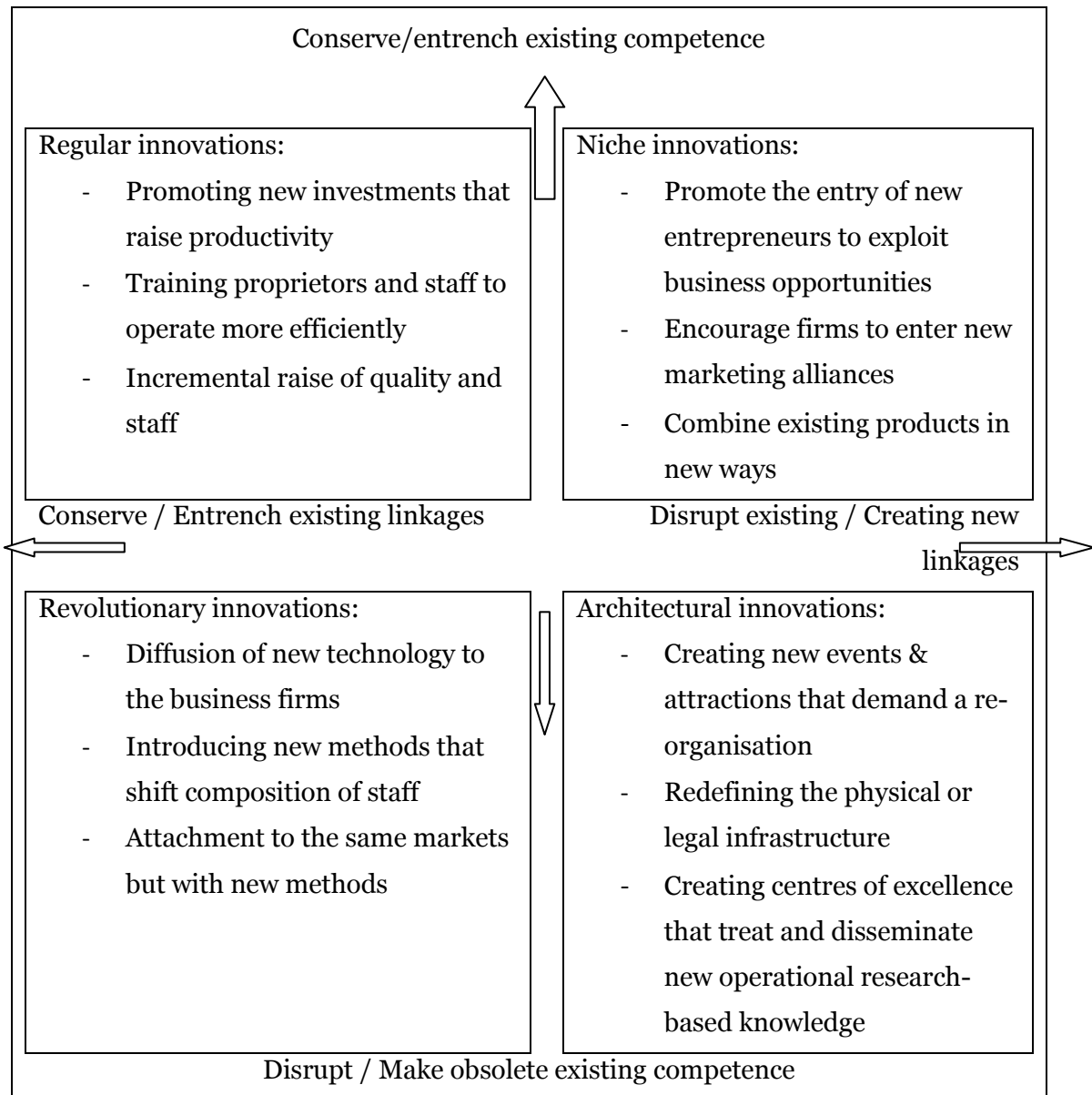
Therefore, it can be said that **innovation in the tourism industry is mainly about innovation in services and, therefore, much of the emphasis and efforts should be put on non-technological forms of innovation.**

<sup>5</sup> MEMO/10/473: ‘Turning Europe into a true Innovation Union’  
[http://europa.eu/rapid/press-release MEMO-10-473 en.htm](http://europa.eu/rapid/press-release_MEMO-10-473_en.htm) (last retrieved 12 December 2016)

<sup>6</sup> Decelle, X. (2004): ‘A conceptual and dynamic approach to innovation in tourism’ for ‘Innovation and Growth in Tourism: Conference Papers’ held in Lugano, Switzerland on 18-19 September 2003 (OECD)



The Abernathy and Clark Model of innovations in the tourism sector<sup>7</sup>



**Methodology**

<sup>7</sup> Anne-Mette Hjalager (2002): ‘Repairing Innovation Defectiveness in Tourism’ in *Tourism Management*, No. 23, pp. 465ff. Taken from Decelle, X. (2004): ‘A conceptual and dynamic approach to innovation in tourism’ (OECD)

## **Background: Design Vouchers**

### **What is design? Why design for innovation**

#### **What is design? Design as a tool for innovation in Tourism**

As Zielinski and Studzińska explain<sup>8</sup>, previously the utility, function and purpose were the top priority. Design was applied at the very end of the process, bringing a decorative function, also partly helping to create a message. Nowadays, the design term goes much beyond that. It has moved to the area of strategic thinking, incorporating all possible external factors to the design process. **This implies minding the user all along the process**, keeping always in mind the customer's needs, yet watching at all external factors: it is about developing a service, a product, a process, a system that meets the needs of both the users and the providers of the services as closely as possible, and to do so in a manner that is as effective and efficient as possible of the organisation.

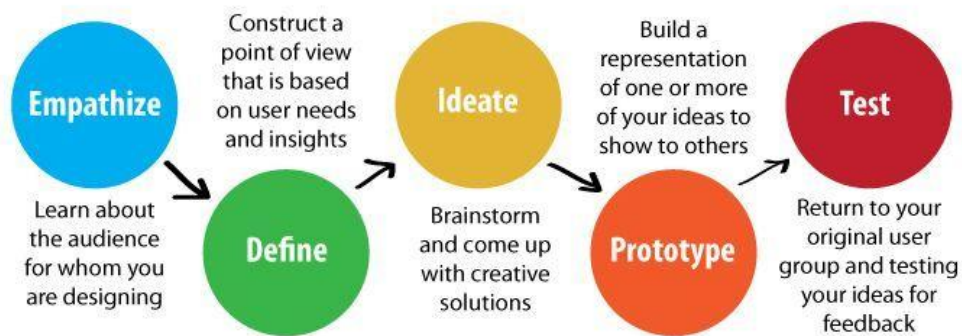
There are various design-thinking models. Here we will use the model developed by the famous d.school: institute of Design at Stanford, since it is the most popular and most commonly used. The aim of this model is to find a simple reply to questions like “What?”, “How?” and “Why?” and use a process to explore its phases, not just to rush through it to get the result.

The process is based on the following phases<sup>9</sup>:

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<sup>8</sup> Zielinski G. and Studzińska M. (2015): 'Application of design-thinking models to improve the quality of tourism services' in *Zarządzanie i Finanse Journal of Management and Finance* Vol. 13, No. 2/2015

<sup>9</sup> <http://www.neomobile-blog.com/design-thinking/>



*Fig. 1 Design Thinking Process*

Source: [www.neomobile-blog.com/design-thinking](http://www.neomobile-blog.com/design-thinking)

**Empathize:** Work to fully understand the experience of the user for whom you are designing. Do this through observation, interaction, and immersing yourself in their experiences.

**Define:** Process and synthesize the findings from your empathy work in order to form a user point of view that you will address with your design.

**Ideate:** Explore a wide variety of possible solutions through generating a large quantity of diverse possible solutions, allowing you to step beyond the obvious and explore a range of ideas.

**Prototype:** Transform your ideas into a physical form so that you can experience and interact with them and, in the process, learn and develop more empathy.

**Test:** Try out high-resolution products and use observations and feedback to refine prototypes, learn more about the user, and refine your original point of view.



Design-thinking has already been used in tourism applications with successful outcomes. Design is used precisely because it helps tackle challenges that the European Commission and the OECD highlight in their papers: i.e. as a tool helping the adoption of a value-chain approach beyond specific occupations and branches, as a tool focusing on the customer's experience not only during their stay, but also prior and subsequent to it. In this regard, a new design methodology has emerged most relevant and most adapted to the tourism industry: **destination design**.

### **Destination Design**<sup>10</sup>

The destination design process helps to bring shared understanding and to create shared visions. Everyone is invited to take part in the process. It involves the whole range of user groups; the stakeholders, inhabitants and visitors of the destination.

The first step of the destination design process focuses on understanding. There is a lot to take into account: from regional perspectives, market research, brand strategies, positioning, heritage, local needs and visitors' experiences. Based on all the input, aiming to include all the needs, a destination design strategy is developed. It sets the foundation for developing destination design program. A design program and a toolbox with guidelines are being produced, explaining how the destination can be strengthened through specified actions.

Destination design can be explained as the process of creating and **telling a good story**, base on the following phases:

1. Understanding: preparing the story
2. Create: Build-up the story
3. Implement: Tell the story
4. Bring to life: the story lives

<sup>10</sup> This information has been kindly provided by designer Daniel Byström. Please refer to case studies.



