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SERVICE INNOVATION FACTORS WHICH EFFECT LOYALTY IN HOTEL AND ACCOMMODATION BUSINESSES IN THAILAND

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Abstract

This article aims to examine service innovation factors that affect loyalty in hotel and accommodation businesses in Thailand. The study consists of literature review methodology focusing on service innovation factors which effects loyalty in the hotel and accommodation sector. The literature review, referencing international database research published between 2017-2024, aims to compile relevant theoretical concepts and research. The synthesis of service innovation variables resulted in two key components: (1) Product Innovation, which involves creating new products or improving existing ones to enhance customer comfort, including accommodations designed with distinctive uniqueness that connect local identity and important tourist attractions in the area; and (2) Process Innovation, which involves changing traditional working methods with new, more flexible, faster, and efficient approaches, utilizing new technologies and tools in hotel and accommodation businesses to increase operational efficiency and reduce costs. This includes online booking systems through distribution agents, the use of social media as a channel for customer accommodation bookings, and service processes that are devoted for customers care to create an impressive experience.

Keywords: Service Innovation 1, Loyalty 2, Hotel and Accommodation Business 3

Introduction

The concept of service innovation has been adopted as a tool for developing accommodation businesses, serving as a crucial factor in the performance of hotel and accommodation businesses by strengthening their market position and enhancing organizational efficiency in a rapidly changing era. The development and presentation of new offerings help businesses become market leaders, build customer confidence, and increase business value and profitability by creating better products and services that align with customer needs. Innovation plays a vital role in improving business investment efficiency, defining business activity patterns, and establishing policies within business scope and design Trott (2017). It represents a change in products and services offered, creating and delivering things in differentiated forms, introducing new elements, including activities that demonstrate components of change. Efforts to categorize changes in goods and services aim for partial or systemic changes that benefit entrepreneurs Tidd and Bessant (2020). Innovation is defined as the implementation of new or improved products, services, or processes in business practices, workplace organization, or external relationships Carlisle et al., (2023). It introduces new concepts, methods, or innovations that have undergone significant process improvements for market introduction Collins (2024).

Literature review findings indicate that research on service innovation in hotel and accommodation businesses remains limited compared to product and service development studies. Service innovation has been implemented as a tool for developing hotel and

accommodation businesses, serving as a crucial factor in creating and delivering differentiated offerings, introducing systemic or partial changes that affect business performance and contribute to the sustainable operation of hotel and accommodation businesses in Thailand.

Research Objective

1. To examine service innovation factors which affect loyalty in hotel and accommodation businesses in Thailand.

Scope of the Research

1. Variable Scope

The researcher's literature review has identified two types of variables for this study: (1) External variable: Service Innovation, and (2) Internal variable: Tourist's Loyalty in Thailand.

2. Content Scope

The content used in this study consists of concepts and theories derived from literature review. The main concept utilized is service innovation, for which the researcher has reviewed literature where scholars have conducted similar or highly consistent studies, synthesizing and summarizing service innovation components comprising product innovation and process innovation.

Literature Review

Service innovation involves the integration of business processes with knowledge, information technology, and communications to create organizational innovation under entrepreneurial concepts. This is achieved through brainstorming with relevant departments to develop valuable products, services, or innovations that yield tangible results, leading to the design of new creative processes that generate customer value. The definitions of service innovation are presented in Table 1

Table 1: Definitions of Service Innovation

Author (Year)	Definition of Service Quality
Eurostat (2023)	Innovation is the utilization of new ideas, products, or methods that have not been previously employed to develop business goods and services or any operations.
Baniasadi et al., (2021)	The modification of service quality and development of new business products and services.
Tseng et al., (2019)	The application of new or current technology to modify business products or services, where businesses provide customers with experiences different from previous customer experiences
Trott (2017)	The introduction of new concepts, methods, or innovations that have undergone significant process improvements for market presentation. This aligns with research by Carlisle et al. (2023), which found that innovation is

Author (Year)	Definition of Service Quality
	defined as the implementation of new or improved goods, services, and processes in business practices, workplace organization, or external organizational relationships.
Suci (2018)	The generation of new concepts to create sustainable customer value and the implementation of these concepts in new products, processes, and management procedures, prioritizing customer needs while creating value during product and service delivery to customers.

Tourism plays a pivotal role in the economies of many countries. The growth of tourism is fueled by the industry's ability to introduce innovative products and experiences. To remain competitive, tourism businesses must continuously innovate, whether by enhancing efficiency or by introducing high-quality new products that cater to customer demands. The complex tourism environment underscores the need to understand innovation models that enhance the competitiveness of tourism companies. Particularly in the hotel industry, digitalizing operations is essential to leverage innovation efforts towards efficient processes and differentiated services Zaragoza et al., (2024). Technology and innovation are concepts that can be adapted to develop new skills and capabilities to provide convenient and enjoyable services to tourists. Therefore, innovation has become a driving force and essential energy for tourism destinations Kim and Chen (2019).

Innovative capacity is the ability to continuously transform knowledge and ideas into new products, processes, and systems that benefit the organization, leading to core competencies in organizational management. Organizations with strong innovative capabilities gain a sustainable competitive advantage and achieve higher levels of performance.

