What do you think is the most important innovation?

What do you think is the most important innovation affecting Hospitality & Tourism today?
Do you agree?

1. Paper
2. Printing Press (1450)
3. Telegraph (1837)
4. Telephone (1876)
5. Modern Public Library
6. Commercial Radio (1920)

Source: Alltop, 2013
TOP 10 MOST INNOVATIVE COUNTRIES

1. Switzerland
2. Sweden
3. United Kingdom
4. Netherlands
5. United States
6. Finland
7. Hong Kong (China)
8. Singapore
9. Denmark
10. Ireland

Source: World Intellectual Property Organization
Most modern economists agree that innovation is a major force in economic growth.

Some even claim that innovative activity has been the single, most important component of long-term economic growth, (Rosenberg, 2004).
We are taught the two basic ways of increasing economic output:

• increasing the number of inputs that go into the productive process, or

• designing new ways to get more output from the same number of inputs.

efficient utilization of capital and labor
The new emerging model for this phase is the creation and application of innovative products, services and business models to serve the ever changing world.

- Abraham Pizam
Not all innovations lead to the same economic growth.

- Some may just cause a minute increase in efficiency and productivity.
- Others may cause a quantum jump and change the nature of both the production and consumption of a product or service.
According to researchers, tourism-dependent economies must adopt disruptive innovation to foster economic and business growth.
DISRUPTIVE INNOVATION

Innovation that is of highly discontinuous or revolutionary nature, which is the opposite of ‘evolutionary’ ‘incremental’ or ‘sustaining’ innovation”

- Thomond & Lettice, 2002

Can you think of any examples?
Incremental Innovation is a change in an existing model that does not significantly alter functionality, but incrementally and continuously improves performance, features, safety, quality or lowers cost...

Do you think most innovations in Hospitality and Tourism are disruptive or incremental?
Most Hospitality and Tourism innovations are in the way of their business model, which is:

...they simply redefine what an existing product or service is and how it is provided to the customer

- Markides, 2006

What are some examples?
Airbnb – did not invent lodging, just the way it was delivered

Amazon – did not invent retail or book selling, just the way it was

E-Bay – did not invent auction, just bringing it online

Itunes – did not invent music, just the way it was delivered
The hospitality and tourism industry has seen its share of innovative products and services that were introduced in the last fifty years. However, most products and service innovations were of an incremental rather than disruptive nature.
• the airline industry that displaced maritime passenger transportation

• online (Internet) booking and reservation that displaced most of the travel agency business

• the theme parks industry that displaced the amusement park business
• Food Tourism
• Religious Tourism
• Eco-Tourism
• Convention Centers
• Cruise Line
Incremental innovations from the Hospitality & Tourism industry in the past 50 years

- Time Shares
- Condo Hotels
- Fast Food Restaurants
- All-you-can-eat Restaurants
- Franchised Hotels Or Restaurants
- Low-cost Airlines

They did not disrupt the entire market but managed to enlarge the existing markets by attracting new customers.
Hospitality and Tourism created many innovative new business processing techniques:

- Yield and Revenue Management
- Destination Management Systems
- Frequent Flyer/Guest Programs
- Energy Management Systems
- Electronic Locking Systems
- Global Distribution Systems
- Central Reservation System
- Self-service Technologies
One of the most disruptive innovation in Hospitality and Tourism industry was the online reservation and bookings for airlines and hotels. It almost wipe out the travel agency business model!
What should have been done by the travel agent industry?

What can they do now?
Let's take a quick quiz on innovation
1. Innovation is the act of coming up with new and creative ideas.

2. Innovation is a random process.

3. Innovation is only for a few naturally talented people.

4. The biggest obstacle to innovation is a lack of resources.

5. The most important innovation is bringing new products and services to market.
6. Creative employees will guarantee innovation.

7. The most powerful way to trigger your brain is to simply ask it a question.

8. Most companies pursue incremental rather than disruptive innovation.

9. Most companies are not structured to innovate.

10. Listening to your customers is a great way to innovate.
1. Innovation is the act of coming up with new and creative ideas.
False. In business, innovation is the act of applying knowledge, new or old, to the creation of new processes, products, and services that have value for at least one of your stakeholder groups. The key word here is applying. Generating creative ideas is certainly part of the process. But in order to produce true innovation, you have to actually do something different that has value.
2. Innovation is a random process.  
False. Innovation is a discipline that can (and should) be planned, measured, and managed. If left to chance, it won’t happen.

3. Innovation is only for a few naturally talented people.  
False. Everyone has the power to innovate by letting their brain wander, explore, connect, and see the world differently. The problem is that we’re all running so fast that we fail to make time for the activities that allow our brains to see patterns and make connections. Such as pausing and wondering....what if?
4. The biggest obstacle to innovation is a lack of resources.
False. In most organizations, the biggest obstacle to innovation is what people already know to be true about their customers, markets, and business. Whenever you’re absolutely, positively sure you’re right, any chance at meaningful innovation goes out the window.

5. The most important innovation is bringing new products and services to market.
False. It’s certainly important to bring new products and services to market. But the most important form of innovation, and the #1 challenge for today’s business leaders may really be reinventing the way we manage ourselves and our companies.
6. Creative employees will guarantee innovation. False. New ideas from creative employees does not guarantee they can turn those ideas into new products and services that customers value and are willing to pay for.

7. The most powerful way to trigger your brain is to simply ask it a question. True. Ask a question and the brain responds instinctually to get closure. The key with innovation is to ask questions that open people to possibilities, new ways of looking at the same data, and new interpretations of the same old thing.
8. Most companies pursue incremental rather than disruptive innovation.

True. Most companies focus on using internally generated ideas to produce slightly better products (incremental innovation). Then they strive to get those slightly better products to market as quickly and as cost-effectively as possible. This approach is quicker and cheaper than disruptive innovation. But it rarely generates the results that lead to sustainable market leadership.
9. Most companies are not structured to innovate. True. Most organizations are physically set up with accounting in one area, marketing in another, and management off by itself. Employees rarely interact with other departments unless they need something to get their jobs done.

10. Listening to your customers is a great way to innovate. Trick question! The answer is “it depends.” Research shows that customers can be a good source of ideas for improving existing products and services — if you’re looking to achieve incremental innovation. However, by itself, customer research is not sufficient for generating disruptive innovation because it only uncovers expressed, or known, customer needs.
In the late 50s Chester Carlson developed the first modern-day photocopying machine at a company called Haloid. The copier could make thousands of copies per day rather than 15-30 as with current machines installed in companies. However, at an estimated production cost of $2,000; the new photocopiers were also about 7x more expensive to make and thus practically impossible to sell to customers. What should Haloid do with this new technology?
A: Haloid brought the photocopier to market with a new business model. Customers could lease the machines for $95/month and get an allowance of 2000 free copies, but pay 4 cents each for additional copies. As a result the machines were affordable for customers, who started making 2000 copies per day. Haloid, which would later become Xerox, experienced revenue growth of 41% compounded for next 20 years, starting with this initial photocopier called Xerox 914.