

The influence of hotel product innovation on customer loyalty in Cape Town

By

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ABSTRACT

The study identifies and examines evidence on how customer loyalty is influenced by hotel product innovation. This examination helps to understand differentiation and the competitive benefits of innovation in product and loyalty for such innovation. The innovation influence provides rationale to extend product innovation as a strategy to differentiate, compete, and gain loyalty in the hotel industry. With increased competition in the hospitality industry, the examination of hotel product innovation becomes imperative for both practical and theoretical relevance.

This examination was done using a survey method to collect data from 242 travellers who visited Cape Town, stayed in a graded hotel, and visited Kirstenbosch Gardens during the period of the study. This quantitative survey was supported by data triangulation approach with respondents chosen using systematic random sampling. The semi-structured questionnaire comprised mainly closed-ended and a few open-ended questions.

The study found that hotel product innovation has greater influence on customer loyalty and hotel choice. However, not all product innovations have the same level of influence, and not all influences are statistically significant. Therefore, the degree of influence was found to be a useful enabler of competitive and loyalty strategy in the hospitality industry.

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DEDICATION

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CLARIFICATION OF BASIC TERMS AND ABBREVIATIONS

The following are key terms as applied in this study:

- **Business or Professional tourist:** Guests staying in a hotel, taking part in a meeting or a conference (Cooper, Fletcher, Fyall, Gilbert, & Wanhill, 2008:15).
- **Customers (Guests):** Tourists who travel for business, recreational or luxury purposes and stay in a hotel for one or more nights.
- **Customer loyalty:** The likelihood that a guest will return to the same hotel, due to past experiences and products. In the study it is synonymous to guest retention.
- **Domestic tourists:** Travellers within their own country, for a period not exceeding 12 months and whose main purpose of visit is leisure, business or other purposes.
- **Hospitality:** Collins Dictionary (1996:271) defines hospitality as "friendly, welcoming behaviour towards strangers".
- **Hotel product:** A combination of offerings in hospitality which guests can directly consume, or which are designed to provide attraction and guest experiences (Bowie & Buttle, 2004).
- **Hotel product innovation:** Outcome-focused process of providing new tangible or intangible hotel offerings, customisation, and flexibility of offerings aimed at improving customer benefits through experiences and emotions (Kanter, 1995 as cited in Hall & Williams, 2008).
- **Innovation:** According to Hall and Williams (2008) innovation is a systematic process of generation, acceptance, and implementation of new ideas, processes, products, or services.
- **International tourist:** Travellers outside their own country of residence for a period not exceeding 12 months and whose main purpose of visit is leisure, business or other purposes.
- **Leading Quality Assurance (LQA):** Organisation that provides quality assurance audits and benchmarking quality standards of luxury hotels, enabling them to monitor, improve operating performance and quality of service standards.

- **Leisure and recreational tourists:** Guests who are on a holiday, visiting relatives, sports people, and cultural tourists (Cooper et al., 2008:15).
- **Other tourism purposes:** Tourists may be on a study-holiday or visiting the destination due to some health related issues (Cooper et al., 2008:15).
- **Tourism:** Collection of activities of persons travelling to and staying at places outside their usual environment, for not more than one continuous year, for leisure, business or other purposes (Guyer, 1905 as cited in Sanjay & Mallika, 2015:53).
- **Tourism industry:** Encompasses hospitality, attractions, events, transport, intermediaries, travel agencies, and destination searching
- **Tourists:** "Temporary visitors staying for at least 24 hours in the region visited for the purpose of leisure, business (meetings and conferences) or other purposes"; Reisinger and Turner (2003:37).
- **VIP:** is regarded as a potential customer who brings return business to the hotel and commands special treatment.

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Introduction

It is a truism that business in general is tough, and it is important to ensure repeat business from loyal customers. The same is true of the hospitality sector. Product innovation appears to have promise as a means to extract repeat business from existing customers, and this study sets out to investigate that promise.

This first chapter covers the background to the study problem; it defines the research problem and formulates the research questions. This leads into the research purpose statement and research objectives. A discussion of ethical considerations associated with the research, delineation, limitations to the findings, and significance of the study concludes the chapter.

1.2 Background to the study

The usage of product innovation is understood to be a vital strategic tool to attract and build customer loyalty in hotel industry. Prior studies such as Bowen and Chen (2001), Oliver (1997) as cited in Stephen, Sondoh, Maznah, Nabsiah and Amran (2007) and Rahim, Mahamad and Ramayah (2010:73) have shown that customer loyalty is linked with repeat business. The benefits of loyal guests (customers) cannot be underestimated — they are argued to be less price elastic and show resistance to change in purchasing services from competitors (Kotler, Armstrong, Saunders & Wong, 1999). However, despite likely benefits of innovating a hotel product, the extent to which hotel product innovations influence guest loyalty is not clear. Therefore, this study identifies innovation dimensions and examines the extent to which each hotel product innovation may be used to attract and build customer loyalty.

1.3 Statement of research problem

The perceived gap between customer expectations and actual hotel experiences provides the analytical base to examine the influence of hotel innovation on customer loyalty (Aaker, Kumar & Day, 2003:50-51). Therefore, various studies of this nature, takes cognisance of three requirements to recognise a research

problem: Firstly an assumption that product innovation influence customer loyalty decisions; secondly feedback obtained in terms of expected customer loyalty, and thirdly actual innovation influences on customer loyalty. Thus, based on the above, the research problem is stated as follows:

The extent to which hotel product innovation may influence customer loyalty is unclear. Despite the lack of clarity it is assumed that hotel product innovations may be used as a strategy to attract customers, increase patronage, and influence customer loyalty. For better understanding of the study problem, further background information is presented below:

1.4 Background to the research problem

Literature from as long as a decade ago shows that hotel customer patronage and loyalty choices may be influenced by hotel innovation (Victorino & Verma, 2005). While tangible and intangible product innovations may influence customer patronage and loyalty decisions, the extent of innovation influence on customer loyalty remains unknown. The limited knowledge on innovation influence is due in part to business, leisure, and other travellers arriving with high expectations of hotel service. While traveller expectations remain unfilled, product innovation continues to attract assumptions of strategic influence. This may be associated with reduced interest in the provision of homogeneous hotel product offerings across the hospitality industry. Growing competition, decreased numbers of holiday makers and loyal return guests have also induced hotel businesses to embark on innovation as a strategy for differentiation, widening product range, increased competitiveness, and fostering customer retention (Hjalager, 2002 & Ottenbacher, 2007). Drawing an inference from the technological view by Olsen and Connolly (2000:30-40) one can argue that innovations in industries like computers, cars, and electronics have been used for competitiveness and differentiation. In a different study, Riewoldt (2006:11) argued about benefits of innovative hotel design and art as a practice enabling hotels to integrate cultural diversity, matching local styles and provide personal touches to guests — providing guests some attraction before deciding on hotel stay.

Over the past two decades, there have been numerous studies on innovation in hospitality and the tourism industry at large. These studies focused largely on the impact of innovation on operational strategy, and on inter-firm differences in hotel product innovation to establish whether service firms innovate at all, and secondly on how service firms organise the innovation activities (Sundbo, 1997:432-455). Further studies largely focussed on determinants of innovation activity in the hotel industry with emphasis on how to develop successful hospitality innovations (Ottenbacher & Gnoth, 2005:205-222) and factors influencing new service success (Ottenbacher, Gnoth & Jones, 2006:344-363). Ottenbacher (2007:431-454) further focussed on whether hospitality firms should have different approaches depending on the three performance dimensions of market performance, financial performance, as well as employee and customer relationship enhancement. Contemporary studies by Martínez-Ros and Orfila-Sintes (2009:632) addressed innovation activity in the hotel industry (Technovation) and explored the influence of a variety of firm and market characteristics on radical and incremental innovations. Perera (2014:241-264) focussed on innovation and its contribution toward a hotel product and its online presence, while Sandvik, Duhan and Sandvik (2014:165–185) examined the relationship between the innovativeness of hotels and their profitability. However, no research in hospitality innovation has examined the influence of hotel product innovation on customer loyalty. Therefore, through this study, an important understanding can be established on the following:

- 1) the extent to which customer loyalty decisions are influenced by hotel product innovations,
- 2) what innovations are important to guests when deciding on hotel stay, and
- 3) whether there is any relationship between hotel product innovation and guests' return intentions.

Hence, assuming that return guests are loyal to a hotel offering innovative products, there is a need to obtain clarity on this assumption. Therefore, this study answers the specific research questions presented below.

1.5 Research questions

The background to the study problem presents what has been established by other researchers and the perceived lack of clarity regarding innovation influence on customer loyalty in hospitality. Therefore, in order to obtain specific information required to achieve the research purpose (Aaker, Kumar & Day, 2003:50), the key research questions pertaining to the study are as follows:

Research Question 1:

What influence does product innovation have on future return intentions of guests in the hotel industry?

Research Question 2:

What importance does product innovations have on future return intentions of guest in the hotel industry, and why?

Research Question 3:

To what extent is guest loyalty (return intentions) influenced by hotel product innovation?

Research Question 4:

Can a relationship between hotel product innovation and customer loyalty be established?

1.6 The research purpose statement

This study aims to understand the influence of hotel product innovation on customer loyalty. More specifically, the research examines the extent to which hotel product innovation may influence patronage and customer loyalty. The study provides insight into the influence of product innovations on customer loyalty in the hotel industry.

1.7 The objectives of the research

The study identifies and examines the influence of hotel product innovation on customer loyalty. This examination helps to understand differentiation and the competitive benefits of innovation in efforts to achieve customer loyalty. Such understanding of the influence of innovation provides the rationale for adopting innovation as a business philosophy to drive differentiation, competitiveness, and

customer loyalty in the hotel industry. For these reasons, theoretical review guided the formulation of the objectives for the study, to ensure that the research process obtains the information needed to address the research problem (McDaniel & Gates, 2004:25). Thus, the specific objectives of the study are:

Research Objective 1:

To identify and understand the influence of hotel product innovation on customer loyalty in the Cape Metropole region.

Research Objective 2:

To identify and understand the importance of hotel product innovation on customer loyalty in the Cape Metropole region.

Research Objective 3:

To examine the relationships between hotel product innovations and guest return intentions (loyalty).

Research Objective 4:

To draw conclusions from the relationships established in objective 3 above and put forward recommendations on innovative product preferences that influence customer loyalty in the hotel industry.

1.8 Research methodology and design

Explanatory research was conducted to examine the influence of hotel product innovation on customer loyalty. Exploratory research largely relies on qualitative methodologies (Creswell, 2009), but the explanatory approach used in this study enabled a survey to be undertaken, using a research instrument with both closed-ended and open-ended questions (Jennings, 2001:166). Thus, the study used a quantitative approach. Systematic random sampling was used to assemble a group of 242 respondents who completed a structured questionnaire of five-point Likert scale questions (Likert, 1932) and a few open-ended questions. The open-ended questions were designed to obtain guest opinions and draw inferences in understanding responses from the closed-ended questions.

1.8.1. Primary data sources

The study used only primary data gathered specifically to reach conclusions about the study phenomena. The primary data was collected from guests visiting Cape Town Metropole for different purposes. Cape Town is a city renowned for its extraordinary natural attractions, luxury hotels and thrilling historical archives which delights travellers from around the world. A survey questionnaire employing both open and closed-ended questions enabled the collection of necessary data required for answering the core research questions. The questionnaire was administered to guests (customers) visiting Cape Town Metropole, stayed in graded hotels and spending time at Kirstenbosch Botanical Gardens during the period of study. The Kirstenbosch Botanical Gardens was chosen as the main study area because it has shown exponential growth as the most visited attraction in Cape Town by domestic and international guests, between 2013-2014 and 2014-2015 respectively (Cape Town Tourism Industry Performance Report, 2014:4 and 2015:5). The respondents were drawn from guests visiting Cape Town for leisure, business, or other reasons. The open-ended questions requested respondents to provide explanations which helped to identify the most influencing and important innovations in terms of customer loyalty. Authors such as Bryman (2006), as cited in Tashakkori and Teddie (2010:438) and Vicki (2010:428-440) argued that combined open and closed-ended questions provide a broader source of mixed data essential for establishing and interpreting relationships among variables. Thus, linking between two data forms, allowed for a more detailed assessment of findings in explaining, confirming, or contradicting the influence of product innovations on customer loyalty.

1.8.2. The research instrument and data collection techniques

A self-completed questionnaire was used to collect primary data from a purposive sample of guests staying in graded hotels in Cape Town. The rationale for adopting this research instrument concurs with the argument of Veal and Darcy (2014:282) contends that self-administered questionnaires have been the most used form of data collection in tourism and hospitality research since they allow participants to give their responses at their own convenience. Therefore, respondents had time to complete the questionnaire from their own understanding and without interference from the researcher.

The questionnaire consisted of six sections

- (1) Demographic details such as gender, age and education level;
- (2) Respondent's purpose for visiting Cape Town — leisure, business, or other;
- (3) Star grading and attributes of hotel stayed at;
- (4) Influence of product innovations on return intentions;
- (5) Importance of product innovations on customer loyalty; and
- (6) Open-ended questions which required respondents to state and discuss any of the innovations which influence their return intentions. Section 6 also established whether guests would return to hotels stayed at before and applicable reasons.

Section 4 used a 5-point Likert scale coded 'strong negative influence' (= 1) to 'strong positive influence' (= 5) to identify the extent of innovation's influence on customer loyalty. The 5-point Likert scale in section 5, coded 'not important at all' (=1) to 'very important' (=5), was used to measure the importance of product innovation on customer loyalty. Thus, before analysis of data, both quantitative data and responses to open-ended questions have been reduced to categories and numerically coded.

1.8.3. Research population

Collis and Hussey (2003:155) defined research population as a body of people who are under consideration for research purposes. The population for this study was constituted of males and females, staying in graded hotels in the Cape Town Metropole, whose purpose of visit were leisure, business, or other reasons.

1.8.4. The research sample and sampling procedure

Collis and Hussey (2003:155) describe a sample as an unbiased representation of the population as a whole, which is large enough to satisfy the needs of the investigation that is being undertaken. To obtain a suitable sample for this study, a systematic random sampling was used to obtain 242 respondents to complete a structured questionnaire and provide findings about customer loyalty in the

hotel industry. The respondents were drawn from visitors to Kirstenbosch Botanical Gardens during the period of study. The Kirstenbosch Botanical Gardens was chosen because:

- i) It was the second and fourth most visited attraction in Cape Town by domestic and international guests between 2013-2014 and 2014-2015 periods respectively (Cape Town Tourism Industry Performance Report, October 2013 - March 2014 and 2014 - March 2015).
- ii) These visitors were staying in different hotels and spending time on leisure, conferences or after the major business of the day (Cape Town Tourism Review and Forecast Survey Report 2014/2015:4-5).

The first respondent was chosen at random and thereafter the researcher systematically approached every third visitor entering Kirstenbosch Botanical Gardens. Two screening questions were asked:

- i) Are you staying in a graded hotel from Cape Town? Yes/No
- ii) What is the star rating for the hotel?

The responses enabled ascertaining whether the respondent was staying in a graded hotel from the Cape Town Metropole. Concurring with the view by Hjalager (2002) that innovations are dominant in bigger and graded hotels, travellers staying in non-graded accommodation and lodges were not included.

1.8.5. Research data analysis and presentation

The analysis and interpretation of the data and tables pertaining thereto are found in chapter four of the study. Various methods are used to analyse different types of data in research. The statistical software package SPSS (version 23) was used to analyse data from closed-ended questions. Using SPSS, data was coded and aggregated into categories for easy analysis. The quantitative data have been summarised using descriptive statistics (such as frequency tables) which, according to Lacobucci and Churchill (2010:352) involves counting single variables such as return intentions for each response parameter. The use of cross-tabulation enabled more than one variable to be treated simultaneously. Cross-tabulation as a statistical tool enabled the frequency analysis of categorical

data (such as purpose of visit) against respondent demographics like age, gender, and education level.

Inferential statistics using Chi-Square Tests have been applied to identify the influence and importance of individual innovations on customer loyalty. The Chi-Square analysis looked for evidence of the statistical significance of the influence and importance of individual innovations (independent variables) on guests' return intentions (dependent variable). Logistic regression analysis was also applied to establish the statistical significance of the influence of combined innovations (independent variables) on customer loyalty (dependent variable). Therefore, with the combination of Chi-Square Tests and regression analysis, conclusions to research objectives could be drawn regarding the extent of individual innovation influence on customer loyalty. Also, the relationship between the combined independent variables (four innovations dimensions) and customer loyalty (dependent variables) could be established. For ease of interpretation survey results were presented in tables, charts, and graphs.

1.9 Reliability and validity

The systematic research process followed in this study took cognisance of the fact that the quality of data would affect the reliability and validity of findings. Authors such as Daniel, Stephan and Frederick (2005:123-125) aver that if the measures cannot be trusted, analyses that use those measures may cast doubt on the validity of the findings. Thus, the two paragraphs below give an account of how reliability and validity were treated in this study.

1.9.1. Reliability

Various authors agree that reliability refers to the extent to which the study methods may be applied to different measuring occasions, as well as the trustworthiness of the procedures followed, such that anyone else may repeat the research and obtain the same results (Welman, Mitchell & Kruger, 2005:139; Collis & Hussey, 2003:185-186). To enhance reliability of the research instrument, short and straight-forward questions were designed and the questionnaire was reviewed by other researchers before data collection. Using the same research instrument, a pilot survey was done from three different study

areas, and by using an online survey from a specific five star hotel's customer relationship management system. Thus, the reliability of the findings has been assessed by comparing data collected from three different locations using the same data collection instrument (Mitchell, 1996:199–207). Therefore, future similar studies would be replicable and able to extract similar data using the same methodology. The respondents were drawn from guests from around the world on leisure, business, or visiting Cape Town for other purposes. Thus, the findings from this study can be applied in the hotel sector, and provide a reliable reference on which to clarify the extent to which hotel product innovations influence customer loyalty in the hospitality sector.

1.9.2. Validity

Various literature sources agree that validity depends on the extent to which the research findings precisely and accurately answer the research objectives, and represent a true picture of what is being studied (Collis & Hussey, 2003:186). Three major forms of validity play a role in questionnaire design, these being content validity, criterion-related validity, and construct validity. The main objective is to ensure that the instrument measures what it is supposed to measure (Sirard & Russel, 2001:440). Therefore, the study followed the social science notion of validity which relates more rigorously to procedures for obtaining data in such a way that appropriate inferences and interpretation may be made (Daniel et al., 2005). Thus, in order to ensure validity of the information gathered, the questionnaire was adapted and modified to suit the research purpose. It was verified after consultations with current projects and Cape Peninsula University of Technology (CPUT) academic research support teams. Above all, the research strived to gather and control data that would be valid, relevant, able to answer the research questions, and to achieve the objectives of this research. This was achieved by the use of pre-screening questions before granting respondents permission to fill-in the questionnaire. Furthermore, the variables used in this study (see table 2.1) were identified from literature about innovation practices in the hotel industry.

1.10 Ethical considerations for the study

The undertaking of this study required adequate thinking regarding the appropriate behaviour and the rights of those who became the subject of the

work, or affected by it (Saunders, Lewis & Thornhill 2007:43). Therefore, emphasis was put on the ethical implications around the research. Permission was obtained for each area from which participants were drawn. During preliminary stages of the research, the university provided a letter (Appendix B) seeking permission from authorities for all locations where the research data was to be collected. The right to privacy was observed during pilot and actual surveys. Respondents were assured of confidentiality of their responses, and guaranteed that research findings would only be used for academic purposes. Above all, questionnaires were designed to avoid personal questions, prevent disclosure of respondent identity, and did not divulge hotel names. Respondents were not forced to respond to the questionnaire and could choose not to answer any questions deemed uncomfortable. Respondents and institutions were furthermore assured that no harm would come from participation in this study, and with guaranteed both confidentiality and anonymity. Above all, honest professionalism regarding findings has been observed to ensure findings are reported in a complete and honest fashion, with no misrepresenting or deliberate misleading. Data has not been fabricated to support a particular conclusion.

1.11 Delineation of the study

The study covers theory around hotel product innovation in the hospitality industry, with the main objective being to examine the extent to which customer loyalty is influenced by hotel product innovations. The research was undertaken in Cape Town Metropole, South Africa. Participants were drawn from tourists who visited Cape Town for leisure, business, or other purposes. A sample was drawn from guests staying at Cape Town hotels and visiting Kirstenbosch Gardens during the period of study.

1.12 Limitations of the study

The data for the study is limited to the hotel industry in one geographical area (Cape Town), which raises arguments with regards to the generalisability of the results. However, the effect has been lessened by drawing participants from different cultures, international participants, and also gathering data from guests staying in different hotels. Additionally, the data was collected over just a few consecutive days at one point in the year, which might limit findings regarding the long-term influence of product innovation on customer loyalty — guest types vary

over time and seasonal changes. Therefore, based on the same criteria, future studies may perhaps draw samples with different characteristics from different hotels. However, that should not affect the validity of the findings.

1.13 Significance of the research

Irrespective of the abovementioned limitations, the study will be significant to the academic, business, and hospitality industry at large. As a solid examination undertaken in the South African context, the study has the potential to advance understanding considerably and bring new perspectives of customer loyalty in hotel industry. The findings of this study will also clarify customer trade-offs associated with tangible and intangible innovations in the hotel industry. Using the findings of the study, guest loyalty strategies can be designed based on “what” hotel customers need and “how” hotel businesses can use innovation strategies to exceed guest expectations and build long-term customer loyalty. Therefore, such an understanding provides the basis for developing informed investment decisions using innovation as a strategy to influence customer loyalty.

1.14 Expected outcomes, results and contributions of the study

The study is expected to provide comprehensive new understanding which will be valuable in generating and developing theory on customer loyalty in the hotel industry. Customer perspectives and perceptions on hotel product innovations have been analysed and the respective impact on guest return intentions have been established. Quantitative measures may be set for examining the influence of hotel product innovations and the literature may serve as a guide and yardstick to strategic business practitioners in the hospitality industry

1.15 Format of the research document

The background to the study and the research problem was presented in this chapter. The theoretical overview provided therein reflects the structure and development of the research presented in the five chapters of the document.

Chapter One covers the background and introduces the research problem. It then outlines the research questions, research objectives, and purpose of the study. The chapter concludes by exploring the delineation, limitations, significance, and expected outcomes of the study.

Chapter Two covers current innovation literature, history, and a theoretical review of product innovation in the hotel industry. A brief analysis of innovation approaches link to product innovation factors that may influence customer loyalty within the hospitality industry. The rationale for the study is discussed. This is followed by a discussion of the growth in tourist arrivals to Cape Town. The need for innovation, establishing an understanding of customer loyalty, conceptualization of variables, and innovation dimensions are explored with focus on hotel businesses in the Cape Metropole in South Africa.

Chapter Three explains the theory and rationale for adopting the selected research methodology and design. From there the discussion logically leads into topics such as the pilot survey, population, sampling, research instrument, data collection techniques, and methods of data analysis. The research questions are explained, and discussions of the fieldwork challenges conclude the chapter.

Chapter Four covers the quantitative and qualitative data analysis and presentation of the findings. Furthermore, the findings are examined to establish connection between the results and the theoretical overview.

