New innovative practices within the tour operations in Peru’s jungle
Acknowledgements

This study is a bachelor thesis in innovation techniques, it was conducted under the MFS (minor field studies) -program by SIDA (Swedish International Development Cooperation Agency).

I would like to say thanks to the Swedish International Development Agency (SIDA) for the hospitality and courses prior to the Minor Field Studies (MFS) as well as the funding that made this study possible.

*MFS is a program financed by SIDA and functions as an aid for students that want to learn more about developing countries and questions around development. The MFS-program grants students financial aid to cover the costs which occurs while travelling abroad to gather field data. Criteria are that the field studies must run for at least 8 weeks and that the study in some way contributes to the social, economic or environmental development for both Sweden and the country chosen for field studies (SIDA, 2016).*

I would like to thank everyone who have been involved in making this thesis possible.

**Many big thanks to:**

Phonnicha Onjoy for joining me in this project. Without you it wouldn’t have been possible to get this opportunity of doing MFS. I also feel sorry that you didn’t get the chance to finish this thesis together with me.

Peter Selegård for being my tutor and keeping me on track from the beginning to the end.

Carina Sjödin for teaching me service-innovation and for putting time and effort in helping me in this thesis.

Mälardalen University for making this study possible, with invaluable professors and the access to data through your databases.

Danny and Magaly with family for your hospitality and pep-talk.

Pilar Zevallos Collas for being my contact person in Peru, I would also like to give big thanks to the rest of the family for the hospitality and for having me over for Christmas and New Year’s Eve.

Christer Nygren for making MFS possible and for helping out with the insurance matters.

Also, many thanks to:

iPeru

Angel Gomez

Edgardo Mozombite

Cesar Peña

Javier Shahuano

Alain Garcia

Marcus Brink
Abstract

Title: New innovative practices within the tour operations in Peru’s jungle.

Seminar date: 2017-06-02

University: Mälardalen University, Eskilstuna

Institution: School of Innovation, Design and Engineering (IDT)

Level: Bachelor Thesis in Innovation Techniques

Course name: Bachelor Thesis in Innovation Techniques, INO 325, 15 ECTS

Author: Niclas Brink 1990-08-10

Tutor: Peter Selegård

Examiner: Tomas Backström

Pages: 54

Attachments: List of interviews

Keywords: Innovation, iPeru, Iquitos, Loreto, Maynas, micro-sized enterprises, MINCETUR, Peru, PromPerú, service-dominant logic, service innovation, SMEs, tourism, tourism industry, tour operators.

Purpose:

The purpose of this study is to improve the innovation practice for the tour operators in Iquitos in Peru, in order to do so a new model will be co-created for them to use.

Research questions:

- How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

- Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

- How do the tour operators respond to reliable methods that facilitates innovation?

Method:

This bachelor thesis was made as a field study in Peru, financed by Swedish International Development Agency (SIDA) under the Minor Field Studies (MFS) program. A qualitative method with observations and interviews has been used to generate primary data. Secondary data has been gathered in literature, scientific articles, websites, newspapers and public documents. The frame of reference is built on literature, webpages and scientific articles. The data has been analyzed using a qualitative content-analysis.
Conclusion:

The micro-sized tour operators examined in the study are very similar in what they offer to their customers, they focus on improving their existing expeditions rather than working on brand new concepts. Different methods are used to gather information and gain knowledge to find possibilities to innovate. The need-pull from customers seem to be the most common method used. The knowledge is acquired through communicating with customers while arranging a service, but also after the service been used to get feedback.

Another way they try to gain knowledge is by asking their customers to write feedback in the firms’ guestbooks and on their websites. The guides possess first-hand knowledge by working in direct-contact with the customers, this knowledge is then transferred between the tour operators unconsciously by using freelancing guides.

The tour operators are positive to implementing new methods, and could see the different uses and benefits of these but also the difficulties in using some of them within their context. A new model was created based on a service-dominant logic, the model illustrates an innovation process. The model is created to fit into the context of the tour operators. The model has been introduced and validated by three of the tour operators and then soft copies were sent to all the tour operators for them to use it.
Definitions and abbreviations

**EUR** – Euro

**GDP** – Gross Domestic Product

**Micro-sized enterprise** – Fewer than 10 employees with less than EUR 2 million/annual revenue

**MFS** – Minor Field Studies

**MINCETUR** – The Peruvian ministry of Foreign Trade and Tourism

**PEN** – Peruvian Nuevo Sol (Peruvian currency)

**Product** – A product can be either a physical good, a service, concept or process.

**Prom Perú** – A governmental connected committee that promotes Peru for export and tourism

**R&D** – Research and development

**SIDA** – Swedish international development agency

**Small-sized enterprise** – Fewer than 50 employees with less than EUR 10 million/annual revenue

**Tour operator** – Organizes tours, for holidays or other reasons. Tour operators generally recruits guides to deal with the guests on the day-to-day basis of care taking and guiding. The duty of the tour operator usually comes down to marketing, booking, finance, customer service and scheduling

**USD** – US dollars
## Table of Contents

1 Introduction ............................................................................................................................... 1  
  1.1 Background ............................................................................................................................. 1  
  1.2 Purpose ................................................................................................................................... 3  
  1.3 Research questions .................................................................................................................. 3  
  1.4 Delimitations .......................................................................................................................... 3  

2 Frame of Reference ..................................................................................................................... 4  
  2.1 Innovation process ................................................................................................................... 4  
  2.2 The phases of the innovation process ..................................................................................... 5  
    2.2.1 Search ................................................................................................................................. 6  
    2.2.2 Select ................................................................................................................................. 6  
    2.2.3 Implement ......................................................................................................................... 7  
  2.3 Innovation in micro- and small firms .................................................................................... 8  
  2.4 Innovation in services and tourism ....................................................................................... 9  
    2.4.1 Innovation in services ....................................................................................................... 9  
    2.4.2 Innovation in tourism ...................................................................................................... 9  
  2.5 Open innovation .................................................................................................................... 10  
    2.5.1 R&D through collaboration and networking in SMEs ..................................................... 10  
    2.5.2 R&D through collaboration and networking in the tourism industry .............................. 11  
    2.5.3 Customers involvement in innovation ............................................................................. 11  
  2.6 Service-dominant logic .......................................................................................................... 12  
    2.6.1 The service-innovation model ......................................................................................... 13  

3 Method ....................................................................................................................................... 15  
  3.1 A qualitative method ............................................................................................................. 15  
    3.1.1 Interviews and observations ............................................................................................ 15  
  3.2 Choice of literature ................................................................................................................ 16  
  3.3 Target group .......................................................................................................................... 16  
  3.4 Analysis of data ...................................................................................................................... 17  
  3.5 Operationalization ............................................................................................................... 17  
  3.6 Research procedure .............................................................................................................. 18  
  3.7 Trustworthiness ..................................................................................................................... 19  

4 Empirical findings ...................................................................................................................... 22  
  4.1 Tourism in Iquitos ............................................................................................................... 22  
    4.1.1 Profiles of tour operators and freelancing jungle guides ................................................... 22  
    4.1.2 How they got into tourism ................................................................................................ 22
1 Introduction

1.1 Background

Among the countries in South America, Peru was the last country to become independent. The Peruvians broke themselves free from the Spaniards the year of 1821 but are still facing notable problems within politics and economy. Nevertheless, Peru is a rich country of natural resources as well rich of history and culture. Peru also has Free Trade Agreements with USA, China and Europe (Regeringskansliet, 2016). Ever since the end of the war when industrialization kicked in, have these natural resources rapidly been extracted for both domestic and international trade (Globalis, 2013). Unluckily the industrialization has left its footprints in the form of contamination in the cities and deforestation in both the jungle and highlands (Globalis, 2013).

Sweden and Peru are exporting and importing a great deal between the countries, the Swedish are exporting primarily; tools, machines and capital goods to Peru for a value of one billion SEK/year. Peru is exporting generally copper ore and coffee to Sweden for the same value, one billion SEK (Regeringskansliet, 2016). To the rest of the world Peru offers fishmeal, cotton, sugar, coffee and minerals (Globalis, 2013).

The last ten years have been very successful for Peru seen from the economical perspectives, the annual growth in GDP has been an average of 6%. Which is under a period the fastest growing economy in South America. Peru’s GDP quadrupled between the years 2000–2014 and all sectors performed strongly. Foreign investments and import increased greatly as well as the infrastructure, mining industry, energy, telecommunication and the environmental sector has been highly active in economically terms. Peru keeps making big investments for infrastructure, health and education but also moderate investments in the energy sector, retail and construction (as well as tourism) (MINCETUR, 2016). After 2014, the aggressive growth in GDP halted due to the end of the last years’ commodity boom (Regeringskansliet, 2016).

According to Globalis (2013) does the tourism only stand for a small part of the country’s GDP but is a growing sector thanks to that the safety and health situation improves. The Peruvian ministry of Foreign Trade and Tourism - MINCETUR (2016) believes in an increased tourism, and that the sector needs to be put into more light. The world tourism has grown from 25 million tourists the year of 1950 to 1186 million tourists the year of 2015. And that it has resulted in an increase of revenues from 2 000 million USD to 1 260 000 million USD between the years of 1950 and 2015. A number that makes the tourism sector to a key factor in the countries’ economies as well as it favors revenues of different currencies (MINCETUR, 2016).

Peru have a big potential for receiving tourists, the country is one of a few with many microclimates, languages and cultures in a relatively small stretch. This is because of the mountain ridge of the Andes that divides the country into three different regions. The western part that borders the Pacific Ocean has a rather mild climate all year around with very little rainfall. On the highlands, the air is more humid and cold with frequent rainfall. The eastern area of the Andes is tropical with high humidity and high temperatures, it differentiates itself with strong seasonal changes; very rainy and
not very rainy (Globalis, 2013). Peru is also one of a few countries in the world with such a variety of flora and fauna with hundreds of native species. It’s a paradise for bird and orchid enthusiasts. The nature calls with wonders like high snowy mountain tops (6,768 meters above sea level), lagoons, and even the highest elevated trafficked lake in the world (that also makes a border to Bolivia). Peru is Incas, Peru is surfing, Peru is mountaineering, Peru is some of the world’s oldest ruins, Peru is Machu Picchu, the most sacred city of the Inca people (Prom Perú, 2016). Machu Picchu had 1.1 million visitors 2014 (Daily mail, 2015).

MINCETUR (2016) states that the currency revenues in Peru has increased with 47.5% during the period of 2011-2015. The Peruvians also increased their travel for pleasure within their own country and are representing 6.9% of the total expenses made in the economy. It’s a positive trend that creates an opportunity to promote the socio-economic development. The next generation seems to have better chances for employment and that is indeed a strong force in the struggle against poverty. The Peruvian tourism sector takes a fundamental role to improve the competition thanks to its high-impact, dynamical and transboundary character. It brings a strengthened infrastructure by increasing the value of human resources and improves the opportunities to travel as well as the overall quality of tourism. MINCETUR believes there is a meaningful challenge to increase the competency and quality of the tourism due to the tourism is in many peoples’ eyes what represents the country. Furthermore, the ministry sees the provision of tourism services as the most important and sensitive part of the tourism values chain due to the direct relation between the tourists and the tourism sector (MINCETUR, 2016). This study is trying to find out how the tourism sector of Iquitos is working with concept development, Iquitos can partly present how Peru is managing development in tourism. There is relatively little earlier research to be found about innovation in tourist activities, and knowledge about this may provide insights of new methods for innovation that can be implemented for tourism in other places or contexts. Also, this study offers proved methods that facilitates innovation to the tour operators in Iquitos as an attempt to help strengthen the tourism actors’ abilities to provide tourism services of higher quality to suit the needs of the tourists. MINCETUR (2016) judge that those who offer tourism services undeniably gets responsibility to how Peru and its tourism appeals as a tourist destination.

