An Examination of the Importance of Hotel Innovation on Guest Loyalty in Cape Town, South Africa

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Abstract: Guest loyalty is important for hotel brand, image and differentiation but the understanding of the real motive for guest loyalty is conflated by hotel innovation and loyalty decisions. Although other service components may be important determinants of guest loyalty, the importance of hotel innovation is examined to improve understanding of dimensions of loyalty decisions that drives innovation in hotel services and strategies. Previous studies provided limited evidence on the relationship between innovation and loyalty despite increased guest appetite for innovative services and the adoption of innovation in hotels. This paper examined evidence of loyalty decisions to understand the importance of hotel innovation as a strategic option to meet and exceed increased guest appetite for innovation induced loyalty. To achieve this objective, a quantitative study design was undertaken, using a systematic random sampling to administer a semi-structure questionnaire to approximately 242 respondents staying in graded hotels. The data were analysed sing descriptive and inferential statistics. The study found that innovations are important to guest loyalty decisions with technological and human-oriented innovations having greater importance amongst mediating variables. This paper concludes that innovation can be used as a strategy to improve service quality to support and promote brand image differentiation.

Keywords: Loyalty programs; hotel industry; innovation dimensions; incremental and radical innovations

JEL Classification: M31; Z32; Z33

1. Introduction

For decades, hotel innovation is believed to be a vital strategic approach for building strong hotel brands (Zhang et al., 2018), responding to severe competition, improving accessibility of offerings and renewing hotel attractiveness (Titomir & Danylova, 2018) and achieving guest loyalty (Victorino &Verma, 2005). While such innovative hotel offerings may add value to guest experiences, innovation

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importance on patronage and loyalty decisions remains unknown. The limited knowledge on the importance of innovation for leisure, business and other travellers visiting hotels with high service expectations remains topical. With the increase in tourism activities, and the evolution in technology-enabled hospitality services, such has been the increase in research in hospitality innovation focused on firms' strategic use of innovative services to attract, inform and stimulate loyalty decision (Sundbo, 1997, pp. 432-455). The innovation strategy determines experiences important to patron (Ottenbacher & Gnoth, 2005, pp. 205-222). Although other factors such as service quality and referral are important, the use of innovation as a strategy to stimulate patronage and loyalty decision remains an aspect of forward-looking strategy in the hotel industry (Ottenbacher, Gnoth & Jones, 2006, pp. 344-363) to create superior value and gain competitive advantage. In recent studies by Martı́nez-Ros and Orfila-Sintes (2009, p. 632) suggest that business vison focused on technological innovations are market-driven strategies aimed at trend-setting and aligns guest behaviour, value and lifestyle important to patronage and loyalty decision. Also, Perera (2014, pp. 241-264) addressed hotel innovations toward creating an online presence with the look and feel features that resonate with guest value and lifestyle – to attract, inform, demand their attention. Sandvik, Duhan and Sandvik (2014, pp. 165-185) explored the correlation between hotel innovativeness and patronage, profitability and found a strong correlation where increase innovation led to a corresponding increase in patronage, profit and loyalty.

2. Literature Review

Numerous studies on innovation, hotel innovation approaches, and hotel offerings seek to understand guest loyalty decisions. Some studies found both service-quality and patronage-innovation as strategies impacting on loyalty decisions in the hospitality industry at large. Hence the importance of hotel innovation dimensions: hotel ambience (design), Wi-Fi around hotel facilities, business centres, innovative loyalty programs associated permitting flexible checking times, and staff innovativeness (human resources), capabilities to excite, and deliver unique guest experiences needs to be contextualised as a strategy for achieving guest loyalty and hotel success.

2.1. Innovation in Hospitality Services

The earlier view by Schumpeter (1934) postulates different approaches through which businesses can innovate by continuous integration of new products or services and structural flexibility. Theories on service innovation ascribe to salient strategic approaches to innovation in tangible products and research gaps still exist related to hotel innovation (Carlborg et al., 2014). Hotel innovations are new competitive ideas implemented in a systematic process (Hall & Williams, 2008, p. 55) aimed at

improving current offerings and providing unique guest experiences (Ottenbacher & Gnoth, 2005, p. 206). On the other hand, contemporary authors such as Zbigniew (2015) identified innovation benefitting hotel operational efficiency and productivity (Sanchez, Garcia & Mendoza, 2015). Whilst Souto (2015) argued that such efficiencies leverage hotel capabilities on staff innovativeness and management's ability in problem solving when complaints (Smiljana & Daniela, 2012, p. 338). Thus, innovation strategy brings adaptation to guest needs and expectations (Sanjeev & Jauhari, 2012), whilst keeping pace with technological requirements (Dı́az-Chao, Miralbell-Izard & Torrent-Sellens, 2016).