Chapter Five focuses on elaborating the conclusions from each research objective. The chapter also explores recommendations and areas for further research.

1.16 Summary

This chapter provided clarification of terms used in the study, as well as an in-depth explanation of the research background. It explained how the study seeks to establish understanding around the research problem. From that the problem statement was further articulated and expanded. With reference to the study background, the purpose was explained explicitly, with specific research objectives and research questions being noted and clarified. Furthermore, the significance of the study to both the academic and business world was stated. The data collection methodology was described and the research design introduced, with emphasis on issues of reliability and the validity of findings. Finally, ethical issues were noted and the delineation and limitation of the study clarified.

The next chapter reviews a cross-section of literature resources around definitions of innovation, hotel products, innovation approaches, and history of hotel innovations to bring an understating of the current global and South African hotel industry. The usage of product innovation in hotels is explored. Also, customer loyalty and product innovation dimensions (variables) are analysed and presented in a conceptual model.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The previous chapter introduced the research background. It outlined the research problem and associated research questions, leading to statements of the research purpose and objectives. Chapter one also discussed the research methodology, ethical considerations, limitations, delineation, expected outcomes, and the significance of the research. Chapter 2 will focus on a literature review of what has been published by accredited scholars and researchers (Taylor & Procter, 2008:3) on the influence of innovation on customer loyalty in the hotel industry. To this end the researcher consulted textbooks, internet sources, journal articles, and reviews of tourism reports relevant to the study.

This chapter defines innovation and hotel products, and expands the perspectives of hotel product innovation approaches to get an understanding of its influence on customer loyalty. An analysis of the history of innovation in the hotel industry was found to be imperative to obtain such an understanding. It is also necessary to understand existing opportunities for innovation in enhancing hotel tourism arrivals in Metropolitan Cape Town. Thus, a review of tourist arrivals in Cape Town was discussed to understand whether investment on hotel innovation achieves guest retention. Furthermore, a discussion on how innovation integrates tangible and intangible generic characteristics of the hotel product was explored to understand how the holistic product may influence customer loyalty. Critical to this chapter is literature review on customer loyalty (dependent variable) and its dimensions in the hospitality industry. Also, a discussion of innovation dimensions (independent variables) provides a theoretical understanding of the influence of each innovation on customer loyalty. These innovation dimensions include hotel design (the hotel's look and feel), technological aspects, marketing, and finally the human resource innovations (people skills) which determine service delivery and the ultimate customer experience. Therefore, the analysis would bring understanding of the study's rationale and the significance of understanding customer loyalty in the hotel

industry. The chapter concludes by clarifying innovation dimensions and their conceptualization as identified from the literature review.

2.2 Innovation defined

Initial studies by Schumpeter (1934) defined innovation with no specific focus on the hospitality industry. He qualified innovation as the carrying out of new combinations of products or services, new production techniques (processes), and new organizational structures. With the adoption of innovation and innovation research in service industries, common attributes from Schumpeter's view of innovation are identified in contemporary studies in hospitality innovation. Hall and Williams (2008:55) defined innovation as a systematic process of generation, acceptance, and implementation of new ideas, processes, products, or services to improve customer experiences, and is perceived as new by an individual (Ottenbacher & Gnoth, 2005:206). Furthermore, Hall (2009) elaborated that innovations enable hotels to meet international standards such as the Leading Quality Assurance (LQA) and Relais Châteaux, among other hotel categories. Thus, such innovation as an outcome-focused is aimed at achieving a specific objective using quantifiable measures across the industry form the basis for comparison of hotels in different geographic regions.

However, contemporary authors emphasise innovation in tourism as a strategy, for example, Zbigniew (2015) defined innovation in terms of operational strategies to achieve efficiency of the tangible and intangible resources. Dornan and Moufakkir, 2015 concurred with Souto (2015) that innovation is a strategy oriented towards improving hotel competitiveness and value creation, whilst Sanchez, Garcia and Mendoza (2015) focused on innovations for improving productivity. Therefore, drawing from different literature review above, it can be argued that hotel product innovation enables usage of technology to improve organisational communication and guests' experiences (Keller, 2006); bringing brand new (or differentiated) products or services to the industry (Johanesson, Olsen, & Lumpkin, 2001); and products reproduced from competitors or adapted from industry's existing products or services (Linton, 2009). Innovation in hospitality can be viewed as implementation of strategies through processes for problem solving when management deals with guest complaints (Kanter, 1995 as cited in Smiljana & Daniela, 2012:338). Furthermore, the analysis of different

views above, one can conclude that innovation results in changes to previous problem-solving practices. This comes from changes to structures and human resources, or by bringing new offerings and differentiated hotel experiences to guests. Hence, in trying to identify hotels that may effectively implement an innovation strategy, Hjalager (2002) argued that innovations are central to higher graded hotels which have the resources required to implement and commercialise innovations processes. Therefore, questions may be raised whether such investment to implement innovations will enable transforming transient guests into loyal customers. To establish such an understanding, the following section clarifies the meaning and dimensions of hotel products.

2.3 Hotel product defined

In order to understand hotel product innovation approaches, it is vital firstly to clarify the meaning of “hotel product” as used in the context of the tourism industry at large. It may be acknowledged that hotel products are a fundamental element of the hospitality product. Therefore, for the purposes of this study, the definition of hotel product has been drawn from the definition in the context of the hospitality product. Similarly to hotel products, Yilmaz and Bititc (2006:378) argue that tourism product carries characteristics of both a service and a tangible product which is a harmonious combination of materials, skills, behaviour (Jen-Son, Yong, Peter & Chia-Wei, 2016), attitude of employees (responsible for service delivery), and the environment (ambience, accessories, art and design) as key components of a hotel product (Reuland, Coudrey & Fagel, 1985, as cited in Debasish & Dey, 2015:2). Weiermair, on the other hand, defines a tourism product as an experience, characterised by simultaneous production and consumption (Weiermair 2006, cited in Carvalho & Costa, 2011:25). The obvious products in a hotel are items that can be sold, such as wine or hotel-branded clothes, and the services which are done for someone, such as cleaning a room or ironing clothes. Other examples include providing different options when engaging with guests (up-selling), concierge services, tour guides, and driving guests around. Therefore, one can argue that an innovation on the physical hotel product augments the delivery of a quality service and becomes part of the ultimate memorable guest experiences.

2.4 Product innovation approaches

Various authors argue on innovation approaches for hotels and hospitality at large. Kim, Kumar & Kumar (2012) argued that innovation for products or services can be incremental or radical whilst Sundbo, Sorensen and Fuglsang (2013) put forward that innovation in hotels is often incremental rather than radical. According to Norman and Verganti (2012:5), incremental innovation involves product improvements within a given frame of solutions whilst radical innovation involves changing the product and ultimate service delivery standards. While, on the one hand, radical innovation results in discontinuity with past products, it does encourage incremental product innovation on the other (Garcia & Calantone, 2002). Incremental product innovation implies development of the existing product offerings aimed at supporting the customization of hotel product offerings (Danneels, 2002). Thus, an incremental product innovation can be a new problem solving idea (Kanter, cited from Hall & Williams, 2008:55). The implementation of incremental product innovation is seen to intensify during efforts to correct hotel service performance — for example after guests complained of the hotel failing to meet guest expectations. Kenter's view on incremental product innovation coincides with that of Stamboulis and Skayannis (2003), who argues that incremental innovations are temporal in nature and gives flexibility and customization of offerings aimed at influencing customer experiences. However, Hjalager (2010) does not regard customization as temporal, arguing that innovation is valid if it can be commercialized resulting in changes to process quality and standards. This study agreed with both arguments, accepting the temporal nature of incremental innovation, and that radical innovations are characterised by total change to both the physical product and associated service delivery processes. In the next section, before reviewing the application of incremental and radical innovations in hotels, the general background of innovation in the hotel industry is analysed.

2.5 The historical development of innovation

To understand the influence of product innovation on customer loyalty in the hotel industry, consideration must be given to the origins and historical development of innovation in the hospitality industry at large. According to Volo (2005), the origin of innovation practices in the hotel industry are considered to be similar to innovation in tangible products. Due to rapid growth in new entrants,

the hospitality industry has been dominated by many challenges since the mid-1980s. These have shown innovation strategy to be crucial for hotels to evidently require innovation strategy to exploit new product opportunities and hotel designs (Tang, 2014), build international competitiveness among hospitality companies and destinations (Ritchie & Crouch, 2000, Hjalager, 2002 & Ottenbacher, 2007). Thus, by acknowledging that innovative hotel offerings are a source of competitive advantage, one can infer that innovation in hotel products may influence customer loyalty. However, despite the increasingly strong evidence and literature supporting that theory (Hjalager, 2010), other authors point out that improving communication systems, customised memorable experiences (Hall & Williams, 2008:56), and improved operational standards do result in customer satisfaction (Siguaw & Enz, 1999). Thus, the influence of innovation on customer loyalty is still an unresolved issue in tourism industry. Hence, this study seeks to examine the innovative factors that influence customer loyalty in the hotel industry.

2.6 Hotel innovation and tourist arrival in Cape Town

Contemporary studies by Crnogaj, Rebernik, Hojnik and Gomezelj (2014) as cited in Gomezelj (2016:8) established that modern guests' life styles and holiday patterns generally support the need for innovation, and responding efficiently to increased tourism demand. Therefore big opportunities exist for tourism companies in both international and domestic markets. However, it is not clear whether there are sustainable opportunities for innovative hotels in Cape Town, nor whether tourism arrivals to Cape Town is sufficient to sustain innovation investments required for hotel product design.

Contemporary studies undertaken by the Accommodation Sector of Cape Town Tourism was presented in the Cape Town Tourism Review and Forecast Survey Report 2014/2015:4-5). The report revealed that accommodation performance in Cape Town is in a sustained upward trend. Occupancy averaged 16 % per month between October and December 2013 and a 5 % increase in Average Room Rate (ARR) to 22.6 % when compared with the same previous periods. Hence, such a positive environment in the hotel industry may provide opportunities for hotels to benefit from loyal customers. Additionally, the Cape Town Tourism Review and Forecast Survey Report 2014/2015:8-9) established that one of

Cape Town's Big Six attractions, the V&A Waterfront, recorded its highest ever number of visitors in 2013, when a total of 24 million tourists visited the attraction, including 2 970 288 visitors in December 2013 alone. In addition, other attractions such as Cape Point, Kirstenbosch National Botanical Gardens, Robben Island, and Table Mountain Aerial Cableway show a significant increase in visitor numbers year-on-year, which ultimately sustains demand for hotel services and offerings. However, the accommodation review does not stipulate whether the increase in arrivals is caused by new or return visitors to the Cape Town Metropole.

Furthermore, a positive growth was again reported by all Cape Town's major attractions in February 2014 (Cape Town Tourism, 2014. Industry Performance Report: October 2013 - March 2014). Reaping the rewards of innovation, Cape Town was elected as the World Design Capital in 2014 and hence expected to attract travellers from around world's creative hubs in 2015 and beyond (Cape Town Tourism, Tourist Attraction Surveys: October 2014 – March 2015). Thus, the dramatic growth of local, regional, and foreign arrivals in Cape Town has generated more interest among hotel strategy practitioners, marketers, and project and revenue managers to design innovative strategies which may lead to customer loyalty. It is generally understood that loyal customers make positive referrals to potential guests while travelling agencies tend to recommend and market highly designed hotel offerings complemented with advanced technology. Hence, the significance to hotels in Cape Town of building strong and loyal customer bases cannot be overstated.

2.7 Theoretical concepts of customer loyalty

To understand customer loyalty in the hotel industry, a review of theoretical concepts and literature helped to elaborate the term. Customer loyalty has become the main strategic goal for many businesses in the hospitality industry and hotels are no exception. According to Kandampully & Suhartanto (2000:346–351) different studies have put forward that loyal customers (return guests) repurchase from the same service provider or brand whenever possible (Gremler & Brownm, 1996; Shoemaker & Lewis, 1999). Also, Bloemer (1999) as cited in Rahim, Mahamad, & Ramayah (2010:73) suggested that loyal customers confirm observed behaviours by recommending and maintaining positive attitudes

towards the service provider. The above understanding of customer loyalty concurs with Oliver (1999) as cited in Stephen, Sondoh, Maznah, Nabsiah, Ishak, and Amran (2007:88) who argued that loyal customers hold deeper commitments to rebuy or repatronise a preferred product consistently in the future, despite situational influences and marketing efforts that have the potential to cause switching behaviour. Another report by Dick and Basu (1994) postulate that customer commitment to repeating patronage and a favourable attitude through recommending the services and products to other people, as key attributes of loyal customers. Common to the above views of different authors, is that loyal customers have a strong association with the company's product, and high sense of belonging thereto, thus leading to repeat purchases (guest retention). Therefore, the study examined the influence and importance of innovation on customers' loyalty behaviour. Loyalty is thus assumed to be associated with customers' repetitious purchase behaviour, as an indicator of loyalty to the product, brand, or service (Bowen & Chen, 2001).

In hospitality context, different studies have echoed arguments that guests assess both physical and service qualities that they receive during their stay in a hotel (Wilkins, Merrilees & Herington, 2007). These tangible and intangible components of a hotel offering are believed to have an influence on guest satisfaction (Ekinci, Dawes & Massey, 2008). The intangible elements are related to service delivery, understanding and extent of support by hotel management, quality assurance, and the ease of completing transactions while staying in a hotel. Thus achieving customer loyalty has become the primary goal for most hospitality businesses (Dogdubay & Avcikurt, 2015:4). Guest retention has been associated with many benefits to the hotel business, such as lower marketing expenditures and significantly improved profits and positive word-of-mouth which may give hotel a more stable customer base (Bowen & Chen, 2001).

A different study by Shoemaker and Lewis (1999) as cited in Petrick, 2004:199), established that loyal customers share with 12 people on average about hotels to which they feel loyal. Almost 20 % of these people claim that they would definitely mention their favourite hotel to their friends and colleagues. The same study concluded that loyalty implies satisfaction, but satisfaction may not guarantee loyalty. Therefore, drawing an inference from Shoemaker's view, hotel guests

may be satisfied with their stay because the hotel offerings purchased met expectations, but this does not guarantee that these guests will aspire to repeat the experience, or to recommend it to friends and relatives. On the other hand, some travellers choose a different hotel based on the primary purpose of visiting Cape Town (business, recreation, or leisure).

Adding more uncertainty to the influence of product innovation on customer loyalty, a study by Woodside and Moore (1987) established that guests search for novelty and like to go to different hotels even in the same city or country whilst some guest's choices are primarily determined by price and promotional campaigns. Woodside and Moore further argued that some guests have extreme attributes and do not develop loyalty simply because they are not encouraged to return to the same hotel they have stayed before. Therefore, the above argument leaves more questions than answers on whether innovative hotel offerings help to turn satisfied guests into loyal guests, and to what extent hotel product innovations influence customer loyalty of regular travellers to the Cape Town Metro pole.

Sharpley (2000:2) assumes that the likelihood of a customer revisiting a hotel confirms the quality of the relationship between the hotel and the customer, where needs and expectations are being fulfilled. Therefore, a customer's intention for repeat patronage is an important factor indicating the guest's satisfaction with the same hotel products, instead of switching to competing hotels. However, Sharpley does note that when some customers are not satisfied with the hotel experience, they walk away without raising concerns and with no return intentions. On the other hand, some guests do report incidents and service delivery problems in the hope that such incidents or bad service will not be repeated. Thus, one can argue that the ability of a hotel to develop a long-term relationship with guests may be dependent on the hotel's promise and commitment to offer superior products to the customer on future visits.

Studies by Butcher, Sparks, & O'Callaghan (2001:318) found that keeping guests satisfied is crucial for transforming first time guests into loyal customers capable of bringing more future business value as satisfied guests. Butcher et al., further

argued that, loyal customers are generally price in-elastic over time, and have potential to resist changing service providers (hotels). Thus, merging different views discussed above, one can conclude that loyal customers can maintain a strong preference for hotel products with minimal consideration of offerings from competitors, and consequently leading to repeat patronage. However, despite the variety of views on customer loyalty discussed above, none of the studies were undertaken in Cape Town or in the context of South Africa. Thus, for the purpose of this study, customer loyalty refers to repeat patronage (hotel visits) whenever possible, therefore, guest return retention would be synonymous to loyalty.

2.7.1. Loyalty programs in hospitality

The section above discussed different dimensions of customer loyalty as applied in this study. Discussed here are different loyalty programs which hotels implement to influence guest patronage decisions.

Berman (2006) reports that loyalty programs have become central to marketing innovation strategies to attract guests and achieve customer loyalty through discounts, promotional rates, personalized offerings, and access to guest amenities. Studies have shown that loyalty programs are designed to focus exclusively on a particular VIP guest or group of business travellers, and are assumed to provide a sense of social status and receive special attention for the duration of hotel stay (Drèze & Nunes, 2009:890). Different studies have shown that loyalty programs are designed for different guests depending on commitment in terms of spending pattern towards a specific hotel (Brogan, 2010:46). Therefore, one can argue that such loyalty programs provide a strategic tool for hotels to offer exclusive products that exceed guest's expectations and needs.

2.8 Rationale to the problem

Very little literature concerning hotel innovation was found in context of the South African hospitality industry. Based on the literature presented above, it may be argued that hotel product innovations aim at gaining acceptance and building a strong base of returning guests, as opposed to continuously seeking new customers. Some hotels have gone to the extent of providing promotional rates for reservation bookings for the following year by key returning guests. However,

despite the adoption of product innovation as a business strategy in hospitality, the real extent of its influence on customer loyalty is not clear. It is also not known whether hotel product innovation may create an on-going expectation in the guest's mind that the next visit to the same hotel would be extra special. Therefore, through this study of factors of product innovation that influence customer loyalty, conclusions can be drawn on the reasons why guests prefer repeating patronage instead of searching for new experiences from other hotels. Also, the study provides an understanding on whether product innovations are important and offer customers the value which is believed to be critical for stimulating guest retention (Dube & Ranaghan, 1999).

The rationale for the study resulted from the inability of the hotel industry to identify and clarify the influence and importance of product innovation on patronage and customer loyalty. Given the forecasts of exponential growth in tourist arrivals, specifically to the Cape Town Metropolitan region, the influence of hotel product innovation on customer loyalty needs to be clarified. In the hope that such understanding will provide innovative hotels with the strategic knowhow to capitalize on the opportunities from the expected growth in tourist arrivals, through repeat patronage and long-term customer loyalty. Therefore, using innovation to achieve guest retention, innovative hotels can reduce the effect of threats to the long-term stability and growth of the South African hospitality industry. The very lack of literature around this issue in the South African context highlights the need for this study, to help bridge the knowledge gap on the influence of hotel product innovations on customer loyalty.

2.9 Product innovation strategy

This section discusses literature from a variety of authors on using product innovation as a strategic tool for retaining customers and a competitive edge in the hotel industry. It analyses different views on the use of product innovation to design attractive hospitality products, integrate tangible and intangible components of hotel offerings, and elaborates generic characteristics of hotel products. This analysis aims to help understand the use of product innovation in the hotel industry at large, and provide clarity on the benefits of innovation's influence on customer loyalty.

2.9.1. Product innovation strategy in a competitive hotel industry

Concurrent with predictions of exponential growth in tourist arrivals to Cape Town, there has been phenomenal growth of highly innovative luxury boutique hotels around Cape Town and in the global hotel industry at large. Contemporary studies by Elena, Ekaterina, Liubov and Marianna (2016:10392) established a trend that guests regard boutique hotels as highly innovative and stylish. They are therefore prepared to pay premium rates for the extra amenities (Binkley, 2003, cited in Victorino et al., 2005:559). Elaborating on the competitive nature of the hotel industry, Ritchie and Crouch (2000:1-7) identified fierce international competition as the most threatening factor. They recommend generation of diverse innovations (Elena et al., 2016:10388) and willingness to change as critical strategies if hotels are to regain their competitive position (Zaitseva, 2013:288). These authors further established that a multitude of operations — such as chain hotels, luxury boutique hotels, bed and breakfasts, resorts, and star rated lodges — are becoming increasingly significant. While this is particularly true in the USA and United Kingdom, South Africa is not an exception. Embracing the views above, Hall and Williams (2008) argue that the intensely competitive character of the hotel industry obliges hotels to provide innovative products in order to keep up with competition.

They further argue that, to remain competitive, a hotel's innovation strategy should aim at reducing rising costs through improved production efficiency, efficient operational systems, and innovations to reduce marketing costs. Other scholars submit that innovative hotels gain a unique advantage which enables them to clearly differentiate themselves from the competition and continuously adapt to demand-side changes through new offerings and unique services (Weiermair, 2006) as cited in Gomezelj (2016:8). Sheidegger (2006:11-15) concurs with Hall and Williams (2008) in emphasising that tourism firms and destinations are obliged to implement vigorous innovation strategies to offer the new or renewed products which are important in such a competitive environment. Thus, from the literature above, one can reason that an effective product innovation strategy can change competitive challenges into opportunities for tourism and the hospitality industry in general. However, despite increasingly strong evidence that innovation is a significant competitive force (Hjalager, 2010)

the influence of innovation on customer loyalty in the hospitality industry is still unclear, and this study attempts to fill in that information gap.

2.9.2. Product innovation strategy to attract guests

There is an assumption that innovation is important in designing modern hotel products to attract guests, increase hotel patronage, and accept hotel offerings. Santos (2014), as cited in Gomezelj (2016:8) established that tourism destinations are forced to implement innovative approaches to attract potential customers and continuously provide a unique customer experience. Supporting this view, another empirical analysis of innovation efficiency by Fan & Zhou (2012) established that it gives hotels the capability to implement creative ideas to attain sustainable customer satisfaction and long-term customer loyalty. Essential to Fan's view would be the propensity of an innovative hotel to be creative and develop attractive offerings which may build the long term business relationships with guests that are important for repeat patronage. Further analysis of the literature identifies various hotel innovation practices, which are implemented to develop attractive and user-oriented offerings which influence customer loyalty and patronage decisions.

From the views above, it can be argued that innovative hotels gain the capacity to offer experiences not previously available. Through innovation, hotels have the means to provide the attractive quality and value to guests which are vital for hotel offerings to exceed guest expectations. Huybers and Bennet (2000), in Daniela (2004), have seen capacity expansion associated with hotel innovation. They argue that, with innovation, hotels can develop to be destinations in themselves, providing a complete package of attractive experiences beyond just accommodation and food. Thus, drawing an understanding from Huyber and Bennet's view, the implementation of an effective innovation strategy enables hotels to develop customised products which may be attractive to different guest profiles travelling for leisure, business, and other purposes. From this, one may assume that attractive offerings may stimulate customer retention irrespective of surrounding attractions. However, all the studies discussed above have not clarified the extent to which various hotel innovation practices influence customer loyalty. Hence, such an understanding formed the rationale for the study.

2.9.3. Integration strategy for tangible and intangible hotel product

One distinctive feature of the hotel product is that it is intangible; it cannot be seen or touched physically prior to purchase. The intangibility makes hotel products difficult to buy, but easier to distribute (Evans, Campbell. & Stonehouse 2003). Intangible hotel products depend on printed or audio-visual presentations and descriptions. Marketing innovations through branding has proved to be an important tool to integrate intangible hotel products with physical products. Thus, the qualities of the tangible product components are perceived to influence guest experiences. However, it is not clear whether the tangible components influence customer loyalty the same as service delivery and other intangible components. Similarly, the generic service characteristics below apply to hotel offerings.