The most important activities from an economic point of view is the transports that stands for 27%, provision of food and beverages (22.6%), accommodation (14%), trade of handicraft and souvenirs (4%) and travel agencies (3.2%) (MINCETUR, 2016). Which are all activities provided by tour operators in Iquitos.

To examine the development of the tour operators and to offer ways to support innovation therefore seems like a reasonable approach. The author believes that, if the quality and the varieties of the tour operators’ services improves, more tourists will come, hence more profits will enter the tourism sector. The author also believes that a promotion in tourism to some degree can slowdown the extraction of raw materials in the Amazon and possibly lead to a more sustainable future.

Almost 20 % of all the greenhouse gases that get released into the atmosphere origins from deforestation (WWF, 2013). A Brazilian climate researcher, Carlos Noble received the Environmental-price from Volvo 2/12-2016, for his great contributions to help save the Amazon rainforest. He believes that half of the rainforest will turn into a savannah if things continue as now, and that we will have a new ecosystem that cannot keep the carbon dioxide under control (DN,
At this very moment, international oil companies are wreaking havoc in the Peruvian rainforests by the permission of the Peruvian government and the new president Pedro Pablo Kuczynski is revising the old laws that are meant to protect natural areas. This to make a promotion of oil and gas extraction possible. It’s not only the environment that takes the blow, even the indigenous people that live in isolation are being forced to leave their lands or become victims of violence, deforestation and oil leaks that poisons their lands and rivers (The Guardian, 2016).

1.2 Purpose

The purpose of this study is to improve the innovation practice for the tour operators in Iquitos in Peru, in order to do so a new model will be co-created for them to use.

1.3 Research questions

- How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?
- Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?
- How do the tour operators respond to reliable methods that facilitates innovation?

1.4 Delimitations

The study is examining the tour operators that offer adventure tours, in the search for methods of innovation being used in the micro-sized tour operators within the city of Iquitos in the Loreto region in the Maynas province in Peru.

Peru has many popular destinations for adventure tourism but the study will be executed in the city of Iquitos. Iquitos is a good place to perform such a study because it has a good potential for adventure tourism due to the Amazon river with its rainforest. Also, it’s a relatively safe place compared to many other areas in Peru.
2 Frame of Reference

2.1 Innovation process

What is innovation? Innovare, is a Latin term that means "to make something new" (Tidd & Bessant, 2013 p.19). There are many definitions for innovation, Kanter's definition is “the generation, acceptance and implementation of new ideas, processes, products and services” (Burns, 2010, p. 65) and that Mellor's definition is simply “creativity + application or invention + application” (Burns, 2010, p. 65). Burns (2010) also writes that Mintzberg define innovation as “the means to break away from established patterns” (Burns, 2010, p. 66), and to do something really different is called innovation.

Fetched from Burns (2010, p.66). An interpretation of Schumpeter’s types to innovation:

- The introduction of a new or improved good or service.
- The introduction of a new process.
- The opening up of a new market.
- The identification of new sources of supply of raw materials.
- The creation of new types of industrial organization.

Many definitions of innovation are only applicable to manufacturing firms and innovation is understood differently depending on which field the researcher advocates (Gomezelj, 2016). Burns (2010) himself believes innovation can be many things, like changing the material in an existing product for the better, or finding better ways to marketing existing products and services, as well as better ways of distribution of products and services. Tidd and Bessant (2013) describe it as “Innovation is a process of taking ideas forward, revising and refining them, weaving the different strands off "knowledge spaghetti" together towards a useful product, process or service” (p. 33). This study will discuss different perspectives on innovation. The word ‘product’ will here on be used to describe a physical product, service, process, concept altogether.

The ‘Godfather’ of innovation studies or Joseph Schumpeter, was a very respected man when talked about innovation and entrepreneurship. He explained how strategic advantage was obtained by entrepreneurs in a simple fashion. The advantage is reached by seeking for new products through technological innovation. The new innovations made the entrepreneur gain a lot of income through what he called ‘monopoly profits’, but only for a certain amount of time because other people will surely follow the entrepreneurs lead by innovating or imitating similar products. until an equilibrium has been reached. At this point the cycle starts over by someone innovating something radically new and the rules of the games are again changed, but then the cycle continuous by other people that follow to get a piece of the monopoly profits. This game changing cycle is what Schumpeter describes as ‘Creative Destruction’, that someone does something creative and ruins the game for the others (Tidd & Bessant, 2013).

To stay in the business nowadays we need to innovate (or imitate the market leaders) to tackle the competition, this can sound harsh and like a rat race but it is the way business usually works. But it does come with a lot of great aspects as it eases the lives of the consumers with more options and ranges in prices as well as general quality of the products (Burns, 2010; Kristensson, Gustafsson & Witell, 2014; Tidd & Bessant, 2013).
Too see connections, spot opportunities and take advantage of them is what makes innovation happen. It can be through taking advantage of new technical equipment, materials or just knowledge, or through a better understanding of the needs. These needs can be needs like any needs, for example: the need of getting from A to B or the need to cook and eat healthy. Or due to new laws and regulations that creates new need to do something differently; the new global pollution regulations have created a need for new ways to generate cleaner energy (Burns, 2010; Tidd & Bessant, 2013).

A known old saying reads: necessity is the mother of innovation. A pioneer in innovation research, Chris Freeman later quoted that by saying: “necessity is the mother of innovation, but procreation needs a partner!” (Tidd & Bessant, 2013 p.266). With procreation, he meant that necessity and innovation can come from discoveries of new knowledge or new technology.

An example of that are the drones or UAV (unmanned aerial vehicle) that have reached out to the public. They were initially products of the military, but are now an interesting technology available for many of us. Amazon are using them to develop a new way to deliver parcels up to five pounds in an effective manner (Amazon, 2016). This is an example which mixes the technological push and the need pull for innovation.

2.2 The phases of the innovation process

An innovation can start from either the push of new knowledge or technology or from the pull of needs. But usually innovations come from a combination of these two core principles. To increase the chances of coming up with new ideas for innovation opportunities we could both create possibilities (or at least keep an eye on R&D other people do) as well as identify and work with needs. But there is a lot more to it than just coming up with quirky ideas. For a business or organization to be successful with innovation they need to be a learning organization and practice high absorptive capacity to follow the complex and fast-changing competitive environments (Tidd & Bessant, 2013).
As we can see in the model there are four different phases in the innovation process. The first three of the phases are explained in more detail below.

2.2.1 Search

This phase is about searching for opportunities for innovation, opportunities for either brand new products or for opportunities to improve existing products. There are a huge variety of places to get inspiration from, for example: expressed needs, R&D, new trends, copying, 'Eureka'-moments, regulations and social medias (Tidd & Bessant, 2013).

There are also plenty of tools and creative exercises that makes it easier to generate many ideas in a short time span. To mention a few: SWOT-analysis, brainstorming, other creative exercises, living labs, prototyping and sending out scouts to search for inspiration at different locations (Tidd & Bessant, 2013).

2.2.2 Select

Anyone can come up with ideas, but to find out which idea that suits the situation can be tricky. Just rolling a dice will most of the times not select the best ones. In this phase, it’s important to pick those ideas that seems to be feasible (but not necessarily too feasible, many of the better innovations usually meet a lot of resistance at first due to their abstract culture), the ideas should also rhyme with the organizations vision as well as they should fill a purpose. There is a need for a strategic choice to make sure the best idea(s) is going to be developed in the next phase (Tidd & Bessant, 2013).

A good tool in this phase is a project portfolio, a tool Cooper (2000) describes as similar to an investment portfolio for stock traders, one usually doesn’t want to put all their resources on one bet, it’s usually wiser to spread the risks and balance radical ideas with incremental ones. A common
mistake when selecting projects is to bring to many projects in development at the same time; the result can be that no project is captured in the end due to unexpected costs which results in a lack of resources to fulfill the innovation. This tool is mainly for larger organizations that are handling many projects at a time.

Other tools that can come in handy are risk analyses, open innovation, SWOT or PEST analyses, risk assessments, surveys, rapid prototyping and workshops with stakeholders (Tidd & Bessant, 2013).

2.2.3 Implement

The phase of implementation involves bringing the idea to life, into a real product. This is where the real time, money and energy usually is being put. If the selection phase has been done properly with risk assessments and with a great deal of knowledge it should benefit a whole deal, but it will still take a bit of gamble because innovation is about dealing with uncertainty. The only way to find out if the idea is a good one is to try it out. Therefore, bigger projects of radical innovation aren’t for the faint hearted. During development, there is often a fine balance over the dilemma of continuing pushing resources into a project that might not work out in the end, or to bail-out before it gets too costly (it’s noteworthy that this option can lead to losing out on a fruitful innovation). Too deal with this uncertainty there are ways to explore the ideas further without spending too much resources. One way is to introduce Cooper’s (2000) stage-gate model which is a tool that helps making decisions for continuing or labeling a project as a no-go (Tidd & Bessant, 2013).

Figure 2, A stage-gate model (Tidd & Bessant, 2013).
The stage-gate model offers a framework for progression to systematically screen and monitor the opportunities of innovation as they move forward. It works as a funnel with gates that filter out the no-go projects but lets the good ones' pass. At each filter or ‘gate’ there are people (often senior executives and managers together with experts and sometimes potential end-users) that analyze if the projects are clear to move on to the next phase (Tidd & Bessant, 2013).

The stage-gate illustrates a linear process forward, but in action it is more of an iterative process where the project can jump back between phases as well as the development can iterate until it can move on to the next phase. This stage-gate of Tidd and Bessant suggests 5 phases, but through the literature, there are examples that range from 3-13 phases (Tidd and Bessant, 2013).

Research has shown that it’s important to work in a creative atmosphere with full commitment from the senior executives and a diverse team of different specialties that shares the same goals and vision while testing and developing new concepts. Skills within the team like the ability to improvise, to communicate and working under pressure have also been noticed to be very beneficial. Before going full throttle on the first solution, the developing team should come up with several solutions and can also benefit from involving active lead users to make sure the finished product is getting the attributes that are expected and valued from the customers. As well as to put up several milestones along the way for reflection and adjustments (Tidd & Bessant, 2013).

After the product is developed it needs a strategy to reach the market. During the product development, some ideas for commercialization usually appear, often thanks to customer co-development through for example: living labs, alpha-, beta- and gamma-testing. During these events data of customer’s requirements and how customers perceive the product appears. To make the product a success on the market it’s vital to know the markets perception on it. Therefore, market analyses and tools for business intelligence (like SWOT- and PEST-analyses) should have been made earlier in the innovation process. With a finished developed product, it is possible to see what advantage it has over other similar products, or products that answers similar needs to the customers. To make it a winner on the market it should have either high performance-to-cost ratio, high quality or deliver unique benefits for the customers. A good timing for release is also vital, if there are trends supporting the product less marketing should be needed. Also, when there are competing products out on the market, this can sound strange but it is usually good especially if the product is of a truly novel kind. This is because a lot of marketing for longer periods is needed to make sure the potential customers realize what value it can have for them. Market segmentation is also critical so that the product can be displayed and marketed to fit your segment’s buying behaviors. This will also make potential customers adopt a innovation with more ease (Tidd & Bessant, 2013).

