


# Hospitality Service Innovations in Private Clubs

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## Abstract

Service innovation positions an organization to create and deliver anticipatory service that exceeds member expectations and ultimately strengthens relationships. However, service innovation remains one of the most under-researched topics in hospitality. This study begins to fill that gap by exploring the strategies and factors that drive service innovation in the private club industry. Drawing insights from approximately 700 critical incidents reported by private club general managers/chief operating officers, we examined the common strategies and factors that assist clubs in developing and launching new services and products. Moreover, we also categorize pressing issues in the industry that are ripe for future innovation. The findings may have implications not only for the club industry but also for the hospitality industry in general.

## Keywords

service innovation; critical incident technique; co-creation; communication; private club industry; hospitality industry

## Introduction

Service industries represent over 75 percent of the U.S. gross domestic product (GDP; [Berry 2006](#)) and are progressively becoming a building block for many other economies in the world. Yet, service innovation is one of the least understood and studied concepts in the literature ([Ettlie and Rosenthal 2011](#); [Menor, Tatikonda, and Sampson 2002](#); [Ordanini and Parasuraman 2011](#); [M. C. Ottenbacher 2007](#)). In fact, a recent review paper demonstrates that innovation and technology management is under-researched in hospitality journals overall, and even when papers with this focus are published, the discussion of “service innovation” is ancillary ([Kandampully et al. 2014](#)). This gap on service innovation research in hospitality is surprising, given that the marketing literature is replete with the fact that innovation is the engine for a firm’s competitive advantage ([Hauser, Tellis, and Griffin 2006](#)) and also an effective tool for helping firms survive through tough market conditions ([Damanpour 1991](#); [Dierickx and Cool 1989](#); [Rust et al. 2004](#)). Given the importance of services to our global and national economies and the importance of innovation for organizational success, it is critical for researchers and practitioners to understand the concept of service innovation.

Despite the importance of innovation as a determinant of the organization’s performance, many service firms have no system in place for pursuing service or product innovations. In fact, most service managers rely on their gut feeling, assumptions, and experiences when it comes

to dealing with service innovation ([M. C. Ottenbacher and Gnoth 2005](#)). Another probable reason why innovation failure rate is so high in services ([Griffin 1997](#); [M. C. Ottenbacher 2007](#)) is the nature of services; they are dynamic, intangible, nonperishable, and are mostly co-created with customers, staff, or technology ([Parasuraman, Zeithaml, and Berry 1985](#)). The unique nature of services makes the traditional prototype of innovation used for developing new products less valuable for developing new services ([Bitner, Ostrom, and Morgan 2008](#); [Parasuraman, Zeithaml, and Berry 1985](#)). According to [Cadwallader and colleagues \(2010, 219\)](#), “key challenges for businesses today are the dual objectives of ‘innovation’ on the one hand and “execution” on the other hand.” This suggests that it is critical for firms to translate innovation strategies into results. Furthermore, both practitioners and academicians argue that innovation strategies can fail if they are not executed effectively ([Noble and Mokwa 1999](#); [Walker et al. 2002](#)). Collectively, this suggests that to further our understanding of service innovation, it is imperative to

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understand not only how service managers embrace innovation but also how they execute innovative strategies. Therefore, the primary objective of this study is twofold: (1) to examine the strategies of service innovation that private club managers have adopted in developing and launching new services and (2) to explore the pressing issues and/or needs facing private clubs. The intent is to identify strategies related to service innovation that are time-tested and effective in achieving the objectives of improving performance and staying competitive in the marketplace—the two key factors for the mere existence of businesses.

Because personnel in the hospitality industry are considered to play a critical role in the process of service innovation (Cadwallader et al. 2010), the focus of this study is directed toward asking managers to share their successful strategies for both developing and launching innovative products and services by leveraging the critical incident technique (CIT; Gremler 2004). The data for this study were gathered from the private club industry because it is one of the segments of the hospitality industry where academic research on innovation is limited (Barrows and Ridout 2010; Barrows and Walsh 2002). In addition, this unique segment is currently facing several challenges: increase in competition among clubs, decline in membership retention rate, and change in membership demographics (Barrows 1999; Barrows and Ridout 2010), which makes this segment an ideal sample to study innovation strategies.

In this research, almost 700 incidents were collected from private club general managers (GMs) and chief operating officers (COOs) across the United States to answer the following questions:

- What are the top initiatives undertaken at your club for developing new services and/or products?
- What strategies do you think have worked best when launching new services and/or products to your members?
- What are the pressing issues and/or needs that your club is facing?

Through categorizing and discussing responses across these questions, we are able to address two important gaps in the hospitality literature. First, this research is among the first to simultaneously examine the strategies for both developing and launching new services. This will allow managers and academicians to get a better sense of how service managers perceive and view service innovation. Moreover, the results of our research provides researchers with the starting point for developing models that can empirically demonstrate the specific strategies that can exert the maximum impact on the service innovation success.

## Conceptual Background

### Service Innovation

Service innovation is defined as

the introduction of novel ideas that focus on services that provide new ways of delivering a benefit, new service concepts, or new service business models through continuous operational improvement, technology, investment in employee performance, or management of the customer experience. (Enz 2012, 187; Verma et al. 2008)

Service innovations, in contrast to product innovations, heavily engage customers in the innovation process because services encompass activities or deeds that generally involve the customers in the development and delivery processes (Tajeddini 2011).

Given that a firm's ability to manage its innovation process forms the basis of its capability to bring innovations to the marketplace, there is relatively little research on service innovation, especially in the hospitality industry (M. C. Ottenbacher and Gnoth 2005; Weiermair 2004). Most research related to service innovation in the hospitality industry is either case-based or has primarily focused on understanding the traits of the staff. For example, Jones (1996) conducted a case-based study for understanding the service innovation process in hospitality organizations. He developed a fifteen-step process to be used as a checklist to help service firms become more innovative. Furthermore, Enz and Siguaw's (2003) study examined the best practices for service innovation in hotels, and they found the staff plays a critical role in impacting service innovation outcomes. The authors specifically found that just one staff member's enhanced leadership skills can help a hotel be more innovative. In a similar vein, M. Ottenbacher, Gnoth, and Jones (2006) found that staff played a critical role in service innovation, and Hu, Horng, and Sun's (2009) results showed that staff knowledge sharing and team culture have an important influence on service innovation.

