

The Role of Service Innovation on Customer Retention – A Case Study of Luxury Hotels in Vietnam

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Vietnam's hotel environment has fierce competition in the development trend of information technology and globalisation. In addition, Ho Chi Minh City is an attractive destination for Vietnamese and international tourists, leading to the dense development of luxury hotels in the downtown area. With the increasing trend of integration and innovation as well as the fierce competition of the tourism industry, hotels and businesses must be constantly developed and innovated in order to gain sustainable competitive advantage. Results in this paper show that four independent variables including pricing innovation, marketing-focused innovation, process innovation, and hotel types have a positive correlation with guest satisfaction and guest loyalty.

Keywords: *Service Innovation, Customer Retention, Luxury Hotel, Vietnam.*

Introduction

Vietnam is currently one of the leading tourism industry countries and can increasingly develop in the next years. This allows to predict the rapid growth of visitor arrivals to the country in the next few years, from 17-20 million international visitors and about 82 million local visitors. Phu Quoc is a typical example of island-style tourism that has been paid special attention to in recent years. Vietnam has been building many strategies for the development of the tourism industry in the ten-year period. This can make Vietnam become one of the leading leisure destinations and compete with the other countries in the ASEAN region.

In recent years, services in the tourism and hotel industry have rapidly changed. It is mainly thanks to the rapid development of information technology systems such as the internet, e-commerce, e-bank and others. In addition, customers can find similarities in services between suppliers and easily choose for replacement (Connelly, 2000). For that reason, the hotel industry is seriously affected. In appearance, luxury hotels offer higher service quality and the price is much higher than one or two-star hotels and guesthouses. The critical point is to make the customers realise that the service they receive is worthy of the price. Innovation in service quality is of the best way to solve this problem. For the Vietnam market, there is not yet much research about the economic growth and efficiency related to competitive advantages for tourism industry compared to those of other countries. As a result, it is necessary to have a deeper exploration for the effect of service innovation toward guest loyalty.

Literature Review

Service Innovation

Berry et al. (2006) stated that innovation in services is more difficult to define than real products because of the unique characteristics of the service industry that are created and consumed simultaneously. Den Hertog (2000) stated that innovation in service is the interaction between the technologies, customer interface, service interface and service concepts.

According to Otterbacher (2008), innovation in services can be regarded as the long-term competitive advantage of companies that enhances the reputation of the business as well as the loyalty of existing customers. Hotels continue to implement and apply innovations in their business. In particular, hotel managers are now trying to find a strategic solution to differentiate their individual services from their competitors (Reid & Sandler, 1992). In addition, proactive changes focus more on customer preferences, quality interfaces and technology to be more competitive in the dynamic market that most companies are in the service sector (Karmarkar 2004, Berger et al., 1989).

Marketing Innovation (MAKIN)

Marketing innovation is the concept of breakthrough. For example, when a series of product lifecycles develop toward innovation, innovation is a breakthrough with new products. To do that, marketing must have the capacity to lead the research and development. Marketing innovation previously was misunderstood as the pure and unadvised R & D process. At the same time, marketing is only understood as the creative process. These are two extremes when it comes to marketing innovation. Marketing innovation is a competitive roadmap as it creates new and exciting products and solutions compared to conventional advertising media marketing tools. In other words, applying marketing innovation contributes to pull customers (from the market) to the hotel. Marketing innovation is the ability to carry out innovative

marketing programs for products and services that continue to grow (Wang and Ahmed, 2004). For these reasons, it is appropriate to apply marketing innovation in the hotel industry.