2.3 Innovation in micro- and small firms

- Micro enterprise defines as: an enterprise with fewer than 10 persons with an annual revenue less than EUR 2 million.
- Small enterprise defines as: an enterprise with less than 50 persons with an annual revenue less than EUR 10 million (European Commission, 2013).

Smaller firms usually find gaps in the market and innovates through low-cost options, with incremental innovations around customer service or marketing; they also have a clear behavioral advantage with dynamics that lets them follow trends and changing circumstances on the market more quickly than the larger firms. Smaller firms typically aren’t under control of a hierarchal
management with inflexible bureaucracy unlikely large firms. Hence new innovations can be marketed very quickly for a micro- or small firm via the phone, over the internet or other channels (Burns, 2010).

It's although rare that small firms introduce (really) new products into their business, and that those products would be significant for the whole economy is even rarer. Larger companies introduce these products easier due to their advantage in R&D and financial performance (Burns, 2010). Knowledge from R&D has for long in the literature been recognized as one of the most important factor to trigger innovation (Tidd & Bessant, 2013; Baumann & Kritikos, 2016; Burns, 2010). Micro- and small-sized firms have a harder time to invest in R&D because of the financial difficulties (Burns, 2010; Baumann & Kritikos, 2016). Investments in R&D are always risky in the sense that they don’t always lead to positive returns, this makes it even more risky for micro- small-sized firms because the relative loss for a smaller firm is greater compared to a big organization that holds more resources (Baumann & Kritikos, 2016).

2.4 Innovation in services and tourism

2.4.1 Innovation in services

The author wants to point out that the tourism operators primarily offer services, just as; banks, lawyers, mechanics and taxi drivers etc.

Gomezelj (2016) references to earlier research that, in service firms, there are some characteristics that have been demonstrated as central in earlier studies; the intangibility of services, inseparability, the close interaction between production and consumption (interactivity) and that the intellectual properties are harder to protect compared to other types of firms. And that service innovations are easier to copy as well as the human factor (personal skills and experience) affects service firms more than the ones' that manufactures. Earlier studies have also shown that it's vital with ICT (information and communications technology) together with the good customer’s integration (Gomezelj, 2016).

2.4.2 Innovation in tourism

Rural areas have the best opportunities for developing tourism which is nature-based, some governments implement strategies to promote nature-based tourism and thereby developing rural areas (Rønningen, 2010).

Innovation systems have been focused on in a lot of research of innovation. Systems that often involve clusters of firms from a sector with a collaboration between different institutions and universities. Earlier research on small-scale rural tourism firms hasn't included any of these innovation systems. Research on small-scale enterprises is not abundant, especially not in the context of nature-based tourism. The innovative capacity of the tourism industry is quite low according to researchers and public statements. Tourism services as well as services in general usually gradually innovate with incremental innovations instead of more radical innovation seen in the manufacturing industry. It is typical for tourism industry to be made up by micro and small enterprises and this might play an important role in why the enterprises doesn’t have a high
innovative capacity. Higher innovative capacity has shown to be correlating with bigger enterprises. Without competence and knowledge, the innovative capacity will be low, but collaboration between firms and between firms and institutions often gives more knowledge. Smaller enterprises might not have enough resources to support innovative activities and they might also be lacking networks where knowledge could be transferred. Especially micro and small enterprises may raise their limited innovative capacity through collaboration (Rønningen, 2010).

Shaw, Bailey, Williams (2010) describes a relative failure in tourism research to integrate a service-dominant logic, even though the interaction between the consumer and supplier is increasing in every stage of the relationship in the tourism sector.

2.5 Open innovation

Gassman, Enkel and Chesbrough (2009) defines open innovation as “the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively’ (p.1). The lack of resources in many firms makes Open Innovation an option or even a requirement to increase the innovation practice (Gassman et al. 2009 & Gomezelj, 2016). Gassman et al. (2009) describes that SMEs can overcome their ‘liability of smallness’ by having an innovation process that is open. One of the most researched parts of Open Innovation is user innovation, which means to involve the users for knowledge. Open innovation can also mean to integrate the suppliers or any stakeholders in the innovation process.

2.5.1 R&D through collaboration and networking in SMEs

Even though enterprises have been aware of the importance of R&D for innovation, they still need to use external help for R&D and not solely rely on only the internal resources (Burns, 2010; Tu, Hwang & Wong, 2014). This because the scientific and technological development is moving quickly as well as the marketplace is getting globalized (Tu, Hwang & Wong, 2014). Burns (2010) and Tu et.al. (2014) argues that earlier research shows that it is a requirement for small firms to supplement and complement the internal resources by external collaboration. Tu et. al (2014) thinks that small firms need to learn through external cooperation with their suppliers and consumers to easier stay competitive on the market and enhance their operational capabilities. Reinl and Kelliher (2015) also suggests that it’s vital for micro firms to engage in learning networks to access otherwise unavailable information and resources.

Tu et.al (2014) and Reinl & Kelliher (2015) also mentions that earlier research suggests involving more than just the suppliers and consumers, even competitors. Together with competitors opportunities for innovation can be discovered and be beneficial for everyone involved. When learning from competitors it’s best if they share the same goal and don’t do it solely to raise their own potential for innovation and higher profits. Collaboration between rivals can help solve branch specific problems for each other as well as innovating together through sharing a pool of resources (Tu, Hwang & Wong, 2014).
Reinl and Kelliher (2015) & Tu et al. (2014) argues that a diversified environment can be even more beneficial then one just of external partners within the same kind of firms. External cooperation has been seen to help both during the product- and service development and has been important to an increase of customers’ loyalty (Tu, Hwang & Wong, 2014). Burns (2010) argues that this knowledge share also can be unconscious when a changing workforce is present. Employees often (unconsciously) share knowledge between small firms.

2.5.2 R&D through collaboration and networking in the tourism industry

Reinl and Kelliher (2015) have shown that in tourism micro firms the learning is most primarily taken place in a social nature where they learn from competitors as well as customers, there can be significant advantages of setting up learning networks together with competitors for sustainable and systematically learning. Their study shows that a learning network facilitated by people with academically background within relevant areas can greatly support a sustainable learning process, for example by: putting up frameworks and teaching people how to host network meetings independently. It seems typical that the tourist actors lack time, knowledge and motivation for setting up learning networks for the first time themselves. In Reinl and Kelliher’s study competitors noticed that they have a lot to share with each other within these networks, and that they can help each other to increase the number of tourists coming to the country: through marketing and talking well about each other. They did also show that they could innovate together within the network, examples of this are: website development, festival planning, new tourism activities and to plan tourist events even during off-season which normally is a season when the micro tourism firms lack means of income (Reinl & Kelliher, 2015).

2.5.3 Customers involvement in innovation

It’s noticed that the customers’ involvement has been playing a vital role in improving service innovation in tourism as well as other branches (Tether, 2002). Eriksson et al. (2005) describes that most of the customer involvement in innovation: “includes the field test approach, but completely lacks the user/customer contribution in the innovation cycle. This lead to a risk in inventing things that user’s might not request”, further that the basic idea should be to access the ideas and knowledge from customers and not use them only as ‘ginny pigs’ for experiments (Eriksson et al. (2005). Tu et al. (2014) proves this by writing that earlier research points to that the customers are a good resource for knowledge and can help service companies to realize the expectations from other customers. Therefore, customers can add a lot of value to service companies through their cooperation and input of ideas.

To bring greater success of customer participation, the service firms need to understand, and be able to identify which customers that can be of help and to be conscious that they vary a lot in the degrees of ability and interest of participating in co-creation tasks (Tether, 2002).

But because the customers usually are co-creators of the service itself and are often in direct-contact when consuming the service, they can come with direct feedback on how to improve the products and service. Enhancing existing offerings and coming up with new services has shown significant
advantages. Firms should thereby continuously come up with innovative products and services to increase the profitability of the firm (Tu, Hwang & Wong, 2014).

As mentioned earlier in this study, ‘Living Labs’ is a tool for innovation. Living Labs is concept of open innovation that can be understood as an environment or a hub that puts the users/customers in focus. In Living Labs the end-users gets involved early in the process of creating innovations and through rapid prototyping cycles drives the innovation process forward together with the developers and other stakeholders (Schaffers et al., 2007). Eriksson et al. (2005) also thinks that living labs is a good concept for bringing in customers/users to start innovation. Eriksson et al. (2005) defines it as “The Living Labs Concept refers to an R&D methodology where innovations, such as services, products or application enhancements, are created and validated in collaborative multi-contextual empirical real-world environments.”

2.6 Service-dominant logic

Today’s market is full of competition and entrepreneurs needs to find new ways to get customers, and maybe even more important to find new ways to keep the customers loyal and returning. The goods-dominant logic is the traditional mindset when managing business and has for a long time been the most common way of understanding and dealing in business, and that it still is the most used mindset. But today more and more business shift into a service-dominant logic. A logic that describes as a logic that could better off in today’s flexible market (Kristensson, Gustafsson & Witell, 2014; Vargo & Lusch, 2006).

Service-dominant logic is a mindset, a new logic to apply while observing the world (Kristensson, Gustafsson & Witell, 2014). The main difference between the service-dominant logic and goods-dominant logic is the conceptualization of service. Service in a service-dominant logic is defined as “the application of competences (knowledge and skills) for the benefit of another party” (pp. 256), while the goods-dominant logic is using services as units. The new logic is helpful in many ways, one is that it provides a framework for enriching knowledge discovery (Vargo & Lusch, 2006).

For example, when a manufacturing company stops focusing on which products they provide, but instead considers the value the user makes for him/her-self when using the products. This perspective can help the company to innovate new solutions to provide better service for the user (Swerea IVF, 2015). Grönroos (2013) and Vargo & Lusch (2006) proves this when he explains that a service-dominant logic is helping a customer reach her goal with the purchase. Not to consider the value of a product or a service but the value the customer experiences when she/he makes use of the product or service. Or as Tu, Whang and Wong (2014) puts it: “…service innovation is the process through which a firm undertakes changes in its philosophy, culture, operations and procedures to add value to the result of the service or product for the benefit of the customer” (p. 1393). The value the customer experiences is the value that needs to be elevated and put into light (Grönroos, 2013). SCS (w.y.) describes that the customers experience of value from service can be based on many different factors, for example economic, environmental and social.

Note that service-dominant logic is not a fixation on companies that focuses on selling services as activities like banks, massage parlors, schools and mechanics. It can also be companies that sells physical goods (Grönroos, 2013; Tu, Hwang & Wong, 2014; Vargo & Lusch, 2006).