## What is the Service Design

**Service Design is a multidisciplinary and systematic approach, which can cope with the functionality and complexity of services by visualizing their systems and processes as well as by placing the client at the heart.**

### Introducing the service design process

Like all fields, service design comes with its own set of tools and techniques, some borrowed from other fields and some developed within the field. The overall design process is not very different in service design compared to other user-centred design (UCD) disciplines, but there are some specific challenges faced by service designers that are not faced by the traditional UCD-disciplines. These challenges are to a large extent connected to the increased complexity introduced by the idea of services as systems of touchpoints. Some of the main challenges faced by service designers involve how to represent the service in a good way and how to test (prototype) all aspects of the service system. These challenges have to a large part been solved by the introduction of new tools. The main steps in the service design process and some of the most common tools used in these stages can be seen in the following table (see the reading suggestions for an overview of these and more service design methods). As with all models the various stages appear more distinct than they are in reality. The move between various stages is a smooth natural process.

### The service design process explained

To gather insights from various stakeholders (users, employees and more) is a crucial activity in service design projects and is usually the first thing a hired service designer will start planning. The most common approach is by

employing some form of ethnographic method to gather insights – if possible the service designer will try to make sure to gather insights from the user in the use environment. This is usually done through a mixture of observations and interviews. The insights gathered in this phase will be the inspiration guiding work throughout the rest of the design process.

**MAIN ACTIVITIES IN THE SERVICE DESIGN PROCESS AND MOST COMMON TECHNIQUES IN THE VARIOUS ACTIVITIES**

<b>Insights and inspiration</b>	<b>Ideation and refinement</b>	<b>Prototyping and evaluation</b>	<b>Finalisation and delivery</b>
Benchmarking	Brainstorming	Bodystorming	Customer journeys
Ethnography	Co-creation workshops	Experience prototyping	Blueprints
Interviews		Enactment/Service walkthrough	Personas
Cultural probes		Desktop walkthrough	Business model canvas
Workshops			
Customer journeys			
Storyboards			
Touchpoint matrices			
Personas			

Having gathered stakeholder insights, the service designer faces one of the specific challenges for service design for the first time; how is a service represented in a good way? A series of different techniques have been developed by and applied to service design such as customer journeys, storyboards, blueprints and touchpoint matrixes. These techniques are commonly referred to as visualizations and are used to help articulate insights and solutions, to communicate the insights to the clients and as sources of inspiration as the design process continues.

The inspiration gathered will then serve as the basis for solidifying the ideas which the team wants to continue on. More often than not, several initial ideas will appear during the stakeholder research phase and they are brought into the ideation stage together with new ideas created during brainstorming sessions.

Another common approach to ideation is co-creation, in which a group of different stakeholders are brought together in a workshop. In the workshop they are presented with insights from the service designers' research and are, with the help of various tricks, used in creating ideas for the service (that is, the service designer is more of a facilitator in this case). Whichever way ideas were formulated, the next step is to select and merge ideas in an iterative fashion to arrive at a small number of ideas to focus the attention and design work on.

As the ideas solidify, it is important to test that they do deliver on what the service should be offering (both from a provider and a customer perspective). This is done through the process of prototyping. Prototyping is a common technique within all UCD disciplines and is about building various types of models of the service system and/or its components to test that they fulfill their intended goals, and help in providing the customer with the desired value. The fact that services are systems consisting of several touchpoints poses some specific challenges to service designers.

Ideation and prototyping are highly iterative processes, insofar that the insights from the prototypes are used to further develop and refine the ideas. These new ideas are then made into new prototypes which are tested and the next iteration starts. As the changes from iteration to iteration become increasingly smaller, the service designer starts preparing the final deliverables of the service.

Common ways of presenting the ideas are customer journeys, blueprints and prototypes. When new services are being developed, the business model canvas is rapidly growing in popularity as a communication tool.

### **Skills Needs in EU Tourism Sector- Tourism education and training**

Both the European Union and the OECD have specifically addressed the issue of mapping and analyzing the supply and demand of skills in the tourism industry. Last year, in February 2016 the European Commission published the report 'Mapping and performance check of the supply side of tourism

education and training'<sup>11</sup>, whose aim was to “determine whether tourism education and training systems are fit for purpose in providing the necessary labour market skills for employers currently and in light of future anticipated market developments”. Also in February 2015, the OECD published the paper ‘Supporting Quality Jobs in Tourism’<sup>12</sup>.

Both reports highlight a set of questions that for the purposes of this paper we would like to bring up and stress here:

- As widely recognized, the tourism sector is **dominated by small enterprises** that are often family or owner-run. Indeed, around half of the tourism workforce in OECD countries works in enterprises employing fewer than 10 people. Moreover, tourism is also a sector with a high level of entrepreneurship and a relatively high share of lifestyle entrepreneurs. In this framework, both the OECD and authors of the EC report recognize that one of the ‘core’ skills for tourism for which there will be shortages is “**small business management skills**”.
- In connection with this, as people and managers working in such small SME frequently have multiple roles in the business, managers require being **multi-skilled**: from skills in finance and human resources to leadership, entrepreneurship, communication or self-management to **problem-solving skills, innovation skills and emerging skills such as creative and innovative thinking**.
- As already highlighted, tourism is more and more about providing experiences and the “tourism experience is an amalgamation of

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<sup>11</sup> European Commission (2016): ‘Mapping and performance check of the supply side of tourism education and training’. [http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item\\_id=8762&lang=en](http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8762&lang=en) (last retrieved 12 December 2016)

<sup>12</sup> OECD (2015): ‘Supporting Quality Jobs in Tourism’. <http://www.oecd.org/cfe/tourism/> (last retrieved 12 December 2016)



services, be it hotel, restaurant attraction and activity". Therefore, in its paper the OECD recommends to **adopt a value chain approach** that takes into account the different skills levels in the sector and looks beyond specific occupations and branches. Such a holistic approach should serve to build the capacity of destinations to deliver quality tourism services.

- The sector is facing new challenges, including the move to the green economy, demographic and social change (e.g. ageing population), technological development, increased connectedness and mobility, changing lifestyles and travel behaviours, emergence of new markets, increased competition and pressure to deliver high quality tourism experiences to visitors. To tackle these challenges, **new and higher level of skills are needed to cater to new types of tourism.**

Based on this, it seems clear that non-technological innovation –problem-solving skills, creative thinking, new business models and new management skills and not just ICT skills – is what the sector needs and that managers and people working in the tourism industry should be equipped with relevant innovation skills (as said, including soft innovation skills and not just ICT). Moreover, it is contradictory that, although this gap is identified in both papers, innovation skills are not paid attention enough in other key documents (see above). As already pointed-out, the paper ‘Mapping and performance check of the supply side of tourism education and training’ includes just a section on ‘ICT Skills’ and ‘Skills for accessibility’, with no other mention to innovation skills. Therefore, we think that **it would be advisable to include a section on ‘Innovation Skills’ outlining key methodologies.**

In this regard and as shown below, we think that **design can help address the challenges mentioned above.** We think that **design can play a key**



**role in helping tourism business innovate** and that its value and potentialities should be promoted among tourism stakeholders. We also recommend that innovation skills —and design-thinking as a key skill— are included in the “Tourism Skills Network” in case this network is created (Recommendation 3, ‘Mapping and performance check of the supply side of tourism education and training’).

#### **Note on New Skills Agenda for Europe**

In June 2016, the European Commission published the Communication ‘A New Skills Agenda for Europe’<sup>13</sup>. Key competences for lifelong learning are a combination of knowledge, skills and attitudes that are essential in a knowledge society and guarantee more flexibility in the labour force. In its Recommendation [2006/962/EC](#), the EC identified eight key competences:

1. communication in the mother tongue,
2. communication in foreign languages,
3. mathematical competence and basic competences in science and technology,
4. digital competence,
5. learning to learn,
6. social and civic competences,
7. sense of initiative and entrepreneurship,
8. cultural awareness and expression.

According to the Communication, the Commission intends to launch a revision of the Key Competences Framework in 2017. As the EC highlights, while some of these competencies already have an established place in educational systems, this is not the case for key competences such as entrepreneurship or transversal skills. This is the reason why **the revision will pay special attention to promoting entrepreneurial and**

<sup>13</sup> COM(2016) 381 final: ‘A New Skills Agenda for Europe’.  
<http://ec.europa.eu/social/main.jsp?catId=1223> (last retrieved 12 December 2016)

**innovation-oriented mindsets.**

From the design sector, we would like to highlight the value of design-thinking as an innovation, problem-solving and critical thinking methodology (see below). Therefore, **we would like to encourage the EC to consider the inclusion of design, and specifically design-thinking, as a transversal skill in the future Key Competences Framework.**





## **Tourism Industry: Measuring the experience**

### **Defining tourism**

“Tourism may be defined as the processes, activities and outcomes arising from the relationships and the interactions among tourists, tourism suppliers, host governments, host communities, and surrounding environments that are involved in the attracting and hosting of visitors” (Goeldner & Ritchie, 2006). As a result, one can see that tourism involves numerous stakeholders that are all involved in the delivery of tourism-related services. The tourist is looking for psychological, social and physical experiences while suppliers are providing through their respective (but often combined or bundled) service opportunities for tourists to have those experiences. As part of the tourism system, one can identify around the tourists’ natural resources and the environment, the cultural or built environment, government activities, and several operating sectors.