2.2. Incremental and Radical Hotel Innovations

Various authors have put forward different arguments about innovative approaches for hospitality at large. Kim, Kumar & Kumar (2012) argue that innovation in hotels can be incremental or radical whilst Sundbo, Sorensen and Fuglsang (2013) suggested that innovation in hotels is often incremental rather than radical. To obtain clarity, Norman and Verganti (2012, p. 5) argued that incremental innovation involves improvements on current offerings, whilst radical innovation involves changing the offerings resulting in discontinuity of past offerings. Such discontinuity give rise to new competitive advantage (Souto, 2015). In order to understand hotel innovation approaches and as applied, different authors drew an inference in the context of the hospitality offerings. Yilmaz and Bititc (2006, p. 378) argue that hospitality offerings resemble attributes of physical and intangibles in terms of skills, behaviours (Jen-Son, Yong, Peter & Chia-Wei, 2017). Reuland, Coudrey and Fagel (1985), as cited in Debasish & Dey (2015, p. 2) emphasised employee abilities during execution standardised of service journeys and hotel looks and feel, art and state-of-art floor layout. Furthermore, Weiermair (2006) cited in Carvalho & Costa (2011, p. 25) argued that hotel offerings are measured most dominantly by experiences as guest consumes during service delivery.

2.3. Guest Loyalty in the Hotel Industry

Achieving guest loyalty has become the primary goal for most hospitality businesses if they are to maintain sustainable occupancy levels. Loyal guests are believed to be influential to decision making of other travellers (Nejad et al., 2014, p. 187). The contributing factors to guest loyalty are unclear (Lalicic & Weismayer, 2018). Contemporary studies by Crnogaj et al., (2014) established that modern guests' lifestyles and travelling behaviours generally demands innovative offerings if hotels are to satisfy, exceed the higher expectations. Thus studies have shown that loyalty programs are designed to focus exclusively to a particular target group who have a sense of social status and expectation to receive special attention for the duration of hotel stay (Drèze & Nunes, 2009, p. 890).

2.4. Dimensions of Hotel Innovation (Variables)

The examination focused on importance of four major hotel innovation dimensions: hotel physical design, technological, marketing, and human resources innovations (Hjalager, 2010; Ottenbacher & Gnoth, 2005). Hotel design has become a key strategic investment focus for boutique and luxury hotels. Unique décor and ambience (exterior and interior) turned hotels to be different tourism destinations with potential to attract and increasing repeat patronage (Reiwoldt, 2006, pp. 11-12), differentiation and customised guest experiences (Cheng & Liu, 2016) building brand image and guest brand association (Hall & Williams, 2008). The innovative technologies have revolutionised hotels as destinations (Nejad & Bilgihan, 2015) and modern travellers depend on smartphones and computers for social and business communication. Deependra (2016, pp. 469- 478) argued that these communication methods require efficient data and hence, so does the importance of offering guests well-functioning modern computer technologies (Dzhandzhugazova et al., 2016). Previous studies argued that marketing innovations are aimed at attracting potential guests, increasing awareness of hotel offerings (Titomir & Danylova, 2018), and sustaining long-term relationship. Wikhamn et al., (2018) argued that structural and operational flexibility influence hotel's ability to implement marketing innovations such as flexible checking times. Such flexibility has gained popularity as a strategy gain loyalty from mainly business travellers with specific scheduled flight and travel bookings. Hence, this study clarifies the uncertainty on loyalty programs and flexible checking times (Lal and Bell, 2003), cited in Danna (2008, p. 169).