The former way of developing products (services, processes etc.) is that companies start by considering what they have in their own organization and their products. To rely solely on earlier R&D and the ideas from employees can sometimes bring great innovations. But, it is not rare that
products that does not fill the most important needs get developed. New technology can bring valuable innovations, but companies might need to put a lot of effort into persuading people to buy these if they don’t directly connect with the needs of the potential users. Tests that have been played out fairly have shown that customers can come up with better ideas than the well-educated employees of a company even though the employees are paid to deliver useful ideas for future innovation. Therefore, researchers who advocate service-dominant logic state that there are better ways of innovating, through service-innovation. They believe that service-innovation should involve the customers from an early stage in the development process of service-innovation (Kristensson, Gustafsson & Witell, 2014).

Many companies do already involve the customers in the development by letting them come with suggestions within test-beds; reactions on prototypes or beta testing. But then the involvement of the customer plays out in a very confined area, with ideas that revolve around esthetics, design and pricing. These things can be of great importance, but an even earlier involvement gives opportunities for an even bigger impact on the process of value-creation for the customer.

In the service-innovation with respect to a service-dominant logic the customer involvement should be from the beginning. Customers should even be invited to come with concrete proposals to solutions for their needs. It is vital that the companies understand that there is another context in which the users play out their reality. Therefore, the companies that innovates need to embrace the fact that the user knows best how and where they create value for themselves. The companies should focus on picking up this information so their future innovations assist the users in their process of value-creation. Innovations that comes from this process already have potential customers, they’re so to say consciously created to assist in sorting out a need. Employees that are set to develop a new service can hardly be able to put themselves in every context from their customers. Customers can come be of different ages, different stages in life, different careers and from different cultures etc. To take advantage of this, service-innovation starts with customer involvement. To give relevant tools to the involved customer to assist them in communicating ideas or feelings they are experiencing in their everyday context of within the context where the innovation is meant to be developed. If the company tries to improve services for cellphones a cellphone could be a good tool, or if the company is trying to improve experience-innovations a diary, camera or/and an idea-book can be of good use. The idea to catch the feelings of happiness or irritation and things that are helpful or hampering in the value-creating process in-situ, is to remember and to get more details of the situation. Studies of the memory has shown that short moments of happiness or irritation usually gets forgotten relatively quick. And that an experience does not feel the same while experienced compared to how it is remembered. Therefore, engaging a customer with interviews or other methods that are based on memories do not give the best input (Kristensson, Gustafsson & Witell, 2014).

Kristensson et al. (2014) states that earlier research suggest that is important to keep in touch with the customers often but necessarily not face to face, other mediums can be used as well (social medias, forums etc.). But the dialogues should be on the same basis for the company as for the customer, without any means of hierarchy. Kristensson et al. (2014) also refer that earlier research shows that companies with structured development processes gets more profitable and more pleased customers.

### 2.6.1 The service-innovation model

Kristensson et al. (2014) have created a process of development for service-innovation with three key phases.
1. Create Focus
2. Understand the customer
3. Build structure

The first phase is to prioritize what value-creating process the company should focus on. With limited resources, one cannot do everything. Should they make something more efficient for customers, should they make it easier for a customer to help? Or maybe create new experiences for the customer to enjoy? It is then easier to involve customers with the right resources, to make them share solutions for good value-creating processes.

The second step is to understand the customer. In this phase, the developer’s duty is to help the customers to communicate what really creates value for them. Not by memory based methods like interviews and surveys. But to make them able to share what is happening in their context in a situation of value-creation. Service-innovation is about discovering what the customer experiences as creating value and to improve that value-creation process.

The third phase is to build a structure, to reflect over solutions. Are they realistic? Can they be implemented easily? Does the staff of the company have the skills to provide this service? Create functioning concepts. Test it on your staff, then on real customers, but be sure to let them know that the service is still under development. This makes it easier for you to improve and make sure the new service is a good one before you start marketing. When the solution is working, try standardizing it, “put it into a box” to make sure it gets delivered with the same high quality every time.
3 Method

3.1 A qualitative method

A qualitative and inductive approach was chosen to answer the study’s research questions and purpose through observations, unstructured and semi-structured interviews. This inductive and qualitative approach has been used to study the bigger picture of the population’s life stories, perspectives, situation, values, dreams and such. This because perspectives on innovation are many and it is a hard field to grasp (Burns, 2010). The inductive approach is a method of finding connections between the gathered empirical data and theory in an iterative way, it lets the interviewer find new angles of what is interesting and can therefore with ease follow-up with new questions to dig deeper in the context and even alter the research questions to be more relevant to the context. A qualitative interviewer is therefore more interested in a wider picture with more details in contrast to the quantitative interviewer that is looking for answers that are strictly directed to the research questions. A qualitative approach also permits the researcher to follow up with additional interviews, which normally quantitative researchers cannot without putting the reliability and validity at stake (Bryman, 2013).

The qualitative-inductive approach seems to be a good way to dig deeper towards an understanding of how the tour operators develops, and to find ways to integrate a method for innovation ready to use within their context. Bryman (2013) describes that the researcher can go from analyzing and reflecting data through theories (or perhaps more accurate ‘empirically generalizations’) back to gather more data, this to prove if the knowledge produced really is tenable and valid or not.

The analytical part is described in “3.2.3 Analysis of data”.

The conclusions have been based on recurring phenomena that have been found in the interviews and on validations from the respondents.

3.1.1 Interviews and observations

Bryman (2013) describes that qualitative interviews can be of many different kinds, but most central are the unstructured and semi-structured interviews. He suggests that starting big and unstructured, might generate more questions of what is interesting, and is the essence of a qualitative approach. The unstructured interviews as a starting point lets the respondent choose direction. The respondents often talk more freely when left with free throws and doesn’t get influenced by the interviewer’s topic and questions. This was useful because it let the interviewer find what the respondent experience as important and interesting for themselves (Bryman, 2013).

The primary data was collected through in-depth interviews both unstructured and semi-structured. The respondents (3.2.2) were tour operators and a free-lancing guide within the city of Iquitos. The first interviews were unstructured, but then switched into semi-structured with an interview guide with more fixed question as soon as an understanding was reached.

The interviews were all situated in either the office of the tour operations or at a place chosen by the respondent. This because Bryman (2013) describes the set and settings as vital when doing
interviews, the respondent can easier explain and stay focused when feeling secure. It also helps to perform interviews within the context of the subject, in this case different firms were examined and therefore the interviews were mostly executed in the different offices of the firms.

Observations were also made within the different firms to see them in action while talking to customers and guides. Field notes were collected as interesting things were observed by photographs, video recordings and handwritten notes. These observations did give rise to new interesting questions that later got added into the interview guide, and they did also give more of a holistic understanding of the context.

Bryman (2013) describes participant observation as one of the most used method of observation in qualitative research. It means that the researcher observes the context relevant for the study for example the everyday life and culture that surrounds the participants of the study. The researcher should engage socially in the environment for a relatively long time to be able to get the picture on how and why people act like they do in a context. Note, that an ethnographic approach is different from the method used in this study and should hold an even longer stay than just a month or two in the environment.

3.2 Choice of literature

The literature chosen for reference was gathered through textbooks, documents, scientific articles and a few websites on the internet. The textbooks used have all been used by Mälardalens University for educational purposes, all of them do have scientific validation. The documents retrieved are reports from the Peruvian government which were useful to understand the situation around tourism in the Peruvian context. Databases used in the search for scientific articles were Discovery and Google Scholar. All the searches were done using filtration for peer-reviewed articles only. The websites used are mainly newspapers that I found legit, these have mostly been used to cover some background in the introduction chapter of the study.

3.3 Target group

The target group that was chosen includes micro-sized tour operators and freelancing tour guides in Iquitos, Peru. The micro-sized tourist operators were chosen because of a relatively short time for research, thereby a more holistic understanding of the firms (of their perspectives and of the ways they carry out their work) could thereby be achieved.

Because of the inductive approach the respondents was chosen carefully one by one to get a wider understanding of the context the tour operators work in. Bryman (2013) describes the 'purpose-sampling' as a strategic choice to make reach a conformity between the sample and the research questions. The primary two respondents have chosen to stay anonymous and have been given fictitious names. A list of interviews is given in the appendices.

The first respondent Pancho (fictitious name) was a tour operator chosen by convenience, as he is a friend to the author from before. It made sense to the author to interview him, because of a belief that this person would share more information without getting suspicious that the information would be used to exploit.
The second respondent chosen, was Francisco (fictional name) an experienced freelancing jungle tour guide. He was chosen because he possessed a lot of experience from working with tour operators, as well as he had a lot of knowledge about the tourism in and around Iquitos.

The third respondent Miguel Angel Brandon Gomez, was chosen because of his experience of both guiding and tour operating. He is a former freelancing jungle tour guide, but now performs as a self-employed jungle guide for his own tour operation “Angels Amazon Adventures”. His experience was believed to be helpful in order to confirm facts that was mentioned in the first and second interview, thus from both a tour operators point of view as well as a guide’s.

The fourth respondent Edgardo Daril Alvan Mozombite was chosen because his company had been in the business for a relatively long time, since 1985. Edgardo is a manager and administrator of Amazon King.

The fifth respondent Cesar Peña, is a tour guide, general staff and brother of the CEO of Amazonian Trips – Chullachaqui. He was chosen because he had plenty of experience from working in the tour operation. Amazonian Trips – Chullachaqui was also chosen because of its central position within Iquitos. The author believes that the position of this tour operator is among the most exposed to visiting tourists of the city.

The sixth respondent Javier Paima Shahuano, CEO and manager of Ecological Adventure was chosen because of the name of the company “Ecological Adventure”, the author believed the name was hinting of new concepts with a niche.

3.4 Analysis of data

To break down the transcribed interviews into smaller, easier to grasp categories, a ‘qualitative content-analysis’ (authors interpretation ‘kvalitativ innehållsanalys’ from Bryman (2013)) has been used. Bryman, 2013 describes the qualitative content-analysis as a tool for searching after themes hidden within a text. Also, that this seems to be the most used tool for qualitative analysis of documents. Categories should be generated beforehand to suit the theme of the research study, but after an analysis has been done the categories can be made more detailed or more categories can be added (Bryman, 2013). The transcriptions of this study were first analyzed through themes for example: background of the respondent and background on the tourism in the area. This was then used to create a profile over the respondents and a context easy to grasp for the reader (found in the empirical chapter).

3.5 Operationalization

Literature covering innovation research in general, but also more pointed research on innovation within the context of the examined firms was used to set-up themes for the first unstructured interviews.

More literature was fetched after the first interviews to cover the relevant parts that came up as results of the interviews, this new literature was then used to create a semi-structured interview guide. After the next interview was done more literature was fetched on service-dominant logic
which was used to create a model on a process of service-innovation through service-dominant logic. Some questions were added and some rewritten for the upcoming three semi-structured interviews where the model got validated. The whole process has been iterative in that way.

### 3.6 Research procedure

First a purpose and research questions of the study was chosen.

Then a literature review was made on the innovation field and around SMEs and tourism etc. This made it possible to comprehend different perspectives on innovation in the contexts relevant for the study. This literature review later became the second chapter of this study “Frame of Reference”.

Two unstructured interviews were held, one with a tour operator and one with a freelancing jungle guide. The author also took part of observation in the tour operation office of the first respondent and on a 4-day expedition with the guide prior to the interview. This to get a greater understanding of the context where they exist and what they found important. After the interviews were held transcriptions were written of the relatively long interviews (~1-1.5h) which created a lot of data.