Those operating sectors make up what is often typically considered to be tourism. First, transportation appears to be central to tourism. Transportation services are of course essential in getting travelers from their homes to the target destination, but they are also critical in getting tourists to move within or between destinations, contributing to a dispersion of the impacts, be they positive or negative. Second, the accommodation sector, also very visible, includes numerous types of hostels, hotels, resorts, condominiums, campgrounds etc., as well as opportunities for travelers to stay in bed and breakfasts, farm houses and other private accommodation. Food services also contain numerous choices and great diversity for tourists, from gastronomic restaurants to cafeterias, fast food chain restaurants or hawker food stalls as well as caterers that provide services to groups.

The attraction sector is composed of a vast variety of small businesses, museums, theme parks, natural, cultural, or historical attractions, as well as entertainment venues and shows (theatre and music on Broadway, etc.). Attractions are typically the reasons why leisure travelers visit a destination.

Retail shopping is also an integral part of the visitor experience and can also be a primary reason for traveling.

Often identified as part of, or closely related to the attraction sector, events beckon travelers because of their unique and special features. It may be a concert (an opera festival in Salzburg or Madonna on tour), a sport competition (the Olympics, a marathon, or a championship final), a professional show (ITB in Berlin or the International Film Festival in Cannes) or a convention, a cultural event (Mardi Gras in New Orleans or Oktoberfest in Munich). Finally, another important travel service sector is composed of retail travel agencies and tour operators. Retail and distribution as well as transportation will be further discussed later in this chapter. Together, all the above-mentioned services contribute to create visitor experiences.

Service design cannot only contribute to improving each individual service provider, but also, and perhaps more importantly, help each of the above services to liaise and to provide a seamless tourist experience. Certainly, we are not there yet, although recent progress in mobile technologies have contributed to offer new services that help create holistic experiences.

Although many concepts associated with service experience such as the S-D logic, service blueprint, theatrical methods, and service mapping are used in the tourism industry; the tourism experience is very distinct from the service experience and other types of customer experiences.

The secret to a good customer experience is not the multiplicity of features on offer, but how customer value is embedded in each feature. Despite the tourism sector being driven by customer experiences, it is hard to identify the components of the tourism experience. The components are not necessarily the same as those of the service experience. Some researchers suggest that the tourism experience is a very subjective and personalized experience, often influenced by society, culture and different economic systems. Therefore, the tourism experience is distinct from other 'types' of experiences for many reasons such as tourists are diverse, trips are of various types, and the content of the tourism experience changes and evolves more radically compared to other service industries. Also, the tourism experience is often linked to other

customer or service experiences. Thus, understanding the tourism experience requires different theoretical approaches to be used. For example, the tourist experience includes various components that can provide emotional, physical, intellectual and even spiritual fulfillment. Therefore disciplines such as marketing or management alone, cannot fully explain the tourist experience. Over the years two main schools of thoughts have emerged to understand the tourism experience: social science and marketing/management.

### **The social science approach**

As part of the social science approach, early conceptualizations of the tourism experience emphasize the tourism experience as a distinct experience from everyday life. According to this view, tourists mainly travelled in search of strangeness and novelty, or simply to experience change. Hence, the tourism experience often begins with the 'ordinary' (e.g. taxi to the airport), progresses into the 'heightened' moments (e.g. visiting the Great Canyon), and returns to the 'ordinary' (e.g. flight to home-country), suggesting that temporality is central to the experience. The term 'tourist gaze' is used to describe the process through which a tourist visualizes and interprets the destination that he or she visits. Since the 90s this idea has been challenged by many with an overwhelming conclusion that the distinction between everyday life and tourist experiences is disappearing due to media and technology. Tourists can enjoy destination attractions via video and virtual reality displays within the comfort of their own home. Experiences once confined to tourism are currently accessible in various contexts of everyday life. Different kinds of people may also desire different forms of the tourism experience. For example, five common experience forms are: recreational (e.g. entertainment), diversionary (e.g. recharging energy), experimental (e.g. rediscovering oneself), experiential (e.g. staged authenticity) and existential (e.g. ultimate nostalgia). Tourists searching for profound meanings (e.g. nostalgia) in their travel experiences, for example, would conform to the 'experiential' or 'existential' forms of the tourist experiences. Basically, the

social science approach regards the tourism experience as a form of peak experience.

### **The marketing/management approach**

The marketing/management approach treats the tourism experience as consumer or service experience. This experience can be differentiated at two levels: (1) the degree of customer involvement (passive vs. active participation) in the experience and (2) the desire of the customer to connect or engage with the experience (absorption vs. immersion). The four types of experiences that emerge out of these two levels are: (i) entertainment (passive-absorption) as in the case of music concerts; (ii) educational (active-absorption) as in the case of sports practice; (iii) escapist (active-immersion) as in the case of working holidays or mass tourism in exotic locations and; (iv) aesthetic (passive-immersion) such as in sightseeing, trekking and snorkeling while on holidays. According to this view, through the experience the tourist is able to reach a 'sweet spot' similar to the 'peak' experience described in the social science approach. A tourist destination should therefore be able to deliver experiences at all four levels, although these levels may be emphasized differently for each targeted segment of visitors.

### **The total customer experience**

Additionally, for destinations to differentiate their experience from other competing places, they have to develop visitor's emotional attachment with the place and a brand community. This can be achieved by engineering the 'total customer experience' (TCE) and lasting customer loyalty (LCL) that enable companies to maintain their customer focus and create customer preferences. TCE can be seen in Disney's theme parks with its hundreds of engineered cues that are all coordinated and networked to generate a mix of excitement, entertainment and adventure.

TCE has been defined as a "totally positive, engaging, enduring, and socially fulfilling physical and emotional customer experience across all major levels of one's value chain and one that is brought by a distinct market offering that



calls for active interaction between consumers and providers” (Mascarenhas et al., 2006).

It is based on six main principles.

**Principle 1:** Anticipating and fulfilling customer needs and wants better than competitors

**Principle 2:** Providing real consumer experiences that competitors cannot match

**Principle 3:** Providing real emotional experiences that go beyond the physical attributes of the product/service

**Principle 4:** Experiences as distinct market offerings

**Principle 5:** Experiences as interactions

**Principle 6:** Experiences as engaging memories

TCE offers a great way for service augmentation given that the experience is created by the active involvement and interaction between the service provider and the customer. The customer cherishes such an enduring experience before, during and long after service delivery. The stages described above are similar to those described earlier for the service experience. In tourism, these stages have been specifically described as anticipation of travel, experience at the destination and reflection on the travel experience post visit. However, the activities and decision making processes involved in a traditional product-centred experience (e.g. buying a washing machine), service-centred experience (e.g. a flight) and the tourism experience at each of these stages vary considerably. This perhaps explains why both the social science and marketing/management approach to understanding the tourism experience have been criticized.

### **The complexity of the tourism experience**

Specifically, the social science approach fails to consider the influence of supporting experiences such as eating and sleeping on the tourism experience. Without the supporting experiences, the peak experience cannot happen. More importantly, if failure points occur with the supporting experiences, the TCE can be jeopardized no matter how strong the peak experience is. In the

marketing/management approach, the supporting experiences are included as being able to influence the tourism experience, but this approach considers the tourism experience as very similar to other forms of customer experiences. There is no explicit differentiation between the service and tourism experience, often treating the tourism experience as being exclusively about service quality. The marketing/management approach also eludes the fact that supporting consumer experiences (e.g. eating out in restaurants) can also generate peak experiences as in the case of culinary tourism. The S-D logic described earlier incorporates some of these limitations by emphasizing the importance of service design for managing customer experiences holistically and the customer as a co-producer. Yet, the S-D logic fails to consider that services are dynamic experiences and co-constructed with consumers according to their expectations and perceptions. Some customers may or may not want to actively participate in the co-creation process but they nevertheless experience the service regardless of whether the quality of the experience is below their expectations. This phenomenon is inherent to the tourism experience where some are more involved and actively participate in shaping their destination experience (e.g. backpackers) while others are more passive observant/participants (e.g. packaged tours).

In addition, the tourism experience is increasingly facilitated by media and technology. The tourist also actively attempts to facilitate and/or interpret the tourism experience of another individual. For example, the tourist guide is a well-known facilitator of the tourist experience responsible for linking tourists to attractions, facilities and hosts. These facilitators also known as 'mediators' of the tourism experience not only exist at the experiential phase of the visit (i.e. on site) but also at the pre-travel stage (i.e. vacation planning) and the post-travel stage (i.e. recollection). Increasingly, technology based mediators such as the internet, mobile phones, and digital cameras are used by tourists at all stages of the tourism experience. This phenomenon suggests a shift from the 'tourist gaze' to a 'mobilized virtual gaze' that enables people to travel mentally and emotionally (i.e. experience tourism activities) without moving physically to the destination. The tourism experience has also become more



complex due to service providers such as destination marketers making available features such as images, vodcasts, podcasts and blogs on their websites to better support the tourist experience at all stages. These advances allow tourists to benefit from being able to use multimedia features such as text, images, video streaming and virtual reality to enhance and add value to their tourism experiences.

### **Limitations in capturing the tourism experience**

Due to the complexity of the tourism experience described above, this experience cannot be treated as similar to other customer or service experiences. In fact, customer and service experiences are only components of the tourism experience.