Process Innovation (PROCIN)

Process innovation is the sub dimension of the new delivery system of the Hertog model which includes management and organising. It is a significant improvement of the distribution method (including technical changes, equipment and software) in the method of production and distribution. Adjusting human resource skills is the most necessary effort to successfully implement innovation in encouraging company employees to perform services in a positive way. correct and correct for customers. Process innovation can create value for internal customers, including employees or actual organisations, or it can create value for external customers, including business partners, users and late or actual consumers. According to Nasution and Mavonda (2008), values derived from process innovation include reducing the time needed to produce a product or service; increasing the number of products produced or services provided in a time frame; and reducing the cost of each product produced or provided. In addition, the innovation process can produce significant benefits in terms of product quality and service levels (Griliches, 1990). In general, an individual organisation needs to see a significant increase in some of its key performance indicators (KPIs) as a true innovation process. Innovation in process can greatly affect how the service is delivered from employees. It is also called service quality (Nasution and Mavonda, 2008). The skills and competencies of employees should be properly considered and invested in to improve the quality of service to clients (Van de Wiele, 2007).

Pricing Innovation (PRICIN)

Prices have a significant impact and immediate profitability. However, most companies still use base costing for pricing. Product or business model innovations have a high priority for many companies, while price innovation is less interested or limited. In addition, very few companies regard innovation in price as serious as product innovation or business model innovation. Meanwhile, for some types of industry such as airplanes, e-commerce, health care and especially tourism, hotels are showing a great deal of interest (Liozu, 2012). Based on the rapid development of the internet, customers can easily compare prices between hotels that result in price competition being more fierce than ever. Many owners or hotel managers are still struggling in the price war as well as offering prices that are consistent with profit but still attract a certain number of customers. Improvements in pricing provides new approaches for valuation strategies, pricing strategies and valuation organisations with the goal of increasing customer satisfaction and profitability; Too many companies today see prices as a win / lose proposition between themselves and their customers. Innovation in price breaks this deadlock and shows how to increase profitability and customer satisfaction. Lockyer (2005) argues that

price is one of the primary and most influential factors affecting the choice and use of customer service, as determined by the pricing strategy employed by the hotel restaurant system.

Hotel Type (HOTYP)

Hotel type corresponds with the New Service Concept dimension in the four dimensions' model of Den Hertog (2000) about service innovation. Innovation in service involves the introduction of new services as well as modification of existing services. According to Verma and Victorino, Plaschka and Dev (2005), the supply of innovative services (hotel type) has evolved to include the repair of existing services or the introduction of new services. Anhar (2001) said that the arrival of a Boutique Hotel was designed in the early 1980s as a typical example of the type of hotel in service innovation. In 1981, The Blakes Hotel in South Kensington of London and the Bedford in Union Square of San Francisco were opened to the public and became two of the first boutique hotels were opened to the public at that time. In recent years, the boutique hotel system has emerged as a favourite accommodation to stay for tourists all over the world. Ninkley (1999) stated that the customers are willing to pay a higher price for a boutique room since it is perceived as the premium room and being stylish.

Customisation of Service (CUSER)

Another factor affecting service innovation is customising the service experience for hotel customers. Hart (1995) defined mass customisation as “the use of flexible processes and organisational structures to produce variety and often individually customised products and services at the low cost of a standardised, mass production system”. It is an important business strategy that can potentially differentiate one company from its competitors in a segmented market. This strategy requires providing a customer with customised products and services but without exceeding the price of comparable standard products (Duray et al., 2000). Verma and Victorino, Plaschka and Dev (2005) illustrate several examples as forms of service customisation, such as the flexibility of check in or check out times, allowance in personalising room decor, provision of childcare options etc. Moreover, characteristics of service customisation would be in the availability of some entertainment devices in the room like video cassettes or a DVD players, and the hotel can also provide basic kitchen facilities, honour bar and a mini library as per customer requests (Verma and Victorino, Plaschka and Dev, 2005).