Then more literature was covered to examine patterns and to find methods of innovation that could fit into the context.

An interview guide was created to examine the most interesting questions that arose from earlier interviews.

An interview with the third respondent was held, the interview did start unstructured to capture what the respondent found important to share. Then the interview turned into semi-structure where the interview guide that covered some methods for improving the innovation practice in different firms was discussed. The methods got validated by the respondent through the interview, but did not seem to be the most appropriate ones to use within their context.

More literature was fetched after analyzing and understanding the essence of the interviews. This iterative way of working led to an understanding of the importance of learning from customers. This because tour operators explained that they mainly use their customers to improve their service and therefore the author saw that this incorporated method could be improved. This led to the creation of a remade service-innovation model based on an earlier model. The model (6.1) was then printed out to hard copies.

Three more semi-structured interviews were held, the respondents showed interest in the new model and received hard copies that they could use in their operations. Soft copies of the model (6.1) were then mailed out to all the companies that participated in this study.
After the model was carried out the analysis continued through a two-man workshop. The empirical data were compared with the frame of reference to find similarities and differences. The idea of using a partner outside the project was to gain a second perspective and to avoid missing out on anything. The analysis was first made individually and then discussed between the analyzers and finally put on paper by the author.

3.7 Trustworthiness

Many qualitative researchers do not find the notions of reliability and validity important in their studies, these concepts are for measuring things thus aren’t important at all times to the qualitative studies where the purpose isn’t always measurable. Reliability can be seen as how replicable the study is, which makes it hard to use within a qualitative study. It is impossible to freeze a social environment to make qualitative interviews replicable at another time. Validity need a good conformity between the researchers’ observations and the theoretical ideas that is trying to be studied. This kind of validity could be a strength in qualitative research because a qualitative approach could be the best way to study some theoretical phenomena that is not measurable through a quantitative method. Researchers sometime use other methods than reliability and validity, they use the concept of trustworthiness. Trustworthiness can be separated into four different criteria. Credibility, transferability, dependability and confirmability (Bryman, 2014).

Credibility can be described as how the researched explains the social reality in the study. The methods used in the study should be according to the rules which intervene the methods. The people interviewed or observed in the study can also be used to validate the reality which the researcher is trying to present, this is often called a respondent validation.

Transferability can be measured in how well the study can be reproduced in another context. The researcher can raise the transferability by writing ‘thick descriptions’ to describe the context, these descriptions can then be used by the reader to assess if the results could be transferable to another environment.

Dependability is described to measure how as a complete and available exposition of all the phases in the research process. To explain problem formulation, choice of respondents, field notes, interview transcripts, decisions in the analysis etc. The dependability can be analyzed by going through all the data, but is usually a time-consuming process because of the big amounts of data that are gathered in qualitative research.

Confirmability which correspond to objectivity. Even though it is impossible to be absolute objective when researching the researcher’s duty to try to make sure to act in good faith. The researcher should not let personal values influence the conclusion of a study (Bryman, 2014).

The author has tried to keep a high trustworthiness of the study, the methods used has been selected carefully among many methods by Bryman (2014). The kind of respondent validation Bryman describes in his book of methodology has not been used, as it is described. Bryman (2014) explains that the researcher can check with the respondents after an interview has been made to make sure everything captured is correct, instead a validation from the respondents have been done to validate the newly produced service-innovation model. The interviews in this study have been recorded and carefully transcribed to not miss out on details but the language barrier could have been interfering with what was expressed. Bryman (2014) explains how qualitative researchers
sometimes write detailed descriptions on what has happened and where. It can to the reader sometimes seem like trivial details, but these details are important to the researcher because its needed to know in which context the subject of the study was acting, in this case the respondents. Things that might seem strange or irrational could be all normal when the context is understood (Bryman, 2014).

The empiric part of this study comes in two parts, and the author believes that a context is helpful to interpret the results. The people studied do come from a very different context than the researcher and many factors may play in on the results.

The author has tried to describe every phase of the study with rather ‘thick descriptions’ to aid the reader in understanding holistically. Recordings and transcriptions from the interviews are ready and available in case anyone would like to study this thesis closer. The author I also promising that he has been as objective as possible throughout the research, opinions and personal conversation has been saved up for after the interviews in all cases except the first interview as the respondent is a friend of the author.

Authenticity is another factor sometimes used in respect of trustworthiness. Bryman (2013) describes authenticity to base on consequences from a research-political perspective.

- Has the study given a fair image of opinions and perceptions from the persons studied?
- That it helps the participants to get a better perception on the social situation and the social environment they live in.
- That the participants have been given something that can be used to change their situation.
- Have the participants got better opportunities to take the necessary steps for improvements?

The study has been touching all four of these bullets in the pursue to fill the purpose of the study. The purpose is after all an attempt to help the participants to improve their innovation practices. Conversations and interviews held can have a much bigger effect on the participants than one normally thinks (Kvale, 1997).

Kvale (1997) describes the conventional perspective on conversation as an “oral exchange of feelings, observations, ideas and opinions” (translated from Swedish, pp. 25). The experience of getting interviewed could be enriching in qualitative interviews. If the interview is a conversation on a field that interests both parts. He puts it “It probably does not happen every day that another person under an hour or so shows interest to, and show sensitivity and, as far as possible, seek to understand your experiences and perceptions of a subject” (translated from Swedish, pp. 39).

The author has tried to be interactive, explanatory and illustrative to create an understanding around topics where knowledge differ between the interviewer and respondent. By being interactive instead of staying objective while interviewing and observing can be useful in the perspective of intervention but also in Kvale’s (1997) perspective on conversation described in the paragraph above. Midgley (2008) describes that observing also can be intervening if not keeping it to objective. While observing you can also engage yourself and seek to bring positive change, this is according to Midgley (2008) a choice the researcher need to make: to make research out of pure curiosity or in the sense of helping themselves and others by improving something. Researchers who make observations normally takes caution not to contaminate the situation they observe, because if the researcher affects the context he observes the data generated wouldn’t be ‘true’ (Midgley, 2008). Because of this the interviews started unstructured in a conversational way to later fall into a semi-structure. The unstructured to semi-structured interviews helped to gain an unbiased understanding
at first and could later be lead into an intervention where both semi-structured questions were asked and surroundings observed. The author could through engagement come with suggestions of improvements that were helpful for the firm being interviewed and observed.

This layout of action also made it comfortable and interesting for the respondent and helped to avoid getting asymmetry in power as a consequence that Kvale (1997) describes to be existing in a research interview:

There’s a focus on both the dynamic interaction created between the respondent and the interviewer, and a critic observance on what’s being said in research interviews. And there’s also often an asymmetry in power between the professional interviewer and a naïve respondent that might not even want to volunteer in answering questions. Put in contrast is everyday conversations which are mutual exchanges.
4 Empirical findings

This chapter presents empirical findings from the interviews, to help the reader get more of a holistic view over the context where the study was conducted. These findings about the tourism in Iquitos can aid the reader in understanding the conclusion of the analysis and discussion. The respondents are identified as A, B, C, D and so forth in this chapter, this to make it easier to focus on data and not names, the list of interviews is found in the appendices.

4.1 Tourism in Iquitos

This subchapter aims to give empirical data for the reader to get a glimpse of the context where the study was conducted. Background and relevant facts are presented to aid the reader construe a hermeneutical perspective.

4.1.1 Profiles of tour operators and freelancing jungle guides

Everyone interviewed have grown up in small villages in the jungle. Some of them close to Iquitos, but others were hundreds of miles downriver close to the border of Ecuador and Brazil. Most of their grandparents come from indigenous tribes, one of them has a grandparent from the Hibaru tribe (known for being headhunters). Their parents and grandparents brought them on expeditions to learn fishing, hunting, gathering, setting up camps and such while they still were very young (~5 years old). These activities were necessary to master in the jungle, to be able to contribute to the community and to raise a family. But notice that the respondents themselves did not grow up under tribe conditions, they all went to school in either small villages or in Iquitos. Nevertheless, the daily chores were still including gathering fruits, fishing, etc. When they grew up they all situated themselves in the city of Iquitos searching for jobs and education. In Iquitos, they all ended up studying and working to afford their studies and support their families.

4.1.2 How they got into tourism

For the people interviewed there was no shortcuts getting into jungle guiding for a tour operator. To get a job, one needed to have good experience of the jungle: know all the animals (including, birds, fish and insects) as well as plants and the properties of these; know where they can be found, if they’re edible, medicinal or toxic etc. One of the respondents from the interviews even mentioned that the skill to imitate and call on the animals were necessary in some firms. The requirement of these skills and knowledge are a reason to why most of the jungle guides are born and raised in a jungle environment and not in an urban environment.

Most of the persons interviewed had to do internships for tourism companies, to assist them and learn without getting paid. These internships could be going from many months up to a year. A process of learning better English and learning how to work in a lodge, how to deal with foreigners, and in some cases even the Latin names of the local species.
4.1.3 Tour operators and jungle guides

The micro-sized tour operators in Iquitos offers tour-packages for jungle expeditions. All expeditions are arranged from the same category of activities. Nature-based tourism based on ‘the everyday life’ of the communities and tribes that live in the jungle. What can differ is the pricing and the quality of service, activities, food, accommodation and obviously, the location of the lodging. Activities can be trekking or canoeing while learning about different plants and their medical properties, learning about animals and how to find them. Followed by fishing, swimming, camping, ‘jungle-surviving’ and visiting commercialized tribes to get a glimpse of their history and culture. The expeditions can also include visits to small villages and to animal rescue centers. The tour-operators arrange custom-tailored expeditions depending on the tourists needs and which freelancing jungle guide that is available.

The tour-operator is normally not dealing with the customers while they’re away on an expedition, that duty is given to the jungle guide. Both tour operators and guides describes the freelancing jungle guides as the weakest link in the value-chain, therefore the tour-operators try to work with guides they know well and trust. As A said:

“I take the old guides, they’re like me, they know the jungle very well.”, “the good guys know about the plants, about the birds, about the dolphins, about the lands, about the weather, about, about Iquitos!”.

If customers aren’t happy with their expedition they sometimes let others know by giving bad reviews at the different websites that the tour operator uses for marketing. The tour operators usually market themselves through their own websites, but also websites like: Booking.com, Expedia, Trip Advisor, Facebook and WhatsApp. And points out that marketing is very important to them. The tour operators are using many different tactics for marketing: the websites mentioned above, making contacts with travel agencies in different cities (both face-to-face and through emails), advertising special promotions for companies and groups, meta-tagging for better search results on google. Some of the tour operators have plans to open new tour operator offices in other cities, to expand and aid marketing.

4.1.4 Tourism in Iquitos, good or bad?

B, one of the tour guides, explained that freelancing doesn’t feel safe because the unsteady income. And that it is hard to raise certain questions to improve the situation because the tour guides don’t have any association or network to utilize. Even though, he enjoys his job for many reasons and that his family is giving him inspiration in his work as a tour guide. He wouldn’t like to quit his job as he finds it very rewarding working with foreigners.

“They bring different perspectives and knowledge, and that is one of the most interesting things with being a tour guide”.