Also, existing ways of researching the tourist experience do not fully capture the 'mobilized virtual gaze'. Therefore, it is questionable whether existing theoretical approaches such as the S-D logic can be fully applied to tourism and tools such as the TCE can be used effectively to explain the tourism experience. The increasing recognition of the symbolic and emotional values of the tourism product and the fact that tourists may engage in different modes of experiences within the same trip (e.g. nostalgia and experimental when visiting a heritage site) or one mode of experience over multiple trips (e.g. diversionary for spa and wellness products), suggest that existing models/frameworks have limitations in capturing the tourism experience and its linkages with the service experience and other forms of customer experiences. Also, the tourism experience is sensitive to socio-demographics such as age and gender as well as to cultural diversity. The way in which Chinese tourists, for example, engage with service provision in Europe is not necessarily the same compared to Western tourists. Consequently, a more holistic approach is necessary to understand and manage tourism experiences.



## **Management of the Tourism Experience**

Management of the tourism experience can be facilitated by identifying: (i) peak tourism experiences; (ii) supporting consumer experiences and; (iii) daily routine experiences.

Recognizing the interchangeability and differentiation of peak and supporting experiences by tourists, for example, allows better understanding of the tourism experience. That is, some components of the supporting consumer experiences such as the accommodation (e.g. a 5-star hotel) and local cuisine can turn into peak experiences. Likewise, peak experiences such as the beach can turn into a supporting consumer experience, if for example the backpacker has an unplanned romantic encounter on the beach. Also, recognizing that peak and supporting experiences are in sharp contrast to daily routine experiences but remain an extension of the daily experience in an intensified form, allow better categorization of experiences into 'ordinary' vs. 'extraordinary', 'routine' vs. 'unusual', and 'the familiar' vs. 'novel'. In this way the components of the tourism experience can be identified and hence better managed. However, this approach neither highlights the difficulties in measuring the experience (e.g. what is considered as an extraordinary experience?) nor how to design the tourism experience for better delivery of the experience.

## **Measuring the tourism experience**

Increasingly, consumers are looking for a combination of affective memories, sensation and symbolism in their tourism experience to create a holistic long-lasting personal experience. This is a core philosophy of the experience economy.

Yet, a common criticism of the experience economy is the inability for managers to measure consumer experiences using identifiable components that are valid across product/service categories. In tourism in particular, everything tourists go through at a destination can be considered as an experience, be it behavior or perception, or a cognitive or emotional experience. The difficulties associated with the measurement of the tourism





experience have impeded the development of effective ways or processes to manage this experience. Tourists are generally concerned with the experience of visiting, seeing, learning, enjoying and living in a different mode of life when travelling and therefore these could potentially be the focus of measurement. Likewise, given tourists desire to actively engage in creating experiences instead of passively seeing, watching, and/or learning about artefacts, history, and exhibits, measuring their level of involvement is another important aspect. Some researchers suggest measuring the experiential dimensions of education, entertainment, aesthetics and escapism. Specifically, learning, enjoyment and escape are inherent in many tourist activities such as a bed and breakfast stay or cruise experience, suggesting that measurement should include also supporting services. These experiential dimensions influence satisfaction and repeat visitation differently and therefore understanding how they can be managed is of critical importance to service providers and destination marketers.

### **Designing the tourism experience**

If the tourism experience is more difficult to define and measure, how can it be designed to facilitate its management? Anecdotal evidence exists on how to design a good tourism experience. For example, good design makes the most routine (e.g. check-in at the hotel) and the weightiest customer experiences (e.g. diving with dolphins) pleasant and efficient, and allows customers to reach the 'sweet spot' or 'peak experience'. The various service design principles suggested include: (i) segmenting the pleasurable components of the service into identifiable chunks; and (ii) try to combine unpleasant processes into a singular 'get it over' activity.

Customers are less likely to complain about service quality when they have control over some part of it as suggested by the S-D logic. Service experiences should thus be designed in such a way as to engage all the five senses. The deliberate design and execution of service experiences as a distinctive

management discipline with its own principles, tools, and techniques is a new domain of research and remains unexplored in the tourism industry.

### **Designing experience-centric services**

The term 'experience design' is used to describe the development of experience centric services with the end goal of engaging customers in such a way that it builds emotional connections (Zomerdijk & Voss, 2010). A number of ways to design experience-centric services exist such as:

**Designing a series of service encounters and cues and also orchestration of these cues that occur at different points in time and space.** This approach is similar to the concept of service blueprint and the service experience blueprint (SEB).

**Involving sensory design.** The physical environment can be designed to evoke particular emotions and responses. The traditional way of managing the tourist experience has often ignored the influence of a variety of sensescapes such as soundscapes, smellscapes, and tastescapes by privileging the visualscape or tourist gaze. In the experience economy, the experiential marketing framework highlights the importance of managing the sensory alongside the affective, intellectual, behavioral and social dimensions of the consumer experience.

**Engaging customers.** This can be done by a process of co-creation described earlier. It is also important to establish rapport, empathy, feelings of care and friendliness between service providers and customers during the service encounter. It involves the conveying of authentic understanding, which is particularly important in extended, affective, and intimate service encounters. Authentic understanding is achieved when service providers and customers engage in self-revelation, use emotional energy, and connect as individuals rather than simply performing their respective roles.

**Dramatic structuration.** This is similar to the theatre metaphor described earlier, where every component of the service encounter has to be scripted and engineered to enhance the customer's experience and recollection of it.

**Fellow customers.** The presence of other customers and significant others such as family, friends and colleagues have an inherent ability to impact either positively or negatively on the service experience. For example, crowding and unruly behavior of fellow customers normally have a negative impact while opportunities to socialize or bond with fellow customers enhance the service experience. A possible way of addressing the value of fellow customers is to establish a brand community that stimulates customers to share their ownership or consumption experience.

**Backstage services.** Service provision inherently has two parts, the frontstage (e.g. the hotel lobby) and the backstage (e.g. the kitchen). Isolating the backstage from the frontstage to maximize efficiency or operational excellence is likely to result in coordination problems that may damage the frontstage experience. Backstage work should not be treated as a separate entity; rather it should be characterized by a close connection with and its devotion as a supporting role to front stage. Back office employees help create the contextual elements of an experience and hence are part of the experience (Zomerdijk & Voss, 2010).

Using these processes managers should pay attention to: (i) pre and post purchase behaviors; (ii) physical aspects of the customer journey and; (iii) emotional aspects of the customer journey. Thus, by carefully adapting these stages, designing tourist journeys and applying other design principles, service providers in the tourism industry may improve tourism experiences and better engage their customers.

### **Customer experience modeling**

Other authors propose the use of customer experience modeling (CEM) to represent and systematize the customer experience, in an effort to guide service design efforts. CEM provides a modeling tool that enables a manageable abstraction of the complex service reality and facilitates creativity in the service design process. It supports a holistic view of customer experiences and explicitly considers the physical elements, the technology-enabled systems, and the actors involved in each activity throughout the

customer journey. CEM does not substitute for existing methods, but provides a higher-level approach that systematizes experience information to support the early stages of service design (Teixeira et al., 2012). CEM adapts concepts such as human activity modeling (HAM), customer experience requirements (CER), multi-level service design (MSD) in the modeling process. The applicability of this tool on tourism experience design has yet to be evaluated.

### **Designing destination experiences**

Today, how to design destination experiences both at a macro (e.g. country) and micro (e.g. city) level remains enigmatic. Experience has always existed in destinations given that a destination consists mostly of a bundle of services such as transportation, accommodation and attractions, and these often represent the core or supporting services of the tourism experience. Hence, the competitiveness of a tourist destination is largely dependent on the quality of experiences associated with its core and supporting services. However, for years it was taken for granted that the experience is a by-product of the destination, rather than created, developed and innovated. In particular, the application of service design for tourist destinations requires a holistic analysis of all sequencing touchpoints between customers and service providers within a complex tourism product and collecting data about customer experiences at 'touchpoints'. Touchpoints are described as instances of direct contact of the customer with the service itself or with representations of it by the company or some other third party. The term 'customer corridor' is often used to portray the series of touchpoints that a customer experiences.

Not all touchpoints are of equivalent value. Also, the analysis of customer experiences requires extending touchpoints beyond the actual service period to include also pre- and post-service periods. In this way, tourism and destination managers can have a holistic view of their product/services thereby facilitating (re)design, intentionally produced, organized, foreseen, calculated, priced and explicitly charged for if necessary (Stamboulis & Skayannis, 2003).

## **Service design becomes a core strategic concern in creating and adding value to the tourism experience**

Once designed, the service experience of tourists has to be managed and the performance evaluated. At the destination level, experience management if neglected tends to focus on service provision only. Traditionally, principles of experience based management has drawn from the manufacturing/service sector with a focus on translating managerial inputs into outputs which are subjectively experienced by participants. Gradually, this approach has been replaced by activity based management where the provision of activity opportunities represented managerial end products. In tourism, a benefit-based management system has more relevance given its ability to describe the experience-based management outputs more explicitly, linking activities, settings, experiences, and benefits in a sequence. This system focuses on service settings, through which experiences are facilitated, and the extent to which these settings are contrived implicitly or explicitly. In particular, it is necessary to ask questions regarding the range of experiences within a setting, how types of tourists should be identified best, and how the experiences may be facilitated. Yet, the bottom line is that customer experience does not improve until it becomes a top priority in the organization and work processes, and until systems and structures change to reflect that. This is the most effective way to create engaging and lasting experiences for customers. Disney for example has a holistic approach to TCE where every adventure, every Disney character, every employee, every shop, and even the long waiting lines systematically manage positive sensory and emotional experience in a commercial setting.