Over a decade ago, Ottenbacher and Goth (2005) has put forward staff as an important component of hotel service delivery, hence described staff as business's "human capital". Similar sentiments were recently echoed by Kim, Park and Jee (2012) that staff are crucially responsible for serving various "artistic hotel services hotel and creating guest experiences. Therefore, staff wellbeing may not be neglected as the innovativeness of staff depends on motivational factors such as pay, work hours, workloads, role stress levels, and work schedules (Karatepe & Karadas, 2012). One can argue that competent staff eliminates guest dissatisfaction associated with sluggish service and incorrect order processing. In fact, Chiang-Ming Chen & Yu-Chen Lin (2012, p. 1332) established a direct relationship between what is perceived as bad or excellent hotel experience and sales volume. Irrespective of luxurious hotel design and ambience, the success of a service is mainly hinged on staff abilities and poor service deters guest retention and loyalty. This paper focused on importance of innovative staff and management participation during service delivery on guest loyalty.

Thus, as articulated from literature discussion above, this study examined the following research questions which are unclear:

(1) how important are hotel innovations on guest patronage and loyalty decisions?

(2) to what extent are hotel innovations important to guest patronage and loyalty decisions?

(3) which hotel innovations are more important to guest patronage and loyalty decisions for on leisure, business, and other purposes?

3. Methodology and Design

An explanatory research was undertaken with primary data obtained guided by a quantitative survey approach using a self-administered questionnaire (Song et al., 2015, p. 325). The questionnaire was designed with consideration of previous related studies undertaken and constituted Five-Likert (1932) closed-ended type of questions (ticking a box) and few questions which required respondents to write their opinions in more than one-word answers. A systematic random sampling was followed to the administered questionnaire to approximately 250 respondents from an infinite population (Kumar, 2005, pp. 180-183). A systematic approach was followed after obtaining the first respondent at random. The data was collected at Kirstenbosch Gardens with every third guest passing the entrance gate subjected to screening questions to establish the relevancy of the responses (Veal & Darcy, 2014, p. 282), increasing response rate and whilst eliminating interviewer variability.

3.1. Data Analysis

The quantitative methods of analysing data from closed-ended and textual open-ended questions were followed. Data was loaded on Microsoft Excel and subjected to descriptive analysis using a statistical software (SPSS version 23). To establish relationships, inferential statistics were applied with Pearson (1916) and Fisher's (1922) Chi-Square Tests (χ^2) the significance (nominal data) of individual innovation variable. The χ^2 was compatible analytical model for data obtained using systematic random sampling procedures, with independent, mutually exclusive categorical data (Fisher, 1922). The Binary Logistic Regression Analysis (LRA) logistic regression predicted outcomes of continuous categorical based on predictor variables (Sandro, 2014; Hosmer & Lemeshow, 1989). Thus, guest loyalty measured by likelihood of repeat patronage (Yes or No responses) could enable establishing the importance of combined innovations. Therefore, based on the statistical models applied, χ^2 and/or Logistic p-value lower than 0.05 presents innovation variable with statistical significance on guest loyalty. Quantitative content analysis of textual open-ended responses (Züll, 2016, p. 1; Çakır & Cengiz, 2016) and was adopted as stipulated by Miles, Huberman & Saldana (2014, pp. 107-119). The frequency of each clustered was done to obtain ideas and draw inference on the importance of each innovation dimension on guest loyalty.

4. Results and Discussion

Results representation and discussion below draws on empirical data collected through systematic selection of sample demographics mainly guest of participating hotels. Demographic are divided into gender dimensions to enhance understanding of innovation enabled loyalty decision. Demographical data analysis has shown major gender-based differences in guest loyalty levels of likelihood for repeat patronage. Guest loyalty by gender shows that 85 of 112 males and 100 of 127 female respondents swayed towards returning to the same innovative hotel. Such gender differences are consistent with Fischer et al. (2004, p. 87) who established varying value perceptions and preferences between males and females.

4.1. Analysis of the Importance of individual Innovations

Table 1 below presents the results of the importance (important, neutral and unimportant) and significance of the individual innovation variables under study. Noticeably, business centres with advanced technological facilities and staff friendliness are significantly important to guest loyalty decisions (χ^2 p-value=0.001) and (χ^2 p-value = 0.04, respectively).