Use of Information Technology (INTEK)

The technology options dimension of Hertog (2002) implies a firm's ability to adopt new software, integrated systems and technology, and an ability to innovate with software and technology to keep ahead of the market. The term IT (Information technology) has not been strange in the service industry, especially in the hotel industry. This is because during the past

few decades, nothing has enhanced the professionalism nor increased the productivity of the hospitality industry more than technology (Karsavina, M & Cahill, J; 1997). IT diffusion in the tourism and hospitality industries has recently increased at an unprecedented rate (Connolly & Lee, 2006; Singh & Kasavana, 2005). Niininen, Buhalis and March (2007) demonstrated that IT supports consumer centricity and enables them to use technology to select and customise their products or services as well as to personalise their experience. To measure the use of information technology in service innovation, Verma and Victorino, Plaschka and Dev (2005) extracted examples from the literature of Reid & Sandler (1992). They include a wake-up system, electronics door locks, multiple phone lines, personal computer with network connections, electronic in-room safes, software library, etc. In addition, Namasivayam (2000) suggests some of the technology adoption process consisting of customer signalling, such as in-room modems and internet booking which sometimes is the first contact a guest has with the hotel's brand and image (Nikolis, N. 2008).

Guest Satisfaction (GUSA)

There are many different definitions of customer satisfaction as well as quite a lot of debate about this definition. Many researchers believe that satisfaction is the difference between the customer's expectations and the perceived reality. According to Fornell (2008), satisfaction or despair after consumption is defined as the customer's response to the perceived value of the difference between expectation before consumption and actual perception of the product after consuming it. Hoyer and MacInnis (2001) argue that satisfaction can be attributed to feelings of acceptance, happiness, help, excitement and joy. According to Hansemark and Albinsson (2004), "Customer satisfaction is a customer's overall attitude towards a service provider, or emotional response to the difference between what the customer expects before and what they receive, for the fulfillment of certain needs, goals or desires". According to Zeithaml & Bitner (2000), customer satisfaction is the customer's perception of a product or service that meets their needs and expectations. Kotler (2000), defines "Satisfaction as a feeling of satisfaction or despair of a person as a result of the actual comparison received of the product (or result) in relation to the expected their wait".

Customer knowledge is the basis for an objective evaluation of a service or product as well as their satisfaction with it. Experience after shopping and accumulating a product or service is the customer experience that plays an important role in evaluating their level of satisfaction. It is explained as a psychological feeling when they are served. After experiencing and comparing expectations and reality, customers will decide for themselves whether they are satisfied or dissatisfied with the product or service.

This definition makes it clear that satisfaction is a comparison between the actual perceived benefits and expectations. If the actual benefits are not as expected, the customer will be

disappointed. If the actual benefit meets expectations, then the customer will be satisfied. If the actual benefit is higher than the customer's expectation, it will result in a higher satisfaction or satisfaction than expected. The concept of product here is understood not only as a normal object but also as a service. Of course, the satisfaction or dissatisfaction of customers largely comes from what they expect before they buy and the actual benefits they gain during or after using the product or service. If the actual benefits meet or exceed the expectations of the customer, they will be satisfied and have positive signs for the product and service and inverse.

Guest Loyalty (GULO)

According to Kandampully et al. (2000), in daily interaction customers show loyalty levels as well as commitment to loyalty in various aspects in which loyalty occurs in most consumer situation and the company receives a lot of attention from customers in the marketing materials. In general, the term customer loyalty is described when the customer has the following manifestations: frequent behaviour or repeated shopping for a product or service over a long period; and maintaining a positive attitude is extremely convenient for your favourite product or service. According to Oliver (1999), customer loyalty includes loyalty behaviours (such as word of mouth and promotion), as well as commitment to the relationship to the product or service Sensitive when there is a change in price.

Customer loyalty consists of three aspects including attitudes, behaviour and mix. According to Tepeci (1999) repeated repetitive behaviour is not always considered loyalty or commitment to wearing a customer's psychology for a brand. For example, travellers choose this hotel because it is the only hotel in the area that has the advantage of location. However, when a new hotel is opened in that area at the same price, the customer will choose to change hotels for the better benefits that it offers as better facilities. For that reason, Bowen and Chen (2001) assert that repeat shopping behaviour does not always represent loyalty. Measurement tools reflect the psychological and emotional attachment of the client in terms of loyalty, commitment and loyalty. According to Teho Toh et al. (1993), there are many cases where customers do not choose to use the product or service despite their positive attitude. Customers can say good things and introduce a product or service to many others but it is possible that the product or service is over so they can use it on a regular basis.