Enz (2012) investigated the role of implementing service innovation via using different strategies. The author found that participative staff-centered implementation strategies emerged as the most critical, whereas other strategies such as implementation by persuasion, leader intervention, and participation are also important. Apart from the focus of research on the roles of staff in the process of service innovation, there have been other studies examining the roles of technology, knowledge, and customers in fueling service innovation (Kandampully 2002; Victorino et al. 2005). Kandampully (2002) provided evidence on the combined effect of technology, knowledge, and the network of relationships that can render a firm's abilities to focus on true innovation. Moreover, he argued that understanding customers' holistic needs is the core competency to sustain the

long-term success of the firm. In a study conducted by Victorino et al. (2005) through an online survey with 1,000 travelers in the United States, the researchers found that consumer decisions when selecting hotels are impacted by service innovations such as technological improvements and customized features of the hotels. However, M. C. Ottenbacher (2007) found that different factors such as organization, product, market, and process lead to different performance outcomes (market, financial, or staff); it is important to vary the emphasis to get the performance outcome that is most important for the organization and its customers.

Although prior research on service innovation has provided a great platform for how we conceptualize the service innovation process and explain how innovation functions within isolated firms, more research exploring the innovation and launch processes across firms in the hospitality space is needed. A multi-firm examination about best practices for developing and launching service innovations is needed to provide a catalyst for future research on service innovation in hospitality.

### *Private Club Industry*

According to Perdue (2007, 3), a private club is “a place where people with a common bond of some type—similar interests, experiences, backgrounds, professions, and so on—can congregate for social and recreational purposes.” Most service firms and private clubs rely heavily on understanding customer needs to anticipate and serve customers. However, one of the unique features of a private club is its focus on the relationships among private club leaders and their customers called members (Cichy, Cha, and Kim 2007, 2009). In private clubs, members are most of the time not only customers of the club but also partners in the ownership and management of club operations. The members create and deliver important relationships. Increasingly, members demand the best products, services, and experience offerings to meet and exceed their expectations (Cichy, Cha, and Kim 2009). As a result, private clubs provide a rich environment for studying service innovation as it is a context with high contact between customers and firm leadership; the competition in this sector is becoming increasingly intense, and all the clubs are currently attempting to springboard their services to meet the evolving needs of prospects. In the next section, we review the classification system that we adopt to group the various types of innovations employed in the private club industry.

### *Service Innovation Classification*

Based on the review of the literature, we adapted the Oslo Manual's (2005) classification of innovation types: product/service, process, and marketing innovations.

*Product/service innovations.* Product innovation is the

introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Product innovations can utilize new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies. (Oslo Manual 2005, 48)

The word “product” encompasses both services and products. Services offered by service firms are similar to products offered by manufacturing firms (Miles 2001; Sirilli and Evangelista 1998), that is, services form the basis of the firms' existence just as products do for manufacturing firms. This emphasizes that services, just like products, are meant to satisfy customer needs and wants, and are market-driven. In addition, service innovations provide a competitive edge not only to service firms but also to product-based firms in accelerating their growth and profitability (Berry et al. 2006). Innovative services can, therefore, be described as new service offerings undertaken not only to provide customer value but also to create additional streams of revenue.

*Process innovations.* Process innovation is defined as the “introduction of new elements in the organization's task, decision, and information system or its physical production or service operations” (Knight 1967, 482). Process innovations have an internal focus with the main aim of improving efficiency and effectiveness of organizational processes (Damanpour, Walker, and Avellaneda 2009). Revamping services generally requires updating of old processes that can be either in the form of new technologies or new organizational processes without the alteration of the services (Gadrey, Gallouj, and Weinstein 1995). Therefore, process innovations are of two types: technological and organizational.

Technological process innovations refer to the introductions of new or state-of-the-art technological aspects in the current firm offerings that allow for better customer service and management. Organizational innovations, however, are introductions related to management or organizational activities, processes, practices, and/or techniques that allow for better organizational operations. These introductions generally call for a change in the regular managerial practices.

*Marketing innovations.* Marketing innovations include

the implementation of new marketing methods involving significant changes in product design or packaging, product placement, product promotion, or pricing. Marketing innovations are aimed at better addressing customer needs,

opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales. (Oslo Manual 2005, 49)

Marketing innovations are targeted for both customer attraction and retention via initiatives such as loyalty programs, discounted pricing or/and membership, extended service packages, and targeted advertising (Hjalager 2010; Ladany 1996).

## Method and Procedure

Given that the nature of this study is exploratory, a qualitative research method approach was adopted. Many hospitality researchers have found that a qualitative research method in the form of text provides the most valuable information for improving customer experiences (Braun-LaTour and LaTour 2007; Gröschl 2012; Hendler and LaTour 2008; LaTour 2007; Pullman, McGuire, and Cleveland 2005) compared with a quantitative study in the form of scale-type questions that may not be able to discover the same information (Pullman, McGuire, and Cleveland 2005).

### CIT

In Flanagan's (1954) foundational study of CIT, CIT is defined as "a set of procedures for collecting direct observations of human behavior in such a way as to facilitate their potential usefulness in solving practical problems and developing broad psychological principles (Flanagan 1954, 327)." The CIT gathers a collection of observations on behaviors "from those in the best position" to figure out "a sound basis for making inferences as to requirements in terms of aptitudes, training, and other characteristics" (Flanagan 1954, 354). CIT consists of a systematic procedure for collecting information on events or behaviors that lead to success or failure in a specific task and then classifying the data into useful inferences to address problems (Bitner, Booms, and Tetreault 1990). The objective is to gain understanding of the incident from the perspective of the individual, taking into account cognitive, affective, and behavioral elements, and to encourage a sense of clarity in constructing organizational policy (Blood 1974).

Using CIT, respondents are asked open-ended questions pertaining to topics of interest, and results are examined with content analysis. CIT has been considered to be a particularly useful technique in understanding issues related to service problems (Gremler 2004). According to Gremler (2004), CIT offers many benefits: (1) The data collected are the respondent's own perspectives and stories. The respondents choose to share the incidents that they consider the most critical, which not only helps in providing rich data but also assists in getting information that is free from any type of priming; the respondents basically share what they

consider important without having any preconceived notions. (2) CIT is particularly beneficial if the topic under investigation has been studied in a limited fashion. CIT involves very flexible rules with multiple variables, which are hard to be specified a priori. This flexibility allows for researchers to create new concepts and theories, which can be later tested. (3) CIT can help get a detailed record of events that may provide researchers with a good starting point for uncovering new research solutions. (4) CIT is considered to be a powerful tool for improving management-related issues. CIT helps managers extract very discrete and unequivocal information to identify practical ways to improve. Many researchers have concluded that CIT is a reliable, valid, and relevant technique for identifying pertinent information or categories across different raters/judges that have valid and relevant content (Bitner, Booms, and Mohr 1994; Ericsson and Herbert 1980; Ronan and Latham 1974; White and Locke 1981).