Service innovation can be categorized into various interrelated types. Researchers have classified these into product innovation (creating new products or services) and business process innovation (improving operational processes). The components of service innovation in the accommodation sector, now used as efficiency-enhancing tools, are summarized in Table 2

Table 2: The literature review construction of employee performance

Author (Year)	Process Innovation	Product Innovation
Manhas et al., (2024)		✓
Setianingsih and Nursaidah 2023)	✓	
Abdullah et al., (2022)	✓	✓
Ayinaddis et al., (2022)	✓	✓
Pribadi et al., (2022)	✓	
Siraphatthada et al., (2022)	✓	✓
Ngereja et al., (2020)	✓	✓
Hu et al., (2020)	✓	✓
Putera et al., (2019)	✓	✓

In addition to [Martin-Rios and Ciobanu (2019)] and [Onojaefe and Nhepera (2017)] innovations in the tourism and hospitality industry can be categorized into 4 types such as (1) product and service innovation, which involves introducing new products or services or achieving significant improvements in the relationship with specific product or service users. This type of innovation can be found in luxury hotels and small accommodations with unique themed amenities. (2) marketing innovation, which refers to new sales techniques, tools, and channels to introduce businesses to consumers, and new financial methods. (3) organizational innovation, which involves improving management systems by adopting new organizational practices in business operations, the organizational workplace, or external relationships of hotels and accommodations. (4) process innovation, which involves automating the workplace, order-taking and booking applications, faster food preparation processes, energy-efficient appliances, and waste reduction techniques. These are all examples of process innovation in the service industry.

Research Methodology

The research methodology employed a literature review process. This involved clearly identifying the research focus, specifying sources for collecting literature, and selecting relevant materials such as books, academic journals, and research reports. Keywords were identified from the research focus to facilitate the search process. After reading and evaluating the literature, a decision was made on the selection of theories, concepts, and related research that were deemed suitable for synthesizing into a theoretical framework for the study. Detailed items that were expected to be used in the research were recorded. Subsequently, the information from the literature review was analyzed, and the results of the synthesis are organized and presented.

Research Results

Service innovation is a significant factor that greatly influences tourist loyalty. The creation of new service innovations provides customers with a new perspective of value, leading to satisfaction with the innovated service form and positively impacting business growth and sustainability through repeat purchases or word-of-mouth recommendations. There are 2 keys important components which can be identified as:

1. **Product Innovation:** This involves creating new products or improving existing ones in the hotel and accommodation industry to enhance customer comfort. Components include unique and distinctive property designs that incorporate local identity and major tourist attractions, aesthetically pleasing photo spots, display of awards from various organizations, and diverse room types to cater to various customer needs.

2. **Process Innovation:** This involves transforming traditional work methods into new, more flexible, efficient, and effective approaches. The use of technology and new tools in the hotel and accommodation industry enhances operational efficiency and reduces costs. Components include online booking systems, the use of social media as a communication channel for guests, personalized service processes, various payment methods aligned with the times, and post-stay feedback mechanisms.

Conclusion and Discussion

The Thai hotel and accommodation industry is currently facing rapid changes, including the COVID-19 pandemic, intensified competition from both within and outside the industry, and challenges from new entrants. To survive, operators must adapt and seek strategies to enhance their competitive advantage. Service innovation, which involves creating new or improved products and services, is crucial. It is essential to consider customer needs

and create value during the delivery of goods and services. This brings significant benefits, such as facilitating knowledge and idea transfer for new products and processes, enabling technological integration to provide tailored services, fostering collaboration among businesses in the value chain, and promoting continuous service improvement.

Service innovation can be categorized into 2 components: (1) product and service innovation, which involves introducing new products or services or making significant improvements to existing ones, and (2) process innovation, which focuses on new service delivery methods during customer interactions. Service innovation, through its innovative thinking, can significantly improve processes, enhance efficiency, and increase customer satisfaction. This implicitly indicates that innovative hospitality can enhance service quality and customer loyalty. Kim and Tang (2020) found that customers who value these perceptions will have a positive impact on customer satisfaction and attitudes. Innovation refers to the generation of new ideas to create sustainable value for customers. Research conducted by Samuel (2022) examined the impact of electronic banking systems, service quality, customer satisfaction, and loyalty on innovative technology. The study found that service innovation has a positive impact on loyalty, with a coefficient of 0.192 at $p = 0.002$, meaning that as service innovation increases, customer loyalty also increases.

From the study, it can be concluded that service innovation is a critical factor that significantly influences tourist loyalty. The creation of new service innovations provides customers with a new perspective of value, leading to satisfaction with the service delivery and positively impacting business growth and sustainability through repeat purchases or word-of-mouth recommendations. The process of implementing service innovations, according to Elshaer and Marzouk (2024), reveals that product and service innovation are crucial for creating memorable experiences, and marketing innovation has a significant positive impact on tourist experiences. This means that in the tourism and hospitality industry, guests tend to be highly satisfied when they stay in hotels with a high level of marketing innovation, especially those related to organizational innovation, employee personality, leadership creativity, and new work approaches, which directly impact the guest experience. Furthermore, the study shows that marketing innovation significantly improves the tourist experience. A key factor for successful service innovation is the need to design innovations that balance service and technology, while considering customer needs to create value and customer engagement in co-creating new services. Management and employees play a crucial role in generating new ideas, maintaining, and improving service quality standards, leading to customer satisfaction and repeat business.

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