According to Getty and Thompson (1995), the dimensions refer to customer intentions and preferences, which are good indicators of a loyal customer. A mixed of attitude and behaviour analysis is used to assess customer loyalty based on purchase frequency and total purchase amount (Pritchard and Howard, 1997, Hunter, 1998, Wong et al., 1999). Customer satisfaction is positively influenced by purchase frequency and total purchase price. Comprehensive measurement is a widely used two-dimensional structure to measure customer loyalty.

Unlike the nature of everyday consumer products or consumer and service products that use weekly or monthly services such as beauty services, restaurants, transportation, frequency of hotel use by tourists is often not high and seasonal. For this reason, this study is primarily concerned with customer satisfaction through customer attitudes towards the experience of using hotel services. According to research by Zeithaml, Berry and Parasuraman (2006) customer loyalty includes the following elements: they have positive thoughts for the product or service; encourage friends and relatives to use a product or service; have a preference for using a product or service in the future; consider choosing a preferred product or service as a priority (Cronin and Taylor, 1992, Ostrowski, O'Brien and Gordon, 1993, Gremler and Brown, 1997).

Hypotheses Development

Relationship Between Service Innovation toward Guest Satisfaction and Guest Loyalty

Kotler et al. (2013) defined that the satisfaction of a customer is determined by the level of response of the product or service to the expectation that the customer desires. The level of satisfaction of these needs determines the enjoyment in case of character or disappointment due to differences (Hill et al., 2007). In the hospitality industry, customer satisfaction is the integration of many different features rather than a specific service or product. Hill & Alexander (2006) stated that "satisfaction can also be described as a process that begins with the formation of customer expectations and ends by conveying experiences gained." Because customer expectations can be influenced by both internal and external factors, it is very subjective to evaluate the service process. Zeithaml (2010) said that the higher the level of difficulty faced by the company, the higher its expectations and demand from its customers. Brady et al. (2001) reported a significant correlation between customer satisfaction, customer loyalty and service innovation. According to Vander et al. (2002), Vilares & Coehlo (2003) and Voss et al. (2004), organisations must implement strategies to continually innovate for customer satisfaction based on innovation in services offered or product and service-related features. It enhances customer loyalty to the service. It is important to achieve high levels of customer satisfaction through the provision of excellent quality and innovative services in all areas that can bring customer satisfaction and loyalty. of the customer as it brings new features to meet their desires. Research on the relevance of service innovation to customer satisfaction and customer loyalty in the Taiwan hotel restaurant sector by Ming Horng et al. (2012), shows innovation in service has implications for customer satisfaction and loyalty.

An empirical study explores customer satisfaction related to customer service innovation and value in the well-known hotel chains in Taiwan. Results show that customer perceptions of service innovation in terms of organisational innovation, process innovation and product innovation help increase customer satisfaction and loyalty (Ming-Horng et al, 2012). This result is consistent with the findings of many scholars (Woodruff, 1997, Kotler, 2002,

Korsching & El Ghamrini, 2003, Kim & Mauborgne, 2005;): Customer perceptions of product and service value is created by the hotel business operators contributing to the overall rating of the hotel. It also demonstrates that service innovation generates significant efficiencies in customer loyalty, showing customer perceptions and satisfaction of high customer value and the ability of hotels to make improvements. Advance service will increase customer loyalty out of customer satisfaction. This result is consistent with the relevant scholars (Jan & Christian, 2005, Drejer, 2004). Therefore:

H1: Service innovation positively affect guest's satisfaction

H2: Service innovation positively affect guest's loyalty

H3: Service innovation indirectly affect guest's loyalty through out of guest's Satisfaction