At a tourist destination, the moments of truth are many, and the customer has the possibility of arranging these moments or touchpoints in different ways. Visitors also have the possibility to define which touchpoints are notable and which ones they would ignore or overlook. Also, customers are 'movement-driven,' that is, they are constantly moving at destinations and between destinations. They have access to multiple technologies of travel and

communication that move ideas, information, people, images and objects across varying distances. Therefore, experience- based tourism management strategies should involve strategies to manage the setting, strategies to manage the people involved in the setting, the story that the experience managers want to communicate, and the use of technology to enhance the experience. In fact, tourism experience management is about creating a story about the destination and the task of informing and steering the innovation and creativity process that leads to the creation of new themes of experience related to the overall story. Contrary to conventional tourism that exploits inflexible assets such as nature and infrastructure, experience-based management of tourism seeks to exploit the intangible assets of the destination (Stamboulis & Skayannis, 2003).

### **Why Tourism Needs Design**

Researchers identified the numerous tourism entrepreneurs as one of the main drivers for innovation and the creation of outstanding tourism experiences.

Tourism entrepreneurs are people who, “through a combination of perceptiveness, creativity and the fortuitous confluence of events, are constantly identifying opportunities as they arise and creating the organizations to pursue them” (Russel & Faulkner, 2004: 557). The idea of an iterative innovation process according to a service design process is far from new for tourism entrepreneurs. These entrepreneurs have been the pioneers in the development of tourism services and they apply basic principles of service design thinking every day:

- **Hands-on insights** when hoteliers work along with their employees – from frontline staff to the back office.
- **Contextual interviews** with customers – every time they sit together at the hotel bar.
- **Empowering** their staff to develop new ideas and solutions.

- **Constant evaluation** and re-thinking of existing processes from a customer perspective.
- **Adapting best-practices** and solutions from outside the industry.

However, innovation processes are often intuitive and not built on a strategic design process due to the fact that the tourism industry is dominated by small and medium sized enterprises (SMEs). 94% of European tourism companies have less than six employees. Such a fragmented industry involves both challenges and opportunities for business since SMEs have to cope with limited budgets for product development and advertising. However, on the other hand SMEs also have corporate responsibility and flat organizational structures – both ideal conditions for innovation.

### **Marketing shifts from advertisements to genuine experiences.**

Memories of outstanding tourism experiences generate word-of-mouth, which nowadays has enormous reach through social media and tourism review websites.

In particular the latter has an impact on the industry that cannot be stressed enough. Tourism products underlie a unique buying decision process, since most customers decide and often pay months in advance – and in the case of leisure tourism invest not only money, but their precious holidays. In this decision process, trust towards tourism brands and their products are most important. Tourism companies attempt to convince guests of a certain service quality standard through strong brands or quality labels. Tourists nowadays trust first and foremost other guests' experiences though. A study of German tourists shows that significantly more guests trust the opinions of other customers than any corporate communications. 95% consider online customer reviews as trustworthy and 65% would no longer book any travel without previously checking customer reviews on respective websites (IUBH, 2011). Through this apparent increase in transparency of tourism offerings, marketing strategies need to shift from classical advertisements to genuine experiences. It's the individual guest's experience that makes or breaks a successful tourism product.





## **Destinations as complex service ecosystems**

Tourism products are bundles of various services. A leisure holiday involves a variety of different services, which are often provided by several companies: The travel to the destination, local transportation, accommodation, gastronomy, and leisure activities, to name but a few. Tourists, however, evaluate the whole experience within a destination, which makes tourism products particularly challenging to design. Even if the task is to design a single service for one provider, a complex service ecosystem needs to be taken into consideration. This consists not only of stakeholders of the service on hand, but also the whole ecosystem a customer experiences within a certain destination. A destination is a geographic area that the respective visitor selects as a travel destination. It encompasses all necessary amenities for a stay, including accommodation, catering, entertainment, and activities.

It is therefore the actual competitive unit within incoming tourism which must be run as a strategic business unit (Bieger, 2005). Although there are also destinations, which are centrally managed and owned by one company, such as theme parks or resorts, most destinations consist of a fragmented system of companies and actors. However, ultimately it is the tourist who defines a destination and as a rule-of-thumb, the perceived size of a destination increases with the distance tourists travel. The unique buying decision process of tourists includes another characteristic regarding its gradual set of choice. The decision for a destination involves various alternatives beyond obvious competitors: Tourists chose between city, sun and beach or mountain destinations in every season of the year, which makes it hard if not even impossible for destinations to know their direct competitors. An authentic destination identity across all involved stakeholders leads to a consistent destination image in the tourists' minds. This clear image is crucial for a profound decision in the tourists' buying process, but on the other hand demands a high level of cooperation between the destination's stakeholders.

The concept of destination personality – comparable to a description of a destination as a persona – supports stakeholders to find a common viewpoint





and understand their destination image from a customer's point of view. Following the buying decision process during the next set of tourist's choices, many of the very same stakeholders are competitors and as such need to differentiate from each other within the destination. This leads to a classic prisoners' dilemma and in fact represents one of the main challenges of destination management. At the same time, this is one of the biggest future opportunities for service design in tourism.

Service design thinking provides processes and methods to create organizational structures and understand the culture required to deliver superior customer experiences within a complex ecosystem of both public and private organizations such as tourism destinations. Design research approaches like ethnographic research, storytelling, mapping customer journeys and stakeholder value networks are invaluable tools for destination management.

## **EU tourism is looking to the future**

Design and more specific Service Design represents a new way of thinking – at least in the tourism industry. Service is all about the customer's point of view and service design helps to understand this perspective and to design appropriate service systems.

However, to achieve this, service design thinking should be regarded as a holistic management approach and applied throughout the whole organization.

## **Tourism in the Digital Era**

The internet became the infrastructure of our times. It answers questions and helps us to solve everyday problems such as purchase decisions. In fact, nowadays the internet is such an important part of our society that it would be impossible to handle many daily-life situations without it. This development implicates the need for new business strategies – particularly in the travel and tourism industry, since customers cannot test tourism products in advance.

The internet changes the purchase decision process. Before a purchase the internet provides important information to evaluate a certain product. As published in the AGOF-Study 'internet facts', this applies particularly to tourism services.

The study reveals that this results from the fact that a holiday is not a tangible product which can be tested before a purchase. Therefore, trustworthy sources such as the shared experiences of others guests become more and more important.

### **Why is service design becoming more and more important?**

The transparency of a product through social media and the relevance of user-generated content, such as online reviews, result in a rising demand of customers regarding service quality. Tourism stakeholders cannot anymore repress those influences with classic advertising.

Only high-quality and extraordinary experiences will spread via word-of-mouth through social networks. This process happens without any assistance of tourism service providers and/or destination management organizations.

Three factors define how to gain the customer's attention for a tourism product:

- **Stories.** Which images create stories about a respective product in the customer's mind?
- **Authors.** Who are the authors of these stories and are they trustworthy from a customer's perspective?
- **Channels.** Which channels are involved to reach the customer and do they enjoy public confidence?

From the perspective of a tourism service provider or a destination management organization, the story about a product is certainly the most important of these three factors, since this is the factor that can be influenced the easiest way. Which channel customers finally choose to tell their stories depends on their own preferences.

Only few destinations consider the two latter factors from a strategic and implementation- oriented perspective. Service design offers a great approach



to understand these stories and systematically create appropriate tourism products considering the stories these arouse, who tells them whom and through which channels.

## **Success factors of Design in Tourism**

There are some factors which make or break service design projects in the travel and tourism industry. The following list of success factors for service design in tourism is without any claim to comprehensiveness; though it might serve as a guideline for first projects.

**Put the customer in the centre of all reflections.** Working in a user-centred way is inherent in the service design mindset.

**Consider everything as a service** – even if it is just a cup of coffee. A service- dominant mindset is crucial for all stakeholders involved in a service design project. A service should be understood as a sequence of human interactions involving guests, employees, but also digital interfaces and tangible products as well as physical infrastructure. This approach enables to design service systems creating meaningful experiences for customers.

**Increase cooperation and mutual understanding of stakeholders.** Participants of a service design process need to share the vision that they work towards a seamless tourism experience for their customers. As this involves different services by various stakeholders, mutual trust is crucial.

**Work in multi-disciplinary teams.** The composition of a project group for such a co-creative process is important to achieve valuable outcomes. Work groups should include heterogeneous people based in different knowledge networks – both of theoretical and practical nature.

**Be aware of the iterative and co-creative process.** Service design bases on an iterative process consisting of various mostly co-creative sessions. This process follows a sequence of diverging and converging insights and ideas. Moreover, it needs to be flexible enough to integrate new findings throughout

the process. Each session in itself needs to be consciously designed regarding dramaturgy, assuring a safe space for participants allowing a truly (co-)creative workspace.

**Service design has to be fun.** Participants of service design workshops should use both their emotional and rational half of the brain, but also include physical exercises. A holistic challenge is vital to maximize creativity and empathy.

**Do not stop with the concept.** Agree on the outcome of a service design project beforehand and consider how to communicate the results. A project should not stop with a great concept; it needs to include the process of how to implement it in real life. Assure the commitment of all stakeholders involved throughout the implementation process and develop a manageable and enduring change process.