Barber and Goodman's study applies CIT to argue the importance of measuring customer service quality. Barber and Goodman explain that CIT is often applied in the form of an interview. During the interviews, the interviewees are inspired to recite "organizational incidents," to naturally forget about "general opinions," and to concentrate on "specific service-related incidents." Barber and Goodman also distinguished CIT from other "grouping procedures" in that CIT employs "content analysis" of the incidents in the stage of the data analysis (Barber and Goodman 2011, 23).

### Data Collection

Data were mainly collected via a web-based questionnaire that was e-mailed to all members of the Club Managers Association of America (CMAA). To encourage club managers and chief operating officers to participate in the study, an invitation e-mail was sent directly from one of the top executives of the CMAA. The initial e-mail request was accessed by only 1,300 managers across the entire CMAA membership base. Three weeks later, a reminder e-mail was sent to those who did not respond initially to the survey. A total of 386 responses were collected with about 200 responses collected in the first round. After reviewing the responses for completion, 228 responses (with about 700 incidents) were retained for the final analysis with a 17.5 percent response rate. The managers were asked to report their initiatives and experiences undertaken at their club for developing and launching new services. They were also asked to share some of the strategies they found effective in developing and launching the new services at their club. We asked them to share some of the pressing issues or concerns that their club is currently facing. In terms of the demographics of the respondents, 76 percent of the managers were in golf/country clubs, 4 percent from athletic clubs, 6 percent from yacht clubs, 4 percent from city clubs, and 10



percent were from other types of clubs such as social clubs. In our sample, 83 percent of the clubs were member owned, 9 percent were corporate owned, and 8 percent were other types of ownership. The average length of membership held by a member in our sample as reported by the manager is sixteen years. The average number of years a manager has been with their individual club is sixteen years, and the average number of years of club industry experience was twenty years.

### Classification of Incidents

Once the data were collected, we followed the classification system discussed by Bitner, Booms, and Tetreault (1990). The CIT analytic induction process consists of careful and repeated reading of the incidents until common themes start emerging. Once the common themes have been identified, the next step in the process is to identify the exact nature of similarities among those themes, which leads to the formation and labeling of specific categories and the type of innovation for those categories. This process is carried out until all the incidents are sorted to the right category and under the right innovation type. In some cases, when respondents provided more than one piece of information, responses were classified into multiple categories and innovation types.

In this study, the categorization of the incidents is based on the respondents' responses to each question. Two successive clustering processes by two researchers led to the emergence of major groups for each research question. Once the major groups under each research question were finalized, the next steps were identification of categories and innovation types within each group. This iterative process was carried out until consensus of the two researchers was reached. Both the researchers sorted, read, reread, and categorized all incidents within categories under each group. In the end, multiple groups and sub-categories for all innovation types were identified for each research question. Finally, a third researcher, who was not part of the initial categorization of incidents, sorted all the incidents. Based on the third researcher's categorization, nearly 90 percent of inter-judge agreement was achieved for all the groups across all research questions.

## Results and Discussion

The primary results are identified under each innovation type as groups and categories that emerged for each research question. In this section, we delineate the groups and their sub-categories that are included in the different innovation types for each research question. The classification results are presented visually in Exhibit 1 and structured with exemplars in Exhibits 2, 3, and 4.

### Incident Classification System: Innovation Types, Major Groups, and Sub-categories

**Best practices for developing new services/products.** The first set of incidents sorting was undertaken to understand the best practices for developing new services/products at the clubs. This sorting resulted in two innovation types (process and marketing innovations) with a total of five sub-groups as shown in Exhibit 2. The first group falls under the organizational innovation type and the other four groups fall under the marketing innovations type.

**Organizational innovations.** Within organizational innovations, we identified one group of best practices (co-creation) that had four sub-categories (staff, members, young members, and committees). In total, 33 percent of the best practices were classified as organizational innovations.

**Co-creation (33%).** The first group in the section, which has four sub-categories, focuses on processes that allow building new services/products by involving all members (particularly young members), staff, and committee members. The responses provided by the GMs/COOs explicitly acknowledged how critical it is to involve the members, especially the young members, and the frontline staff in the process of developing new services/products. Many GMs/COOs believe that by involving all stakeholders in the process makes the process not only effective but also successful. Many clubs are specifically engaging their young members in the new service/product initiatives because clubs believe that engaging younger members in the initiatives will not only help them build services/products that cater to their needs and meets their expectations in an anticipatory manner but also help attract younger members who may otherwise not join as they believe that the club is old-fashioned or outdated. The following are quotes that describe some of the best practices:

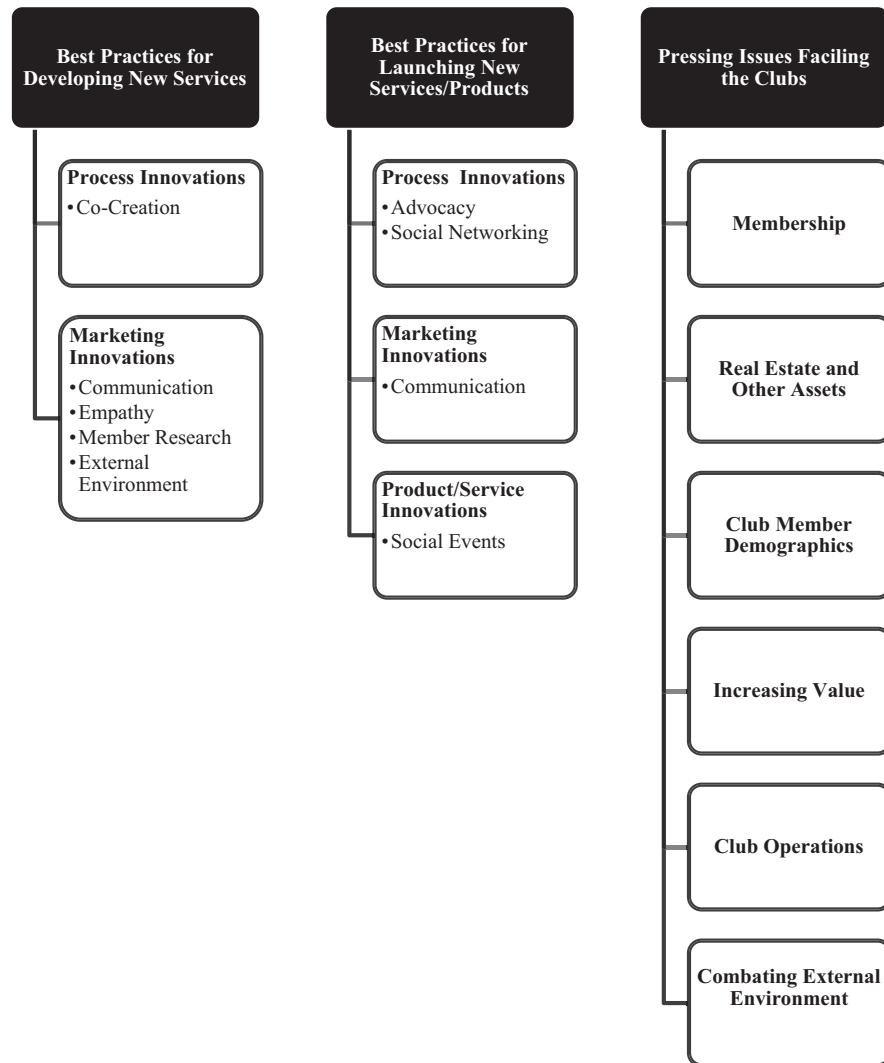
We have generally tackled “new” by providing incentives to staff (money) and members (freebies) to come up with new ideas. It would also be fair to say we give each idea the “old college try” followed by wait and see.