2.10 The generic characteristics of tourism products

Yilmaz and Bititc (2006:378) identified generic characteristics of hospitality products which apply to different facets of the hospitality and tourism industry. This study elaborates the generic characteristics of hotel products to understand how innovation integrates these generic characteristics to influence customer loyalty.

2.10.1. The intangibility of hotel products

Hotel products, which can largely not be touched, are designed to provide an experience. Innovations may be designed to reduce the intangibility in order to create a lasting impression in the guest's mind, hopefully tending towards loyalty. Some hotels use integrated art work to create some visual uniqueness to what guests can touch and see. Personalised gifting and branded tangible items in the form of robes with guests' names and clothes with hotel logos are strategies to lend more tangibility to the otherwise intangible hotel services. Technological innovations such as loyalty cards are some of the tangible offerings which guests can see and touch, thereby nurturing loyalty to the hotel or group of hotels.

2.10.2. The inseparability of hotel products

A difficulty associated with hotel products is the fact that production and consumption are inseparable. Customers experience the production of the hotel product directly, and they are an integral part of the service process (Yilmaz &

Bititc, 2006:384). Thus the offerings cannot be divided into production and consumption phases (Weiermair, 2006 as cited in Carvalho & Costa, 2011:26). One may therefore argue that the crucial characteristic differentiating services from products is the impossibility to separate production from consumption — hence services cannot be stored. However, technological innovations in hotels have reduced the inseparability of production and consumption by providing options which reduce face-to-face contact with guests during service delivery. Among the latest innovations in hospitality is electronic check-in which allows guests to use pin numbers to get a room key card and the ability to check into the room without contact with reception staff. However, what is not known amongst hospitality groups and in academic circles, is whether such technology promotes customer loyalty, and whether such non-personal presentations are regarded as being hospitable.

2.10.3. Heterogeneity of hotel products

Like any other labour intensive service oriented industry, service delivery is the source of competitive advantage in the hotel industry. Service delivery inconsistencies bring heterogeneity in hotel service offerings. Human resource innovations play a key role to reduce service delivery variations through training, service delivery standards of performance, and specific operation manuals. Management presence is relied on to ensure that service journeys are performed consistently. When implemented effectively, human resources innovations are a source of competitive advantage and may lead to customer loyalty. Thus, innovations on service delivery can be designed to exceed personalised guest expectations as opposed to standardization of the hotel's tangible product offerings. One can thus argue that customer loyalty may depend on the quality of labour, product knowledge of the staff delivering the service, and level of professionalism.

2.10.4. Perishability of hotel products

A crucial feature of the hotel product is its perishability. The tourism product, for example a hotel bed-night, simply cannot be stored for future sale. This is one of the main differences between running a hotel and manufacturing products. For hotels to overcome losses associated with the perishability characteristics of their

product, loyalty programs and marketing innovations must be effective and stimulate demand and the ultimate guest retention (Yilmaz & Bititc, 2006:378). The tangible hotel products remain in place, but cannot generate revenue when not in use. For example, a day spent with unoccupied function venue or rooms mean revenue is lost. Therefore, loyalty programs and special rates set foundations for building customer loyalty. Reducing perishability of offerings can also enable the hotel to reduce losses related to last minute cancellation of bookings. Thus, given the above argument, more questions can be asked on whether each hotel product innovation may be effective for a hotel to build strong customer loyalty and guarantee future return visits.

After an in-depth theoretical review, this study will clarify the categories of hotel product innovations and circumstances under which the various innovations may be implemented to influence guest retention and customer loyalty.

2.11 Dimensions of hotel product innovations

Ottenbacher and Gnoth (2005) identified four main dimensions (or origins) of innovation, these being marketing innovations, the product or service, process innovations, and organisational innovations. Prior studies by Atuahene-Gima (1996) established that, the main objectives of innovation processes in either services or products are to gain competitive advantage, increase market share, and build customer loyalty. On the other hand, the origin of innovation which among others would be responding to changes in the market (guests needs and expectations (Sanjeev & Jauhari, 2012), dissatisfied customers (Duverger, 2012) and technological developments, (Díaz-Chao, Miralbell-Izard & Torrent-Sellens, 2016).

Therefore, concurring with the views of the above authors, this study examined the influence of hotel innovation dimensions on customer loyalty. Hjalager (2010) also identified a set of innovation dimensions in hospitality, hence the study also focused on the influence of hotel innovations originating from hotel design, technological innovations, marketing innovations, and human resources innovations (managerial and service delivery).

To understand the influencing factors of hotel product innovation on customer loyalty, the researcher found it essential to review further literature on different innovation dimensions in the hotel and hospitality industry at large. This analysis provides understanding whether innovative practices influence guest experiences and their ultimate return intentions. Thus, for the purposes of this study, it is imperative to examine the influence, importance, and any existing relationships between four major innovation dimensions and customer loyalty (dependent variable) in the hotel industry. The innovation dimensions (independent variables) for the study are clarified in table 2.1 below:

Table 2.1: Dimensions of hotel product innovation

Dimensions of innovation	Variables	Description of innovation dimension
Tangible	2	The unique hotel design: art and different room design (wall fabrics)
Technological	2	Availability of Wi-Fi and business centres with latest computer technology
Marketing	2	VIP loyalty innovations and flexible check-in and check-out
Human resources (Service delivery)	3	Staff calling guest by name (friendliness, smiles), excellence in service delivery (ability to provide options) and management involvement during service delivery

Source: Author- Proposed innovation dimensions and variables

2.11.1. The influence of hotel design innovations on customer loyalty

Hotel art and different room designs have emerged as an innovative strategy adopted by many boutique and luxury hotels. Riewoldt (2006:11-12) argued that innovations in hotel design offer guests an environment with unique décor and aesthetics. Recent studies by Berthoin (2012); Cheng and Liu (2016) concurred that art-oriented illuminations and ambience create feelings that influence guests' imaginations whilst providing relatively differentiated emotional experiences. Hotel design innovations can incorporate incremental and radical innovations of the tangible components, aimed at providing uniqueness to the hotel interior design and a comfortable environment for guests. Han, Back and Barrett (2009) argue that tangible components of a hotel include the quality and availability of the physical facilities and the artwork around the hotel, including in-room amenities such as tea and coffee stations. Also, the quality of linen, branded bathrobes, and quality of facilities around the entire hotel (for example swimming pool and rest areas) augment the guest experience (Wu & Liang, 2009). They further added that the physical appearance of hotel personnel, cleanliness, and

quality of food forms part of the physical elements by which customers judge the quality of a hotel.

Hartline, Wooldridge, and Jones (2003) believe the ambience of a hotel is seen as an advertising tool which provides experiences and feelings of comfort which hotel guests genuinely appreciate. Therefore, the combination of tangible and intangible innovations is believed to have an influence on patronage and customer loyalty decisions. They further argue that the tangible components in the form of quality furniture, unique room design, and accessories are observed by the guests and that these influence guest perceptions of the hotel as a destination. Therefore, one can concur that the tangible components influence hotel image, which could be crucial for guests to develop brand association (Hall & Williams, 2008). Agreeing, Haywood (1983) echoed the similar argument of Karmarkar (2004) that hotel design creates an opportunity for providing unique experiences at every guest encounter, thereby increasing the propensity to attract customers (Akoglan & Acar, 2015). Therefore, through this examination, the extent to which hotel art and different room designs are important to guest return intentions is established.

2.11.2. The influence of technological innovations on customer loyalty

Modern guests use smart phones, tablets, and laptop computers for communication. These communication devices require wireless internet connections which may have an influence on hotel choice and guest experiences during the period of stay. Recent study by Deependra (2016:469 & 478) has shown a positive impact of technological innovation on customer experience in hotel industry and gives a hotel an improved competitiveness and differentiation Supporting the contemporary findings by Deependra above, Olsen and Connolly (2000) argue that the demand placed on internet and computer technology (ICTs) related offerings is increasing across the world. In a different study Buhalis (2008) found that the use of technological innovations and internet-based interaction necessitate immediate responses during the information searching phase of the purchasing decision making process. Keller (2006) concurred with Olsen and Connolly that, through internet usage, business and luxury travellers can conveniently gather information about the hotel and destinations at low transaction costs.

One can thus argue that as demand for technological products increases, so does the importance of offering guests well-functioning Wi-Fi facilities (Dzhandzhugazova, 2015) and business centres with advanced computer hardware. In a study by Gold (2005:2) as cited in Liang (2008:168), asks “What inspires loyalty today”? From analysis of this study, one can infer that hotels require efficient technological facilities for increasing customer contact, and for proactive, more convenient service delivery. In another study, Namasivayam, Enz, and Siguaw (2000) argued for the significant influence of wireless technology — such as curbside check-in, voice recognition, and smart cards — on customer decisions. Supporting the view, Reid and Sandler (1992) as cited in Victorino & Verma (2005:559) points to the need for innovation in hotels to provide guests with complimentary wireless access, computer modem connections, and technologically equipped hotel libraries with modern software support. Furthermore, Starkov (2001) argues for the need to install internet access facilities in guest rooms, pool areas, conference rooms, lobbies, and other open areas.

However, despite the arguments emphasising the importance of technological innovations to modern travellers, it is not known whether technological product innovations really would influence customer loyalty and patronage decisions. Furthermore, questions are asked on whether technological innovations can be relied on as an effective source of competitive advantage and differentiation for building customer loyalty. It is also not clear whether technological product innovations are important to guests when deciding on hotel stay and future visits. Therefore, despite various uses of technological innovations, the examination has not concluded whether hotel business centres with advanced computer technology and free Wi-Fi access have significant influence on customer loyalty.

2.11.3. The influence of hotel marketing innovations on customer loyalty

Damanpour, Walker and Avellaneda (2009) contend that marketing innovation focuses on building external relationships with customers, markets, suppliers, and competitors. This section of the study aims to understand the influence of marketing innovations on customer loyalty in the hotel industry. Promotional strategies have been adopted to cultivate inter-linkages and associations with the hotel offerings and guest experiences (Scarpato, 2002). Such linkages are

argued to be essential in building a strong brand identity and a positive hotel image. As an example, wine marketing to compliment the experiences around the actual hotel has been regarded as a vital marketing tool (Carlsen & Stephan, 2006). Concurring with Scorpio's view, Yilmaz and Bititc (2006:378) argue that marketing innovations are effective in stimulating demand in hospitality. Can one therefore argue that guest retention and loyalty decisions in the hotel industry are influenced by promotional packages, co-branding wine products, and loyalty programs? To clarify that general question, the study focused on the influence and importance two innovation dimensions which have not been exhausted by other researchers — namely flexible check-in / check-out, and VIP-focused strategic loyalty innovations.

2.11.3.1. Flexible check-in and check-out times

Flexible check-in/check-out is seen as an effective innovation strategy to satisfy customised guest requests. Yet studies have found that, due to the perishability of hotel products and limitations in the operational capabilities around hotel facilities, it is not easy to implement. Victorino et al., (2005:560) found that, for hotel innovations associated with flexibility to be successful, the innovation strategy must be closely aligned with the business strategy. For example, a flexible check-in/check-out requires changing work schedules to ensure that rooms are ready in time for preceding bookings. Such product-oriented innovations require balancing marketing and operational activities to ensure that guests benefit without operational complications. The study therefore examined whether flexible check-in/check-out may influence customer loyalty.

2.11.3.2. VIP loyalty innovations

VIP membership loyalty programs and customised guest amenities have become key marketing innovations to foster long term connection with guests and build customer loyalty (Mann, 1993). Mann reports that VIP loyalty innovations create feelings of guest self-esteem. This is due to using only the best facilities and amenities — elegant bathrooms, expensive amenities, and personal service with high responsiveness. To support this, hotels have ventured into developing their own series of products designed using the hotel's logo, complemented by a choice of amenity fragrances and colours. These product innovations aim to

create a personal touch and become part of the hotel's marketing and brand image. However, Lal and Bell (2003), cited in Danna, L.D. (2008:169), argue that despite the popularity of loyalty programs, they are generally ineffective in attaining customer loyalty. To settle the question, this study examined the unique and commonly used aspects of VIP loyalty innovations and flexible check-in/check-out, as well as the importance and influence of such marketing innovations on customer loyalty.

2.11.4. Influence of human resources innovations

The human resources (people) are key components of the intangible hospitality product since they determine the quality of service delivery. Ottenbacher and Gnoth (2005) call staff the business's 'human capital' and argue that people are crucial components of the hotel product. Concurring with Ottenbacher and Gnoth, staff move the tangible products of the hotel and deliver various "artistic services" creating guest experiences (Kim, Kim, Lee, Park & Jee, 2012). Through several service journeys, staff and management expertise determine the eventual experience delivered to the guest (de Brentani & Ragot, 1996). Thus the ultimate goal of skilled human resources is to avoid customer complaints associated with slow service and poor communication. Studies have shown that poor service delivery often ends up irritating guests, and may deflect customers from future return visits. Thus a hotel's success depends increasingly on the diverse knowledge, skills, creativity, and motivation of all employees. To ensure such an innovative and people-oriented service environment, leadership commitment to staff satisfaction requirements would be imperative. Furthermore, training and development with defined employee progress systems are essential to support the nurturing of knowledgeable employees who can better serve the customers and build loyalty. For this reason it is imperative to create an environment that encourages risk taking and innovation.

While some service industries (such as banking) are technologically oriented, the hotel industry is very labour intensive, with service delivery standards that require staff to exceed guest expectations. Furthermore, innovation in hospitality is assumed to depend more on the creation of better processes and service journeys than on tangible products. In fact, several studies have shown a positive relationship between quality of service delivery and sales (Chiang-Ming & Yu-

Chen, 2012:1332). However, it is unclear to what extent customer loyalty depends on the quality of labour, knowledge of the product range, and professionalism. This study will therefore examine the influence and importance of human-oriented innovations like staff friendliness, addressing guests by name, ability to provide guests with options during service delivery, as well as visible management during service delivery and consumption. These core human resources innovations are analysed individually below:

2.11.4.1. Staff providing options during service delivery

Mann (1993) found that no matter how beautifully designed the hotel is, poor personal service may hinder guests from coming back. Numerous authors stress that the quality of service delivery may be important to encourage guest satisfaction and retention (Babajide, 2011; Christie, 2002; Hersh, 2010:209; Ladhari, 2009; Oliver, 1999). Furthermore, high quality of service delivery has been proven to lead to decreased costs, increased profitability, and improved organizational performance through minimised losses associated with errors during service delivery (Seth, Deshmukh & Vrat, 2005). Thus, this study seeks understanding on the influence on customer loyalty of skilled staff with the ability to provide product options. Also, the study established the importance of skilled staff's influence on guest return intention and patronage decisions.

2.11.4.2. Staff friendliness (smiles and addressing guests by name)

Another element of human resources innovation is staff friendliness which encompasses staff interaction with guests, serving with a smile, and the technique of addressing guests by names at every service encounter (Avermaete, Viaene, Morgan & Crawford, 2003). Dube and Renagham (1999) say that such staff competencies and abilities are associated with employee motivation and attitude, which may have an effect on the guest's experience. Dube & Renagham further contend that staff friendliness requires high technical skills which can be taught to employees but without the right employee motivation and attitude, the guest may still leave unsatisfied. Karatepe & Karadas (2012) argue that the effectiveness of innovations related to staff depends on motivational factors such as pay, work hours, workloads, role stress levels, and work schedules. However, the influence of staff friendliness on customer loyalty

is unclear. Therefore, through this examination, conclusions could be drawn whether guests regard staff addressing them by name and serving with a smile as important to determine their return intentions.

2.11.4.3. Management involvement during service delivery

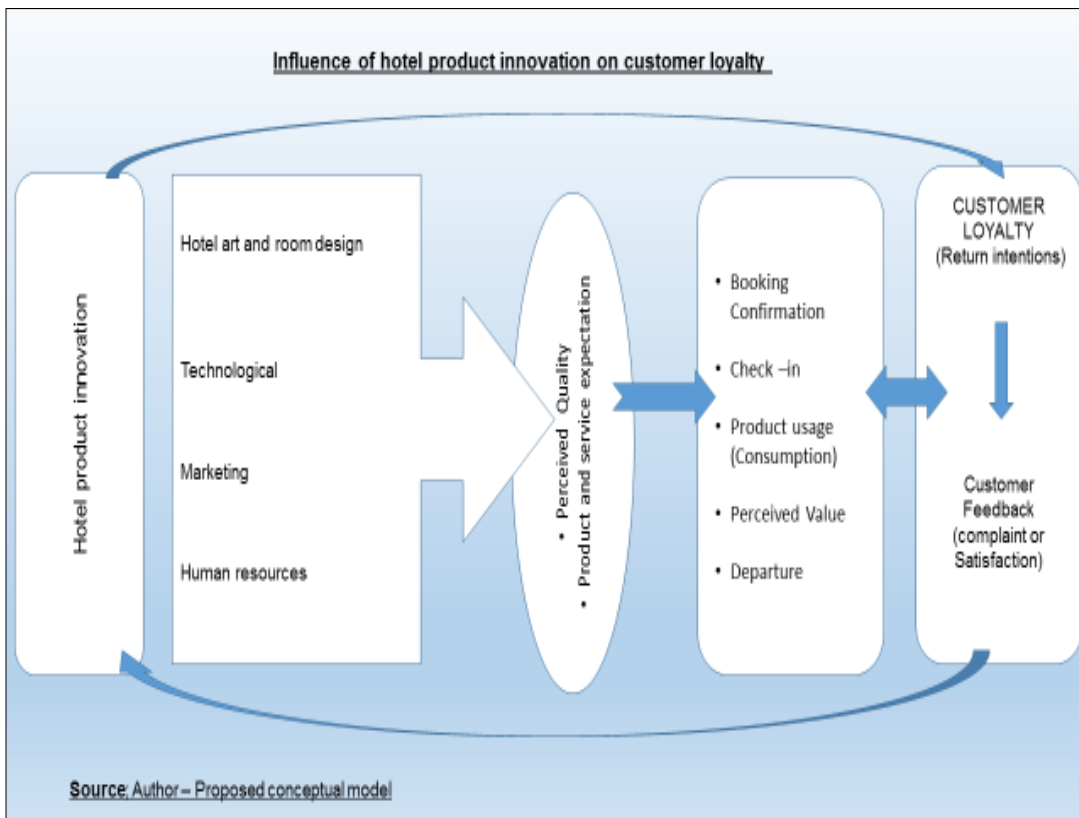
Management involvement has for decades been seen as an important part of service delivery in hotels (Siguaw & Enz, 1999). Participation of management during service delivery has become a standard practice in modern luxury hotels. In a different study, Jen-Son et al., (2016:1) argued that management involvement integrates the physical and the intangible products, employees and hotel service delivery processes. There is the assumption that it ensures high quality service and ability to attend to complaints immediately. It can be argued that management involvement provides the opportunity to get to know guests, their preferences, how they want the services, and quality of the products. Such an understanding of a guest's tastes give management an edge to cater for future guests' preferences and possible options to aid guest satisfaction. Management visibility during service delivery further allows development of personal relationships with guests, and management may get to know future plans or events, purpose of visits, and obtain important knowledge on products and services that satisfy their individual needs. The full influence of management involvement on customer loyalty has not been explored. Therefore, through this study, conclusions can be drawn on whether management involvement is important to guest return intentions and whether such involvement influences guest patronage decisions for leisure, business, and other travellers.

2.12 A conceptual model

Based on the different innovation dimensions discussed in (table 2.1) above, a model was proposed to predict how hotel innovations directly influence customer loyalty. The model was developed to fulfil the research purpose for the study. The suggested model satisfies the need of this research. It will be used to find the rationale behind the influence of hotels and their products on customer loyalty. The model in figure 2.1 below shows that hotels implement innovation strategies from different origins (dimensions), with the objective of influencing customer experiences to ultimately benefit patronage and loyalty decisions. Customers are

exposed to different innovative offerings from different hotels patronised. The model assumes that guests on leisure, business, and other travels develop loyalty to a particular hotel based on previous experiences and product innovations consumed. Therefore, it is perceived that guests develop hotel service expectation, which may be fulfilled during confirmation of the booking, upon checking-in, during hotel usage (hotel stay), and on departure. Each innovation has its own influence at each stage of the consumption process, and thereby influencing future return intentions. The diagrammatic presentation of the model is in figure 2.1 below:

Figure 2.1: Conceptual Model: Influence of hotel product innovation on customer loyalty



2.13 Summary

The literature review established an understating of the concept of innovation, innovation dimension, hotel product, and tourism arrival with particular focus on South African hotels. Furthermore, customer loyalty (dependent variable) and loyalty programs in hospitality were explained. The generic characteristics of hotel products were discussed and how each may be influenced by various innovation practices. The innovation dimensions (independent variables) were analysed individually and the views of different authors about influences on customer loyalty were analysed. Chapter two concludes with an analysis of the conceptual model. Chapter three presents the research design and methodology. It outlines the explanatory quantitative research and how it is applied in this study. The research population, sample size, the research instrument design and data collection procedures will be outlined and justification of the choice will be clarified and supported.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The previous chapter presented a review of relevant literature in order to establish theoretical understanding of the hotel product, hotel innovation, customer loyalty in hospitality, and the generic characteristics of the hotel product. Different views on the influence of hotel product innovation on customer loyalty were discussed. Chapter two concluded with analysis of innovation dimensions in hospitality and the conceptualisation of variables in a framework model to guide the study.

This chapter presents elements of the methodology and a detailed discussion of the research strategy followed in conducting the study. This presentation and discussion explains the various research methodologies, the different types of research studies, the rationale for using a quantitative study, and the research design. The chapter also explores the study areas and research population, along with the sampling technique utilised to draw a representative sample from the population. Furthermore, the data collection methods, data collection instrument, and data collection procedures applied in the study are discussed. Additionally, the quantitative data analysis is presented, with detailed discussion of the statistical techniques and analysis employed.

As noted in chapter one, the purpose of the study is to examine the extent to which hotel product innovation influences patronage and customer loyalty. Chapter two presented the influence of innovation dimensions (independent variables) on customer loyalty (dependent variable). Chapter three now revisits the research objectives as applied in the design and composition of the research questionnaire. Briefly, the objectives are:

- 1) To identify and understand hotel product innovations that influence loyalty among customers travelling for leisure, business, or other purposes in the Cape Metropolitan region.

- 2) To identify and understand the importance of hotel product innovation on customer loyalty among customers travelling for leisure, business, or other purposes in the Cape Metropolitan region.
- 3) To examine the relationship between hotel product innovation and customer loyalty (return intentions).
- 4) To draw conclusions from the relationships established in objective three, and put forward recommendations on innovative product preferences that influence customer loyalty in the hotel industry.

It is hoped that the study findings would be of direct benefit and effect in day-to-day planning around hotel product strategy and design, and be influencing factors in major decisions on innovations that lead to greater customer loyalty in the hotel industry. However, for the findings to be useful they must be valid, and as Kumar (2005:4) remarked, the validity of research findings depends on the soundness of the research methodology adopted. Therefore, below follows a discussion of the research methodology and research strategy implemented to achieve the abovementioned objectives.