## Implementing Design in Tourism

It's all about the customer's perception. If service design is used well-conceived, it can be a powerful approach. The results are value propositions meeting customer's needs – even those needs that customers are not yet aware of. Moreover, service design projects can improve employees' working conditions and support the implementation of a sustainable business strategy. Service design is not a future concept but rather a practiced approach in many industries. Only few companies apply such a user-centred approach in the travel and tourism industry, though. Mostly these are large multi-national organizations, since small and medium-sized enterprises (SMEs) lack the resources to hire external agencies. However, often tourism entrepreneurs of these SMEs already live the basics of service design thinking in their daily life, e.g. when they talk with their guests at the hotel bar for several hours, listening to the problems they had finding a room or when they work with their employees in direct contact with guests observing pointless procedures, or when they handle problems with external stakeholders such as receiving

dirty towels from a laundry service. Although there are certainly entrepreneurs who might not need to learn and apply service design for their own business, these are rather the exception. And even for them, service design can be a very valuable approach when they need to work together with other stakeholders within their service ecosystem, e.g. their destination.

### **How can service design be used to create future tourism products?**

Caused by rising importance of positive service experiences and the necessity for a conscious creation and communication of services, service design offers a possibility to make tourism services fit for the future. Service design could be regarded as a holistic perspective across various fields of the tourism sector. Based on a customer-centred perspective, the approach reveals the need for collaboration of different players involved in the development process of tourism products and its service ecosystems. Collaborative learning based on service design thinking will be key in the future.

Contrary to a linear innovation process, service design is an iterative process. Unlike classic management thinking, a design process does not aim to avoid mistakes, but to identify them as soon as possible and to find solutions for these, following the motto “fail early, fail cheap, fail safe”. What has been practiced in product design for decades is just starting to be adapted to the service sector: Building service prototypes to iteratively improve services before they are launched on the market. How many prototypes are developed for new cars or mobile phones before they hit the markets? How often are tourism products being prototyped before they are launched? So far, this only happens rarely or at a very late stage in the process, e.g. a soft opening.

To answer the question why service design can be such a successful method for the development of tourism products, it is necessary to look at the human brain and its mental activity – the limbic system. If there is a certain harmony between the areas of thinking, feeling and moving, the behavior of people who are taking part in a service design workshop is changing positively – and innovation can begin! Due to the fact that service design workshops typically follow a simple structure, participants experience that they already know



many things of which they are just not aware of. Simple proceedings can retrieve complex knowledge which is then more specific and available.

### **How to put service design into practice?**

Lego bricks for example can play an important role in a service design workshop, as they help to build perceivable environments. Already at a very early stage this can reveal whether a concept works or not.

One of the most important opportunities for tourism products is storytelling – in particular when considering the strong influence of digital media. Storytelling as a method can be implemented as story building with the help of Lego bricks as a kind of 3D scenario technique. To invent and build something that can be touched is particularly important in tourism. Constructivist learning is only possible when we build something. We know this from our childhood: When building a sandcastle, we knew whether it was going to collapse or not. Besides, such methods often induce a flow feeling – the feeling of getting carried away within an activity. In this way excessive demands can be minimized and boredom avoided during workshops.

Furthermore, an atmosphere of harmony can be created where emotions, consciousness and mind are conformal to each other (limbic system). Everything that is build hands-on is easier to understand, stays in the participants' heads and participants identify themselves more with the created concept, because each participant can make an obvious contribution to it. Moreover, these concepts can often be communicated more authentically to customers, management and other stakeholders.

Service design combines mental work with physical creativity, such as 3D scenario techniques or enacting. If participants lose their sense of time during the “game” (i.e. the “flow feeling”), they find the most suitable environment for creativity. Managers, marketing directors etc. become kids again. During such a co-creative process, constructive imagination reveals knowledge and translates it straight into new concepts. A co-creative service design process is a constant iteration of identifying mistakes, improving concepts and a reduction of complex processes to a fun degree. Fun can be one of the main



factors leading to success of service design projects, since it keeps the energy level during workshops up and fosters creativity.

## **Conclusions- Recommendations**

*Design goes far beyond mere product development; it can support human resources and organizational development as well as strategic change processes.*

*However, to do so design thinking needs to be regarded as a holistic management approach and has to be applied throughout the whole organization.*

### **Develop customer-centred strategies.**

One of the biggest challenges for tourism companies is the development of integrated customer-centred strategies.

Hereby integrated refers to the development of strategies concerning all departments and functions from marketing to online and offline distribution, from product development to branding, from human resources to internal processes.

To design such holistic strategies, service design thinking offers many new possibilities for tourism management.

### **Develop internal processes.**

Many tourism organizations, particularly on a destination level, face difficulties within organizational structures – often caused by years of building rigid structures and steep hierarchies or by a missing willingness to “rethink” of leading executives. Inefficient process sequences, communication channels and also personnel management can be tackled with service design thinking since all internal processes can be regarded as services and as such iteratively optimized.



### **Develop a service design based management approach.**

Not only management needs to realize the importance of service design – it should be incorporated into a company's culture throughout the whole organization. Organizations have to leave old paths and adapt to a new way of thinking which allows to co-create value with their customers instead of betraying them through over-promises and under-delivery.

### **Develop omni-channel structures.**

Today's society already satisfies many needs with digital services. Looking at the customer journey of a tourist, consisting of inspiration, information, booking and travel phase, but also experience sharing after the trip, every phase is already connected to digital products such as websites, apps, smartphones, NFC chips, mobile navigation, to name but a few.

Corporate structures have to adjust to this, enabling a seamless customer experience across all possible channels.

### **Develop appropriate service design tools and methods.**

Existing service design tools and methods need to be adapted and further developed with regards to specific industries and changing user behaviors.

It is hoped that this project functions as a starting point towards a movement in which design thinking will be integrated in tourism organizations and quality improvement programmes. Such programs could include training courses for hotels, destinations and other tourism stakeholders interested in the development of customer- centred services systems.

## **Innovation Vouchers in EU policy**

### **What is an innovation Voucher**

Innovation vouchers are small lines of credit provided by governments to SMEs (small and medium enterprises) to purchase services from public knowledge providers (universities, PRIs) to promote collaboration and



stimulate the creation of small-scale innovations at firm-level. While SMEs tend to have limited exchange with public knowledge providers (due to information asymmetries such as the cost linked to the identification of relevant information providers), research providers on the other hand are more familiar with public agencies and larger companies. Innovation vouchers aim at building new relationships between SMEs and PRIs to stimulate knowledge transfer and to act as a catalyst for the formation of longer-term relationships.

### **Target and purpose**

Innovation vouchers normally target SMEs in light of the contribution (normally below EUR 10 000) they provide for the introduction of small-scale innovations at the firm level. SMEs tend to have limited exposure to public knowledge providers such as universities and research organisations as they may see such institutions as irrelevant to their business activities or be unwilling to invest in the search costs necessary to identify relevant providers. On the other hand, staff in public knowledge providers may see little incentives in working with small firms when the latter have lower absorptive capacity and guarantee lower returns as compared to large companies and other public agencies.

The main purpose of an innovation voucher is to build new relationships between SMEs and public research institutions which will: i) stimulate knowledge transfer directly; ii) act as a catalyst for the formation of longer-term more in-depth relationships. In a snapshot, innovation vouchers are intended as pump-priming funding through which initial industry-university relationships can be established.

The issuing of the voucher has two main impacts, both of which overcome major incentive barriers to the usual engagement between SMEs and knowledge providers. First, the voucher empowers the SME to approach knowledge providers with their innovation-related problems, something that



they might not have done in the absence of such an incentive. Secondly, the voucher provides an incentive for the public knowledge provider to work with SMEs when their tendency might either have been to work with larger firms or to have no industry engagement at all.

Voucher schemes can differ on several technical details, but the traditional steps of implementation are as follows:

- First, the availability of vouchers is advertised widely in the press and through the internet. In particular, representative associations, trade bodies and chambers of commerce can be actively involved in the promotion of the instrument by asking them to inform their members about the existence of the policy tool (i.e. network-based marketing).
- Second, SMEs are requested to submit an application, which should possibly be electronic to keep the application process and the overall management of the programme as simple as possible. The application should contain eligibility criteria (see below) and ask firms to provide a description of the problem they would like to solve. The problem should be very practical in nature, in the sense that firms should be able to use the acquired knowledge to cope with a minor technological issue or set out possible solutions for a more complex problem (i.e. consulting).
- Third, vouchers are awarded by the government agency delivering the programme. Specific selection criteria should be set out beforehand in the case that the number of applications is higher than that of vouchers available. A simple lottery has also been used in similar schemes to determine the winners of the voucher.
- Fourth, once the SME has been allocated an innovation voucher, it formulates a completed research question and commissions through the voucher a public knowledge institution to solve the question.
- Fifth, there is generally a time limit (6-12 months) by which a voucher must be used. When the assignment is completed the knowledge provider receives the voucher by the firm and redeems it at the delivery agency.

- Sixth, reporting requirements by the firm and the knowledge provider about the use and impact of the voucher can be set, but they should be kept minimal consistently with the “light touch” management of a programme which gives small-scale funding.

An important aspect of implementation concerns the eligibility criteria that applicant firms should meet. They should be simple and straightforward, some of the most common being as follows:

- The firm is registered in the country or region which implements the scheme and is not subject to a suspension of payments for protection against creditors.
- The firm abides by the national (EU in the case of Europe) definition of SME.
- The firm has not received more than a certain amount of public aid over a defined period of time (e.g. in the EU, this tends to correspond to the state aid de minimum statement).
- The firm has not entered in any commitments, prior to receiving the voucher, with the knowledge provider that will carry out the project. This has the clear objective of increasing the additionality of the measure.