Table 1. Innovation variables, descriptive and Chi- Square results (N=237)

Innovation importance		Response parameter (Totals)				Chi -Square (χ^2)		
Q#	Variables	Important	Neutral	Unimportant	Total (n)	Value	df	Significance (2-sided)
04.1	Hotel physical design	25	94	117	236	3.319a	2	.19
04.2	Staff calling guest by name	21	72	144	237	10.079a	2	.04
04.3	Loyalty innovative programs	21	95	120	236	5.627a	2	.06
04.4	Free Wi-Fi access around hotel facilities	26	45	166	237	1.989a	2	.37
04.5	Direct management participation	43	103	91	237	4.566a	2	.10
04.6	Business centres	26	45	166	237	19.471a	2	.01
04.7	Staff providing options	14	84	137	235	4.416a	2	.11
04.8	Flexible checking times	16	40	181	237	1.516a	2	.46

Table 2 below presents the return intentions for each response parameter (important, neutral and unimportant) in relation to the importance of each innovation dimension.

Table 2. Would you return to an innovative hotel (N= 237)?

Would you return for:	YES			NO		
	Important	Neutral	Unimportant	Important	Neutral	Unimportant
Hotel physical design (ambience)?	18	69	97	7	25	20
Access to free Wi-Fi?	23	34	127	3	11	39
Hotel business centres?	26	108	48	6	16	31
Loyalty innovative programs?	13	80	91	8	15	29
Flexible check times?	12	34	138	4	6	43
Staff friendliness (calling guests by name)?	11	54	119	10	18	25
Staff providing options (Upselling)?	14	63	105	0	21	32
Management participation?	35	85	64	8	18	27

Table 3 below illustrates the results of the LRA to establish the importance of each innovation dimension when combined at significant level of 0.05.

Table 3. Variables in the LRA equation (combined importance)

Variable description	Response Yes(1); No(2)	Score	df	p-value
Each visit you stay in a room with a different design	Q04.1	2.860	2	.239
	Q04.1(1)	.124	1	.725
	Q04.1(2)	2.221	1	.136
Staff calling you by name (friendliness & smiles)	Q04.2	10.175	2	.004
	Q04.2(1)	8.670	1	.003
	Q04.2(2)	.347	1	.556
Loyalty card (VIP status) with membership benefits	Q04.3	5.131	2	.077
	Q04.3(1)	3.395	1	.065
	Q04.3(2)	3.061	1	.080
Availability of free Wi-Fi (internet access) around hotel	Q04.4	3.076	2	.215
	Q04.4(1)	2.974	1	.085
	Q04.4(2)	.356	1	.551
Direct management involvement during service delivery	Q04.5	4.905	2	.086
	Q04.5(1)	.752	1	.386
	Q04.5(2)	2.305	1	.129
Business canters with latest computer technology	Q04.6	20.297	2	.001
	Q04.6(1)	.253	1	.005
	Q04.6(2)	14.693	1	.001
Employees provide options during service delivery	Q04.7	4.335	2	.114
	Q04.7(1)	4.247	1	.003
	Q04.7(2)	.459	1	.498
Flexible check-in and checking- out times	Q04.8	1.528	2	.466
	Q04.8(1)	.188	1	.665
	Q04.8(2)	1.444	1	.229
Overall Statistics		46.074	16	0.001

4.2. Results and Analysis of Innovative Physical Hotel Design (N=236)

Analysis for importance of hotel design (table 1 above) shows that majority (117) of respondents regard innovative physical hotel design to be unimportant although 97 are likely to return to an innovative hotel. Also, hotel design on its own and when combined with other innovations has insignificant importance to guest loyalty decisions (χ^2 p-value = 0.190) and table 3, (logistic p-value=0.239).

4.3. Results and Analysis of Technological Innovations (N=237)

Table 2 above indicates that the majority of respondents (124) were neutral about the importance of business centres with technological facilities on their loyalty. While of the 235 total respondents, only 32 said hotel business centres are important to their hotel choice; 81% (26) swayed to return to an innovative hotel. Thus, despite an ongoing argument in academic circles on the future of business centres in hotels, the study establish that business centres have significant importance on guest loyalty (χ^2 p-value = 0.001) and when integrated with different innovations (logistic p-values < 0.05). Furthermore, only a minority (23) regarded free Wi-Fi as important to their hotel choice although the overall majority (184) would return to a hotel stayed before. Concurring with Nejad et al., (2014), free Wi-Fi may not be relied on as a sole innovation important as guest have moved to next big trends, greater proportion of guests would return to a hotel regardless statistical significance of free Wi-Fi access (χ^2 p-value > 0.05), and (logistic p-value = 0.215).