3.2 Theoretical aspects of the research methodology

The theoretical aspects of research methodology are now explained and discussed along with the rationale behind the researcher embarking on various research steps and adopting the quantitative research methodology.

From various theoretical dimensions on research and research methodology, the study applied the guidelines recommended by various authors to ensure that the study was conducted diligently and critically to achieve the research objectives. This systematic enquiry contributed to the existing knowledge of how hotel innovation factors influence customer loyalty (Altinay & Paraskevas, 2008:1). Prior to Altinay & Paraskevas, Zikmund (1991:6) defined research as a systematic and objective process of gathering, recording, and analysing data to aid in making business decisions. The above components are consistent with Sekaran (2003:5) who defined business research as “an organized, systematic, data-based, critical, objective, scientific inquiry or investigation into a specific

problem, undertaken with the purpose of finding answers or solutions to it". Guided by the above, a research methodology was adopted that provided a systematic path to find answers for research questions (Kumar, 2005:16). The sections below provide an understanding of the various research methodologies, and clarification of the specific research steps or strategy (methodology) adopted when conducting the research to answer the research questions.

3.3 Various approaches to research methodology

To establish an understanding of the research methodology which was applied in the study, this section briefly discusses quantitative and qualitative research approaches, as well as the role of triangulation. It should be understood that these approaches may be employed separately, or utilised in combination. Section 3.4 below covers in detail the approach used for this study.

3.3.1. Quantitative approach

Quantitative approaches emphasise the objective measurement and analysis of causal relationships between variables and are applicable to phenomena that can be expressed in terms of quantity (Welman, Kruger & Mitchell, 2005:8). The main advantage of quantitative research is that such research is typically based on large samples of respondents (Baines & Chansarkar, 2002:63). Therefore, conclusions may be drawn for the whole population. The main disadvantage of quantitative research emanates from the difficulty of obtaining detailed, in-depth information to answer the research questions.

3.3.2. Qualitative approach

Qualitative research approaches aim at subjective assessment and discovering underlying motives and desires, using in-depth interviews. Qualitative research helps to establish the socially constructed nature of reality as it uncovers the underlying motivations for people's opinions and perceptions (Baines & Chansarkar, 2002:65). However, the results can typically not be generalised to the wider population of interest — which is the main disadvantage of qualitative research. Therefore, qualitative research should be used as a guide, or in preparation for further quantitative studies. Due to the large size of the

population, the study adopted the quantitative approach, as opposed to qualitative which would be more suitable for smaller target populations. The study aimed at establishing findings that can be generalised in hotel industry, hence the rationale for adopting the quantitative approach.

3.3.3. Triangulation

Triangulation uses different approaches to examine and make sense of the study data and facts. It could involve mixing data of different types (data-triangulation), or applying different methods (methodological triangulation), to gain further insights. In this way, diverse viewpoints assist in validating conclusions and claims that might arise from the study (Olsen, 2004:103).

3.4 Approach followed for this research

The researcher accepted the view that qualitative research is always exploratory. To obtain accurate descriptions and explanation of study findings, a more rigorous quantitative approach would be more suitable to achieve the research objectives (Blanche, Durrheim & Painter, 2006). Thus, having considered the attributes of the research methodologies above, the quantitative methodology was identified and adopted as suitable. It would allow the gathering of data in quantitative form, which could then be subjected to rigorous quantitative analysis to establish causal relationships. Thus, the influence of each innovation dimension (independent variable) could be measured and examined to determine the extent of its innovative influence on customer loyalty (dependent variable).

Therefore, to achieve the research objectives, a survey was undertaken using a sample resembling the characteristics of the population, so that the conclusions could be generalised to the population. The quantitative data was analysed using descriptive and inferential statistics, with the latter establishing patterns from which to relate the characteristics and relationships between innovation and customer loyalty. Also, responses to open-ended questions were codified (quantified) according to frequency of occurrence. Responses to pre-coded questions were codified in order to identify recurring answers. The next section describes the methodology for the empirical survey.

3.5 Research design

The essential prerequisite of survey design is to know what kind of information is required (Finn, Elliott-White & Walton, 2000). This study had to answer specific research questions. To guide the design, the research topic was thoroughly conceptualised and the existing literature consulted. The research questions had already established boundaries to delimit the field of investigation. The survey instrument was designed for collecting the empirical data needed to understand the influence of hotel product innovation on customer loyalty. The respondents were approached to participate voluntarily in the questionnaire survey. The questionnaire comprised a combination of mainly closed-ended and a few open-ended questions.

3.6 Research types

This section explores different types of research, emphasising explanatory research as employed in this study. Research authors Blanche, Durrheim and Painter (2006:44-45) have argued that the purpose of research is determined by the conclusions of the study, or what the researcher wishes to obtain through the study. These authors identified three distinct types of research, based on the objectives of the research:

3.6.1. Exploratory research

Exploratory research is typically undertaken during preliminary investigations into relatively unknown areas of study, whereas descriptive studies aim to describe phenomena accurately through narrative-types descriptions. Examples of exploratory research could be interviews with hotel management on the effectiveness of hotel product innovations on guest returns, or establishing what product innovations are assumed to be effective for guest retention. This study did not use exploratory research, focusing rather on unknown perceptions of guests. The study aimed mainly at covering a large population, and finding causal explanations about customer loyalty in hotel industry — which could not be established from speculative opinions from exploratory studies.

3.6.2. Explanatory research and the rationale

The explanatory research approach was deemed suitable for the study and compatible with the main research objective that seeks to establish understanding about the influence of hotel product innovation on customer loyalty. A hypothetical understanding was developed before collecting any data, and a systematic process was followed to clarify whether innovation does or does not influence guest loyalty. The data collected also provided systematic explanations of the relationships between hotel product innovation and customer loyalty. Thus, the extent of innovation's influence and its importance on customer loyalty in the hotel industry was established.

3.6.3. Rationale for quantitative research approach

A review of applicable literature reveals long standing arguments on whether one should rely solely on quantitative or qualitative methods, or both. Lincoln and Guba (1985), cited by Bazeley (2002:2-3), argue that the two approaches are incompatible and in direct conflict. However, in the same review paper by Bazeley (2002:8), a different view from Reichardt and Cook (1997) suggested that each model is best suited to certain types of research questions. They further argued that, in many cases, a combination of the two approaches is best. In support of combining the methods, Hussey and Hussey (1997:55) contend that it is possible for a qualitative research to produce quantitative data and vice versa. Both Patton (1990:169-186) and Bryman (2006) concurred that the nature and content of the research influences the choice of methodology adopted. The current study pre-dominantly applied the concepts of quantitative research, and hence designed a research instrument comprising mainly of closed-ended and few open-ended questions.

3.7 Overview and rationale of the study areas

The pilot study was conducted at Kirstenbosch National Botanical Gardens, Camps Bay beaches, Victoria and Alfred Waterfront (Cape Town), and an online survey from a customer database of a five-star hotel based in Cape Town. The study areas are listed among the big ten tourist attractions to see in Cape Town (Cape Town Tourism, 2014. Industry Performance Report: October 2013 - March 2014). Thus, were found to be ideal targets for respondents who are guests

staying in hotels in the Cape Town Metropole as mentioned previously. From the pilot survey, 25 respondents accepted to fill in the questionnaire and their responses guided the structuring of the final questionnaire

The actual respondents (guests) stayed in Cape Town hotels between 15 January 2015 and 15 June 2015. After piloting, respondents were drawn from visitors to Kirstenbosch National Botanical Gardens. As mentioned in chapter one, the Kirstenbosch Botanical Gardens was chosen as it recorded second and fourth most visited attraction in Cape Town by domestic and international guests between 2013- 2014 and 2014-2015 periods respectively. Therefore, most of the guests visiting the attraction (Kirstenbosch National Botanical Gardens) stayed in hotels resembling the characteristics of innovative hotels (Hjalager 2010). The size of the research population and the sampling technique used to reduce the population into a manageable sample is discussed below.

3.8 Population, sample structure and sampling technique

This section discusses the population, sample structure, sampling technique, and rationale for adopting random systematic sampling for the study.

3.8.1. The population

The study population comprised of all guests who visited Cape Town Hotels for leisure, business, or other purposes between 15th January and 15th June 2015. These guests would have visited the study areas.

3.8.2. The sample structure

The sample was drawn as representative of the total study population. Due to the complexity of gathering data, and the high non-response rate in studies undertaken in the hospitality industry, a sample of 242 respondents was adequate to provide reliable and valid data to answer the research questions and develop generalizations about the study phenomena.

3.8.3. The sampling technique

Sampling technique refers to the process by which researchers select a representative subset or part of the total population that can be studied for the topic so that conclusions may be drawn regarding the entire population (Altinay & Paraskevas, 2008:87). As reported in other quantitative researches, sampling enables a smaller number of study elements (guests in this study) to be studied. This makes the research more manageable, time efficient, less costly, and potentially more accurate. The study was initially designed to collect data using an online questionnaire which was forwarded from a specific hotel's customer relationship management database, but could not get the required response rate. The researcher therefore changed the data collection technique to random systematic sampling by means of direct or personal administration of the same questionnaire to guests staying at hotels in the Cape Town Metropole.

3.8.4. Rationale for systematic random sampling

The direct handing out of questionnaires proved to be an effective way to gather data, since most of the respondents were interested to complete the questionnaire. To obtain true representative and unbiased responses, a systematic random sampling approach was used to select 242 respondents. The questionnaires were administered at Kirstenbosch Gardens and many of the guests were attending conferences, at leisure between sessions, or spending time after the main business of the day. In the systematic selection scheme followed, every third visitor entering the gardens had an equal chance to be selected for the study (Kumar, 2005:180-183). Two screening questions were asked to ascertain firstly whether the person was staying in a hotel in the Cape Town Metropole, and secondly the hotel's star grading. Travellers who stayed in non-graded hotels or lodges were not invited to fill out a questionnaire. Thus, each Cape Town hotel guest who spent time at Kirstenbosch Gardens during the period under study would have had a chance of participating. Of the total (242) respondents, the majority (131) were travellers on leisure, 64 on business, and 46 other travellers. One participant did not specify the purpose of visit.

3.9 Methods of data collection

A self-completed questionnaire was used to obtain the data for the research. This section discusses that research instrument and the procedure for primary data collection. The rationale for piloting is also elaborated.

3.9.1. Research instrument

Chapter one showed that the most commonly used method to gather data about the population is by structured research instruments or questionnaires. A research instrument is anything that one uses to obtain data that should be analysed to answer the research objectives (Hofstee, 2006:115). For this study data was collected by using a self-completed questionnaire with mainly closed-ended and few open-ended questions. The questionnaire was developed based on available literature regarding innovations in the hotel industry. The structured questionnaire made it possible to obtain reliable data in a relatively easy way. The questions were designed to investigate guest decision making when choosing a hotel to stay in. There was particular focus on the categories of hotel product innovation, and on how these may influence customer return visits (loyalty). Questions were asked about the purpose of visit, and their choices when deciding on staying in the same hotel or establishment for more than one visit to the Cape Metropole.

A questionnaire was designed to be directed at individual guests who patronised graded hotels in the Cape Town Metropole. This section discusses the process of developing the research instrument used in this study. A survey instrument was designed with 25 items in six broad sections — see Appendix E. Three sections collected demographic information (Gender, Age and Education level), the purpose of visiting Cape Town, and star grading of the guest's hotel. Two other sections used Likert-scale questions to test respectively the likely influence and the importance of specific product innovations on the guest's decision to return to the same hotel. The final section focused on gathering certain qualitative data. Three open-ended questions solicited guest opinions on why any particular innovation was important, which innovations from previous hotels they considered outstanding, and why they would (or not) return to the same hotel in future.

3.9.2. Primary data collection

As stated primary data was collected using self-administered questionnaires as they are quicker to administer. More importantly, interviewer variability would be eliminated and characteristics of the researcher would not influence responses in other studies of this nature, mail surveys have been found to be effective as it does not interfere with guests' schedules. However, due to time constraints and low response rate experienced when using an online survey in the pilot study, it was decided to administer questionnaires directly to respondents at the designated study areas. To prevent interviewer's influence on responses, the same questionnaire as for the online survey was administered directly to the participants. Given the limitations of self-completed questions — mainly the lack of probing — the open-ended questions were added to get extra opinions from the respondents.

3.9.3. Procedure of data collection

The procedure of data collection began with lodging an application for permission (Appendix B) with Kirstenbosch Gardens' management, who are in charge of the garden space, guest venues, and the main gate entrance where the questionnaires were to be administered. Once permission was granted (Appendix C), the researcher began to collect data from participants. A brief description of the researcher and the study was provided to respondents to ensure that they understood the purpose of the study and to seek their cooperation. The research questionnaire (Appendix E) was administered to the respondents to complete and the researcher assisted the respondents by explaining the various questions when the need arose. Respondents completed the questionnaire themselves, in the presence of the researcher, and returned them immediately.

3.10 Pilot survey (reasons for piloting)

A pilot study was undertaken to test the survey instrument, identify aspects that required refinement, and guard against potential errors (Babbie, 2001:250). More importantly, piloting ensures that the questionnaire asks questions which provide data that answer the research objectives (Brace, 2004:164). The pilot survey would establish whether respondents understood the questions, ensure a good flow, and assess the interesting sections of the questionnaire. Ambiguous terms

and mistakes were eliminated. The questionnaire was also tested to ensure validation of the study, for specificity and ease of comprehension. The pilot survey questionnaire (Appendix D) was administered to a sample of 25 respondents drawn from the actual study areas — 9 from Kirstenbosch Gardens, 4 from a local five-star hotel, and 6 each from the Victoria & Alfred Waterfront and Camps Bay beach. The distribution of the pilot study areas is presented in table 3.1 below:

Table 3.1: Study areas for pilot survey

Study area	Respondents
Kirstenbosch National Botanical Garden	13
V & A Water Front	6
Camps Bay Beaches	6

Thereafter, some changes were made to the wording and phrasing of the questionnaire after pilot survey:

- Question 01: The purpose of visit was changed from four categories to three — Leisure, Business, and Other
- Question 03: the scaling was changed; most participants assumed that a coding of “Zero” meant “No influence at all”. Therefore, a continuous rating from 1 (A strong negative influence) to 5 (A strong positive influence) was applied.
- Question 04.1: Many participants, especially international tourists, did not understand the meaning of the word “unique”. Therefore “unique” was replaced on the final version to “different”. When translated every participant could understand that term.
- Question 06: The respondents could not understand which time frame the question referred to. Thus the question was rephrased to: “Discuss the innovation that was important to you in your recent hotel choice?”
- Question 07.1: Was unclear to respondents; added “why” in the question.
- Questionnaire numbering was changed for easier understanding of sequence of questions and recording of responses.

On average the time taken to complete a questionnaire was six minutes, and knowing this helped when administering the questionnaire to the participants. The researcher requested just five to eight minutes of the guest's time, thus creating good rapport for the participants to fill the questionnaire.

Thanks to the pilot phase the researcher had the opportunity to restructure and rephrase any unclear questions. The revised questionnaire (Appendix E) was administered to both domestic and foreign tourists staying in graded hotels (1 to 5 star grading).

For robustness, the results of the pilot test were included with those of the overall analyses and findings. It was appropriate given that the questionnaire required only minor changes, as well as the resource constraints faced by the researcher. Moreover, this inclusion strengthened the data analysis phase with more respondents and it was thus to incorporate rather than omit the pilot data during the analysis phase. In summary, the benefits from its inclusion outweighed any likely trade-offs.

3.11 Questionnaire design

Based on an extensive review of the literature, a draft questionnaire was prepared. The instrument used primarily closed-ended questions as these types of questions have been useful in obtaining information that can be easily quantified. Importantly, closed-ended questions offer respondents a range of answers from which to choose. Godfrey and Clarke (2000) report that self-completed questionnaires with mainly closed-ended questions have been used in research because they are easy to answer. They ensure high completion rates as they provide the respondent with a definite structure (Brace, 2004:54). Above all, the data could be easily analysed statistically.

The 25-question questionnaire — see Appendix E — was laid out and structured in such a way that respondents would find completing it easy. Most questions could be answered by ticking a box to select an answer from a list provided. In most cases the researcher remained present for the process of collecting the data in order to clarify any unclear questions.

3.11.1. The rationale and questionnaire layout

The section below provides a breakdown and the rationale for each section of the questionnaire.

Rationale of section 1:

The purpose of this section was to establish the demographics of respondents in terms of age, highest education, and gender - (Q08, Q09 and Q10 respectively). Here the profile of the respondent is assessed to establish whether there are any differences in customer loyalty based on demographics

Rationale of section 2:

This section (Q01) focused on respondent's purpose in visiting Cape Town (business, leisure, or other). This analysis provided an understanding of the objective, to establish whether return intentions are influenced by purpose of visit. Such an understanding clarifies whether innovative influences on customer loyalty vary with guests visiting Cape Town for different purposes.

Rationale of section 3:

This section (Q02) asked about the hotel star grading. This section assessed the influence of product innovation on customer loyalty for guests staying in hotels of different star grading.

Rationale of section 4:

This section comprises questions Q03.1 to Q03.8, and Q07. It gathered data to test what influence various hotel product innovations have on guests' decisions to return for future visits (Loyalty).

Rationale of section 5:

This section (questions Q04.1 to Q04.8) rated what relative importance guests attached to various hotel product innovations when deciding on future return visits to a hotel. It seeks to establish whether certain innovations are considered more important for guest return intentions.

Rationale of section 6:

Section six is designed to obtain responses for open-ended questions. It aimed to obtaining the opinions of participants on innovations that may have the greatest influence on guests' return visit decisions (Q05). Discussion of the innovation that was particularly important to guests in their recent hotel choice was gathered for analysis (Q06). Responses for the open-ended questions helped to expand the conclusions drawn from the closed ended and multiple choice questions (Brace, 2004:61).

3.12 Methods for data analysis

Data analysis is the process of bringing order, structure, and meaning to the mass of collected data (de Vos, 2002). This section discusses how analysis of the survey data was conducted in order to answer research objectives. The study used various statistical methods to analyse various types of data. Standard quantitative methods were employed to analyse the quantitative data from closed-ended questions. The data was captured in a Microsoft Office Excel spreadsheet before importing it into SPSS (version 23), a statistical software package. Descriptive statistics in the form of frequency tables were produced to "describe rather than judge" the data (Landman, 1988:59). The descriptive statistics gave the researcher the means to acquire a good first impression of what the data looks like (Salkind, 2008). The data in the frequency tables was further analysed in contingency tables. Inferential statistics were produced in the form of Chi-Square (χ^2) tests and logistic regression analyses. The inferential statistics facilitated examination of relationships between variables (such as innovation dimensions and customer loyalty). The Chi-Square tests were used to establish the statistical significance of the individual independent variables (innovations) as presented in the contingency tables. The Logistic regression analyses established the relationships between the combined hotel product innovations and customer loyalty. The output from these analyses were summarised and presented in tables, charts, and graphs.

3.12.1. Quantitative data analysis

The standard SPSS (version 23) statistical software package was used to analyse data from closed-ended questions. SPSS facilitated the coding of data

and easy aggregation into categories, ready for analysis. The empirical data collected using Likert scale questions were converted into numerical values, aggregated, and coded before code cleaning and finally coming up with various response classifications. Averages were drawn from frequency tables and the grouping of data according to the purpose of visit, the hotel grading, and category of hotel product innovation. The descriptive and inferential statistics enabled the analysis of raw categorical data in order to establish relationships and extent of innovative influencing factors on guest return intentions. Thus, guest return intention (dependent variable) was analysed based on innovation dimensions, purpose of visit, hotel star grading stayed, age profile, education level, and gender of the respondent (independent variables). Such frequency measurements help to find the innovation category selected more frequently — which translated to greater influence on customer loyalty. The section below elaborates the rationale for using each data analysis approach, with specific focus on Cross tabulations and Chi-Square tests. Logistic and multinomial regression analysis allowed for comparing the influence of different innovation categories on loyalty decisions of the various categories of travellers.

3.12.1.1. Frequencies and Cross- Tabulations

A cross tabulation is a joint frequency distribution table of cases based on two or more categorical variables which enables displaying distributions of responses. It is one of the more commonly used analytical methods in the social sciences. The frequency tables and the subsequent cross tabulations provided information to investigate relationships between the variables of interest. Data has been presented numerically with percentages across the columns (independent variables), to highlight differences in opinions and the respective relationships.

3.12.1.2. The Chi-Square Tests (X^2)

The original Chi-Square tests, as propounded by Karl Pearson in the earlier 1900s, serve to determine the “goodness-of-fit” to a pre-specified distribution of categorical data in one dimension. It also determines differences between groups for some criteria, or relationships between two categorical variables. Hence, the statistical significance of the relationships established in the joint

frequency table may be identified. After consideration of the assumptions, the Chi-Square tests as first developed by Fisher (1922) and Pearson (1916) was found suitable for the study to test statistical significance of the survey data expressed in and measured at the nominal level. Also, the Chi-Square tests worked best as the expected frequencies were sufficiently large such that no expected frequency would be less than 1 and no more than 20% of the expected frequencies would be less than 5.

3.12.1.3. Logistic regression analysis

To establish the relationships the relationships and examine the significant influence of combined innovation dimensions on customer loyalty, the logistic regression model was applied. Significant to this study, the logistic regression analysis enabled the predicting of categorical outcomes based on predictor variables that are continuous or categorical (Hosmer & Lemeshow, 1989). In scientific and behavioural studies, logistic regression is used to generate models from which predictions can be made about the likelihood of an occurrence which is compatible with the research purpose; for example to examine the extent to which product innovation may influence customer loyalty (likelihood of guest return). Thus, as alluded to by Breslow and Day (1981); Kleinbaum and Klein (2010:45) the study took cognisance of the conditions under which the logistic model can be used, which are quite complex mathematically, to analyse empirical data and apply it to a large number of data situations that actually occurred. Based on these assumptions, the study used binary logistic regression to predict two categorical outcomes of customer loyalty (Sobuwa, Hartzenberg, Geduld & Uys, 2014). More specifically, whether the guest would have return intentions or have no intentions of returning to an innovative hotel. The survey data have been used to identify variables (innovation dimensions) which are influential in predicting guest return intentions in hotel industry. Therefore, the analysis was applied to this data on return intentions (yes or no) as the response or dependent variable of interest and innovations dimensions as independent variables with the purpose of visit, hotel grading, age, education and gender as predictors. Similarly to mathematical characteristics of any logistic model, the predicted value for any subject must not be less than zero or greater than one (Garson, 2011).

3.12.2. Data analysis for responses to open-ended questions

The responses to open-ended questions have been analysed quantitatively using frequencies to obtain an inference on the influences on certain loyalty patterns established from quantitative analysis. The data was coded to reduce the effect of multiple meanings associated with responses to open-ended questions (Miles & Huberman, 1994:9). The process of coding involved cutting the text content into units of analysis, which were then classified into categories and defined in accordance with the purpose of the study (Allard-Poesi et al., 2003:460; as cited in Aldebert, Rani, & Christian, 2011:1207). Thus each response data was put in a specific innovation category based on concepts and similar meanings (Creswell, 2009:30). Conclusions have been drawn about specific broad innovation dimensions, their respective influences, and importance in customer loyalty decisions. The findings are presented in charts.