Finally, there are a number of other options that the delivery agency may want to consider in the design and implementation of the scheme:

- When the value of the work commissioned by the firm is greater than the value of the voucher, the firm should be required to pay the difference in cost.
- As a rule, the pooling of innovation vouchers is allowed by the delivery agency to foster co-operation among firms on larger innovation projects.
- The set-up of different types of voucher has also been common in the past. For instance, small vouchers (e.g. less than EUR 5 000) can be granted mainly for consulting services, while larger vouchers (up to EUR 10 000) can be given to introduce small concrete innovations or improvements in the production process.
- The introduction of a “matching fund” requirement needs to be weighed. On the one hand, it will screen out those firms which are less committed to introducing innovations in their business operations and concentrate

resources on those more willing to share the costs of the innovation. On the other hand, it may more easily bring about deadweight effects if the selected firms would have commissioned the project also without public support.

- A list of knowledge providers who have agreed to be part of the scheme can be supplied with the application form (e.g. universities, polytechnics, technology offices, etc.). This will facilitate the match between the demands of SMEs and the competences and expertise of knowledge providers. Some specific schemes have also included private knowledge providers, including R&D laboratories of large companies, among the partner organizations.
- Innovation vouchers have tended to focus on a narrowly-defined definition of technological innovation. However, governments adopting the scheme may ponder the inclusion of other forms of innovation (e.g. organizational, marketing, management, etc.) among those supported by the measure.
- Finally, VAT is normally charged by the knowledge institution on the services provided and is included within the price of the voucher, which reduces its actual value.

## **Basic Design Information**

### **What is an Design innovation voucher and for which purpose**

A Design innovation vouchers scheme is a tool that regional authorities can choose from a larger range of innovation services for microenterprises and SMEs. It can provide leverage for competitiveness and growth of enterprises. It is also a way to improve cross-sector economic interactions and innovative solutions for SMEs in order to modernize and make the local and regional economy competitive.

### **Definition of an innovation voucher**



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A widely accepted definition of "innovation vouchers" is given by the OECD: "small lines of credit provided by governments to small and medium-sized enterprises (SMEs) to purchase services from public knowledge providers with a view to introducing innovations (new products, processes or services) in their business operations". Vouchers facilitate the access of SMEs to know-how and technology and give incentives to knowledge/service providers (universities, research centres, private companies, etc.) to collaborate with SMEs.

Furthermore, according to the OECD "the main purpose of an innovation voucher is to build new relationships between SMEs and public research institutions which will: i) stimulate knowledge transfer directly; ii) act as a catalyst for the formation of longer-term more in depth relationships".

### **Why Design Driven Innovation specific vouchers?**

Vouchers for Design Driven innovation offer an efficient solution to boost design for innovation uptake by microenterprises and SMEs of tourism sector across Europe.

Innovation vouchers are not only important in terms of technology transfer and innovation but they also serve as a starting point for increasing collaboration between SMEs and knowledge/service providers, which is very important especially for traditional industries such as Tourism. In times of economic crisis and of limited resources in microenterprises and SMEs, a design driven innovation vouchers scheme facilitates access to specialist services that can otherwise be difficult to tap for SMEs. The objective of a Design -specific voucher is to offer Design Thinking knowledge and expertise for analyzing and offering the appropriate Design business solutions to SMEs. The Design services accessible through a Design Driven innovation voucher could range from re- design an existing service and transform the customer experience to new Design-LED-based business models and solutions.

## Who benefits from a Design Innovation Vouchers Scheme?

### **Microenterprises and SMEs of the Tourism Sector**

Microenterprises and SMEs of the tourism industry are the primary beneficiaries of such schemes. They should already be established companies located in territories targeted by a Design voucher scheme.

At the same time, there will be added value for:

Regions and Member States. Dynamic tourism development, increase of competitiveness and innovation-driven economic growth are the main benefits a region or a Member State can expect from the implementation of a Design innovation vouchers scheme for the tourism sector.

### **Design knowledge/service providers**

Design service providers play a crucial role by offering their services to microenterprises and SMEs. They should be enterprises or public bodies registered in the European Union able to deliver the required services (design councils, design centers). In general, they are selected by the local authorities to be allowed to participate in the scheme (following an accreditation/certification process) Enterprises can freely choose their service providers and thereby ensure sufficient competitive price pressure. This ensures that the best expertise is being sought anywhere in the region or beyond.

## How to set up a Design innovation vouchers scheme in a region?

Policy makers should start a process of analyzing their particular situation, developing a vision, identifying competitive advantage, setting strategic priorities and making use of smart policies to maximize the knowledge-based development potential of any region, be it strong or weak, high-tech or low-tech. In this framework Design Driven innovation vouchers can be developed.



For the managing authority of a Member State or a region wishing to set up an Design Driven innovation vouchers scheme, the implementing process would then be the following:

**Step 1: Define in the operational programme an Design Driven innovation vouchers scheme**

The strategy of smart specialization foresees that each region analyses its SMEs needs and opportunities for its regional development and growth as well as for research and innovation. A Design Driven innovation vouchers scheme is one of the types of actions to be supported and foreseen in the related Operational Programme. The operational programme shall set out clear intervention logic behind the use of vouchers, similar to other types of actions foreseen.

The decision to use vouchers should be taken as part of a broader strategy to support SMEs development and innovation in a regional economy. The impact of such a scheme will need to be assessed. A Design Driven Innovation vouchers scheme should only be considered if it targets innovative solutions and does not subsidize trivial or non-sustainable activities. It has to fit real needs and potentials of local entrepreneurs.

Experience shows that the introduction of a voucher scheme makes more sense if it is combined with other existing or new policies or instruments supporting entrepreneurship and/or innovation: for instance entrepreneurship mentoring, coaching, networking, etc. Ways should be sought to integrate both aspects in a scheme.

**Step 2: Identify an implementing body for the Design Driven innovation vouchers scheme.**

The identification of the body that will implement a vouchers scheme is crucial. This task is often taken on by the local/regional business development or innovation agency. Its network and capacity is essential to translate and match demand for design solutions from SMEs with innovative solutions offered by Design providers. The implementation body must be independent





from the market service providers. In the context of the ESI funds, this can be the managing authority of the respective programme or an intermediate body designated by the Member State to whom implementation tasks of the managing authority are delegated.

The implementing body will focus on matching each demand with a relevant service offer delivering added value in terms of determining the needs on the demand side. It will also check customer satisfaction and quality of the service delivered.

Commitment of the relevant regional authorities through promotional support activities also helps greatly in publicizing the scheme and boosting local ownership. According to the available amount of funding, the promotional strategy to make a vouchers scheme known usually includes PR campaigns, use of existing networks and institutions (e.g. chambers of commerce), websites and social networks, email campaigns and awareness raising events.

### **Step 3: Tailor the Design Driven Innovation voucher scheme to the regional implementation**

According to the capacities of the implementing body and the economic reality of the region, as well as the potential impact expected by the regional policy makers, the implementing body will develop and implement the process to obtain and redeem the Design Driven Innovation vouchers. The implementing body will also foresee a monitoring mechanism in order to measure the performance of the scheme in the short, middle and longer terms. The key goal – beyond any tailor-made solutions – is to keep the scheme "fast and light" for the applicants.

### **Identifying the right process**

For a microenterprise or an SME, the process will be the following:

#### **Step 1: Request for the voucher**

To benefit from a design driven innovation voucher scheme, an SME will submit an application (indicative maximum of three pages) demonstrating





how using design services will contribute to innovation of its business – e.g. introducing design as strategic element of the management, design customer service experiences– possibly after having received some coaching from specialized business support providers engaged by the regional authority in order to help them concretize its project.

The application form will be simple and short to keep the scheme attractive by being “fast and light”. It is strongly recommended to streamline application procedures to a minimum while respecting EU rules. An innovation vouchers scheme would normally be open for application at any time.

The timeframe for approval/rejection of applications and for official notification should be short, and preferably not exceed 5-10 working days.

### **Step 2: Allocation of the voucher**

The application is subsequently examined by the implementing body to ensure its potential contribution to the competitiveness of the enterprise.

After approval of the application, the enterprise receives a voucher from the implementing body. The value of the voucher may vary according to the cost of the submitted project but does not usually exceed a pre-defined amount of at most EUR 10.000. It should be limited to service provision, i.e. hardware/equipment should be excluded from its scope.

### **Step 3: Use and redemption of the voucher**

The SME buys the design services eligible for funding, usually from an accredited design knowledge/service provider, in exchange of the voucher.

The SME should be able to choose from an open list of design service providers. The choice will be visible to the implementing body which needs to accredit the provider in case it is a new one for the given scheme.

Depending on the local implementation rules of the scheme, either the SME or the design service provider will then be reimbursed by the implementing body.

## Further details about the implementation of a Design Support Scheme

### Funding

There are several funding options for voucher schemes and no "one-size-fits-all" solution.