Communicate with staff and members to come up with new innovative ideas to enhance the club. Communicate these advantages via weekly e-news. Bring up these “hot” topics in committees and make action items for the board of directors.

Get feedback from younger members. Be willing to make changes to original ideas to make them better.

**Marketing innovations.** Marketing Innovations were classified into four major groups—communication, empathy, member research, and external environment. In total, 67 percent of the best practices were classified under the parent heading of marketing innovations with 24 percent being

**Exhibit 1:**  
**Overview of Best Practices and Pressing Issues Categorization.**



sub-categorized as communication initiatives, 20 percent as empathy initiatives, 15 percent as member research initiatives, and 3 percent as external environment initiatives. We discuss each in more depth next.

*Communication (24%).* The responses provided by the GMs/COOs in this section focus on effective marketing techniques. The responses indicate that effective communication with the members helps clubs to develop and implement new services/products because open and frequent communication with members gives the GMs/COOs ample opportunity to point out the alignment of the values, vision, and mission of the individual member with those of their respective clubs. The following are two comments about the importance of communication:

Develop member ownership, take time and overcommunicate. Members need to feel involved, but not saddled with more responsibility. Take time to thoroughly develop the project or service. Understand any additional net costs and be sure you can do it well, consistently. Members are people used to being in the know. So make sure information is communicated several times and by several methods. Otherwise, the grapevine takes over.

Two-way communication with the membership; open communication with potential members in what they look for in a club.

*Empathy (20%).* The third group in this section focuses on building better connection with the members. The responses, which were based on the incidents reported,

**Exhibit 2:**

**Best Practices for Developing New Services/Products in Private Clubs.**

Category	Percentage of Respondents	Qualitative Comments
<b>Process innovations</b>		
Organizational innovations		
Co-creation	33	“Involving members in the process of creating new services and products.”
Staff	17	“Must get the members input for it to be successful.”
Members	12	“Use ideas from everyone, including all staff and members. No idea is off-limits.”
Young members	5	“To create new ideas, start with frontline staff up through management who deal with member issues on a daily basis. Bounce ideas off of key member ‘connectors’ for their input, and modify accordingly. Bring to committees for discussion and further modification.”
Committees	4	“Get the young families involved.” “Developing a youth group.” “Making the club more family-friendly and provide more activities that attract family participation.” “Review and plan through the appropriate committee.”
<b>Marketing innovations</b>		
Communication	24	“Communicate, communicate, and communicate. Besides newsletters, e-mail blasts, have all staff talking up the pertinent innovations with the members.” “Communicate with the members and sell the product.” “Constant and consistent verbal communication about innovation when a group of more than 30 members are gathered in a room.”
Empathy	20	“Ask your members. Listen to your members. Then do what they asked. Then ask them again!” “Listen to what the members want and need.” “Pay careful attention to the needs of membership.” “Listen to what members want. Make sure it is not a fad. Do it right or do not do it at all.”
Member research	15	“We typically like to get a small diverse group of members together to talk about a new idea. Let them weigh in on it.”
Focus groups	8	“We use small focus groups and also incorporate surveys or questionnaires via e-mail to get input on new ideas. This has also helped in the implementation of the innovations”
Surveys	7	“Utilize membership surveys to recognize weaknesses.” “Member surveys and the use of the results of the survey to develop programs and implement changes.”
External environment	3	“Steal as many good ideas as you can from not only competing clubs, but from general retail businesses as well.”
Learning from competition	3	“Watch the competition and try new things.”

indicated that the GMs/COOs and staff were empathic toward the needs of their members. Empathy toward the members to understand their needs, wants, and expectations seems to be one of the successful mantras that are helping private clubs to fruitfully develop new services/products for their members. The quotes below very clearly state that truth:

Understand how members are using the club, and add services to enhance their experience. If successful, this can snowball to new service demands that may bring new revenues to the club.

Don’t just offer new events hoping to attract members. Members are busy and your services must suit their lifestyle and busy schedule. You’re competing for their valuable time, not money.

Careful attention to the needs of membership.

*Member research (15%).* The fourth group within this category focuses on identifying members’ needs, wants, and expectations. This group is somewhat similar to group

three, empathy; however, the methods used by clubs to understand member needs are so important as to be highlighted in a separate group. In this group, there are two sub-categories—surveys and focus groups. Private club managers expressed that they were able to develop good services/products by either conducting a member survey to better understand member needs and current experiences at the club or by specifically bringing together a focus group of members to brainstorm new ideas and discuss ways to meet the needs of the members. The quotes below support the reasoning behind adopting these two modes of differentiating offerings.

We typically like to get a small diverse group of members together to talk about a new idea. Let them weigh in on it.

We use small focus groups and also incorporate surveys or questionnaires via e-mail to get input on new ideas. This has also helped in the implementation of the new programs.

Focus groups—find out what the majority of your membership is thinking and/or looking for in the club. Ask and they will tell.

Survey members and use the results of the survey to develop programs and implement changes.

*External environment (3%).* In this category, we found one sub-category that plays an important role in developing new services/products. The sub-category focuses on learning from the competition. A small number of GMs/COOs pointed toward learning from the competition as an effective way to develop new services/products. They said that being aware of what the competition is doing helps them to stay competitive. The following are some quotes that the managers shared:

Steal as many good ideas as you can from not only competing clubs but from general retail businesses as well.

Watching the competition and trying new things.

This learning from the competition is sometimes referred to as benchmarking. Benchmarking is studying another business, not necessarily another private club, and adopting and modifying what you discover to your private club. Members do this when they attend events at other clubs. Managers do this when they attend conferences, tour other clubs, and have conversations with other private club professionals.

*Best practices for launching new services/products.* The second category of incidents identifies the best practices for launching new services/products. This sorting resulted in four groups across three innovation types as shown in Exhibit 3.