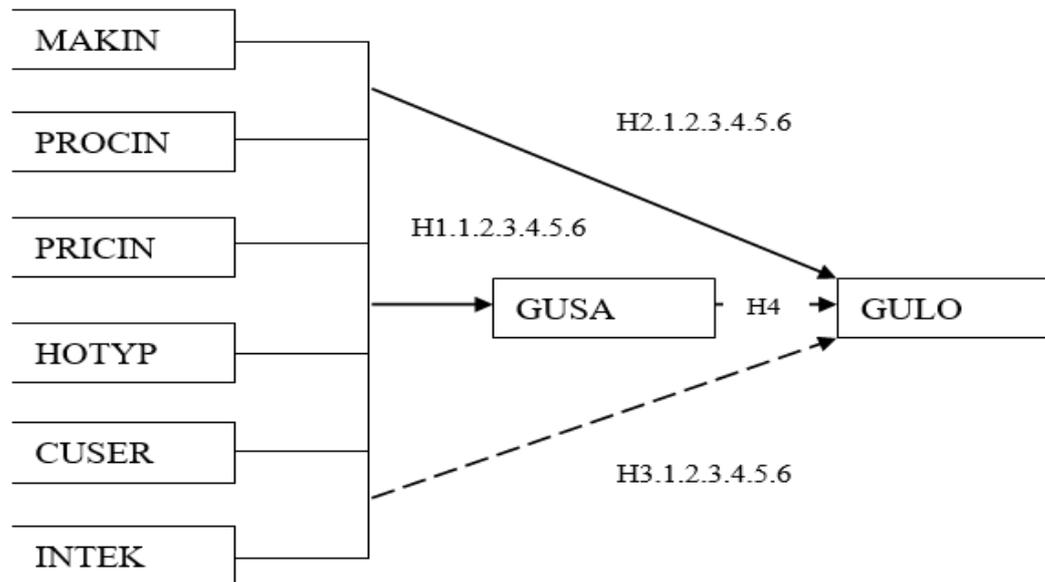
Relationship Between Guest's Satisfaction and Guest's Loyalty

In the past, many empirical studies (Szymanski and Henard, 2001, Johnson et al., 2001, Cronin et al., 2000, Blomer et al., 1999, Oliver, 1999, Bloemer and Ruyter, 1998; Zeithaml et al., 1996) reported that customer satisfaction directly influenced customer loyalty. There have been many studies showing the correlation between customer satisfaction and loyalty (Olsen, 2007, Balabanis et al., 2006, Suh and Yi, 2006, Auh and Johnson, 2005, Yang and Peterson, 2004, Szymanski and Henard, 2001). Bennett and Rundle-Thiele (2004) assert that when a customer is happy with a product or service, they tend to buy it, introduce it to others, and are less likely to switch to another brand. Szymanski and Henard (2001) used a meta-analysis of satisfaction to favour satisfaction as a direct precondition of loyalty. Fornell (1992) also shows that satisfaction directly affects loyalty.

Therefore: H4: Customer satisfaction will have a positive effect on customer loyalty.

The following are the conceptual framework and hypotheses which are proposed based on the previous literature review.

Figure 1. Conceptual Framework



Methodology

Sample Size

This research aims to find out which factor of service innovation affects customer satisfaction and customer loyalty in the 3 to 5-star hotel sector in Ho Chi Minh City. The questionnaire distribution lasted for more than one and a half months. Data was collected directly from customers through researchers and staff working in luxury hotels and tour guides in Ho Chi Minh City. Respondents were approached directly at hotels, airports and companies providing travel services. The questionnaire was developed based on the research and development in English and was then translated into Vietnamese.

Data Analysis

Before evaluating scientific theory, it is necessary to evaluate the reliability and value of the scale. The Cronbach Alpha method is used to evaluate the reliability of the scale. The reliability test is evaluated by Cronbach "s alpha coefficients.

Multiple linear regressions are a statistic technique to explore the relationship between a dependent variable and independent variables by a linear equation to observed data. From the equation, it could be clear how well an independent variable contributes in the explanation of the dependent variable.

With the objective of testing whether factors of service innovation affect indirectly to two dependent variables of perceived value and guest satisfaction to loyalty, **path analysis is**

conducted. The path analysis provides estimates of the magnitude and significance of the hypothesised causal connections between sets of variables. This is best explained by considering a path diagram.