He described that the tourism brings good things to the city and surroundings and that they are the people who puts food on his table. He explained that the tourists in the town must rely on what the
local people offers and thus they strengthen the economy. Examples from what he believes the society benefited from are; the ‘moto-taxis’, the restaurants, the airlines, the small shop keepers, the people who sells handicrafts, the farmers at the people in the markets, the hotels and the people who offers accommodation. He also appreciates that the tourists sometimes influenced the people they met by picking up rubbish and by the way they admire the surroundings (Francisco interview, 2016). Other respondents also agree with most of these things. Also, that tourism helps to create new protected areas and that the region can make a more sustainable future with increased tourism instead of increasing the logging and the oil extraction. One of the respondents mentioned that it is important that the tourists have good manners and that he got to know that some of them came to help the poor with painting their houses and other things. But he does also do believe that the tourism is a double-edged sword. He mentions that there are tourists with bad attitudes and that the people of Iquitos sometimes questions why tourists invade their city. He also mentions that the crime in the city is increasing with the tourism.

4.2 Interviews on research questions

This subchapter demonstrates empirical data relevant for answering this study’s research questions.

4.2.1 A from the first interview (Tour operator)

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

Does not seem to develop brand new tourism concepts, he goes with the activities he always has. He does put together custom-made tours as soon as a tourist has any special interests or is looking for any specific activities. The custom-made tours so far seem to be put together with well proven activities. But A explains that everything is possible in his tours, and that he tries to fulfill every request. One of his improvements have been buying new land and building a new lodge to improve his tours.

The new lodge is “more adventurous and we are closer to the river, you know closer to the nature, you can see monkeys, canoeing in the day and night. The first lodge made it hard to do all activities”.

A would also like to improve his business by getting an office in Lima the capital of Peru. This to be able to find customers and sell packages from Lima to Iquitos. Also, the other way around, to start guiding tourists in Lima. He would also like to buy a bus to include private transport to- and from airport. As well as expanding the lodge to fit more customers.

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

A always asks his customers prior to any expedition starts, what they want to do and see. If they would like to go camping one night or if they would like to go fishing for example. He then finds out which freelancing jungle guide that would fit the customers’ needs, if the tourists would like to
experience the Amazonian jungle at night he would find a suitable guide for night trekking and tell them:

“Take them to the spiders, tarantulas”.

He custom makes guided tours to make sure they can see and experience everything they wants.

“When some tourists come to Iquitos, I show them whole Iquitos, I show the jungle, I show the plants, I show them everything”,

“I promise them to see everything”.

The customers mean a lot to A, he replies emails and talks to people who are interested in his tours, he custom-makes packages. He lets his customers leave comments in a guestbook. When the customers return after a tour they get fresh drinks in the tour operator office as well as A checks with them if they had a pleasant experience. He also believes that it is important not to get bad comments in the book or on the internet as bad news spreads quicker than good ones.

4.2.2 B from the second interview (freelancing jungle guide)

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

B is working for different companies as a freelancing guide. When he gets a job (to guide a tour), he gets instructions of which tour he should make. He explained that all the companies he worked for were doing the similar expeditions every time, either a commercial expedition or a natural expedition. The two types of expeditions involve a different set of activities, his job is to do the activities in the right order depending on conditions due to for example, weather. He also has the power to custom-make the expeditions along the way depending on the feedback he got from the tourists. But the customization still comes within a defined area and he should report to the tour operator if major changes are to be done. He could with ease swap a meeting with a tribe for a day fishing piranhas, or look for medical plants instead of dolphins etc. Even take away a night trek in case the clients are tired or unwilling. He explained that the expeditions most of the time are very flexible in the itinerary.

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

B explained that it is very important as a guide to understand and feel the customers. Anytime during an expedition, may it be on the run or in the lodge. Problems can occur in the wild but also in the dining hall of the lodge. After the tourists leave the office of the tour operator they are in the hands of the guide. Therefore, it is the guides’ duty to please the tourists and make sure their own reputation as well as the tour operating company’s stays well.

B asks the tourists frequently how they feel and what they need and such. He becomes the host in the lodges and needs to make sure the clients feel comfortable and that they get food and shelter. He usually shares the table with his tour group and while dining he presents the activities that are
going to be played out the day after. He experienced that many people don’t like to follow itineraries, so while he presents the schedule he makes sure to get input from the clients and let them choose from a variety of activities to custom-make their tour. He believes it is important to understand and to let the customers be more than mere spectators, he likes when they participate. When the customers get what they want they become much better company.

“I love to play and talk to tourists, they all have different minds. It’s not only me teaching them things, I learn a lot from people of other countries”.

4.2.3 C from the third interview (Tour operator)

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

and

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

C from the third interview used to work as a freelancing guide as well as B described above 4.2.2. C said that all the companies he had been working for were following the same concept, expeditions including activities based on the everyday life in the jungle.

“Well, the activities they do have always been done. My grandmother used to do the same before I was born. Going canoeing in the morning with bird watching while setting fishing nets. And in the afternoon, she goes back to check nets and then go home. And the walking trek is because of harvesting fruits, like aguaje, the palm fruit. When I was five years old, I walked for 2-3 hours to harvest fruit and to eat Suri”.

C explained that the tour operators are all doing the same activities and charge a lot of money, he believes there is no place for the tourists on a budget and for the tourists that are tired of being treated as a tourist on a scheduled chartered tour.

“I figured that out, and that they want to be more free. I saw in the customers that they wanted to do other activities, and they need to know that there are like 40 activities instead of like 12. We got like 30-40 activities without exaggeration”.

The tourists who wants to do something unique or try activities that aren’t offered by the bigger tour operators look for the smaller tour operators which could be more flexible and carry out custom-made programs. But these smaller tour operators according to C could be promising things to the customers but in the end not manage to deliver, which could leave the tourist without any fun or success.

C started his own tour operation business after he got an inquiry to bring people from Texas, canoeing on the Amazon. He basically made up a quick plan and said “cool let’s do it, let’s do it!”. Ever since he has been looking for people to bring for canoeing. He explained that he likes to talk to tourists and ask them what they like to do.

“I ask to the customers if there is anything I need to improve, I ask what they suggest I can improve in my program, which is Amazon Canoe Adventure”. “When I work for big companies
I just adapted to what the company says. But now I do on my own, and I talk to my customers, and we come up with things together and it’s nice to be flexible. I adapt now to my customers, and try to help find what they want to do.

He uses his expertise together with the requests of a customer to make custom-made program, his itineraries are very flexible and he would let the customers change the whole schedule while the tour is on-going.

During his tours, they visit villages around the Amazon river, as mentioned the activities being played out depends on the customers but also on what is happening in the villages at that time. Everything from learning cooking, farming to building shacks out of palm leaves. He is spontaneous guy with many ideas, he even explained that he had come up with a new idea on the bus on the way to the interview. An idea to developing a new canoeing tour to villages where no other tours have gone. But to get this working he needed a video camera and a crew (for marketing purposes) to go and make new contacts further down the river.

He also came up with doing city tours because customers were looking for something to do even when they didn’t have a lot time. The concept of doing city tours was taken from the tour operators where he used to work earlier.

How do the tour operators respond to reliable methods that facilitates innovation?

C thought a living labs kind of approach could be great. But he believes that it would be very hard to bring in the indigenous people together with a tourist and a tour operator to discuss new concepts for tourism. The indigenous does not like to discuss business with foreigners, even the big oil companies don’t know how to deal with the indigenous. Even if you have paperwork and an indigenous interpreter it would be hard.

To copy other peoples’ activities from other countries did at first not appeal to C, as he wants to keep his tours rather unique. After a bit of thinking he thought it could be a good way to come up with new activities because he likes to try new things, but he would rather take inspiration of an idea and improve it and make it unique than just to copying it.

4.2.4 D, from the fourth interview (Tour operator)

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

and

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

D from the fourth interview, manager and administrator of the tour operator Amazon King explained that their newest offers are short trips on the river. People who does not have a lot of time can now still be able to go on a daytrip. In the four-hour daytrip one can choose from different rivers to visit as well as a visit to a butterfly farm, fishing piranhas, go swimming and visiting a lodge. Another improvement they’ve made is an expansion of the tribe-activities, now you can visit three
different tribes instead of the earlier two. D explains that they are improving their old activities rather than making brand new ones. But according to D the Amazon King is the only tour operator who has installed a ping-pong and pool-table in their lodge. This they did because they found out that the children and teenagers sometimes didn’t want to follow their family on a tour. Something to play with was requested and therefore they implemented games to play to keep the youth busy and satisfied.

The staff of Amazon King gets together for meetings where they eat and discuss requests and ideas they came up with or got from customers. It is usually the owner, manager and the guides that attends these meetings.

D explained that they were developing their services also by using customers’ input that they gather from the customers after they’ve been on an expedition.

"I ask, Señora, señorita, what did you think was missing. I want to improve my company. So, we find out and can make things better. We make it better piece by piece."

D points out that it is very important for them what the customers need. He wants to give them whatever they ask for, and he would like to make the company better for the future customers with better service.

In the future, they will work together with some companies they know in the US, England. They plan to grow their company to support more tourists. D explains that they plan to build more bungalows and that 2017 looks bright.

How do the tour operators respond to reliable methods that facilitates innovation?

The response to the service innovation model was quite good. D showed interest in how the model could help them to innovate. He also appreciated that he could keep the model for later use. He wanted to share contact information to be able to get more models if there would be any.

4.2.5 E, from the fifth interview (Tour operator)

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

and

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

Tour Guide, general staff and brother of the CEO of Amazonian Trips – Chullachaqui.

E explains that many tour guides have started to go online and that some customers nowadays are searching for guided tours on the different websites where the guides are marketing themselves.

"Like the site tourHQ, that is one of the sites I have. You can search for guides all over, you can go into this site and find Peru for example, and then find a place where you plan to travel to."
And then if you’re looking for a guide you can also search for the list of guides, they give you the rental guides. So, you can choose which guide that seems interesting for you, and then you can get in touch with and get information back and forth. Then you can decide to go with him, that is how I mean we’re working, people can search for us”.

The tour guides have an option to bring their own customers and rent the facilities of a tour operator. In that way, the guide can discuss and plan out a tour that suits the customers’ needs. When asked for an example of a new activity or package E said:

“For example, I had some clients who wanted me to include some ayahuasca ceremonies in their package, which I normally don’t offer in my tours. But they asked me if I could do ayahuasca ceremonies among their activities. And this is an example of a new package. The regular package doesn’t include this, but if someone requests this we will make it happen for them”.

Custom-made trips can also be made at Amazonian trips – Chullachaqui when a client looks for adventure. The company first offer their premade packages with regular activities in a planned itinerary. But the tour operators may get in a conversation with the customers prior a tour to discuss and custom-make a package or the itinerary may also be changed while the tour is being carried out. Fishing as a morning activity could be swapped to a whole day of fishing, or to a camping- and hunting trip for several days. E explains that they always try to adapt to what the customer needs and that an understanding is critical.

“We always try to learn, we get a lot of comments from the customers. What is good, what is not good and such. So [that] we can make it better for the next times”.

“Always we strive for high quality, and that’s why we talk to them [customers] every day and we are learning. Every day we learn new things and we improve”.

The customers many times comes with feedback, ideas and comments over what they believe would be good to for the company or guide to include in the packages.