### Process innovations

*Advocacy (32%).* The second group under the best practices for launching new services/products refers to processes that allow engaging members, staff, committees, and boards of director as advocates for new initiatives. Club GMs/COOs believe that the involvement of members, staff, committees, and the board in the process of launching new services/products makes the launching phase easier and leads to acceptance by other members. Furthermore, managers believe that once the staff understands the new ideas, they sell it very well to the members. Likewise, managers also believe that when members support the new initiative, they help in selling the idea to other members. The following excerpts clearly illustrate that advocacy is vital for the successful launch of new services/products:

Build consensus with a member group—get them to support the service and they will bring in their member friends and make sure it is successful.

Ensure there is buy-in from the department head and staff where the new services/products are being introduced. Run the idea by the president. Ensure committee buy-in and support. Send an announcement that the new service product is coming soon. Write more details in a newsletter just prior to launching. Then launch.

### Technology innovations

*Social networking (18%).* The third group focuses on the use of technology. Social media is considered a powerful tool for reaching out to members in a timely fashion. Promoting and communicating every change, improvement, or new service are vital for keeping the members informed about innovation in their clubs. The GMs/COOs find that weekly e-mails with updates along with monthly newsletters, e-mail blasts, and information displayed on the flat screens are some effective measures for keeping the members up to date with all new offerings, for example:

The internet is the best vehicle for introducing new services and products at this club.

Promotion. Promotion. Promotion. Overcommunicate through every channel possible. Newsletters, e-mails, phone apps, flyers, signs, website, letters from the president, board, committees.

### Marketing innovations

*Communication (41%).* In this group, the incident reports provided by GMs/COOs focused on the importance of communicating with the members of the club about



**Exhibit 3:**  
**Best Practices for Launching New Services/Products in Private Clubs.**

Category	Percentage of Respondents	Qualitative Comments
		<b>Marketing innovations</b>
Communication	41	<p>“Communicate in a style that is appropriate to the membership of a particular club. Be homey at a homey club; reserved and intelligent at a more refined club.”</p> <p>“I believe that our members simply want communication, a good golf course, and better tournaments.”</p> <p>“Communication is the key as projects develop through ideas to implementation. Open houses, complementary offerings, and member tours once the project completes.”</p>
		<b>Process innovations</b>
Organizational innovations		
Advocacy	32	“Staff buy-in, communication to membership—all venues available and then repeat communication.”
Member	14	“Use of committees”
Staff	9	“Build the team that works together.”
Committee	9	
Technology innovations		
Social networking	18	<p>“It is critical to promote every change, improvement or new service that is incorporated. We do this via newsletter, weekly e-mails, mailings, posters, PowerPoint presentations played on widescreen TVs throughout the clubhouse, and in all club collateral materials.”</p> <p>“E-mail, newsletter, and internal marketing.”</p>
		<b>Product/service innovations</b>
Social events	9	“Receptions to introduce new products, services, upgrades, menus to members.”
Introductions	5	
Seek feedback	4	“Listen, listen, ask for feedback and get tangible metrics through member surveys.”

the launch of new services/products. Managers believe that over-communication about the new services/products before the launch helps create an environment of acceptance by the time the new service/product is actually launched. The following are two quotes:

First we create a timeline to launch to include target markets and marketing materials. We overcommunicate the value/benefit through all club media.

Hype and communication with staff and members.

*Products/service innovations*

*Social events (9%).* In this last group, there are two sub-categories, which focus on important elements that make implementing new services/products easier. The first sub-category is formal events for launching new products/services or any new additions to the club. Special receptions for introducing new services are considered to be one of the vehicles for successfully launching new services to members. The second sub-category refers to seeking feedback

from members for continuous improvement. The following quote illustrates it well:

Follow-up with committees and members to assure the result is what is/was desired.

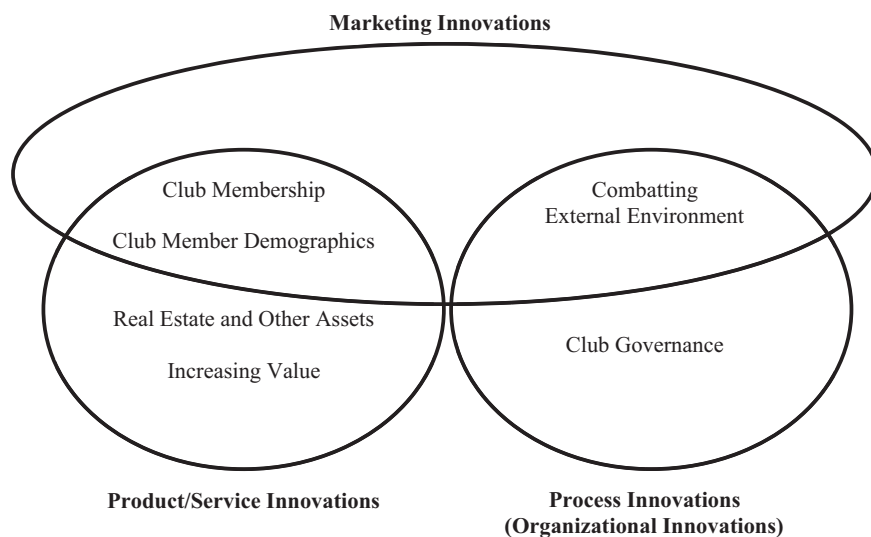
*Pressing issues facing the clubs.* The third and last set of sorting of incidents was undertaken to understand the current pressing issues facing the clubs and the potential to overcome these pressing issues via innovation (see Exhibit 5). The sorting of the incidents undertaken in this section resulted in the overlapping of groups across multiple innovation types as shown in Exhibit 5, with details of the groups presented in Exhibit 4. The first (membership) and third (club member demographics) groups fall under both marketing and product/service innovations, whereas the second (real estate and other assets) group falls under only product/service innovations. The fourth (increasing value) group is categorized under product/service innovations, fifth (club governance) group falls under organizational process innovations, and the last (combating external environment) group belongs to both marketing and organizational process innovations.