3.13 Field work challenges

- Hotels did not want to participate, citing the inconvenience that would be caused to their guests, and the need to keep the interests of their guests confidential. Some hotel managers said “they would not want to have [their] important guests feel like research instruments”.
- The researcher had difficulty in gaining cooperation, especially with visitors who were not very interested. Much patience was needed to get cooperation from guests to participate in the research.
- Low response rate, since most of the target group were on holiday and did not want interference during relaxation. On average only about three of every 10 tourists approached were prepared to complete a questionnaire. Hence, data collection took longer than planned.
- Getting permission from tourist attraction areas; most of the tourists’ centres felt the research would only benefit the hotels directly and should be undertaken within hotels only.
- Participants interpreting the meanings of words incorrectly. The pilot survey assisted to make the necessary changes

3.14 Summary

This chapter explained the methodology adopted in the study, outlining the research questions which guided the study. Methods of collecting information and the methods for analysing the data were also discussed in this chapter. Overall, 242 domestic and foreign tourists were surveyed. The results of the survey will be presented and discussed in the next chapter. Methods and procedures for quantitative data analysis will be explored and the segments of the descriptive statistics will be exploited and fully applied.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The preceding chapter reported on the research design and methodology adopted in this study. More specifically, it looked at theoretical aspects of research, research approaches, and the rationale for adopting the explanatory research approach. It also discussed the process of data collection, study population, the sample selection, and sampling technique used. It concluded with the rationale for the study areas, research instrument, and the fieldwork challenges.

Chapter 4 presents the data analysis and discussion of the results from a diverse sample (n=242) made up of domestic and foreign guests who stayed in Cape Town hotels between 15th January and 15th July, 2015. The data was analysed by means of SPSS (version 23), a statistical analysis software package. This chapter discusses details of the data analysis and presents the findings in order to establish which factors of hotel product innovation have notable influence on customer loyalty. For ease of understanding, the outputs from the analyses are presented in frequency tables, cross tabulations, graphs, and charts.

The data analyses and discussions are presented according to the sections set out in Chapter 3:

1. Demographic information;
2. Purpose of visit;
3. Attributes (star grading) of hotel;
4. Influence of Innovations;
5. Importance of Innovations; and
6. Responses from open- ended questions.

4.2 Interpretation of Chi-Square tests and Logistic regression statistics

Central to this chapter is the interpretation of the Chi-Square test statistics to establish the significance of the relationships presented in contingency tables.

The general approach is that all p-values below 0.05 (Chi-Square p-value <0.05) are regarded as significant on customer loyalty (Sobuwa et al., 2014). Conversely, Chi-Square p-values above the 0.05 (Chi-Square p-value>0.05) limit are regarded as statistically insignificant relationships between individual innovation dimensions (independent) and customer loyalty (dependent).

The Chi-Square tests enabled identifying innovations that influence customer loyalty on their own. However, Schumpeter (1934) holds that real innovation involves using new combinations of innovations to obtain a desired result. This study adopted the logistic regression model to analyse combinations of innovation influences (eight binary predictor variables) on customer loyalty (outcome variable). The logistic regression analysis established the significance of each response parameter as presented in the descriptive statistics (negative influence, no influence, or positive influence). Like the Chi-Square tests, the significance level is set at 0.05 (logistic p-value < 0.05). For this analysis the strong negative and negative influence response were combined into one parameter (negative influence). Thus three response categories were established (negative, no influence and positive influence) to provide clear explanations of the relationship for each innovation category.

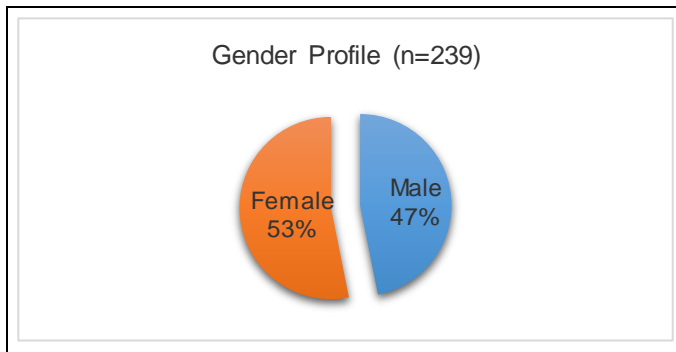
4.3 Section One: Analysis of sample demographic characteristics

The demographic characteristics of the study sample depict a pool of diverse respondents in terms of gender, age, and education level. The results of the analysis are presented in figures 4.1, 4.2, and 4.3 respectively. Below is a detailed analysis of each demographic characteristic:

4.3.1. Analysis of sample gender profile

Figure 4.1 1 below presents the gender profile for the sample (242) constituted of 112 males and 127 females. Three participants did not specify their demographic characteristics and was treated as missing values. The gender proportions provided fairly balanced representation of opinions for the study from male and female respondents.

Figure 4.1: Gender profile



As depicted in figure 4.1 in above, 47% of the respondents were males and 53% were females. Further analysis aimed at establishing whether guest return intentions vary with gender are presented in table 4.1 below::

Table 4.1: Analysis of return intentions by gender

Gender	Yes	No	Total
	n=185	n=54	n=239
Male	85	27	112
Female	100	27	127

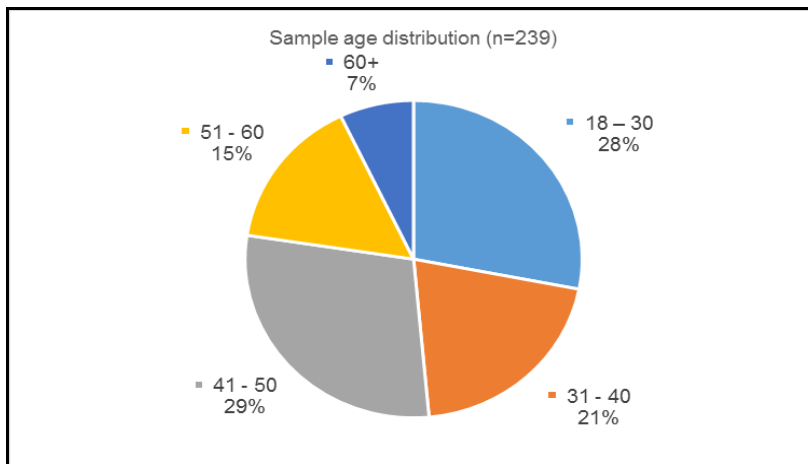
As shown, 85 out of the 112 male and 100 of the 127 female respondents indicated that they would return to the same hotel. Frequency distribution analysis shows that 24% of the male and 21% of the female respondents said they would not return to the same hotels stayed at before. The difference in return intentions between males and females concurs with previous studies by Fischer, Patricia, Mosquera, van Vianen & Manstead (2004:87) suggesting that gender affects perceptions of service quality due to gender influence on preferences and differences in information processing. Therefore, one can argue that gender differences affect the importance placed on core and supporting services. However, results of inferential statistical analysis does not support the findings from descriptive statistics; it establishes that gender has an insignificant influence on customer loyalty, confirmed by a Chi-Square test p-value above the significance level of 0.05 (Chi-Square value = 0.276, df = 1, p-value = 0.599).

Future studies may need to examine the reasons for the higher proportion of males with no return intentions to a hotel stayed before compared for females.

4.3.2. Analysis of sample age profile

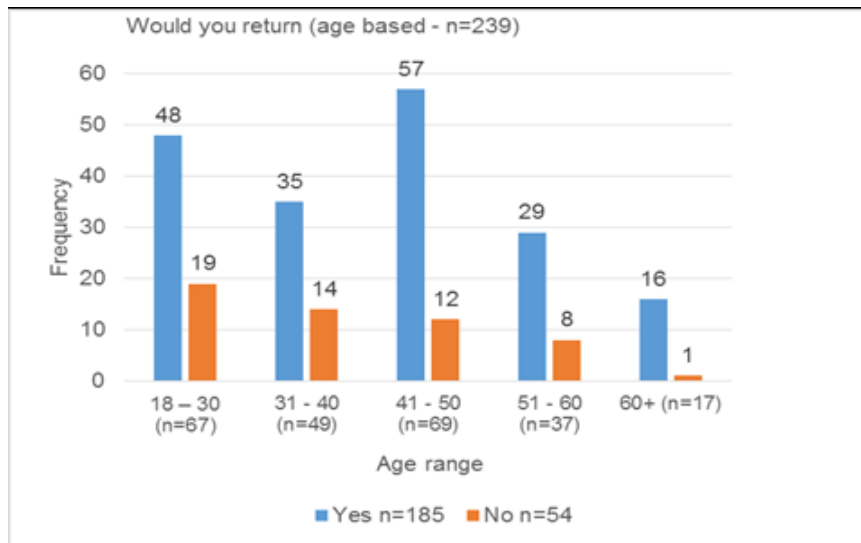
The age profile of the total sample (n=239) is illustrated in figure 4.2 below. The majority of the respondents were in the age groups 41 to 50 years (29%), followed by 18 to 30 years (28%), the 31 to 40 year group constituted 21%, whilst 51 to 60 years covered 15%. The 60 years and older age category had only 7% of the respondents. The age distribution for the study is presented in figure 4.2 below:

Figure 4.2: Sample age distribution



Return intentions for the various age categories were also analysed. As presented in figure 4.3 below, the majority (185) of the sample (n=239) confirmed that they would return to the same innovative hotel, while 54 participants said they would not return to the same hotel irrespective of innovations.

Figure 4.3: Analysis of guest return intentions by age



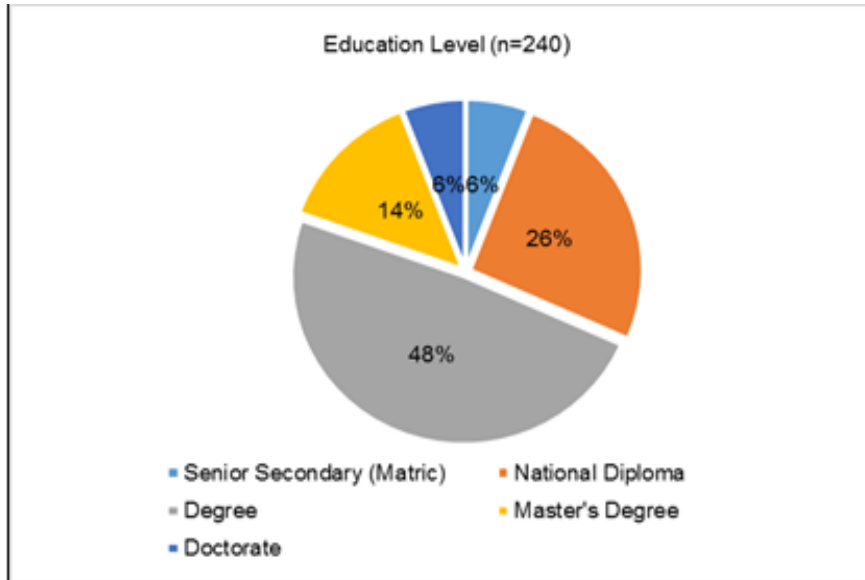
Given the analysis above, one can argue that active population groups (18 to 50 years old) comprise a significant proportion of guests who said they would return to the same hotel used before. This result concurs with Holjevac (2003) who held that the modern trends of youth traveller preferences are vital to the future of tourism. Hence one can argue that this underlines the need to design hotel products that satisfy the flexible needs and expectations of the young tourists who must provide future business. However, results of inferential statistical analysis show that age has an insignificant influence on customer loyalty — confirmed by a Chi-Square Test p-value above the significant level of 0.05 (Chi-Square value = 6.077, df = 4, p-value = 0.194). Exponential growth in numbers of young travellers may be a positive reflection on the future of the hotel and tourism industry at large in South Africa. However, future studies may need to examine the product innovative factors influencing customer loyalty for different age.

4.3.3. Analysis of sample educational level

Figure 4.4 below represents the education characteristics of the sample (n=240; of 242) respondents, 2 participants did not specify their education level. Holders of senior secondary certificates and Doctorate degrees had 6% each with a total of 28 participants. Additionally, 26% of respondents had National Diplomas (62). The largest group (117 people, 48% of the sample) had degrees whilst 14% of

the participants (33 people) had Master's degrees. The summary of the sample (n=240) for educational profile is presented in figure 4.4 below:

Figure 4.4: Distribution of sample educational level



Regarding customer loyalty in the hotel industry, table 4.2 below shows that (from a sample of 240 respondents) a majority of 186 respondents confirmed that they would return to an innovative hotel. On the other hand, 22.5% of participants (54 of n=240) with a variety of educational levels would not return to the same hotel. Specifically 14% of senior secondary certificate holders and 19% of National Diploma holders have no return intentions.

First degree and Master's degree holders appear to have relatively higher proportions of respondents with no return intentions (26% and 27% respectively). Table 4.2: Analysis of return intentions by educational level.

Table 4.2: Analysis of return intentions by educational level

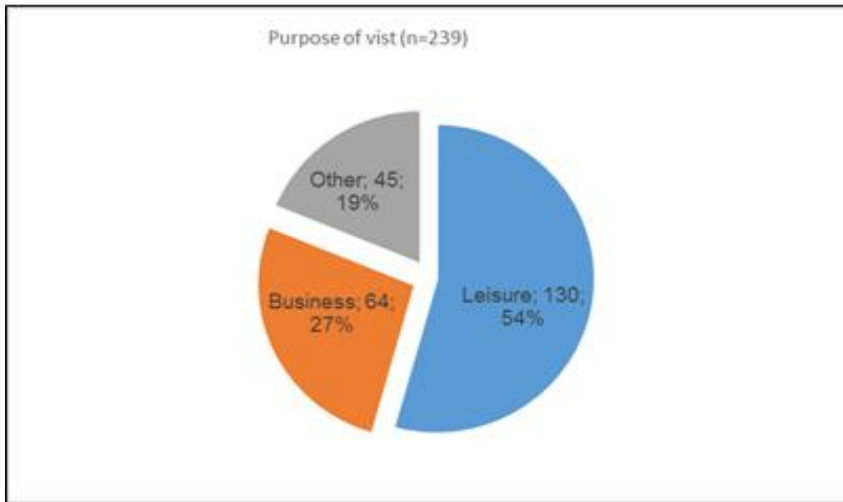
Would you return to the same hotel?			
Education Level	Yes	No	Total
	n=186	n=54	n=240
Senior Secondary (Matric)	12	2	14
National Diploma	50	12	62
Degree	87	30	117
Master's Degree	24	9	33
Doctorate	13	1	14

However, results of inferential statistical analysis confirm that education level has an insignificant influence on guest return intentions as confirmed by Chi-Square Test p-value above significant level of 0.05 for education (Chi-Square value = 3.778, df = 4, p-value = 0.437). Therefore future studies may need to establish specific product innovations influencing customer loyalty for different educational levels in the hotel industry.

4.4 Section Two: Analysis of primary purpose of visiting Cape Town

This section analyses and discusses whether innovative influences on customer loyalty vary with guests visiting Cape Town for different purposes. This analysis was done to understand and identify the influence of hotel product innovation on customer loyalty for leisure, business, and other travellers in the Cape Metropole. The analysis established an understanding of innovations that influence loyalty decisions for travellers for a specific purpose. The sample distribution by purpose of visit to Cape Town is presented in figure 4.5 below. A total of 131 participants reported that the main purpose of a visit requiring hotel stay was to experience the luxury in Cape Town hotels, hence were classified as leisure guests (54%). Respondents who visited Cape Town for business related purposes and staying in a hotel were considered as business travellers (64 respondents, constituting 27% of the total sample). Guests who stated their purpose of visit as neither leisure nor business were classified as other traveller — 46 respondents, constituting 19% of the total sample. The sample proportions for purpose of visit are presented in a pie chart shown in figure 4.5 below:

Figure 4.5: Sample distribution by purpose of visiting Cape Town



To establish customer loyalty by purpose of visit, the data was further analysed using cross-tabulation. Table 4.3 below shows that out of the sample (n=239), the majority of respondents (186) said they would return to the same innovative hotel, whilst a smaller proportion (53 respondents) had no intention to return to a hotel stayed before for leisure (20%), business (22%), or other purposes (29%).

Table 4.3: Analysis of return intentions by purpose of visit

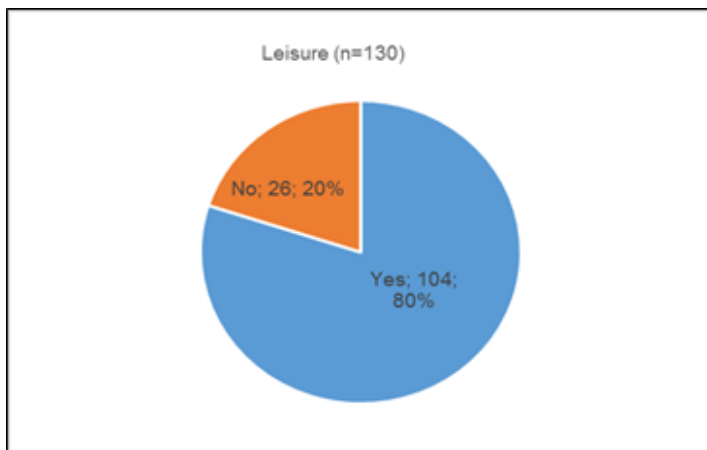
Would you return to the hotel?			
Purpose	Yes	No	Total
	n=186	n=53	n=239
Leisure	104	26	130
Business	50	14	64
Other	32	13	45

Despite seemingly significant return intentions drawn from the descriptive statistics above, the overall Chi-Square test shows an insignificant relationship between the purpose of visit and return intentions (Chi-Square value = 1.535, df = 2, p-value = 0.464). Further analysis and discussion of product innovation influences and purpose of visit is given below.

4.4.1. Analysis of loyalty influences for leisure travellers

This section analyses the effect of innovative influencing factors on customer loyalty for leisure guests. The descriptive statistics showed that of the 130 respondents on leisure, 104 said they would return to an innovative hotel, whilst 26 had no return intentions. The results are presented in the pie chart (figure 4.6) below:

Figure 4.6: Would you return to the same hotel for leisure?



Besides the descriptive statistics, inferential statistics was done using Chi-Square Tests and logistic regression analysis. The results from Chi-Square Tests are presented in table 4.4 below. It can be seen that on their own, hotel art and different room design (Chi-Square value = 10.154, df = 2, p-value = 0.006), and hotel business centres (Chi-Square value = 7.789, df = 2, p-value = 0.027) together have a statistically significant influence on customer loyalty for leisure guests. VIP loyalty innovations have shown insignificant influence on loyalty (Chi-Square value = 5.051, df = 2, p-value = 0.080). With the exception of the three innovations mentioned above, all other innovations under study have shown no statistically significant influence on customer loyalty for leisure guests.

Table 4.4: Leisure travellers: Descriptive and Chi- Square statistics

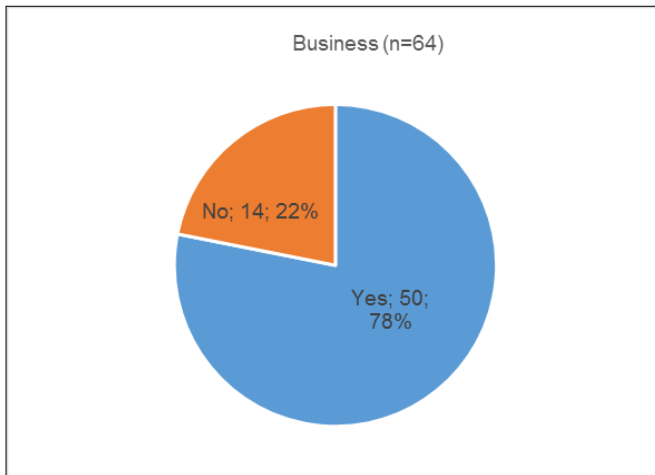
Innovation influence on leisure travellers												
Q#	Innovation	Case Processing Summary						Chi-Square Tests ^a				
		Valid		Missing		Total	return? (Responses)		Value	df	P- Value	
							Yes	No				
03.1	Flexible check-in and check-out	130	99.2%	1	0.8%	131	100.0%	104	26	3.682	2	0.159
03.2	Hotel art and different room design	130	99.2%	1	0.8%	131	100.0%	104	26	10.154	2	0.006
03.3	Availability of Free Wi-Fi	129	98.5%	2	1.5%	131	100.0%	104	25	3.682 ^b	2	0.159
03.4	VIP loyalty innovations	128	97.7%	3	2.3%	131	100.0%	102	26	5.051	2	0.080
03.5	Staff friendliness (smiling, calling guests by name)	129	98.5%	2	1.5%	131	100.0%	103	26	1.958	2	0.376
03.6	Management involvement	129	98.5%	2	1.5%	131	100.0%	104	25	0.799	2	0.671
03.7	Hotel business centres	128	97.7%	3	2.3%	131	100.0%	102	26	7.789	2	0.027
03.8	Employees providing options (service delivery)	129	98.5%	2	1.5%	131	100.0%	103	26	0.336 ^b	2	0.845
a. Purpose = Leisure												

Furthermore, the results of logistic regression (appendix J) establishes that when product innovations are combined, availability of free Wi-Fi access has strongly positive significant influence on customer loyalty for leisure guests — the logistic p-value is 0.001. Thus, the conclusion can be drawn that more than one innovation must be combined when designing product offerings to influence the loyalty and ensure retention of leisure guests. Hotel art and unique room design, availability of free Wi-Fi access, business centres, and VIP loyalty innovations could be combined in creating such product offerings.

4.4.2. Analysis of loyalty influence for business travellers

This section discusses the innovation influencing factors on loyalty of business travellers. The descriptive statistics show that 50 of the 64 respondents in this group said that they would return to the hotel stayed at. The remaining 14 respondents had no intentions of returning, irrespective of innovative products offered. The findings are presented in figure 4.7 below:

Figure 4.7: Would you return to the same hotel for business?



Contrary to the descriptive statistics findings presented above, the Chi-Square Tests established that product innovations have no significant influence (Chi-Square $p > 0.05$) on customer loyalty for business travellers. Thus, as presented in the contingency table 4.5 below, the results from Chi-Square Tests depict that there is no statistical evidence to support the pattern established from descriptive statistics.