Findings

Reliability and Validity Test

Table 1: Reliability test

Variables	Items	EFA loading value	Cronbach alpha value	KMO
Makin	MAKIN 2	.857	0.875	Kaiser-Meyer-Olkin = .835. Sig = .000
	MAKIN 3	.853		
	MAKIN 4	.788		
	MAKIN 5	.720		
	MAKIN 1	.671		
Procin	PROCIN 3	.811	0.840	
	PROCIN 1	.751		
	PROCIN 2	.734		
	PROCIN 4	.692		
	PROCIN 5	.657		
Hotyp	HOTYP 3	.853	0.773	
	HOTYP 2	.754		
	HOTYP 1	.738		
	HOTYP 4	.624		
Pricin	PRICIN 1	.850	0.801	
	PRICIN	.831		
	PRICIN 2	.707		
Intek	INTEK 7	.794	0.762	
	INTEK	.792		
	INTEK 5	.715		
Cuser	CUSER 5	.800	0.766	
	CUSER 6	.784		
Gusa	GUSA 4	.784	0.816	Kaiser-Meyer-Olkin = .889 Sig = .000
	GUSA 6	.771		
	GUSA 9	.730		
	GUSA 5	.723		
	GUSA 2	.595		
	GUSA 8	.579		
Gulo	GULO 3	.827	0.856	

	GULO 5	.780		
	GULO 2	.780		
	GULO 4	.753		
	GULO 1	.709		

According to table 1, a Cronbach alpha value of 0.856 (>0.6 , Berntein, 1994) means that all variables measurement has an acceptable level of internal consistency.

After the EFA test for the independent variables, there are 22 items remaining in 6 components from reducing 11 items in 10 dimensions.

Path Analysis

Direct Effect of Guest Satisfaction

According to table 3, there are three variables including INTEK (use of information technology) HOTYP (hotel type), and CUSER (customisation service) with Sig. all greater than 0.05 (0.622, 0.226, and 0.15). As a result, they do not positively affected guest satisfaction in terms of being statistically significant. On the other hand, the remaining variables including PROCIN (process innovation, $\beta = 0.418$, Sig. = 0.000) PRICIN (pricing innovation, $\beta = 0.194$, Sig. = 0.000) and MAKIN (marketing innovation, $\beta = 0.076$, Sig. = 0.039) can be concluded as having a positive direct effect on guest satisfaction (all Sig. < 0.05).

Table 2: Multiple regression result between independent variables and GUSA

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	1.497	.168		8.929	.000
	HOTYP: Hotel type	.046	.038	.059	1.213	.226
	INTEK: Use of information technology	-.014	.027	-.025	-.493	.622
1	CUSER: Customisation service	-.041	.029	-.074	-1.442	.150
	PROCIN: Process innovation	.418	.046	.479	9.055	.000
	MAKIN: Marketing innovation	.076	.036	.105	2.078	.039

	PRICIN: innovation	Pricing	.194	.035	.268	5.455	.000
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Direct Effect of Guest Loyalty

According to table 4, there are three variables GUSA ($\beta = 0.482$, Sig. = 0.000), PRICIN ($\beta = 0.145$, Sig. = 0.011) and HOTYP ($\beta = 0.126$, Sig. = 0.031) that can be concluded as having a positive and direct effect on guest loyalty (all Sig. < 0.05). The remaining variables do not have statistical significant meaning to conclude that they directly affect guest loyalty (all of their Sig. is greater than 0.05).