Amazonian trips – Chullachaqui are also using guest books as a tool to find out what the customers experienced from their services, also to market themselves and give reference to new customers that doesn’t know what to expect.

E experienced questionnaires in other companies he used to work for. Where questions where carried out to the customers, these questions were usually based on parameters on the service of their company and facilities. The questionnaires were first given to the guides and then passed along to the managers of the tour operators. At the moment, the tour operator only asks the customers to leave comments in the guest book and also to go online at Trip Advisor to leave a comment there. But Cesar would like to see a questionnaire in Amazonian Trips, but with questions that helps them improve in other areas than the normal services.

“According to what kind of questions we have in the paper, is the answers we will get. Like this was like this, and that was like that. And then in the last we need to do, is to ask them to leave a comment, about what we need to improve and what you think we should remove in the future or what we should add in the future. That kind of things you know”.

Amazonian Trips – Chullachaqui also learns from their staff.

“The staff that work in the lodges learn from working in different places. I talk to the guides and ask them what we can do in the future”.
“Ask them to tell me what they feel and what they have seen. And I tell them it is important that they are honest, so that I can make things happen. I know I can make things happen, but sometimes when you have a small company you need to focus on one thing at a time to buy new things and make things happen. If you do 2-3 different things at one time sometimes nothing gets done in the end.”

How do the tour operators respond to reliable methods that facilitates innovation?

E believes the service-innovation model could be used in his company. He points out that not every one of the customers might be interested in gathering information and ideas to help, but he is sure that there will be customers willing to help.

E finds it very important in general for tour operators to improve. He explains that Amazonian Trips – Chullachaqui also could improve a lot. As he showed interest in the model he also showed interest in sharing other ideas and inspiration too.

That’s good, that’s good. Give me some good inspiration, give me some good ideas.

4.2.6 F, from the sixth interview (Tour operator)

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

and

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

F, CEO and manager of Ecological Adventure explains that his tour operator company has changed over time, due to the changing interests of the customers. Nowadays customers may already know what they want to do when they come to Iquitos. Which leads to new activities and flexible itineraries. F mentions that he believes it is important to be different from the other companies and that you need to be experienced with what you do. When you plan to make a tour with Ecological Adventure there doesn’t need to be an itinerary at all, it is all up to the customer. Javier wants to do what the customer wants to do.

A 20-day rafting tour is a new add-on to F’s tour operations. The company’s vision of going more ecological lead to activities which wouldn’t harm the environment, hence he wanted to have an alternative to the petrol driven motorboats. Also, F wanted to do something they always done in the area. He explained that his great grandfather, grandfather and father lived in villages where they made a living by bringing fruits, vegetables and other goods downriver to Iquitos using rafts. F wanted to do as his father, and kept the idea of rafting and camping as an expedition. After two years, a tourist was looking for rafting.

“...he had been to the bigger company looking for building a raft, but they told him that I used to build rafts and had this new activity, a new offer. So, he called me and said, Hey F, I have a tourist, how much you want him to pay?”
He has now done several successful tours with the use of rafts and he wishes that his company can deliver even better service in the future when he plans to get a bus and a new aluminum boat. F tries to learn from his customer using a guest book where the tourist can leave comments after an expedition.

“I have two books where the people write about their feeling and they explain here what they thought about the service, and what they think I can do...”

How do the tour operators respond to reliable methods that facilitates innovation?

F thinks the idea of using processes and models for innovation is good, he likes the service innovation model. He explains that the government sometimes comes to discuss his business. They tell him that he could make more money from tourists if he gives better service and thinks more about safety.

“Of course, all of this is important, but that is just ideas but without solutions. I know it is better with a process similar to this (holds up the service innovation model).“
5 Analysis and discussion

This chapter presents an analysis and a discussion using the frame of reference to analyze and discuss the empirical findings in order to answer the research questions of the study. The respondents are identified as A, B, C, D and so forth in this chapter, this to make it easier to focus on the analysis and not names. The list of interviews is found in the appendices.

5.1 Innovation defined in the tour operators’ context

Services have some characteristics that have been central in earlier research. They are intangible, inseparable, interactivity (production and consumption interact closely) and the intellectual properties can easily be used by others (Gomezelj, 2016). To guide, transport or teach someone is undoubtedly a service, the production and consumption is inseparable and simultaneous. All the firms studied are working with services, and they are all sharing the same basic range of services.

The interpretation of Schumpeter’s list of different types of innovation explains the introduction of a new or improved good, service, market or process as innovation (Burns, 2010). The tour operators all do something to keep improving their service. Some firms buy new land and builds new lodges at strategic locations, while others establish contacts at strategic locations to improve their tours and to add new activities. The newly added activities are mostly based on previous activities, and could therefore more fairly be seen as improvements rather than brand new activities. An example is that all the firms in the study normally do tours to two commercialized tribes, but one of the companies now offers a third tribe to visit and they also recently introduced half-day trips down the river, all these could be improvements of service and vaguely also as an introduction of a new process. One of the firms do differ in the way they introduced a unique service for tourists, that being a rafting expedition which could be seen as a brand-new activity.

Burns (2010) himself believes innovation can be many things, like changing the material in an existing product for the better or finding better ways to market existing products and services or finding better ways to distribute products and services. The tour operators are constantly trying new ways to market themselves, for example: social medias, websites, travel agencies, collaborations, and direct offerings to companies with promotional packages, they’re making contacts in different cities and even other countries for marketing purposes. A few also have dreams of opening offices in other cities for new tours and to be able to send tourists in-between the tour operators. It seems like all of the companies are working with some kind of innovation, even though it could most of the times be seen as incremental innovation rather than radical. Low-cost incremental innovations around customer service or marketing are common in small firms, the lack of resources for R&D makes it harder for smaller firms to develop radical innovations (Burns, 2010 and Rønningen, 2010). This seems to be the actual case as all the firms examined are micro-sized firms. They are trying different approaches to market themselves as mentioned above as well as they try to improve customer service in several ways. Burns (2010) also describes smaller firms as having the benefits of being quicker than big firms in jumping onto trends or adapting to changing circumstances on the market, this because they usually don’t have an inflexible bureaucracy and hierarchy unlikely large firms. As soon a small firm wants to try offering something new they can start market it directly on the phone (and through other mediums). Respondent A for example explained that he was putting together new packages and making promotions through different mediums as soon as his business
needed more customers. C also explained that he could start marketing a new rafting activity on his website without much second thought.

5.2 Methods to facilitate innovation

Service innovations can easily be copied by others, but the quality is often based on personal skills and experience together with good customer integration (Gomezelj, 2016). If the activities are being copied among the firms are hard to tell because they are described to come from the same origin, from the everyday chores of a life in the jungle. To keep high quality and to give the customers what they want, the tour operators try to keep the customer integration high from the moment they meet so that the customer can influence how the finished product will played out. The firms also try to get skillful guides that have a lot of experience to ensure high quality and customer satisfaction.

Tidd and Bessant (2013) together with Burns (2010) describes that seeing connections, spotting opportunities and taking advantage of them makes innovation happen. Basically, to take advantage of new technology, materials, knowledge and the needs expressed from people. All the tour operators are flexible in their work and customizes their packages to suit the clients’ needs. Their improvements are mostly based on needs from customers. The tour operators negotiate with clients as the tour is being planned and the tour operators also follow up to get feedback from both client and guide after the tour is finished. The tour operators also make use of guestbooks where the clients can put down their thoughts after they’ve been on a tour. The tour operators could probably be more successful in innovating if they involved some more R&D rather than only listening to expressed needs.

Rønningen (2010) describes that innovation systems are a popular topic in the research on innovation, how clusters of firms collaborate with universities and other institutes. He also describes the problematics around innovation capacity in small firms. According to Rønningen (2010), Gomezelj (2016), Burns (2010) and Tu et. al (2014) can smaller firms increase their limited innovative capacity through collaboration or open innovation instead of only rely on internal R&D within the firms. Tu et. al (2014) believes that it is more important now than ever because of the rapid scientific and technological development and that the marketplace is getting globalized. Tu et. al (2014) and Reinl and Kellihner (2015) suggests that micro-firms should engage in learning networks together with more than just different universities and institutes, but also with their suppliers, consumers and competitors. The tour operators interviewed does not use any specific networks to help each other with knowledge, as mentioned in previous paragraph: they mostly rely on the needs expressed by their customers. In contrast, Francisco the freelancing jungle guide explained that he is often talking to other guides when he bumps into them, they share experience, inspiration and good ideas. He would like to see a formal network for guides coming into existence, it could benefit both guides and tour operators. He wanted to point out that a network could also help the guides to unite in mutual questions like salary and working environment. Having freelancing guides working for different firms can be helpful to acquire knowledge as Burns (2010) describes knowledge to be transferred between firms unconsciously while changing workforce.

Tidd and Bessant (2013) points out the importance of working in a creative atmosphere with a diverse team and have full commitment from the senior executives if one wants to successfully test and develop new concepts. Also, that skills like communication, working under pressure and improvisation are important during the innovation process. B, C and D were explaining that the
guides must be able to improvise and communicate well with the tour operation. And they explained how the guides can change the expedition and improvise new activities in case the weather makes the expedition hard or unpleasant or if the clients come up with ideas or would like to change the itinerary. D also makes sure they have frequent meetings with the staff of the company together with freelancing guides to discuss new ideas or what they have seen or heard. D does not involve the lead users in these meetings, which Tidd and Bessant (2013) are recommending innovators to do. To internally gather a diverse team could be hard because the firms examined are micro-sized firms with only a few in staff.

A project portfolio can be necessary when having many ideas of projects. Its purpose is to make sure a firm is prioritizing projects in a feasible way. Small companies can have problems to run several projects at once due to a lack of resources (includes manpower). Especially with innovative projects as new innovative products usually takes time to get adopted by people and the planned period of marketing might need to get extended which result in more costs for the company (Tidd & Bessant, 2013). E of Amazonian Trips – Chullachaqui is taking on projects one by one as he knows that taking on too many ideas at once might end up with that nothing gets done. The other firms had many ideas or dreams, but they didn’t seem to have any plan on how to start exploring these. Among these ideas were: buying new boats, mini-buses, investing in more rooms to fit more customers in the lodge, starting collaborations with both local and foreign companies, developing new itineraries for canoeing expeditions and opening new offices and tour operations in other locations. The firms explained that some of these ideas would help them make money but that the investments could be high: with a project portfolio, these ideas could be evaluated and risk assessed. Which could lead to better planning and that the best ideas could be focused on.

Some methods mentioned in the frame of reference for example, the stage-gate model and the use of diverse teams are problematic in the context of SMEs due to a lack of resources (including manpower).