Table 4.5: Business travellers: Descriptive and Chi- Square statistics

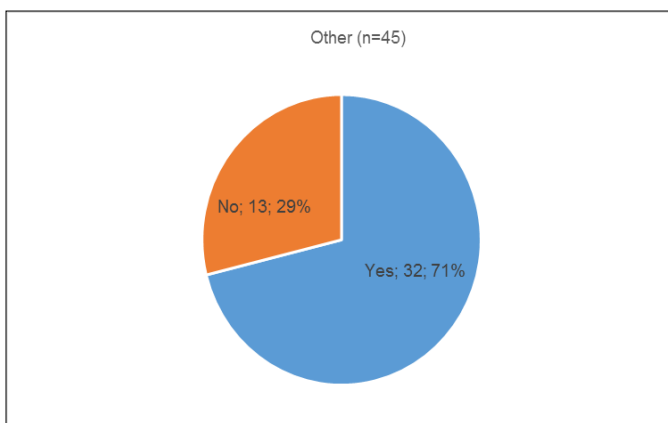
Influence of innovation on business travellers												
Q#	Innovation	Case Processing Summary						Would you return? (Responses)		Chi-Square Tests ^a		
		Valid		Missing		Total		Yes	No	Value	df	P-Value
		N	%	N	%	N	%					
03.1	Flexible check-in and check-out	63	98.4%	1	1.6%	64	100%	49	14	.595	2	0.743
03.2	Hotel art and different room design	64	100.0%	0	0.0%	64	100%	50	14	3.814	2	0.149
03.3	Availability of Free Wi-Fi	64	100.0%	0	0.0%	64	100%	50	14	2.294	2	0.318
03.4	VIP loyalty innovations	64	100%	0	0.0%	64	100%	49	14	1.961	2	0.375
03.5	Staff friendliness (smiling, calling guests by name)	64	100%	0	0.0%	64	100%	50	14	0.284	1	0.594
03.6	Management involvement	63	98.4%	1	1.6%	64	100%	49	14	1.961 ^b	2	0.375
03.7	Hotel business centres	63	98.4%	1	1.6%	64	100%	49	14	0.984	2	0.611
03.8	Employees providing options (service delivery)	63	98.4%	1	1.6%	64	100%	49	14	1.845	2	0.398
a. Purpose = Business												

Further analysis with the logistic regression model established that none of the hotel product innovations have any influence (negative or positive) on business travellers. Hence no predictor variables are listed under “variables included in the model”; all the innovation variables are listed in the table “variables not in the equation” as presented in appendix K. One can therefore argue that business travellers do not appear to put much focus into the innovations that hotels offer. This could be due to the fact that business trips are imperative and organised by individuals who are not directly involved with the consumption.

4.4.3. Analysis of loyalty influence for other travellers

This section discusses and presents the results on the influence of product innovation on customer loyalty decisions for guests traveling for other purposes. Out of the total sample (239), only 45 respondents reported traveling for “other purposes” — neither business nor leisure only. As indicated in figure 4.8 below, the majority (36) reported strong intentions to return to the hotel stayed at previously.

Figure 4.8: Would you return to the hotel for other purposes?



Further analysis establishes that human resources innovations have a significant influence on guest return intentions for this group of travellers. As presented in cross-tabulation 4.6 (below), individually, staff friendliness (with Chi-Square value = 13.412, df = 2, p-value = 0.001) and skilled employees capable of providing options (Chi-Square value = 9.952, df = 2, p-value = 0.007) have more significant

influence on guest return intentions. Furthermore, on their own, hotel business centres have strong statistical evidence (Chi-Square value = 13.412, df = 2, p-value = 0.001) that they influence return intentions for other travellers.

Table 4.6: Other travellers: Descriptive and Chi- Square statistics

Innovation influence on other travellers												
Q#	Innovations influence	Case Processing Summary						Would you return? (Responses)		Chi-Square Tests ^a		
		Valid		Missing		Total		Yes	No	Value	df	P-
		N	%	N	%	N	%					
03.1	Flexible check-in and check-out	45	97.8%	1	2.2%	46	100.0%	32	13	3.953	2	0.139
03.2	Hotel art and different room design	45	97.8%	1	2.2%	46	100.0%	32	13	2.285	1	0.131
03.3	Availability of Free Wi-Fi	45	97.8%	1	2.2%	46	100.0%	32	13	3.001 ^b	2	0.223
03.4	VIP loyalty innovations	45	97.8%	1	2.2%	46	100.0%	32	13	0.791	2	0.673
03.5	Staff friendliness (smiling, calling guests by	45	97.8%	1	2.2%	46	100.0%	32	13	13.412	2	0.001
03.6	Management involvement	45	97.8%	1	2.2%	46	100.0%	32	13	3.027	1	0.082
03.7	Hotel business centres	45	97.8%	1	2.2%	46	100.0%	32	13	13.412 ^b	2	0.001
03.8	Employees providing options (service delivery)	45	97.8%	1	2.2%	46	100.0%	32	13	9.952 ^b	2	0.007
a. Purpose = Other travellers												

The logistic model shows that the combination of hotel business centre innovations (logistic p-value = 0.000), flexible check-in and check-out (logistic p-value = 0.018), and availability of free Wi-Fi (logistic p-value = 0.003) exert a statistically significant influence on customer loyalty for other travellers. The summary of the model for the logistic results is presented in table 4.7 below:

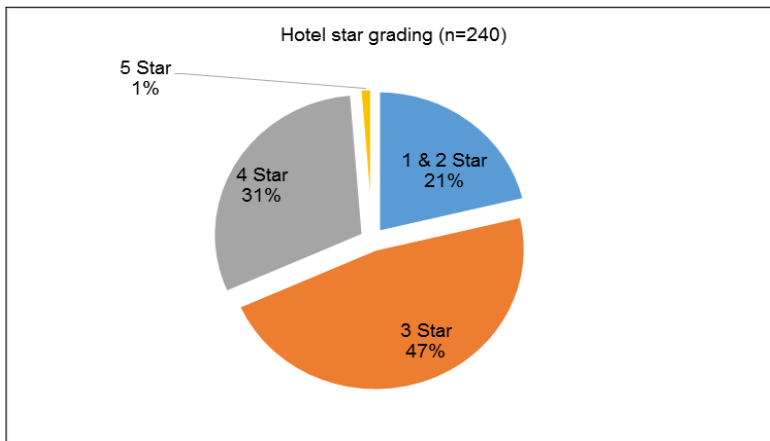
Table 4.7: Other travellers: Logistic regression analysis summary

Step Summary							
Variable	Step	Improvement			Model		
		Chi-square	df	p-value	Chi-square	df	p-value
IN: Q03.7: Hotel business centers	1	17.764	2	.000	17.764	2	.000
IN: Q03.3: Availability of Free Wi-Fi	2	11.517	2	.003	29.281	4	.000
IN: Q03.1: Flexible Check-in and Check-out	3	7.981	2	.018	37.262	6	.000
a. Purpose: Other							
b. No more variables can be deleted from or added to the current model							

4.5 Section Three: Hotel attributes

Descriptive statistics show that the majority of respondents stayed in 3-star and 4-star graded hotels. As presented in figure 4.9 below, 47% stayed in 3-star hotels and 21% in either 1-star or-2 star hotels. A substantial proportion of the respondents (31%) stayed in 4 star hotels, whilst only 1% opted for 5 star hotels.

Figure 4.9: Hotel attributes guests stayed



In examining the relationship between hotel stayed and return intentions, table 4.8 (below) summarises the pattern of return intentions from guests in different grades of hotel. Out of the sample of 240, the majority of 186 respondents indicated that they would return to the same hotel during future visits, with 54 respondents stating that they would not return to a hotel stayed before. Further analysis concurs with Hall (2009) that hotel grading provides a standard for which guests compare experience for hotels internationally. Worth noticing that 31% of respondents who stayed in 1 or 2-star rated hotels would not return to the same hotel. Interestingly, return intentions improved with increases in hotel grading — 24% of respondents from 3-star hotels and 15 % from 4-star establishments would not return to the same hotel. Notably, all three guests who stayed in hotels with 5-star grading confirmed that they would return to the same hotel during their future visits. The finding supports the trend established in previous studies by Binkley (2003) as cited in Victorino et al. (2005:559) stated that guests are loyal and prepared to pay premium rates for extra amenities provided by high graded and boutique hotels.

Table 4.8: Analysis on return intentions by hotel grading

Would you return to the same hotel?			
Hotel Star	Yes	No	Total
	n=188	n=54	n=240
1 & 2 Star	35	16	51
3 Star	88	27	113
4 Star	62	11	73
5 Star	3	0	3

The findings presented above concurs with Shaw, Bailey and Williams (2011) and contemporary findings by Hjalager (2002). Both sets of authors argued that lower graded hotels are generally non-innovative. Innovations are more prevalent in the higher-graded hotels which (they argued) have the resources to finance new product innovations. Therefore, the results show that higher-graded hotels are associated with guest retention (more loyal guests). Supporting the above, the Chi-Square values show very strong evidence of a relationship between hotel grading and customer loyalty (Chi-Square value = 41.526, df = 4, p-value = 0.000). It may be interesting to perform future studies with only guests staying in four- and five-star graded hotels.

4.6 Section Four: Innovation influence on guest return intentions

This section analyses and discusses the influence of specific innovations on guest return intentions. The three response parameters were negative influence, no influence, and positive influence. The frequencies are presented in a cross tabulation format, together with the Chi-Square test results in the last column of table 4.9 below. This table summarises the findings required to answer research questions one and three. The discussions in the next few paragraphs draw on these findings.

Table 4.9: Influence of product innovation: Descriptive and Chi-Square statistics

Innovation Influence		Descriptive Statistics				Chi-Square Tests		
		Response parameters				Value	df	Asymptotic Significance (2-sided)
Q#	Independent Variable	Negative Influence	No Influence	Positive Influence	Total n=231			
03.1	Flexible check-in / check-out	9	66	164	239	3.646 ^a	2	.162
03.2	Hotel art and room design	4	37	199	240	6.644 ^a	2	.036
03.3	Availability of free Wi-Fi	48	25	166	239	.313 ^a	2	.855
03.4	VIP loyalty benefits	11	110	117	238	.189 ^a	2	.910
03.5	Staff friendliness	7	77	155	239	.930 ^a	2	.628
03.7	Hotel business canters	14	114	109	237	6.483 ^a	2	.039
03.6	Management involvement	6	136	96	238	.744 ^a	2	.689
03.8	Employees provide options	8	72	158	238	3.236 ^a	2	.198

Summary of descriptive results (Crosstab 4.9 above)

- The statistics presented in table 4.9 show that nearly two thirds of the respondents (158 out of 238) confirmed that **employees providing options** during service delivery has positive influence on their return intentions. About a third (72 of 238) respondents say providing options has no influence while only eight respondents considered employees providing options to negatively influence their return intentions.
- On the other hand, over 80% (199 out of 240) of the total respondents identify **hotel art and room design** to have a positive influence, whilst only 37 respondents said that this aspect has no influence on their return intentions. The results concurs with authors such as Johannessen et al., (2001) argued that components of the hotel design brings new offerings which can attract guests and integrate (harmonise) with the whole product or service mix so that customers may see it as an integrated totality rather than a series of disjointed parts. Thus, hotels may need to implement innovative hotel design strategy to provide guests with special experiences.
- Analysing the **availability of free Wi-Fi** has shown that 70% of the respondents in the sample (166 out of 239) said free Wi-Fi positively influenced return intentions. About 10% (25 respondents) said it has no influence, while 20% (48 respondents) identified free Wi-Fi availability as having a negative influence on their return intentions.
- **Staff friendliness** was acknowledged by nearly 65% of respondents (155 out of 239) as having a positive influence on return intentions. A relatively low

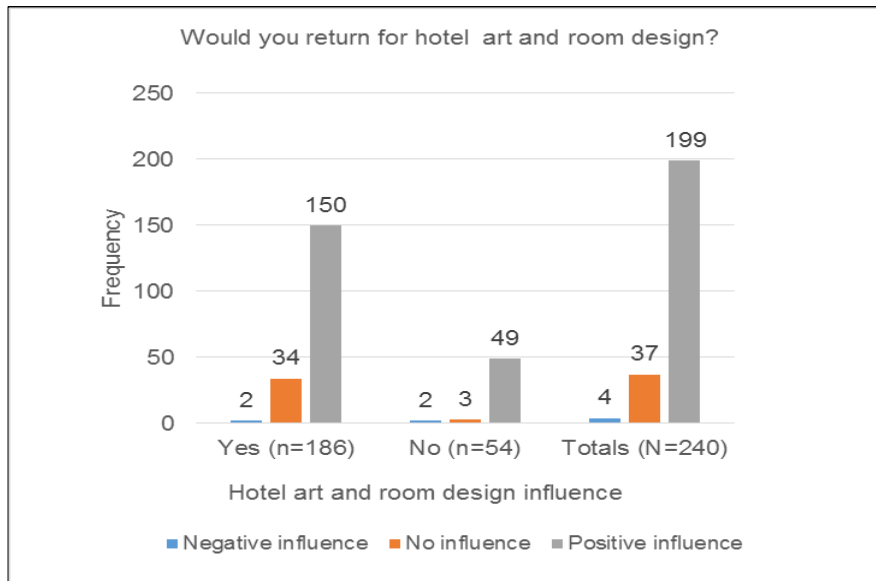
proportion of respondents (77) identified staff friendliness to have no influence at all.

- **Hotel business centres** have a positive influence on return decisions for 109 of the 237 respondents to this question. The majority (114 respondents, 48% of the sample) said such centres have no influence on loyalty and return decisions. Only 14 respondents said it has negative influence.
- **Management involvement** is regarded by most of the respondents (57%, 136 of 238) as having no influence at all, whilst 40% (96 respondents) say it has positive influence on their return intentions. Just six respondents regard management involvement as having negative influence on their return intentions and loyalty decisions.
- Regarding **flexible check-in / check-out**, the majority of respondents (164 out of 239) reported positive influence, while 66 said it had no influence whilst, 9 alluded to flexible check-in / check-out having negative influence on their return intentions.

4.7 The influence of hotel art and room design on guest return

The frequency distribution and discussions below show that over 80% (199 out of 240) respondents identified hotel art and room design as having positive influence on their return intentions. These results support the contemporary findings by authors such as Berthoin (2012); Cheng and Liu (2016) that physical facilities contribute towards overall guest's emotional satisfaction. Such guest satisfaction is firmly believed to increase the propensity to attract more customers (Akoglan & Acar, 2015) from favourable recommendations to friends and family. Figure 4.10 (below) provides a graphical summary of how hotel art and room design influences guests return intentions.

Figure 4.10: The influence of hotel art and room design on guest return



Previous studies by Hall and Williams (2008) concurs with contemporary findings Berthoin (2012); Cheng and Liu (2016) that the tangible components, décor and design offer environment that creates guest loyalty with the hotel brand. Confirming such influence, the Chi-Square test (refer table 4.5 above) confirmed that there is strong evidence of a significant relationship between hotel design — hotel art and different room design — and guest return intentions (Chi-Square value = 6.644, df =2, p-value = 0.036). Based on these statistics, therefore a conclusion can be drawn that hotel art and room design on their own have positive influence on customer loyalty. However, logistic regression analysis has shown that when innovations are combined, hotel art and different room design has no statistical significant influence on guest return intentions (logistic p-value = 0.33). Thus, an innovation strategy focused on hotel design only can be implemented as a first step towards building customer loyalty.

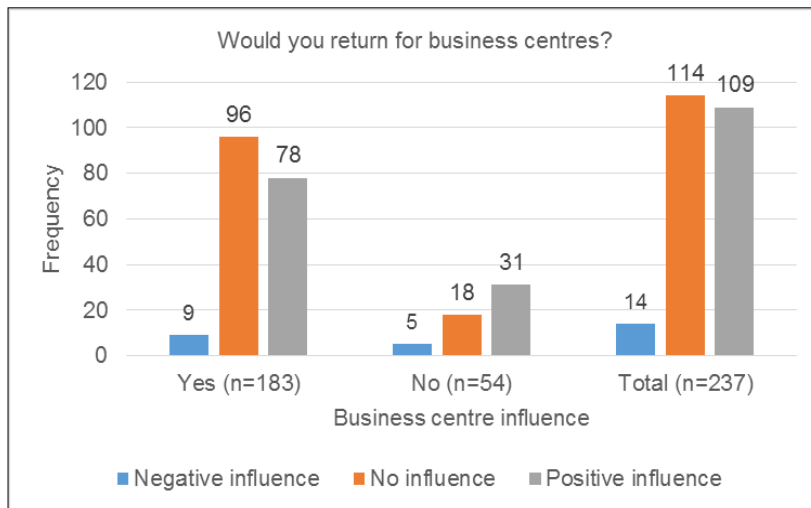
4.8 The influence of technological innovations

This section presents an analysis of how hotel business centres and availability of free Wi-Fi influence customer loyalty.

4.8.1. The influence of hotel business centres

The findings on the influence of business centres on customer loyalty are presented in figure 4.11 below:

Figure 4.11: Influence of business centres on guest return intentions

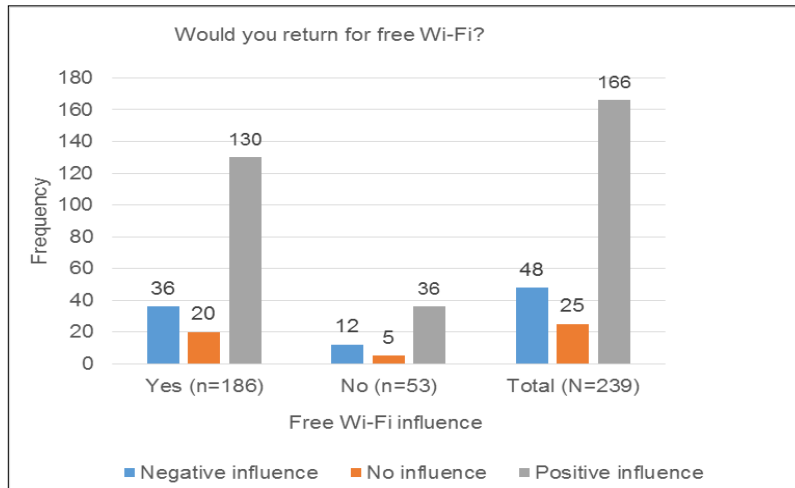


The graphic presentation in figure 4.11 above confirms the positive influence between hotel business centres and guests' return intentions. Of the 183 respondents who reported that they intended to return, 78 were positively influenced by the availability of business centres, while 96 reported no influence. Supporting these results, the Chi-Square tests provide stronger evidence that on their own, hotel business centres have significant positive influence on guest return intentions (Chi-Square value = 0 6.483, df = 2, p-value = 0.039). Furthermore, when product innovations are combined, the logistic regression analysis shows a statistically significant relationship between hotel business centres and guest return intentions (logistic p-value = 0.004). Therefore, the findings support Berezina & Cobanoglu (2010) who found that technological business services have high likelihood of influencing customer loyalty in hospitality and has shown a positive impact on customer experience (Deependra, 2016:469 &478).

4.8.2. The influence of availability of free Wi-Fi

The findings on the influence of free Wi-Fi on guest return intentions are presented figure 4.12 below

Figure 4.12: The influence of availability of free Wi-Fi on return intentions



According to the frequency distribution for the sample (n=239) most respondents (166) say availability of free Wi-Fi access has a positive influence on guest return intentions. The largest proportion (130) of these guests said that they would return whilst 36 said they would not return, but still considered free Wi-Fi to have a positive influence on their loyalty. Despite the increasing demand for technological products and the perceived importance of offering guests well-functioning Wi-Fi facilities (Dzhandzhugazova, 2015), the Chi-Square test results (table 4.9 above) show that free Wi-Fi access on its own has an insignificant influence on guest return intentions (Chi-Square value = 0.313, df = 2, p-value = 0.855). When combined with other innovations, all response parameters have shown insignificant influence (logistic p-values > 0.05, that is negative influence: logistic p-value = 0.791, no influence: logistic p-value = 0.791 and positive influence: logistic p-value = 0.486).

The findings presented above concur with the conclusions from a different study by Berezina & Cobanoglu (2010) who argued that guests perceive wireless internet connectivity (Wi-Fi) as a technological offering which has already become a normal part of the core hotel product, rather than an innovation. Thus,

based on the parameters of this model, availability of free Wi-Fi has no statistically significant influence on guest return intentions, either on its own or when combined with other innovations.

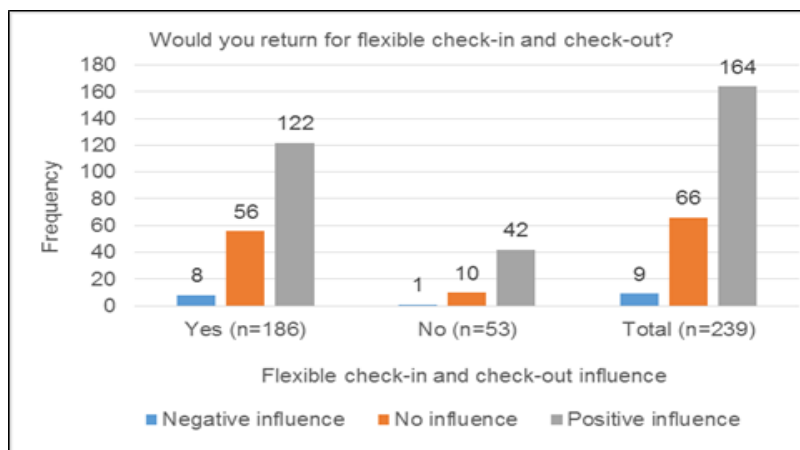
4.9 The influence of marketing innovations

The results from a frequency distribution of how marketing innovations (VIP loyalty innovations and flexible check-in / check-out times) influence customer loyalty are presented in figure 4.13 and figure 4.14 below:

4.9.1. The influence of flexible check-in /check-out

The below analysis show that 77.8% (186 of the 239 respondents) said they would return to hotels where they get flexible check-in / check-out, whilst 22% (53 respondents) said they would not return to a hotel solely for this benefit. Overall, of the respondents who reported to have return intentions, the majority (122) said flexible check-in/out times have a positive influence whilst only 56 respondents perceived it to have no influence at all.

Figure 4.13: Influence of flexible check-in /check-out on customer loyalty



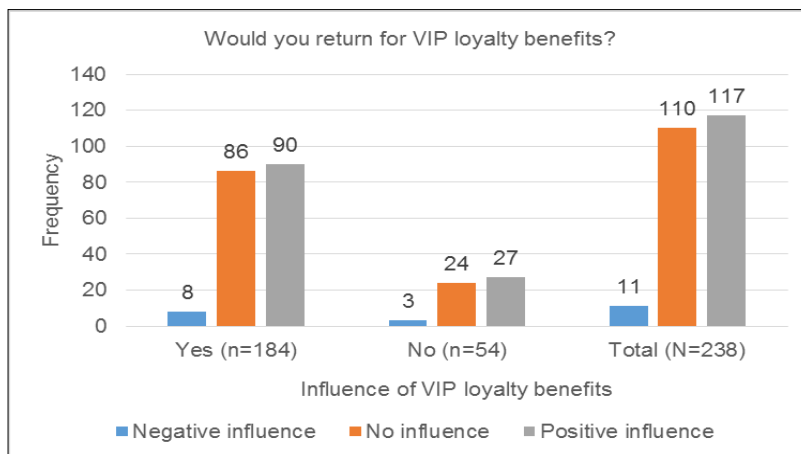
Results from the Chi-Square test statistics (see table 4.9 above) provides the insight that flexible check-in/out times on their own have no statistically significant influence on guest return intentions (Chi-Square value = 3.646, df = 2, p-value = 0.162). However, when combined with other innovations, check-in / check-out has a strong positive significant influence on guest return intentions (logistic p-

value = 0.004). Thus, based on the results of descriptive statistics and inferential statistics it can be concluded that flexible check-in/out combined with other innovations have a positive influence on customer loyalty.