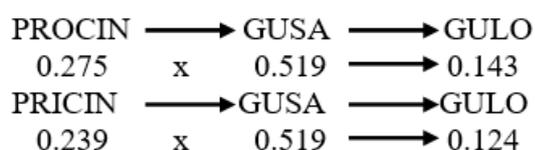
Table 3: Multiple regression result between Independent variables and GULO

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.889	.267		3.326	.001
	HOTYP	.148	.060	.140	2.447	.015
	INTEK	-.031	.044	-.043	-.719	.473
1	CUSER	.030	.046	.040	.667	.505
	PROCIN	.275	.074	.231	3.737	.000
	MAKIN	.069	.058	.070	1.192	.234
	PRICIN	.239	.057	.242	4.215	.000

Indirect Effect with Guest Loyalty

The result of multiple regression analysis showed that the GUSA significantly related with three important predictors: PROCIN, PRICIN and MAKIN (Table 4.27). Then table 4.31 shows that there is a direct effect of GUSA con GULO. Therefore, the factors of innovation including PROCIN, PRICIN and MAKIN indirectly affect guest loyalty (GULO) with the intervening of guest satisfaction (GUSA). Below table shows the calculation about the indirect effect of three variables on guest loyalty.

Figure 2. Indirect effect results

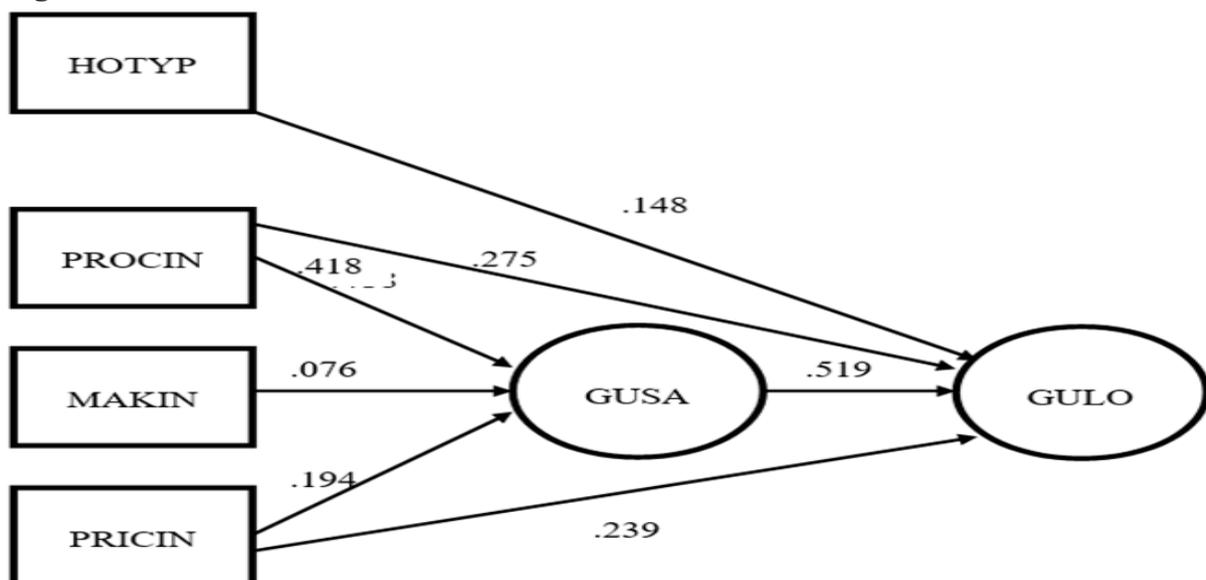


Path Analysis Summary and Revised Model

Table 4: Path analysis result summary

Hypotheses	Coefficient (β)		Sig.	Result
	Direct	Indirect		
H1.1 MAKIN \square GUSA	.076	-	.039	Supported
H1.2 PROCIN \square GUSA	.418	-	.000	Supported
H1.3 PRICIN \square GUSA	.194	-	.000	Supported
H1.4 HOTYP \square GUSA	.046	-	.226	Not supported
H1.5 CUSER \square GUSA	-.014	-	.150	Not supported
H1.6 INTEK \square CUSER	-.041	-	.622	Not supported
H2.1 MAKIN \square GULO	.069	-	.234	Not supported
H3.1 MAKIN \square GULO	-	-	-	Not Supported
H2.2 PROCIN \square GULO	.275	-	.000	Supported
H3.2 PROCIN \square GULO	-	.143	-	Supported
H2.3 PRICIN \square GULO	.239	-	.000	Supported
H3.3 PRICIN \square GULO	-	.124	-	Supported
H2.4 HOTYP \square GULO	.148	-	.015	Supported
H3.4 HOTYP \square GULO	-	-	-	Not supported
H2.5 CUSER \square GULO	.030	-	.505	Not supported
H3.5 CUSER \square GULO	-	-	-	Not supported
H2.6 INTEK \square GULO	-.031	-	.473	Not supported
H3.6 INTEK \square GULO	-	-	-	Not supported
H4 GUSA \square GULO	.519	-	.000	Supported