Three main choices need to be made:

**(1) Rate of funding for the voucher:** For simplicity, the voucher could cover the full cost of the beneficiary's project as long as they are eligible under Member States provisions. This option is particularly attractive for micro-enterprises and for lower value vouchers. However, a co-funding contribution from the beneficiary can help prevent cases of abuse and lead to the participation of beneficiaries who have real incentives and strong commitment to design adoption for concrete projects. In the case that the scheme is supported by ESI Funds, the co-financing rules of the specific operational programme apply.

**(2) Sources of funding for the scheme:** Support to the regional authority for implementing the scheme could come from national sources or from ESI funds, such as the European Regional Development Fund (ERDF) or the European Social Fund (ESF) which all have thematic objectives and investment priorities in the innovation and SME fields. In that case, all rules applicable to the respective operational programme apply to the vouchers scheme. Particular attention should be given to compliance with procurement and State aid rules (e.g. de minimis).

**(3) Vouchers' redemption:** Two alternatives must be considered by the implementing body:

- SMEs/micro enterprises first pay the knowledge/service provider and then get the value of the voucher reimbursed by the implementing body. In this case SMEs should be able to fund the foreseen activities ex ante. The ERDF rules will have to be respected particularly regarding audit requirements.

- SMEs/micro enterprises transfer the voucher to the knowledge/service provider when the services are delivered satisfactorily. The provider will then directly seek reimbursement from the implementing body.

### **Implementing Body at regional/ local level**

A judicious choice of the implementing body for a Design Driven Innovation vouchers scheme is important. The region must ensure that this body has the capacity and experience in managing such schemes, e.g. including access to business mentoring. On a case-by-case basis, regional authorities may decide to manage the scheme directly or to outsource its implementation to regional/local intermediaries with sufficient capacity and knowledge services such as regional development agencies, innovation agencies, chambers of commerce, universities, design centres, cluster organisations and other SME intermediaries/multipliers (i.e. EEN).

The implementing body undertakes the necessary publicity and provision of information about the scheme. It handles assessment of applications and the selection process of suitable design knowledge/service providers matching demand with service offers.

Connecting the applicants to the relevant knowledge/service providers is an important step of the admission process that the implementing bodies should take care of. Matching the selected applications to the pre-defined range of services requires match-making of both applicants and providers which could be performed using e.g. e-platforms or coaching. Various options have been tested so far on how to connect the participating businesses to the knowledge/service providers in order to achieve successful and high-impact projects.

Experience has shown that pre-defined ranges of services, match-making e-platforms or events have a greater likelihood of delivering better policy outcomes.

On the contrary, free and unlimited choice of providers/projects and subsequent mere administrative approval of projects can jeopardize policy targets and reduce the overall impact of vouchers.

The implementing body is also responsible for the financial management of the scheme according to the requirements of the managing authority in compliance with the appropriate rules of reporting imposed for the use of ESI funds, particularly concerning state aid tracking and audit.

### **Eligibility & Admission criteria for SMEs/applicants**

Eligibility rules are determined by national and regional authorities but generally applicants will be micro, small and medium-sized enterprises located in the region where the voucher scheme is launched.

Typically, the voucher scheme would target SMEs and microenterprises after their first stage of development, in the growth phase of their business life-cycle, in order to achieve maximum impact. However, the use of vouchers as a complementary instrument to help start-ups building design competences and activities from the beginning is also a possibility.

Admission criteria assessed by the implementing body should include how the idea presented in the application will help the enterprise to improve their competitiveness by developing new services, products or processes.

The managing authority may want to put restrictions on the number of vouchers that can be attributed per year per microenterprise/SME.

### **Identification of potential Design knowledge/service providers**

In order to identify the right type of services for enterprises, the implementing body in the region could pre-evaluate the needs of the microenterprises and SMEs on its territory according to their design driven innovation maturity. Without obligation, Design Ladder <sup>14</sup> can be useful analysis tool for regions to

<sup>14</sup> Source: <http://danskdesigncenter.dk/en/design-ladder-four-steps-design-use>

determine the intensity of the programme, the range of amounts of vouchers, etc.:

The Design Ladder was developed by the Danish Design Centre in 2001 as a communicative model for illustrating the variation in companies' use of design.

The Design Ladder is based on the hypothesis that there is a positive link between higher earnings, placing a greater emphasis on design methods in the early stages of development and giving design a more strategic position in the company's overall business strategy.

The Design Ladder consists of four steps:

### **STEP 1: NON-DESIGN**

Design is an invisible part of, e.g., product development and the task is not handled by trained designers. The solution is driven by the involved participants' ideas about good function and aesthetic. The users' perspective plays little or no role in the process.

### **STEP 2: DESIGN AS FORM-GIVING**

Design is viewed exclusively as the final form-giving stage, whether in relation to product development or graphic design. Many designers use the term 'styling' about this process. The task may be carried out by professional designers but is typically handled by people with other professional backgrounds.

### **STEP 3 DESIGN AS PROCESS**

Design is not a result but an approach that is integrated at an early stage in the development process. The solution is driven by the problem and the users and requires the involvement of a wide variety of skills and capacities, for example, process technicians, materials technicians, marketing experts and administrative staff.

#### **STEP 4: DESIGN AS STRATEGY**

The designer works with the company's owners/management to rethink the business concept completely or in part. Here, the key focus is on the design process in relation to the company's business visions and its desired business areas and future role in the value chain.



There are three main alternative methods for selecting service providers in existing voucher schemes across Europe:

- (1) The implementing body issues a call for expression of interest by potential providers to create an accredited list of voluntary providers that have proven their capacity to deliver design services. The SMEs can then choose, or can be matched to the most suitable service provider for its application. The final list is closed and binding. No other provider can be chosen. In this case, the array of services offered is given.
- (2) A given list to which further providers may subsequently be added, if selected for a specific project. This non-binding list not only provides SMEs with a solid reference list but also leaves them free to propose to the

implementing body any other design provider they deem fit for serving their specific need. The implementing body will check whether it fulfills the criteria.

(3) The choice of knowledge/service providers is free for the SMEs. This alternative presents a risk for an implementing body that cannot check the provider's capacity to deliver the services. The danger is that the scheme may not have the desired impact.

Knowledge/service providers are design-related companies/public bodies established in any Member State of the European Union. Regions and Member States can seek participation of providers from outside regional and national borders as it is in the region's and Member State's interest to widen the scope of services offered for the best price/quality ratio and the best offer available in the European market. It also helps small firms to widen their customer basis or expand their cross-border activities.

High quality of the supplied services and of knowledge/service providers is essential. Quality control regarding the knowledge/service providers and the supplied services, for instance through simple reporting from the beneficiaries, is needed. Repeated negative evaluations of the service quality should lead to a provider's removal from the list.

### **Design knowledge and services for SMEs**

Appropriate Design services are identified and defined in coherence with the design intensity of each enterprise, in order to avoid funding "business as usual" activities (i.e. basic design skills should be eligible only for Stage 1 SMEs); or to propose a too advanced solution to a company that will not be able to benefit from it in a sustainable manner.

An independent business coaching to make a diagnostic and advise the SMEs on the strategic solution to their problems can be a key asset for the success and sustainable impact of a voucher scheme. Successful voucher schemes have included a significant degree of brokerage between SMEs and potential service providers. This aspect should be taken into account when choosing the regional implementing body. The brokerage service should be free of charge



for the SMEs and be planned and programmed when seeking approval of the scheme through the ESI funds. Regions may set up specific organisations or use existing structures such as innovation agencies, cluster organisations or SME intermediaries to act as brokers.

A non-exhaustive list of services to fulfill the different types of design needs for enterprises to develop their business with new services, products or processes could include:

- Design training
- Design audit
- Design of a new service or re-design an existing service
- Co-creation of new products/ services
- Apply design to solve a company challenge/ problem

To achieve the policy goals of design uptake with real and sustainable impact locally and the applicants' goals with freedom of choice for the best possible Design solution, a combination of Design solutions and design-skills can be set up.

A key aspect of a voucher scheme is that the business need from the microenterprise or SME drives the nature of the design service. According to the complexity of each project, applicants could add activities to this baseline scenario. This approach will ensure that each project implemented via a voucher will have an impact in the business models of applicants, in terms of new revenue generation, being profitable, scalable and sustainable and leading to a real transfer of know-how and expertise.

## **Performance measurement & indicators**

As circumstances and priorities can evolve quickly, monitoring the implementation will allow measuring the effectiveness and adjust the voucher scheme.

Firstly, key performance indicators will need to be established. In the case of ESI funds contributing to the scheme, the indicators must be in line with the monitoring and evaluation system of the contributing programme.





Secondly, a combined approach of complementary qualitative (e.g. survey of beneficiary SMEs on the relevance and timeliness of the service provided, sustainability and future prospects, etc.) and quantitative indicators should be built for each voucher scheme assessing, for example:

Output indicators:

- the number of SMEs that took part in the voucher scheme and their profile (e.g. size (turnover/staff), age, low/medium/high-web, sector of activity, location (urban/rural),etc.);
- the resources spent.

Result/Impact indicators:

- satisfaction rate of the applicants;
- number of SMEs who are still exploiting their voucher-based skills one year later;
- cost reduction resulting from the design solution (funded by the voucher).

Data on these indicators can be collected by means of surveys addressed to participating SMEs, interviews between SME representatives and the implementing bodies, final reports and/or conferences after project completion. Ex-post counterfactual evaluation could be considered. In order to ensure the response of beneficiaries to such requests, voucher schemes usually connect the collection of monitoring information to the redemption of the voucher – in such cases the process will be as user-friendly and light as possible.