4.9.2. The influence of VIP loyalty innovations

The frequency distribution for this analysis is presented in figure 4.14 below. It appears that VIP loyalty innovations have a relatively similar statistical influence to flexible check-in / check-out facilities. Most respondents (184) said they would return, and 90 of them felt that VIP loyalty innovations had a positive influence on their decision. Interestingly, a similar proportion of respondents (86) rated VIP loyalty innovations as having no influence at all on their return intentions.

Figure 4.14: Influence of VIP Loyalty innovations on customer loyalty



However, the Chi-Square statistics (see table 4.9) showed an insignificant relationship (Chi-Square p-value > 0.05). Therefore VIP loyalty innovations on their own have statistically insignificant influence on customer loyalty (Chi-Square value = 0.189, df =2, p- value = 0.910), and even when combined with other innovations (logistic p- value > 0.05. The Chi-Square and logistic regression results confirms that VIP loyalty innovations cannot be relied on as a strategy to guarantee customer loyalty in hotel industry despite the assumed influence on higher status provided (Dreze & Nunes, 2009:890). Therefore, one can argue that marketing innovation compliment guests experiences around the actual hotel (Carlsen & Stephan, 2006) and may stimulate hotel demand from new visitors

(Yilmaz & Bititc, 2006:378), although with relatively no influence on future return intention and hotel choice decisions.

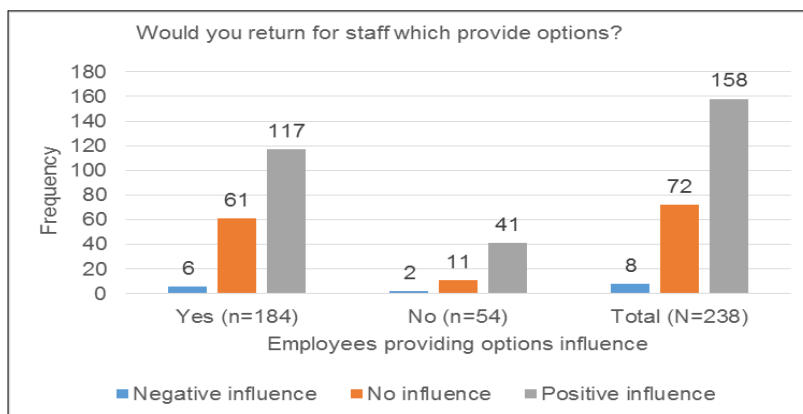
4.10 The influence human resources innovations

The influence of human resources innovations on customer loyalty decisions has been statistically analysed and the frequency distributions are presented in figure 4.15, 4.16 and 4.17 below:

4.10.1. Staff providing options

The figure 4.15 shows how far the provision of options by staff may influence customer loyalty. Nearly two-thirds (158 of 238) of respondents said that staff providing options has a positive influence, while 30% (72 respondents) said that staff providing options has no influence on loyalty decisions.

Figure 4.15: The influence of staff providing options on customer loyalty



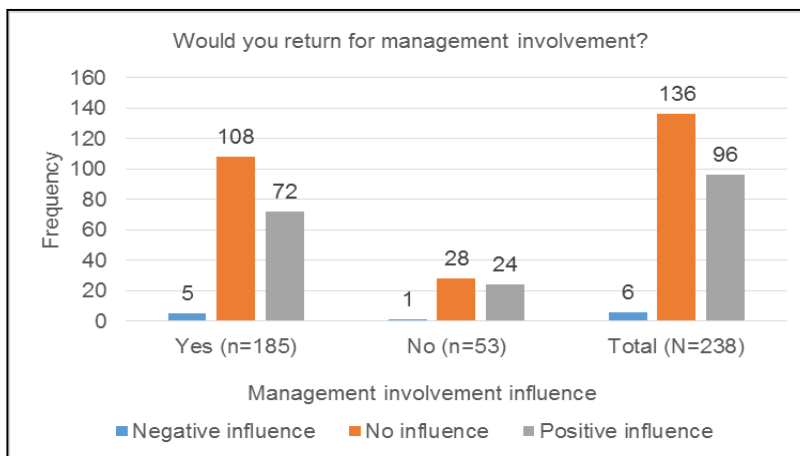
The Chi-square results (see table 4.9) show that, on its own, staff providing options during service delivery has statistically insignificant influence on guest return intentions (Chi-Square value = 3.236, df = 2, p-value = 0.198). Even when combined with other innovations, the logistic regression analysis of each response parameter confirmed an insignificant influence between employees providing options and guest return intentions (negative influence - logistic p-value = 0.887, no influence – logistic p-value = 0.124 and positive influence - logistic p-value = 0.487). These statistical findings from Chi-Square and Logistic regression

analysis does not support the previous arguments by authors such as Babajide (2011); Christie (2002) and Hersh (2010:209) who concurred that staff providing options may influence guest return decisions.

4.10.2. Management involvement

Perusal of the frequency distribution for these responses (Figure 4.16) established that out of the sample (n=238), the majority of respondents (136) noted that management involvement had no influence on their patronage and loyalty decisions. However, of this proportion (136), the majority (108) said that they are happy for return visit to a hotel with management involvement during service delivery whilst minority proportion (53) responded that they would not return.

Figure 4.16: The influence of management involvement on customer loyalty



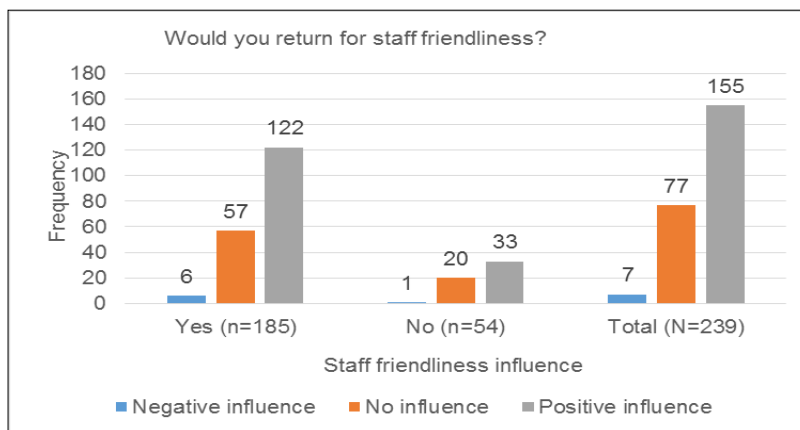
The inferential statistics show that management involvement on its own has statistically insignificant influence on customer loyalty (Chi-Square value = 0.744, df = 2, p-value = 0.689). However, when combined with other innovations, the logistic regression statistics established a significant influence on guest return intention for positive influence and no influence response parameters (logistic p-value = 0.031), and (logistic p-value = 0.047) respectively. Due to inseparability of production and guest consumption of hotel products, management involvement during service delivery integrates the physical and the intangible products (Jen-Son et al., 2016:1) and also ensuring that problems are resolved immediately maintaining strong relationship with guests (Kanter, 1995). Therefore, it can be

concluded that management involvement may be implemented to support other innovations to influence customer loyalty.

4.10.3. Staff friendliness

This section discusses the distribution of responses to the third dimension of human resources intended to establish the influence of staff friendliness, staff calling guests by name and serving with a smile (Avermaete et al., 2003). As presented in figure 4.15 above, out of the sample (n=239), the majority (155) acknowledge that staff friendliness has a positive influence on return intentions. More than 50% (122 respondents) said they would return to the same hotel with friendly staff. Further analysis depicts that a relatively small number (77) said friendliness of staff has no influence on their patronage decision.

Figure 4.17: The influence of staff friendliness on customer loyalty



However, the Chi-Square test establishes that staff friendliness has insignificant influence on guest return intentions (Chi-Square value = 0.930, df = 2, p-value = 0.628). Furthermore, the logistic regression shows an insignificant influence for all response parameters (negative logistic p-value = 0.887, no influence p-value 0.424, and positive influence p-value = 0.655). Therefore, despite the positive influence established from descriptive statistics, no statistical significant influence exists between staff friendliness and customer loyalty. Thus, the variable has been removed as the least significant variable in the model.

4.11 Section Five: The importance of innovations

As stated in chapter three, descriptive and inferential statistics have been applied to analyse the importance of hotel product innovation on patronage and return intention decisions. More specifically, cross tabulations, Chi-Square tests and logistic regression analysis were used to answer research question three and provide conclusions for the associated objectives. The responses on the importance of innovation constructs in patronage decisions are presented in contingency table 4.10 below. It also shows Chi- Square test results in the right-most columns. Logistic regression results are presented in Appendix G. This section analyses and discusses the importance of each innovation dimension.

Table 4.10: Importance of product innovations- Descriptive and Chi-Square statistics

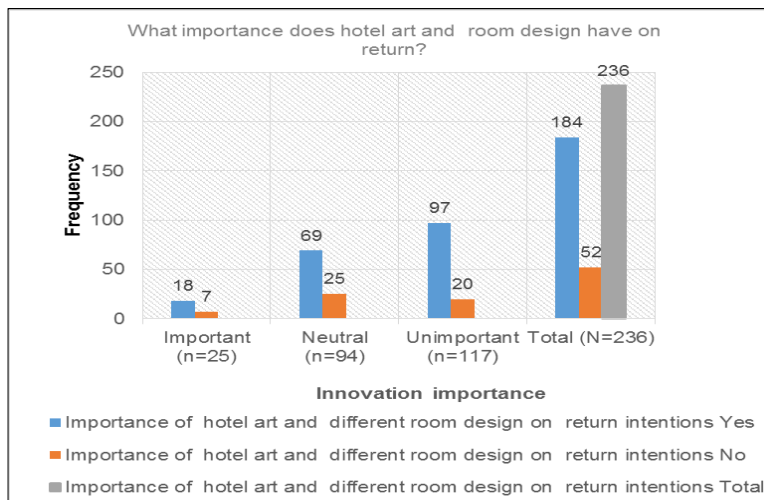
Innovation importance		Descriptive Statistics			Chi -Square		
		Response parameter			Value	df	Asymptotic Significance (2-sided)
Q#	Response parameter	Important	Neutral	Unimportant			
04.1	Each visit you stay in a room with a different design	25	94	117	3.319 ^a	2	.190
04.2	Staff calling you by name (friendliness & smiles)	21	72	144	10.079 ^a	2	.006
04.3	Loyalty card (VIP status) with membership benefits	21	95	120	5.627 ^a	2	.060
04.4	Availability of free Wi-Fi (internet access) around hotel	26	45	166	1.989 ^a	2	.370
04.5	Direct management involvement during service delivery	43	103	91	4.566 ^a	2	.102
04.6	Business canters with latest computer technology	26	45	166	19.471 ^a	2	.000
04.7	Employees provide options during service delivery	14	84	137	4.416 ^a	2	.110
04.8	Flexible check-in and check-out times	16	40	181	1.516 ^a	2	.469

4.12 The importance of hotel art and room design

As depicted in table 4.10 above, out of the total respondents (n=236), a small number of respondents (25) say different room design is important to their loyalty and patronage decisions. However, as also shown in figure 4.18 below, nearly four times as many (94) respondents were completely neutral about this innovation. Out of the sample (n=236), only 25 confirmed that hotel art and room design innovations are important to their hotel choice. The frequency distribution of responses about the importance of different hotel room design is presented in figure 4.18 below:

Figure 4.18 above shows that the majority of the respondents (117) regard art and different room design as unimportant. Further analysis shows that hotel design on its own has insignificant importance for guest return intentions (Chi-Square value = 3.319, df = 2, p-value = 0.190). Supporting the Chi-Square results, the logistic regression statistics established that hotel art and different room design have no significant importance in customer patronage decisions, even when combined with other innovations (logistic p-value = 0.239).

Figure 4.18: Importance of hotel art and room design on return intentions

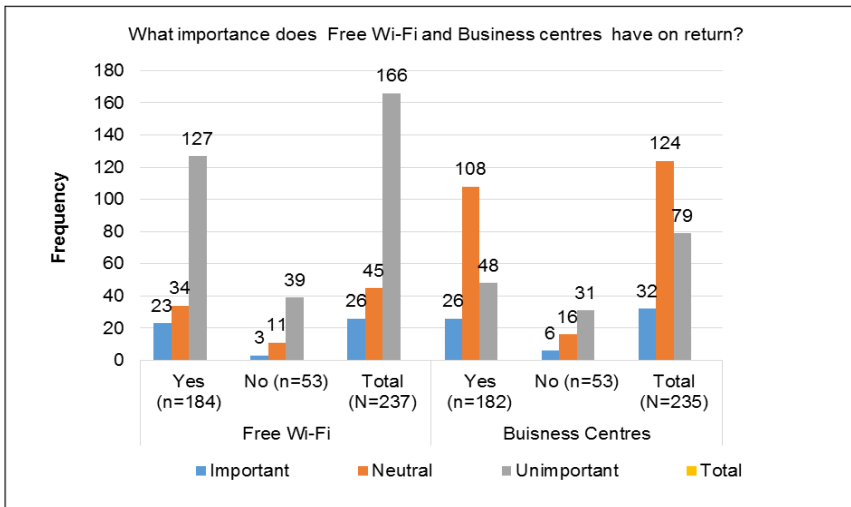


Therefore, it can be concluded that hotel art and different room design may help attract guests, but they are not important when guests are deciding on return visits to a hotel.

4.13 The importance of technological innovations

The importance of free Wi-Fi and of hotel business centres as main technological innovations to influence retention in the hotel industry is illustrated in figure 4.19 below:

Figure 4.19: Importance of technological innovations on guest return



4.13.1. The importance of availability of free Wi-Fi

The descriptive statistics about the importance of free Wi-Fi on customer loyalty were aggregated (n=237) and presented in figure 4.19 above. From the totals bars it can be seen that only a minority (26) regarded free Wi-Fi as important to their hotel patronage decisions. The majority (166) of participants regarded free Wi-Fi as unimportant when deciding hotels to stay in, and 45 were neutral. Nonetheless, of 166 respondents who regarded free Wi-Fi access as unimportant to their patronage decisions, a larger proportion (127) would return to the same hotel providing free Wi-Fi access. Hence, an overall majority of 184 respondents would return whilst 53 would not stay in a hotel stayed before. Thus, a greater proportion of guests would return to a hotel regardless of free Wi-Fi access. Supporting the results from descriptive statistics, inferential statistics showed strong evidence that availability of free Wi-Fi access on its own has no significant importance to guest return intentions (Chi-Square value = 1.989, df = 2, p-value = 0.370), and also when combined with other innovations (logistic p-value = 0.215). Thus, free Wi-Fi may not be relied on as a strategy to influence guest loyalty. Its lack of importance may be due to low cost of data and the need of guests to have limited interruptions during holidays.

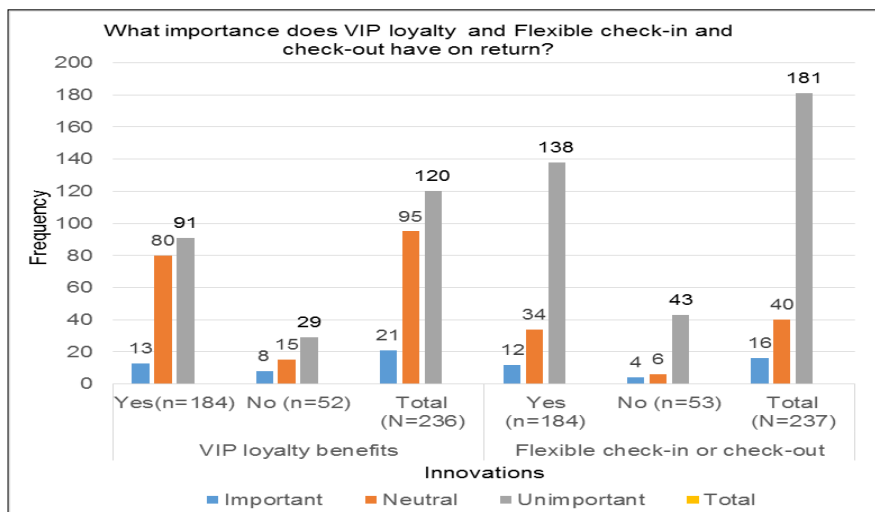
4.13.2. The importance of hotel business centers

The importance of hotel business centres on future return intentions has been statistically examined and the results were presented graphically in figure 4.19 above. The majority of respondents (124) were neutral about the importance of business centres for their return intentions. While (of the 235 total respondents) only 32 said hotel business centres are important to their hotel choice; 81% (26) would be swayed to return by the availability of hotel business centres. This shows that an innovation such as a business centre is highly important to guest return intentions. The inferential statistics (table 4.10 above) show that business centres in a hotel have significant importance for guest return intentions (Chi-Square value = 19.471, df = 2, p-value = 0.001). Further significant importance emerge when business centres are combined with other innovations (logistic p-values = 0.001). Therefore, from the analysis above, it can be established that hotel business centres have significant importance on guest return intentions, as confirmed by chi-square test and logistic regression (p-values < 0.05).

4.14 The importance of marketing innovations

This section analyses the importance of VIP loyalty innovations and flexible check-in / check-out the frequency distribution bar charts are shown in figure 4.20 below:

Figure 4.20: Importance of marketing innovations on return intentions



4.14.1. The importance of VIP loyalty innovations

The graph shows that just over half (120 of 236) of respondents consider VIP loyalty innovations as unimportant in making hotel patronage and return decisions. A further 95 respondents were neutral on the matter. However, 78% of respondents (184) said they would return to the same hotel stayed at before, irrespective of VIP loyalty benefits. The Chi-Square tests show evidence that VIP loyalty innovations on their own have insignificant importance for guest return intentions (Chi-Square value = 5.627, df = 2, p-value = 0.060). When combined with other innovations, the logistic regression analysis also shows insignificant importance of VIP loyalty innovations on patronage decisions (logistic p-value = 0.610). Therefore, it can be concluded that guests may return, whether they are going to get loyalty benefits or not.

4.14.2. The importance of flexible check-in or check-out

The importance of flexible check-times on future return intentions was also plotted and presented in figure 4.20 above. Out of the sample (n=237), a minority of the respondents (16) regarded flexibility in checking-in or check-out as important, 40 respondents were neutral, whilst the biggest proportion (181) said flexibility is unimportant. An overall majority (184) said they would return to a hotel stayed at before. Further analysis shows that flexible check-in / check-out on their own have insignificant importance in customer loyalty decision making (Chi-Square value = 1.516, df = 2, p-value = 0.469). Even when combined with other product innovations, the response parameters show an insignificant relationship (logistic p-values > 0.05). Hence, the variable was not included in the model, as it could not predict the importance of flexible check-in or check-out. Therefore, it can be concluded that flexible check-in / check-out has no significant importance on its own or when combined with other innovations. Guests choose a hotel irrespective of the flexibility in check-in / check-out times.

4.15 The importance of human resources innovations

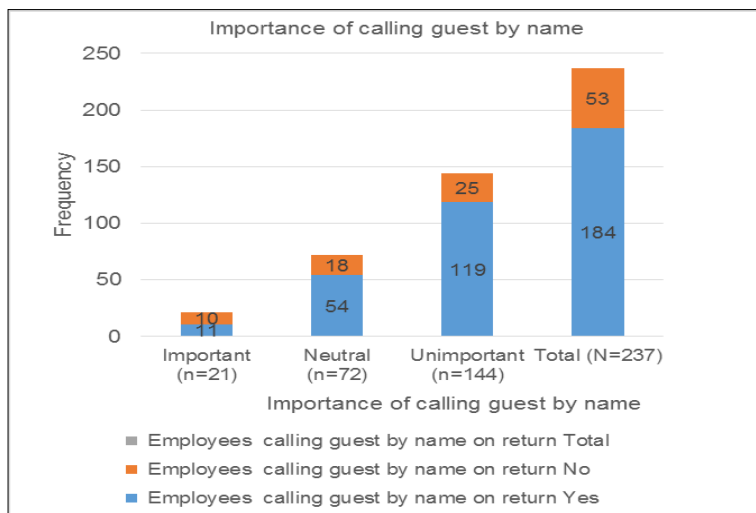
This section analyses the importance of human resources innovations (service delivery) on customer loyalty. Literature review has shown that innovations such as the habit of calling guests by name, providing options (upselling), and management involvement during service delivery are associated with the quality

of delivery process (Smiljana, P. & Daniela, 2012:338). Therefore, the analysis below will provide an understanding of how skilled staff may influence customer loyalty and guest patronage decisions.

4.15.1. The importance of staff friendliness

The importance of staff friendliness (calling guests by name, smiles) on guests return intentions has been statistically analysed and the majority (184) of the respondents said they would return to the same hotel stayed before, 43 respondents regarded being called by name as unimportant to them. Thus, the findings from descriptive statistics on the importance of having friendly staff on guest return intentions are presented graphically in figure 4.21 below:

Figure 4.21: Importance of calling guests by name on return



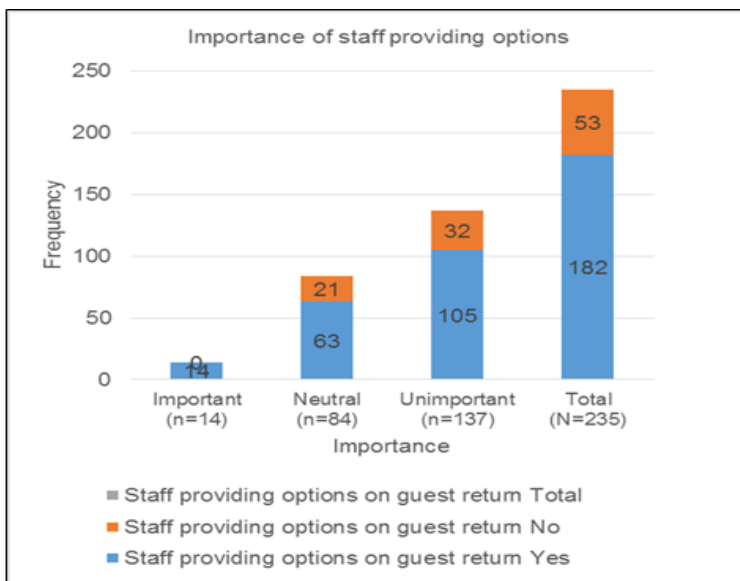
As can be deduced from the figure above, calling guests by name during service delivery was rated unimportant (64 guests) or neutral (85 guests) by 149 respondents. Nevertheless, the majority of those who said it is not important for them have stated that they are happy to return to the same hotel where they have stayed before. In addition, of those who rated it as important, 81% (35 of 43 respondents) said they would return. Supporting Prayag and Hosany (2015) who emphasised the importance of staff attitudes and friendliness on guest experiences, the results of inferential statistics established that staff calling guests by name — on its own — has a strong significant importance for guest return intentions (Chi-Square value = 10.079, df = 2, p-value = 0.006) and also

when combined with other innovations (logistic p-value = 0.023). Therefore, as presented in appendix H, it can be argued that staff friendliness has significant importance for customer loyalty, and that a strong relationship exists between staff friendliness and customer loyalty. Therefore, the findings concurred with Shilpa (2016:1706) revealing that employee performance has a significant impact on customer loyalty in hotel industry.

4.15.2. The importance of staff providing options

The question of how important guests rate the provision of options (upselling) when formulating return intentions is charted in Figure 4.22 below. It shows that only 14 respondents rated upselling as important, but all 14 said they would return to hotels that offer it. On the other hand, a total of 182 respondents who largely rated the effect of upselling as unimportant or neutral also intended to return.