Figure 3. Revised model



Conclusion and Discussion

Based on the above results, there are three components of service innovation including process innovation, pricing innovation and marketing focused innovation that have a direct effect on guest satisfaction. They also have an indirect effect on guest loyalty through the mediation of guest satisfaction. Guest loyalty is directly affected by three components including guest satisfaction, pricing innovation and the hotel type. Guest satisfaction has the biggest effect on guest loyalty and is affected the most by process innovation.

Process innovation plays an important role in influencing customer satisfaction and loyalty. By the definition of Nasution and Mavondo (2008) which is mentioned above, process innovation is created through the process of preparing and presenting services to customers. First, the service must be carefully prepared and accurate. Quality of service must be high to meet the needs of customers. Customers act as part of the service process and always follow the details related to the preparation and presentation of services in the hospitality industry in general and in the hospitality sector in particular. The innovation in service processes plays an important role in the way services are claimed by so many researchers. Customers can look directly at the innovated elements of the service process, including skills and efficiency in the workplace of employees and improvements in the service delivery system that can be accommodated. Over the years, a lot of research has been done to understand the nature of the hotel industry from the perspective of the customer. Various factors have been highlighted as the level of customer satisfaction increases with the quality of service they receive. First, according to Lockyer (2005), the main factor in choosing a hotel is price. Shanahan and Hyman (2007) also note that two factors that play an important role in attracting tourists are clean rooms and reasonable prices. Value-based accommodation is an important factor in the requirements of travellers. Customers will feel satisfied when they realize that the service, they receive is completely worth the price they spent and their liking for the hotel will also increase. In short, the price they pay is reasonable with what they receive.

Wang and Ahmed (2004) mentioned that to contribute to the effectiveness of service innovation, marketing focused innovation is an important and indispensable factor. According to Hogan et al. (2011) marketing innovation is a strategic element that creates a competitive advantage based on the ability of a company to develop innovative services. According to the research results, satisfaction and loyalty as well as the intention of returning customers when they have the opportunity to travel to the old location is affected by marketing focused innovation. However, based on the results above, marketing focused innovation has a relatively low impact on customer satisfaction. This can be explained by two reasons. Innovation in marketing is not the real concern of the customer or the innovation in marketing leans toward management instead of quality of service. That makes it difficult for customers to distinguish and recognise it as a value in the service. Currently, almost all 3- and 4-star hotels are not or



do not intend to focus on market research, marketing programs nor effective advertising strategies. However, marketing focused innovation, though not the most important factor, still has a certain level of contribution in explaining customer satisfaction and loyalty. Customers are likely to return to that hotel if the hotel has an attractive advertising strategy.

Based on the above analysis, the type of hotel is not related to the satisfaction of customers. However, the results show that it has a significant impact on customer loyalty to the hotel. The results of this study are consistent with those of Verma et al. (2005). This study refers to the type of hotel contributing to the customer's choice for hotel services. For that reason, the hotel can provide a variety of services to meet the unique needs of different types of customers. Moreover, it would also be good for hotel companies to plan for the type of hotel to fulfill based on their target customers. For example, hotels that target business travellers looking for conference hotels and hotels that target summer vacationers seeking boutique hotels or health-style hotels should consider different aspects of the type of hotel. Therefore, if these types of hotels meet the purpose of staying and make them distinguishable from other hotels, the perceived value of the service will be positively influenced.

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