4.4. Results and Analysis of Hotel Marketing Innovations (N=237)

Descriptive results presented in Table 1 above illuminates that over half of respondents (120 of 236) consider hotel loyalty innovative programs unimportant to their hotel loyalty decisions. Supporting the growing popularity of such marketing programs, 78% alluded that they prefer returning to a hotel despite associated innovative loyalty rewards offered by the hotel. However, statistically, loyalty programs have insignificant importance on loyalty decisions (χ^2 p-value = 0.060) and (logistic p-value > 0.05). On the other hand, majority of the respondents (12) regarded flexible checking times as important, 34 respondents were neutral, whilst the biggest proportion (138) said flexibility is unimportant. Furthermore, inferential statistics shows an insignificant importance exist between innovativeness in checking times and guest loyalty to the hotel (χ^2 p-value = 0.469) and (logistic p-values > 0.05).

4.5. Results and Analysis of Innovative Human Service Delivery

The three major innovations related to human service delivery have been analysed and results presented in Table 1 and 2 above. As articulated in the literature review, innovative service delivery is assumed to be a measure of quality of the hotel experience (Smiljana, P. & Daniela, 2012, p. 338). The study is consistent that staff competences, friendliness, calling guests by name important (64 guests), neutral (85

guests) and a strong statistical significant importance existing (χ^2 and a logistic p-value less 0.05). Concurring to Tang et al., (2015), variables related to competences of human resources in service delivery, staff providing options (upselling), has high likelihood to result in guest retention. Furthermore, of the total respondents (n=237), 43 said management participation during service delivery is important on loyalty, and 35 of them would return to a hotel offering such management participation (χ^2 p-value = 0.102). Therefore, one can argue that might guests focus on direct service from staff when deciding on hotel to stay. Therefore, training and development of staff on service delivery skills is important to achieve guest loyalty (Shilpa, 2016, p. 1706).

4.6. What Innovations are Important on Guest Hotel Choice?

As discussed in the literature review, response parameters were derived from broad innovation categories (Table 1) and responses were coded into to reduce multiple meanings (Miles & Huberman, 2014, p. 9). Categorisation of open-ended responses enhanced data filtration and to be useful to the study Therefore, from analysis majority of respondents (19% of 174) were consistent with Shilpa, (2016) that people -oriented innovations are important including management pro-activeness (Tang, 2016, pp. 56), and ability to improve service delivery are the most important consideration for hotel patronage choices. Therefore, staff innovativeness during service delivery provides a hotel unique strategic capabilities against industry competition (Kim et al., 2012). Innovative physical hotel design (25%) and technologically related innovations (13%) have shown to have more guest considerations when choosing a hotel. Noticeably, only 11% of the respondents suggested that innovative marketing strategies (loyalty programs and flexibility checking times) are important to their hotel choice. Therefore, drawing an inference from past studies and the results, from the result, one can argue that innovations related to the development of staff unique competencies (Ottenbacher & Gnoth, 2005), and management support service delivery guarantees quality guest experiences important to guest hotel choice (Smiljana & Daniela, 2012, p. 338)

5. Conclusion

Hotel innovation is important for guest loyalty. This conclusion was based on the examination of the importance of innovation in relation to guest loyalty decision dimension as well as technology and human-oriented innovations. While choosing a hotel to stay remain guest decision, innovative services and strategy is an important dimensions of decision making process that should be leverage to increase hotel image in consumer decision making. A hotel with fitted business centre equipped with modern facility, relate to condition necessary for business traveller. Similarly, staff innovativeness during service delivery through strong product knowledge,

executing hotel service journeys in a "supreme" way, calling guest by name, and serving with a smile providing guests with unique service experience is important element of friendliness and professionalism. Innovation that creates friendship and professionalism enables hotel brand image and provide the base for differentiation necessary for guest loyalty decision.

The current study was not without weaknesses, the general application of results must take cognisance with major limitations associated with usage of self-administered survey questionnaires compared to data from face-to-face interviews. Therefore, future studies should exhaust explicitly innovations important to guests with different cultural backgrounds. With the growth of global environmental awareness, a replica study should focus on environmental and new innovation dimension and industry technologies being tested.

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