**Exhibit 4:****The Most Pressing Issues Facing Private Clubs.**

Category	Percentage of Respondents	Qualitative Comments
Membership (potential marketing and product/service innovations)	45	<p>"To continue to increase membership."</p> <p>"Primarily membership growth."</p> <p>"Membership growth."</p>
Increase membership	15	"Full equity membership growth and retention."
Attracting new members	12	"Recruiting and retaining members during a difficult economy in an area with too many golf courses, both public and private."
Retaining members	12	
Attracting young members	6	<p>"Gain new and retain current members."</p> <p>"Build younger membership, more children, outdoor casual dining, convincing older club leadership of younger member needs."</p> <p>"Targeting younger members' wants and needs and change areas that used to seem 'stuffy' or dated to fresh and inviting to a wider demographic."</p>
Real estate and other assets (potential product/service innovations)	24	<p>"Aging infrastructure."</p> <p>"Not enough real estate to expand to allow those on the waiting list to join. Current waiting list is down to two years."</p>
Club renovation	12	"Remodeling outdated facilities."
State-of-the-art facilities	12	<p>"Most clubs in the area are performing renovation projects. With our club being completed in 1988, and our last big renovation in 2000, it makes the competitiveness of our club not as appealing as some of these newly renovated clubs that are similar in price."</p> <p>"Expansion and keeping up with the Jones."</p>
Club member demographics (potential marketing and product/service innovations)	12	<p>"Changing demographics."</p> <p>"We are at a crossroad with the old and the new. What is the new? How do we implement it? How do we meet the resistance to change? Strategic planning is something we only now have begun to discuss (I am the GM for five months). Consider the needed culture change."</p>
Generational differences	8	
Aging membership	4	<p>"Younger membership, more children, outdoor casual dining, convincing older leadership of younger needs."</p> <p>"Providing enough amenities to retain a varied demographic of membership."</p> <p>"Aging membership."</p> <p>"Age and attrition."</p>
Increasing value (potential product/service innovations)	7	<p>"Continue to maintain the value of the initiation fee. As the world seems to be in a discount mode, protecting the value of the club has become a challenge. I don't believe that discounting the initiation fee is a sound strategy."</p> <p>"Providing enough value."</p>
Club governance (potential organizational process innovations)	6	<p>"Our golf course is government-owned with a board of trustees sanctioned to oversee the club. This is prohibitive and at times very political. The economy plays a major role in the decline of membership as well as tournaments."</p>
Board issues	4	
Staffing needs	2	<p>Government intervention."</p> <p>"We are a tourism destination that has been affected by the global economic crisis."</p> <p>"Aging clubhouse and the need for expansion."</p> <p>"Older members, slow decision process with committees, and changing the club's course with the board of direction."</p>
Combating external environment (potential marketing and organizational process innovations)	7	<p>"Sluggish economy, aging staff."</p> <p>"Right now our biggest issue is the economy."</p> <p>"Probably one too many country clubs in the general area, thereby reducing membership size at each."</p>
Economy	4	
Competition	3	"Local competition for banquet events and local competition regarding membership deals."

Note. GM = general managers.

**Exhibit 5:**  
**The Most Pressing Issues Facing Private Clubs.**



*Membership (45%).* The first group in the category focuses on the first critical issue facing the clubs in terms of membership. Based on the sorting of incidents, four sub-categories emerged—attracting new members, retaining members, attracting young members, and increasing membership. All these categories focused on attracting and retaining members. The GMs/COOs of private clubs are struggling to attract new and younger members with the aim of increasing their membership base. Furthermore, they also want to retain their current members and gradually replace the aging membership. Some of the managers very succinctly described their plight regarding growing membership base.

Attracting new members and retaining current members. Average age of members is also a concern; it is creeping upwards. And meeting the expectations of the younger people, who have different needs these days.

Recruitment of new members to offset the attrition of aging members.

The critical issue of member attraction and retention suggests lack of both marketing and new product/service innovations. The GMs/COOs are hard-pressed to find new ways to market their club and offerings to both existing and potential members, who are younger in age than the existing membership. The GMs/COOs are probably not connecting the link between listening to the voice of the member (customer) and converting that voice to offerings that satisfy both the younger and older generation of current or potential members. One potential way to do this is by engaging members in new initiatives. Many club managers have reported in our sample that they are co-creating value

with their members. Engaging members from both younger and older generations will allow the clubs to effectively propose and brainstorm new ideas that will have a high potential to appeal to potential members. Bringing the two generations together will also help the older generation members get a better perspective of the changing needs of the younger membership base.

*Real estate and other assets (24%).* The second group under this category focuses on a club’s infrastructure, assets, and real estate, which we categorized as a potential product/service innovation platform. Two sub-categories (club renovation and state-of-the-art facilities) emerged based on the categorization of the incidents reported. It was reported that renovation of the clubhouse is one of the main concerns. Many managers insinuated directly or indirectly that clubhouse renovation is a tool for sustaining or gaining a competitive edge against other clubs. Some of the quotes from the managers clearly state their need for updated infrastructure.

The club is in need of a face-lift to improve image and to use as a competitive advantage.

Updating décor and maintaining all facilities to the highest degree.

Aging physical plant (ninety plus years old), overcoming twenty years of deferred maintenance/capital replacements.

Managers also reported that maintaining state-of-the-art facilities is another issue that they are struggling with at their clubs.

Targeting younger members' wants and needs and making areas that used to seem "stuffy" or dated become fresh and inviting to a wider demographic.

Recognizing that all areas of the club need to be maintained to keep it vital and relevant to today's membership. It's not just a golf club and there is a lot more than a golf course.

As the current membership are aging, the club managers are looking for younger members to replace these aging members. However, the managers believe that to successfully recruit new members, they need to have assets and real estate that are modern and will cater to the needs of the younger generation. The role of infrastructure in promoting the club to new members plays a critical role. Managers need to effectively communicate with members in understanding how to allocate their resources for physical improvements. Effective communication in the form of an open dialogue or anonymous surveys will allow managers to get unbiased feedback on the areas of immediate improvement. The approach many managers use for developing new products/services should be used to focus on continuous improvement of physical assets that play a critical factor in attracting new members.

*Club member demographics (12%).* In this group, we categorized incidents based on issues related to the current members. Based on sorting of the responses, we came up with two sub-categories (generational differences, aging membership) that consider different demographic-related issues. Managers reported that changing club member demographics as a big challenge to move the club in the desired direction of growth.

Changing demographics and the differences in how each demographic age group uses or wants to use the club.

Providing enough amenities to retain a varied demographic of membership.

Aging members and attrition combined with conflicting newer younger members' needs versus the old guard.

We see club member demographics as issues related to lack of both internal marketing and new product/service innovation initiatives. It is difficult to recruit younger members without providing current technologies and features; however, the older members are resistant to such change. Managers not only face the problem of striking the balance between meeting the expectations of the younger and older members, but they also face the problems of aging members. These aging members frequently reduce their club participation as they age. They need to be replaced by younger members. This suggests that managers are not being innovative in selling the benefits of newer technologies and features to their existing membership base. This is

why clubs struggle to offer new and improved amenities to the new members. Managers need to bring members from different age group together to co-create strategic plans for the future of the club operations. Frequent interaction among different age groups will not only allow them to know each other better but will also allow them to find solutions to differences in generational needs.