5.3 The role of the customer

Tether (2002) explains that the customers’ involvement has been playing a vital role in improving service innovation in tourism as well as other branches. Kristensson, Gustafsson and Witell (2014) & Eriksson et al. (2005) describes that most of the customer involvement in innovation is being played out in the field testing stage but not in the rest of the innovation process. If the potential customers aren’t involved from the beginning there is a chance the innovators bring forth a product which isn’t requested and doesn’t fulfil the user-needs. Therefore, the customers shouldn’t just be ‘ginny pigs’ testing new products, they should instead be understood and brought a solution covering their needs. Tu et. al (2014) describes customers to often be co-creators of the service itself as most of the services needs a recipient as they’re often done through direct-contact. This also makes the customer able to give direct feedback on how to improve the products and service. This way customers can help service companies to realize the expectations from future customers. Research has also shown that enhancing existing offerings and bringing up new services can lead to significant advantages (Tu, et al., 2014). The services provided by the tour operators are modified by the requests of customers, the customers are being provided with information of respective package as well as they let them read from their guestbooks. Then they ask what the customers would like to see and do, from this information the tour operator together with the customer chooses a package or customizes one to fulfill the request of the customer. As the tour is going on the guide will be
getting direct feedback. Some of the tour operators explained that this feedback is later getting shared by the guide to the staff in the tour operation office. Most of the firms also grabs the customers after the expedition is over to let them express their experience in the guestbooks, in comment fields on the websites (where the tour operator is marketing) as well as verbally to the staff in the office. This cumulative feedback helps the tour operators understand what future customers might expect from the firm, hence the firms can get ideas on what to focus on when offering new or improved services.

5.4 Service-dominant logic in the context

A service-dominant logic is a mindset where one focuses on the value a product or service provides the user instead of the traditional logic which is goods-dominant which focuses on the products and their features. This service-dominant logic mindset can help firms to innovate new solutions that better fulfill the customer`s value creating process (Kristensson et al., 2014; Swerea IVF, 2015). The tour operators seem to be working after a goods-dominant logic even though they are working relatively close to their customers and really tries to offer what they need. It took a while for the tour operators to grasp the perspective of a customer making value for themselves with the help of products (services, etc.). Kristensson et al. (2014) describes that one of the vital parts of a service-dominant logic is the fact that the customer knows best where they create value for themselves. And the employees of a firm won`t be able to put themselves in the same context as the customers. Which could be particularly true in the tour operators` context because they work with customers from different cultures, different careers and different ages. Kristensson et al. (2014) describes the human memory as rather weak in remembering details, and therefore valuable information can be fetched by having the customer taking notes often when feelings or ideas arise in the context where the innovation is meant to be used. The tour operators are relying on information based on memories rather than trying to catch it when it emerges in a situation. This is an area they could improve to get a more holistic knowledge about their customers.

After a few interviews, the author believed a service-dominant logic could be useful for the tour operators, as they prefer to work close to their customers while searching for possible improvements for the firms. Also, because the firms work with the help of guides whom through interaction deliver the service to the customers. This led to the creation of the service innovation model (6.1), the model is an interpretation and simplification of Kristensson, Gustafsson and Witell`s (2014) model. The interpretation and simplification were made to fit the context of the tour operators.

5.5 The tour operators` response to proven methods of innovation

Earlier research has shown that firms with structured development processes gets more profitable and more pleased customers (Kristensson, Gustafsson & Witell, 2014). The tour operators did all believe in innovation and that they must keep improving. But only a few had processes that they followed. They all worked with guest books and discussing with customers, but these processes could be improved to facilitate the whole process of innovation.

The tour operators were showing positive response when discussing push & pull innovation, living labs, imitating or copying and the authors interpretation of the service-innovation model. But the
tour operators also noticed that it could be problematic to get some stakeholders to be a part of Living labs or the service innovation model, for example: C thought a living labs approach in his search for new opportunities for innovation could work out, but to gather tourists, guides, academics and people from indigenous tribes under the same roof could be hard, especially to bring in the indigenous. He explained that they avoid mixing with people outside the tribe and are skeptical to any foreigners. The service innovation model also made the tour operators realize that of becoming successful with the approach would require them to be smooth and accept that not all the clients are willing to participate. This also Tether (2002) points, when he describes that the firms need to understand and be able to identify which customers that are interested and could be helpful in being a co-creator for the firm’s future interests.
6 Conclusion

This chapter presents how the tour operators develop new concepts for tourism, which methods that are being used to foster innovation, how they’re trying to understand their customers’ needs and their response to methods that have proven to facilitate innovation. This chapter also answers to the purpose of the study: to describe how the tour operators in Iquitos in Peru works when developing new or improved concepts. This study also tries to find ways to contribute with different methods for innovation that fits into the context of the tour operators in Iquitos.

How do the tour operators in Iquitos in Peru work towards innovative solutions today, are certain methods being used?

and

Do the tour operators in Iquitos in Peru try to understand the needs of the customers? In that case, how and why?

It is found that the micro-sized tour operators examined in the study are sharing the same basic range of services. The firms were all using a similar concept, nature-based tourism activities. Only a few activities were unique within this sample of firms, these unique activities were also part of the nature-based tourism activities.

Most of the firms were not striving to develop brand new concepts at all, but rather aimed to improve the existing structure of the firm.

They use several ways to gather information and gain knowledge to find possibilities to innovate. The need-pull from customers seem to be the most common method used. The knowledge is acquired through communicating with customers while arranging a service, but also after the service been used to get feedback. Another way they try to gain knowledge is by asking their customers to write feedback in the firms’ guestbooks and on their websites.

All the firms are working with freelancing guides. A method that could facilitate knowledge transfer between firms within the branch. This knowledge could be especially useful as the guides are exposed to direct feedback from the customers.

That the micro-firms involved in the study didn’t use some of the methods described in the frame of reference isn’t that surprising. This because a stage-gate model or the use of diverse teams requires more employees to make sense and work successfully. For example, a diverse team is hard to gather when a firm only holds around five employees.

How do the tour operators respond to reliable methods that facilitates innovation?

The tour operators gave positive response to using new methods, and could see the different uses and benefits of these but also the difficulties in using some of them within their context.

Because some difficulties were perceived on the methods demonstrated, a new method was made (6.1). The service-innovation model that was created came from an iterative process. Observations and interview analyses took the author closer and closer to an understanding of how the tour
operators felt confident working. Many methods to improve the innovation practices would require radical changes in the way the tour operators work and therefore they weren’t relevant to try to implement.

This new interpretation of an earlier proven model felt natural for the tour operators to use as a method to improve their practices. This because the tour operators normally answer to requests from customers and tries to improve by answering to these requests. The new model lets the tour operators continue working with customer based knowledge but also lets them get more information and an alternative way to analyze the data. This new model can be integrated as an addon to the innovative practices already used in any of the tour operators. The author also believes the model gives rise to a new mindset even if not implemented as intended, the mindset of service-dominant logic.

The model has been verified by the respondents and given to all tour-operators involved in the study for them to use.
6.1 Service-innovation model

A model over a developing process of service-innovations

FOCUS

UNDERSTAND
Customer’s value-creation

Build
To ease customers value-creation
FOCUS

The first step is to prioritize what value-creating process the company should focus on. With limited resources one cannot do everything. Should they make something more efficient for customers? Make it easier for customers to learn? Or maybe create new experiences for the customers to enjoy? A defined focus makes it easier to involve customers equipped the right resources, to make them share information or even concrete solutions for good value-creating processes.
The second step is to understand the customer. In this step the developer’s duty is to help the customers to communicate what really creates value for them. Not by memory based methods like interviews and surveys. But to make them able to share what is happening in their context in a situation of value-creation.

*Service-innovation is about discovering what the customer experiences as value creating and to improve that value-creation process.*

It is hard to make a service that fits the value-creating process of the customer that also bring profits for the company in the long-term.

Learn as much as possible from the customers, even let them come with concrete proposals of solutions that they believe would assist them in their value-creating processes.

Start experimenting the different solutions you find with the employees.
The third step is to reflect over the solution chosen. Is it realistic? Can it be implemented easily? Does the staff of our company have the skills to provide this service?

Make it into a functioning concept. If it is a new activity, try to integrate it in the normal expeditions, or create an expedition with a new theme? If it is a rental service or new products for sale, then you might even try include it as an improving add-on in your normal services.

Test your new service on real customers, but be sure to let them know that it is still under development. This makes it easier for you to improve and make sure the new service is a good one before you start marketing.

When the solution is working, you should try standardize it, “put it into a box” to make sure it gets delivered with the same high quality every time. The marketing differs depending on what the new service is: a new package? A new day-tour? Rental service? Cooking lessons? Informative guide-books?
As I have been in Iquitos developing this guide, I have had time to figure out some of my own value-creating processes. This by writing notes, recording on my phone and taking photos of things that have either made me happy or irritated. Also, things that has helped me to create value for myself as well as things that has been obstructing my value creation.

I also want to share some concrete proposals of solutions that would aid my stay in Iquitos.

I would like to have a guide book about the fruits of the region, how to use them (to eat fresh or cooked, for making juices etc.). A guide book with information about the regional products found on the markets (Mercado Belén).

I would also like to see Iquitos and the jungle with its serpentine rivers from above, a rental drone could give views and photos.

Day-tours based on art. (I asked a moto-taxi to drive me around to see street art ‘Graffiti’) I really enjoyed, and I do believe this could be a good day-tour, if the guide knows where to go and is familiar with the artists and such.

A day-tour to learn more about the history of Iquitos.

Workshops on making handicrafts and cooking local foods.
7 Recommendations

This chapter presents recommendations for future research that could be interesting within the field of this study.

Research performed by persons that have a deeper understanding of the context can possibly give better answers and create a model that suit the tour operators even better. Improved research can possibly also be made through an ethnographical approach where the researcher spends more time within the context to grasp even more knowledge.

It would also be interesting to see the results of this study after some time, to visit the firms that participated in the study and find out if the new model has been implemented successfully. Name of respondents and firms can be found as an exhibit in the appendices chapter.

Future research could also include discussing another range of methods that could improve the innovation practices of the firms. A continues study could also be made with different tour operators in the region and/or with different firm sizes, as this study addresses micro-firms.
References


Vargo, S. L., Lusch, R. F. 2006. From goods to service(s): Divergences and convergences of logics. Industrial marketing management, 37. 254-259

Figures

Figure 1:

Figure 2:

Figure 3:
Kristensson, P., Gustafsson, A., & Witell, L. (2014). *Tjänsteinnovation*. (pp. 90) Lund; Studentlitteratur

Appendices

Exhibit 1 – List of interviews

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-owner of tour operator, former freelancing jungle guide</td>
<td>Fictitious name: Pancho</td>
<td>2016-11-22 13.30</td>
<td>Iquitos</td>
</tr>
<tr>
<td>Freelancing jungle guide</td>
<td>Fictitious name: Francisco</td>
<td>2016-11-29 16.00</td>
<td>Iquitos</td>
</tr>
<tr>
<td>Self-employed entrepreneur, former freelancing jungle guide</td>
<td>Miguel Angel Brandon Gomez</td>
<td>2016-12-03 10.30</td>
<td>Iquitos</td>
</tr>
<tr>
<td>Manager and administration of Amazon King</td>
<td>Edgardo Daril Alvan Mozombite</td>
<td>2016-12-12 20.00</td>
<td>Iquitos</td>
</tr>
<tr>
<td>Tour Guide, staff and brother of the CEO of Amazonian Trips - Chullachaqui</td>
<td>Cesar Peña</td>
<td>2016-12-13 14.40</td>
<td>Iquitos</td>
</tr>
<tr>
<td>CEO and manager of Ecological Adventure</td>
<td>Javier Paima Shahuano</td>
<td>2016-12-15 12.00</td>
<td>Iquitos</td>
</tr>
</tbody>
</table>