*Increasing value (7%).* The fourth group is categorized under product/service innovations. The GMs/COOs expressed concerns regarding the struggle to increase value via additional and improved products and service for their existing members.

Maintaining member loyalty and increasing value.

Making sure that members are receiving value for their membership.

There are concerns with increasing value for existing or new members in challenging times when the existing membership base is aging and new members expect more for their money. The waiting list to join a club is not as long as it used to be, and competition is much more intense. Based on manager response, there is an interesting analogy to be drawn between the famous quote, "beauty lies in the eye of the beholder," and increasing member value. Just like the person who sees the beauty determines its attractiveness, the members of the club also determine the real meaning of the word "value." This suggests that managers have to effectively communicate and understand their members better to provide real value to them. If managers try to determine what club membership value means to their members, they will always fall short of effectively meeting and exceeding customer expectations.

*Club governance (6%).* This category focuses on the issues related to the club operations that we believe present opportunities for organizational innovation initiatives. The two sub-categories in this group are (1) board issues and (2) staffing needs. Based on the responses, there is a belief that there is sometimes interference from the committees and board members in club operations. One of the respondents was very blunt in stating that in his club, the committee and board members do not support the vision of the management despite good results.

We have just completed a very successful membership drive. I am now faced with new members that are not allowed to sponsor new members (I need a by-law change). Getting committees and the board to understand where we will be getting our new members from and not changing our present club culture are difficult.

In other similar instances, respondents shared their views about interference from the board or committee members.



Communication with board members; they try to micromanage things.

Ownership needs to stop micromanaging staff, and empower staff to make professional decisions.

The above quotes signal compatibility issues between the board and the management. One of the effective ways for managers to deal with this dynamics is by engaging the voice of the members as an effective strategy to voice their own concerns with the board. Making members the ambassadors of club initiatives allow managers to have better leverage with the board members.

The other sub-category in this group refers to the issue of selecting the most appropriate staff members for the club. The GMs/COOs have reported challenges with finding and retaining the right staff talent. A few managers also reported dealing with aging staff members. The following quotes show some of the responses shared by the managers:

Need dedicated membership salesperson.

Staff in correct roles based on each skill set.

Staff members that work together and respect other department heads.

There is no doubt that service employees are critical for the success of a service firm. They form the backbone of the daily operations. Staff members also play a critical role in being the backbone of innovation initiatives because they are often the most frequent contact point between the club and its members. Hence, they get firsthand feedback on likes and dislikes. Hiring staff members who are vigilant for opportunities to improve club offerings will act as assets to propose and introduce new service initiatives.

*External environment (7%).* In this last group, we identified sub-categories that represented external managerial issues facing the clubs. We categorized this group under both potential marketing and organizational innovations. The two sub-categories in this group are the economy and competition. The GMs/COOs expressed that the current economic conditions and competition in the industry are taking away much of their business. The waiting list to join a club has declined due to both the weak economy and the competition luring away potential members, which is putting more pressure on GMs/COOs. The following are some of the excerpts that share the saga of the managers:

Staying on track with trends and changing economic pressures that affect member usage and participation.

Right now our biggest issue is the economy.

Probably too many country clubs in the general area, thereby reducing membership size at each.

Weak economy and tough competition are difficult to deal; however, with innovative marketing and organizational initiatives, there are opportunities to beat them. Tough times call for tough decisions that often entail change. Managers who want to beat the unfavorable external environment need to change the way they do business. Managers need to create a buzz about their offerings through different platforms in such a manner that when potential members think of joining a club or using the facilities of a club, the name of your club should come to their mind first. Presence in the local community on social media is critical as well as creating a team of influential members as ambassadors to spread a positive word-of-mouth about the club to others.

The classification of pressing issues and the overlapping of potential innovation types suggest that for clubs to flourish, innovation has to be a part of the daily operations. Being innovative in every aspect of business operation will allow the private clubs to combat external and internal hindrances related to existing and future membership and environmental dynamism.

## Conclusion

This study utilized the CIT method to obtain preliminary insights and more: (1) understanding what service innovation strategies club managers adopt to increase their members' value for money and time invested in their clubs, and (2) exploring the club's pressing issues and/or need to investigate whether service innovation strategies can provide critical clues to solving the challenges and taking advantage of the opportunities. The findings of this study provide both theoretical and practical implications.

## Research Implications

First, as one of a relatively small number of studies in the hospitality industry, this study extends the knowledge and understanding of service innovations. Specifically, this study investigated the strategies undertaken for both developing and launching new services/products in private clubs by utilizing CIT. CIT, and in particular its area of research, is under-explored in service innovation (Alam 2006). Most studies have looked at the overall process or factors that impact the success of service innovation. Relatively few studies have examined how service production and delivery impact the overall success of service innovations. We used CIT to explore this question in the private club industry. CIT is considered a useful tool in providing rich data with valuable and unequivocal information (Casell and Symon 2004). In particular, CIT is beneficial for capturing genuine insights into service incidents with high variability and

complexities, and uncovering management-related problems and issues (Casell and Symon 2004). The results of this study provide a starting point for developing empirical models that can be tested to examine what specific service innovation strategies provide the maximum return in terms of revenue, member attraction, retention, satisfaction, and loyalty. One of the key findings of this study throws light on the type of innovation that is both more prevalent and critical for the success of private clubs. Based on the classification of the responses, we find that marketing innovation is critical for both developing and launching new products/services, and for combating pressing issues. Most of the results presented in the subsequent portion of this section elaborate on the importance of different elements of marketing innovations in the form of effective communication, and member and staff involvement.

Second, this study explores effective strategies for clubs that plan to adopt new services/products. Based on the results of this study, staff member and club member involvement is a key element in developing new services. In addition, effective communication with both staff members and club members is essential for both developing and launching new services/products. Several studies in the past have emphasized the importance of the role that staff plays in service innovation outcomes (Enz and Siguaw 2003; Hu, Horng, and Sun 2009; M. Ottenbacher, Gnoth, and Jones 2006). Firms that treat their staff as a key resource tend to develop more innovative knowledge and skills, and thus are able to gain a competitive advantage (Lusch, Vargo, and O'Brien 2007). One of the findings of this study reinforces the view of fully engaging staff in the creation, delivery, and evaluation of service innovations.

The results indicate that members are vital resources for developing and launching new services/products, as collaborative partners suggest that one of the keys to building a competitive advantage lies in making customers your partners in the new initiative process. Customer engagement in innovation activities allows firms to effectively invest their resources (Lusch, Vargo, and O'Brien 2007) in determining the innovation. Given that the nature of services is centered on people, it is important for researchers to understand the dual role that customers play in terms of being the consumers, as well as the co-producers of services (Martin and Horne 1993). Blazevic and Lievens (2008) emphasized that the customer's collaboration in an innovation task to increase the value for the customers and better deliver various service innovations. This is consistent with the findings of this study supporting that it is vital for private clubs to understand not only how service managers embrace innovation but also how effectively they need to execute innovative strategies to achieve successful outcomes.

Customers place high value on a service when they feel that they have received convenience, freshness, societal experience, and well-developed services (Zeithaml 1988).

Taken together, the results suggest that firms can gain an advantage by engaging customers in the new services/products initiatives to better understand the primary determinants of customer value and to enable customers to embrace and enjoy the service changes. Even though new services development can be a risky process, if managers work collaboratively with their staff and customers, the probability of success would increase. Furthermore, customers' involvement in innovation-related activities such as suggestions, feedback, and new ideas can provide insights into their needs, wants, and expectations. Customer involvement in the service innovation process can create customized services built by customer needs and expectations. This enables customer to embrace change with more valued diffusion of the innovation (Lindberg and Borgqvist 2011; Lundkvist and Yakhlef 2004).

Overall, the results showed that the effective communication with both staff and members and engagement of staff and members in the new service initiatives acts to the benefit of both the individuals and the organizations. Effective communication creates not only the awareness of the initiatives being undertaken at the club but also the opportunity for engaging both staff and members in the process as co-creators and advocates of the new initiatives. The above results reflect the two most important characteristics of services—service intangibility and inseparability. These two suggest that the interaction between staff and members during service delivery plays an integral role in determining the overall success of service innovation. Customer and staff interactions are critical for both the production and delivery of services (Gronroos 1998; Shostack 1984). The personal interaction in the form of effective communication aids in the correct positioning of the new service, further aiding in the acceptance of new offerings. This finding is not surprising given that prior new product innovation research shows that new product development performance relies heavily on effective communication geared within and outside the firm (Clark and Fujimoto 1991). The focus on internal and external communication resonates very well with service innovation as well because, as we argued earlier, that service innovation performance reflects both internal operational effectiveness and external market competitiveness. This again points to the integral role of both service development and launch for the overall success of the new services.

### *Managerial Implications*

This study has implications for both GMs/COOs in the private club industry and perhaps hospitality managers in other segments of the hospitality industry who plan to increase their understanding of service innovation. First, the detailed classification of innovation types suggests an overall management approach for improving service innovation. For

example, with the involvement of staff, members, committees, and boards, hospitality organizations are better equipped to take new services/products initiatives. At first, this may sound like an obvious finding but it is important to reiterate that not only service economy, but research on customer engagement in service innovation is also limited (Brodie et al. 2011). We believe that customer engagement implications for service innovation cannot be fully comprehended unless we also understand how staffs engage in new service initiatives. The fact that staff in a private club are the link between the members and the club brings and ties them together in long-term relationships. This is the primary characteristic of a private club.

Our results suggest that practicing empathy and actively listening to understand members' needs, wants, and expectations also assist the club in building new services/products. Private clubs that effectively and regularly communicate with their members are able to be more innovative and anticipatory. In addition, a knowledge of trends in the marketplace results in an understanding of the needs of the future members minutely knowing what the competition is doing. This benchmarking knowledge helps the club in developing and launching new service/products effectively.

Our classification of understanding the pressing issues in the private club industry revealed that lack of marketing innovations are the biggest weaknesses of the clubs in our sample. Managers are increasingly challenged with attracting and retaining members in their clubs. This seems to be a particular concern for private clubs, but the issue is certainly broadly generalizable to all service firms. This shortcoming clearly reflects that the external communication aspect of service innovation is the biggest weakness for the clubs in our sample. This suggests that clubs do not clearly understand how they position their unique club in their market. It is difficult to determine at this point whether market innovations are the only reason why clubs are facing issues of shorter waiting lists or trouble attracting new members. It may be driven by other factors such as brand image, but further research is required for this question.

Apart from marketing innovations, the other issues facing the clubs are product innovations in the form of aging infrastructure (real estate and assets) and generational differences between the needs of the older and newer members. These types of innovations definitely require investment on capital expenditures (CAPEX) that probably not all clubs can afford. Nevertheless, it is crucial for managers to understand that unless the core offerings of the club are up to date, members will be hesitant to engage in a long-term relationship with the club. This brings us to a crossroad of whether private clubs should focus on innovative marketing skills or service/product innovations. We address this topic in the next section.

Finally, the sorting of the incidents under the pressing issues also found challenging economy, high competition,

and governance issues as additional problems, which are included in our innovation classification. Organizational issues related to governance problem can definitely act as barriers to growth for both the management and the club. These findings raise another interesting research question regarding how firms that are either traded publicly or are managed by a board of directors might impact innovation.

### *Future Research and Limitations*

Our classification system identifies types and sources of innovation that may be generalizable across hospitality firms, rather than just being descriptive of private clubs. Additional research will support or negate this statement. In addition, we support the claim that CIT is an appropriate and useful method for studying research questions pertaining to service contexts. The results from this exploratory study are suggestive of hypotheses that could be tested in future research. A potential future research question to explore in the future should focus on understanding innovation from the relationship marketing perspective. Our results for developing and launching new services focus on the interaction between staff and members. The relationship marketing might be complementary fields. This question can be explored to understand how the managers' ability to build relationships with members impacts both the club's ability to innovate and its members' willingness to engage in new service initiatives. Given that our findings revolve around human interactions, it would be helpful to pursue research focusing on how staff and management personality and/or emotional intelligence practices facilitate or impede innovation initiatives. The manager's ability to practice empathy and interact with members and staff has a huge impact on how they comprehend information and use that to transform club operations. Another question is how emotional intelligence and personality impact their staff's well-being and enhance staff initiative-taking behavior.

An additional research avenue in private clubs is understanding of best practices for engaging members in new service initiatives. Prior research shows that most service firms do not have a strategic process in place for developing and launching new services/products (Martin and Horne 1993); however, service organizations can improve their innovation performance by staying close to their customers (Atuahene-Gima 1996). It would be fruitful for future researchers to study both the private clubs and their members to get a better understanding of the innovation process and its effectiveness.

This study, although offering many insights, has some limitations as well. Our sample only consisted of GMs/COOs from the private club industry. This limits the confidence of the generalizability of our results across other segments in the hospitality industry, thus requiring future research. A comparison between GMs/COOs' and members' responses may shed

light on additional answers to the question of the interaction of these two groups. Finally, we conducted our CIT analysis by asking GMs/COOs open-ended questions on innovation rather than conducting in-person interviews. In-person interviews may have yielded different categories of service industries. Future research could add that knowledge.

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