Figure 4.22: Importance of staff providing options on guest return



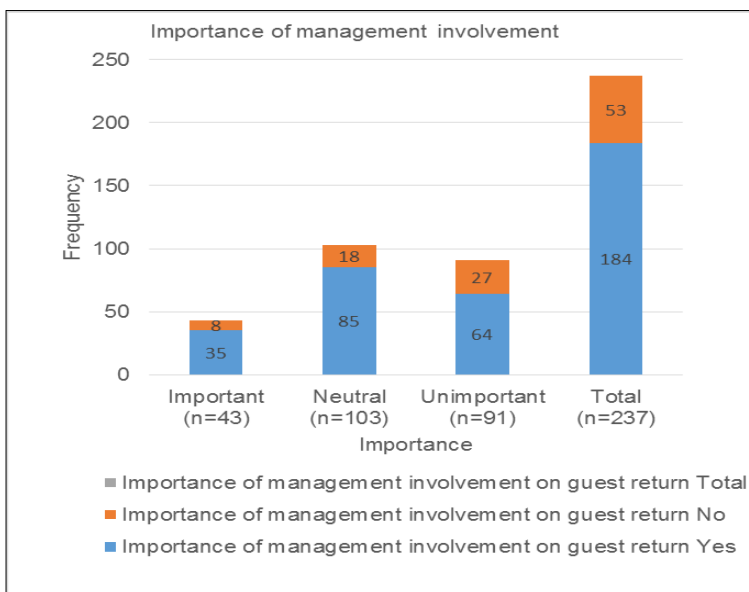
The Chi-Square tests show no evidence of statistical significance of the importance of staff providing options on guest return intentions. Therefore, while most guests would return to a hotel they were not being influenced by the options provided during upselling (Chi-Square value = 4.416, df =2, p- value = 0.110). As presented in Appendix H the logistic regression predicts that, when combined

with other innovations, upselling has insignificant importance for guest return intentions and hotel choice (logistic p-value = 0.114). Hence, upselling was not included in the model.

4.15.3. The importance of management involvement

The importance of management involvement for future guest return intentions seemed to have received more importance than the other two human resources innovations. Of the total respondents (n=237) 43 said management participation during service delivery is important, and 35 of them would return to a hotel offering such management involvement. A bigger proportion (103) was neutral although 85 of them would return to the same hotel. Of the 91 respondents who rated it as unimportant, only 27 would not return to the same hotel used before. The findings are presented in figure 4.23 below:

Figure 4.23: Importance of management involvement on guest return



As presented in table 4.10 above, the Chi-Square test established that direct management involvement on its own has no statistical significance (Chi-Square value = 4.566, df = 2, p-value = 0.102). Also, using logistic regression, management involvement shows insignificant importance for customer loyalty when combined with other innovations. Hence, the variable was not included in the equation. Thus, decision making would rely on descriptive statistics which

have shown some importance to those guests who want to receive special attention during product and service consumption.

4.16 Section Six: Analysis of responses for open-ended questions

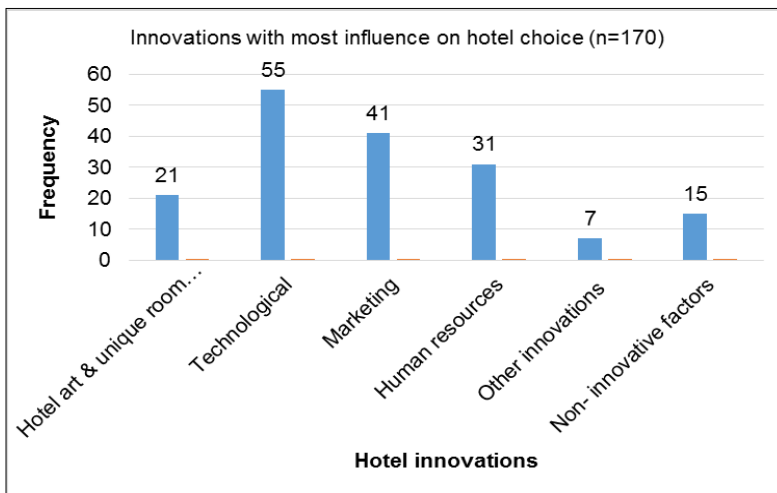
This section presents an analysis and discussion of the responses from open-ended questions which were coded into broad innovation categories. As described in the literature review, these then became response parameters — (hotel design, technological, marketing, and human resources innovations). Non-innovative factors were also classified to establish what the respondents said were the most important factors affecting current hotel choice. The understanding drawn from analysis of responses for open-ended questions explains some of the findings flowing analysis of responses for open-ended questions.

4.16.1. Innovations with most influence

Question five (Q05) of the questionnaire asked the respondents to list innovations which had the most influence on hotel choice for their current visit to Cape Town. The figure shows that, of the total respondents to question Q05 (n=170), technological innovations had most influence on hotel choice, followed by marketing and human resources innovations.

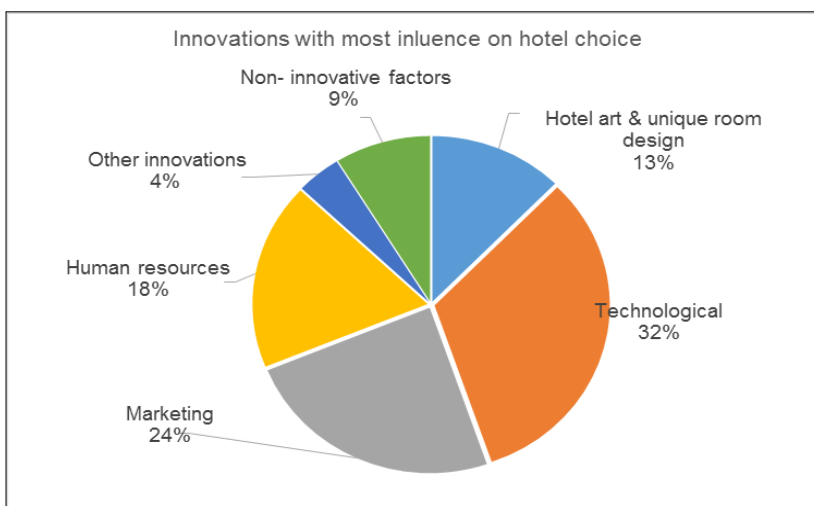
From analysis of responses for open-ended questions, findings are that non-innovative factors (such as location, value, and pricing) do not exert significant influence on return intentions. The results from analysis are presented in figure 4.24 below:

Figure 4.24: Innovations with most influence on hotel choice



The frequency distributions of the analysis on the influencing factors in hotel choice have been presented in the pie chart Figure 4.25 below. The chart presents that 32% of the respondents said technological innovations exert the most influence on hotel choice, followed by marketing innovations at 24%, human resources (or service delivery–related innovations) at 18%, and hotel art and design with 13%. Other innovations and non-innovative factors which were not part of the study constituted 4% and 9% respectively.

Figure 4.25: Distribution of innovations with most influence on hotel choice

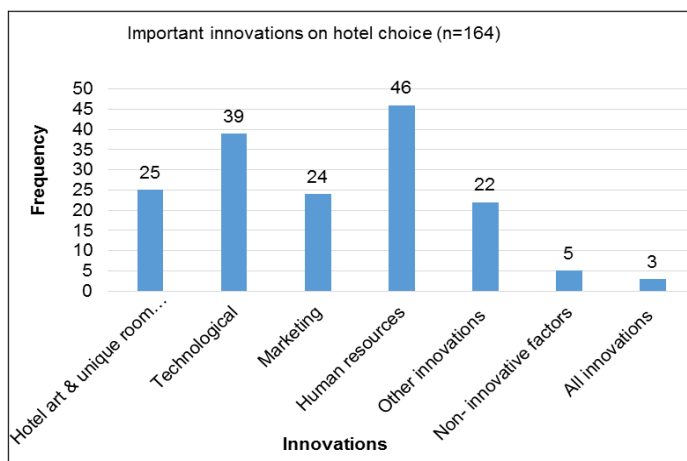


Thus, the responses to open-ended questions emphasised the greater extent to which technological innovations influenced their hotel choice decisions. Supporting the findings above, studies by Siguaw and Enz (1999) held that technological innovations have more influence on customer satisfaction and increases return intention. In a different study, Singh and Kasavana (2005:28) stated that technological innovations have become an integral influencing factor on guest hotel stay.

4.16.2. Innovations that was important to recent hotel choice

This section discusses the results from the open-ended question requiring respondents to list innovations which were important to their latest hotel choice. The responses (n=166) were coded into specific broad innovation and non-innovation categories. The frequencies presented in Figure 4.26 below depict that the majority (46) believed human resources innovations were most important for their hotel choice. This concurs with Kim, et al., (2012) who identified human service delivery as the distinctive attribute for a hotel to lead against competitors. The second choice at 39 was technological innovations, followed by innovations related to hotel and rooms design (25), and marketing innovations at 24. These results are presented below:

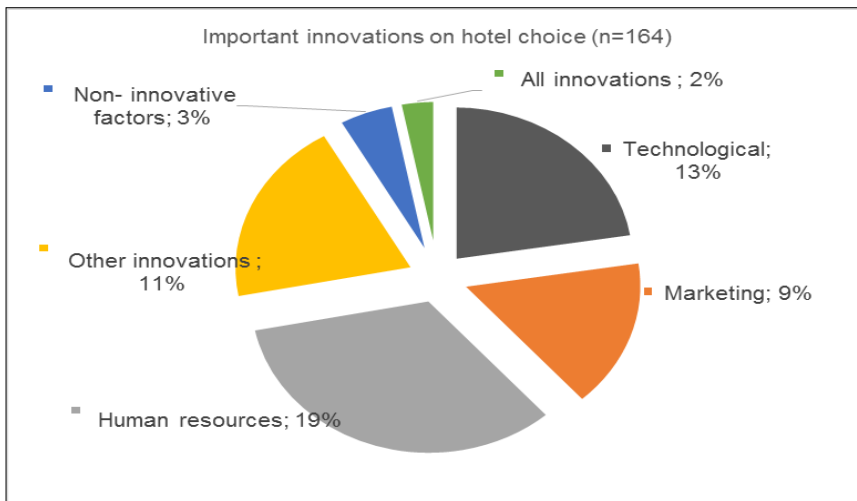
Figure 4.26: Product innovations important on hotel choice



The pie chart in Figure 4.27 shows the relevant importance in hotel choice for each innovation. Human resources come out as the most important innovation at 19%, followed by technological innovations at 13%. "Other innovations" and

marketing are favoured in almost equal proportions — 11% and 9% respectively. These results concur with Ottenbacher and Gnoth (2005), emphasising the importance of innovation and consistent service delivery for repeat business in a service industry.

Figure 4.27: Distribution of product innovations important on hotel choice

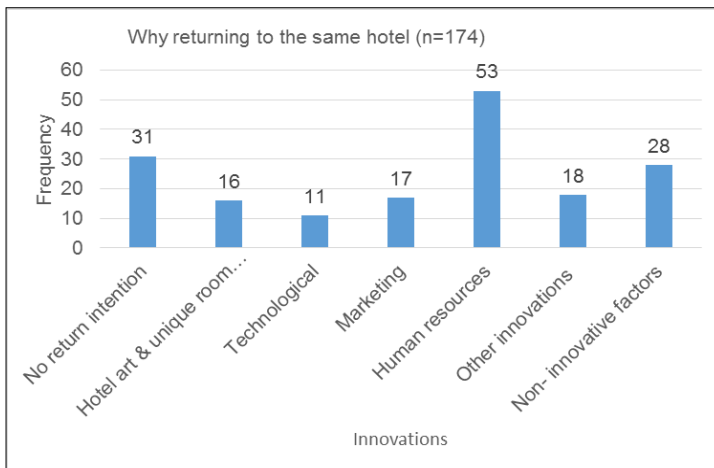


Other innovations not covered in this study have shown some noteworthy importance. Often mentioned options included advanced kitchen accessories (such as coffee machines) in hotel rooms, cleanliness of the hotel, frequency of cleaning rooms, frequency of changing bed linen, and variety of food options. A small proportion (2%) of respondents considers all the innovations before choosing a hotel to stay at. This finding concurs with Porter and Stern (2001) who found that non-innovative factors (such as location and cleanliness) matter in guests' hotel choices. Thus, a hotel business strategy has to consider both innovative and non-innovative factors which are important when deciding on hotel stay. .

4.16.3. Why should guests return to the same hotel?

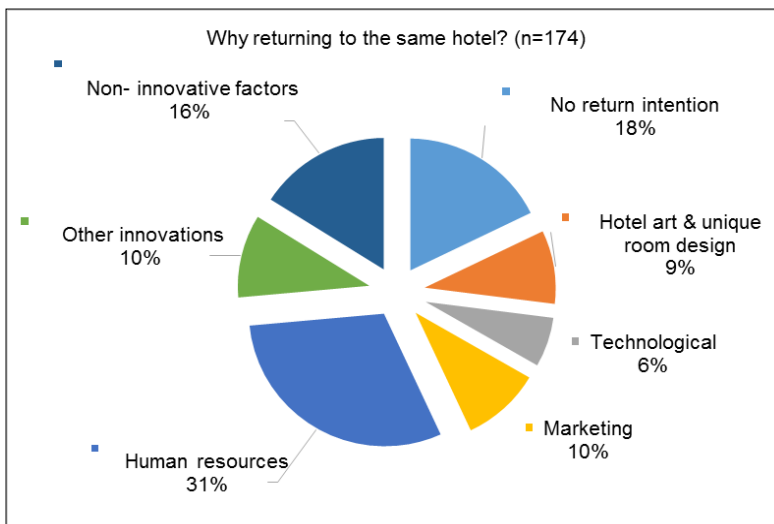
Question 07.1 asked respondents' views on why guests would choose to return (or not to return) to a hotel they have used before. The frequencies of the responses are shown in Figures 4.28 and 4.29 below:

Figure 4.28: Reasons for returning to the same hotel



As established by these analyses on the importance of various influencing factors on hotel choice, human resources innovations have been established to be the leading factor as to why guests return to a hotel. As presented in Figure 4.29 below, out of the total respondents (n=174), 53 alluded that service delivery is vital to their hotel choice and return intentions. The second largest proportion (18%) showed that they have no intentions of returning to a hotel stayed at before, irrespective of the innovations on offer.

Figure 4.29: Distribution of reasons for returning to the same hotel



4.17 General discussion of the results

Evidence from the results suggest that hotel product innovations in general have significant influence on guests' return intentions. As elaborated in chapter two, it is generally recognised that hotel product innovations are associated with increased revenues and improved financial performance from new and returning guests (Ottenbacher, 2007). The descriptive statistics demonstrate that the majority of respondents chose the "positive influence" response confirming the influence of various innovation dimensions on hotel choice and future return decisions. However, results of the inferential statistics (Chi-Square tests and logistic regression) established that not all innovations have a significant influence on customer loyalty, either on their own or when combined with other innovations. The combination of business centres, hotel art, and room designs have been shown to have significant influence on customer loyalty. In other instances, logistic regression has established that different innovation combinations, such as flexible check-in or check-out times, business centres, management involvement, and staff providing options, have significant relationship with customer loyalty. Therefore, hoteliers may rely on these innovations as core dimensions of an innovation strategy to influence customer loyalty.

Further results established that technological innovations in the form of free Wi-Fi and business centres have different influences on guest return intentions. Statistical analysis shows that unlike business centres, availability of free Wi-Fi on its own has no significant influence on customer loyalty decisions. Additionally, 70% of the sample (n=236) regarded free Wi-Fi as unimportant although only a minority of respondents (28%) would not return to a hotel only for free Wi-Fi connectivity (Chi- Square p-value > 0.05).

With the exception of business travellers, availability of business centres with advanced technology has statistically significant influence on customer loyalty for travellers, both for leisure and for other purposes. Therefore, the Chi- Square tests and the logistic regression analysis show that hotel business centres have significant influence of customer loyalty, both on its own and when combined with other innovations. The results have high-lighted the need of guests to use

computer facilities at their own convenience. To this end hotels may have to provide mini- study and office areas inside each room for easy computer access.

Analysis of marketing innovations has shown that VIP loyalty innovations have no significant influence on customer return. However, more than 70% of the total respondents (n=237) believed that they would not return to a hotel simply because they can be granted early check-in and late check-out.

Within each hotel product innovation dimension, loyalty choices were identified for people travelling for leisure, for business, and for other purposes. Hotel star grading showed a significant relationship with customer loyalty, with higher graded hotels showing higher percentages of respondents who would return to the same hotel. Although they represent a relatively small number, 100% of the respondents who stayed in five star hotels said they would return to the hotel during future visits. Such findings support view by Hjalager (2010) that innovations are mostly associated with higher graded hotels. Hence, hotel art and different room design stood out as a preferred choice, with many people who say on its own such innovations would bring them back. Analysis of guests' purpose of visiting Cape Town established that the majority of leisure guests stayed in higher graded hotels whilst the majority of business and other travellers stayed in lower graded hotels. Across all purposes of visiting Cape Town, most guests have shown to be more greatly influenced by technological product innovations (availability of hotel business centre), followed by hotel design (art). In contrast, innovations with the smallest influence were availability of Wi-Fi and flexible check-in / check-out times.

The study examined influences on customer loyalty from product innovation, both individually and when combined. Results from this examination enabled identification of innovations that can be implemented in the hotel industry to integrate customer needs, operational capabilities, technological infrastructure, staff training, and development of the staff skills which are required to influence customer loyalty. Therefore, while the study tested the influence of product innovations on return intentions in hotel industry, the findings have managerial implications. This study assists hoteliers and product strategists in understanding hotel product innovation dimensions and their respective influences on guest

return intentions. The understanding enhances the design and development of hotel products. Thus, through the understanding of customer loyalty in the hotel industry, managers will be more adept at formulating hotel products that match various guests' preferences, and hence their return intentions

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This study examined the influence of hotel product innovation on customer loyalty in the Cape Metropole. A quantitative research paradigm was chosen for the study. A survey was undertaken using a structured questionnaire with mainly closed-ended and a few open-ended questions as the principal method of data collection. Analysis and discussion of the results were done in accordance with the objectives of study. The interpretations of results were in accordance with the following objectives:

Research Objective 1: To identify and understand the influence of hotel product innovation on customer loyalty for leisure, business, and other travellers in the Cape Metropolis region,

Research Objective 2: To identify and understand the importance of product innovations on loyalty for leisure, business, and other travellers in the Cape Metropolis region,

Research Objective3: To examine the relationship between hotel product innovation and customer loyalty (return intentions),

Research Objective 4: To draw conclusions from the relationships established in objective 3 and put forward recommendations on the innovative product preferences that influence customer loyalty in the hotel industry.

This section mainly overviews the general conclusions of the study. Research possibilities are suggested, and recommendations are made to hoteliers, hotel product strategists, and marketers in South Africa and the hotel industry in general. The study hopes to provide an understanding that aids in formulating informed hotel product innovations to influence customer loyalty and increase patronage.

5.2 CONCLUSIONS

This section presents a summary and detailed discussion of conclusions regarding each study objective. The major conclusions for the study are summarised as follows:

5.2.1. Influence of hotel product innovation

- Hotel business centres have significant influence on customer loyalty, on its own and when combined with other innovations.
- On their own, hotel art and unique room design have significant influence on customer loyalty.
- Individually, availability of free Wi-Fi access, flexible check-in/check-out, and staff friendliness have no statistically significant influence on customer loyalty.

5.2.2. Influence of hotel product innovation on travellers for a specific purpose

- Loyalty for leisure guests is influenced significantly by hotel business centres with the latest computer technology, as well as hotel art and unique room design.
- When innovations are combined, availability of free Wi-Fi access around the hotel has been shown to have significant influence on customer loyalty for leisure guests.
- VIP loyalty innovations with membership benefits have a less influence on loyalty decisions for leisure guests.
- Hotel innovations, both individually and in combinations, have insignificant influence on loyalty decisions for travellers visiting Cape Town for business purposes.
- Travellers for other purposes are significantly influenced by individual innovations to do with staff friendliness, employees providing options, and hotel business centres.
- Management involvement has less but significant influence on customer loyalty for guests visiting Cape Town for other purposes.

5.2.3. Importance of hotel product innovation on customer loyalty

- Hotel business centres and staff friendliness (addressing guests by name) have greater significant importance on guest hotel choice and customer loyalty.
- When implemented individually, hotel art and unique design, management involvement, and availability of free Wi-Fi have shown no significant importance for customer loyalty.

5.2.4. Relationship between hotel product innovation and customer loyalty

- When innovations are combined, flexible check-in/check-out times and direct management involvement during service delivery innovations have a statistically significant relationship with customer loyalty.
- Individually, availability of hotel business centres and staff addressing guests by name have significant relationships with customer loyalty.
- When innovations are combined, availability of free Wi-Fi, flexible check-in/check-out, and business centres have a significant positive relationship with customer loyalty
- .Individual innovations, such as employees providing options during service delivery, business centres, and staff friendliness have a significant positive relationship with guests travelling to Cape Town for other purposes.
- The combination of VIP loyalty innovations and direct management involvement during service delivery has a relatively weaker relationship with customer loyalty in guests travelling for other purposes.

5.2.5. Innovation combinations recommended

- Leisure guests: Hotel art and different room design, hotel business centres, VIP loyalty innovations, and availability of free Wi-Fi access around the hotel.
- Other travellers: Staff friendliness (calling guests by name, serving with a smile), hotel business centres, availability of free Wi-Fi access around the hotel, employees providing options, management involvement during service delivery, and flexible check-in/check-out times.

5.3 Conclusions with regard to research objective 1

The objective to identify and understand hotel product innovations that influence customer loyalty for leisure, business, and other travellers in the Cape Metropole region has been met. According to the results, it can be argued that travellers tend to demand a combination of innovative hotel offerings. Hence, less hotel innovations dimensions could reflect significant influence on their own or individually. However, when innovations were combined, statistically significant influences were noticeable, and it can be concluded that hotel product innovations have significant influence on customer loyalty.

The study also aimed to shed light on the extent to which hotel product innovations influence customer loyalty for guests travelling for leisure, business, or other purposes. Therefore, based on the findings, a number of conclusions are noted below.

Descriptive statistics produced a difference between the majority of respondents who said they would return to an innovative hotel and the minority who would not return. Technological hotel product innovations in the form of business centres have shown significant positive influence on customer loyalty, both on its own and when combined with other innovations. More importantly, all response parameters (negative, neutral, and positive influence) have been tested and produced a strong positive significant influence on customer loyalty. Therefore, it can be concluded that business centres have a significant influence on customer loyalty.

The influence of hotel art and unique room design was assessed using descriptive and Chi-Square test statistics. The results showed that hotel art and unique room design have significant influence on customer loyalty for guests visiting the Cape Town Metro for different purposes. The majority of respondents confirmed that hotel art and unique room design have a positive influence on their loyalty decisions. Therefore, it can be concluded that hotel art and unique room design on their own have positive influences on customer loyalty. Based on descriptive statistics, innovation dimensions such as availability of free Wi-Fi access, flexible check-in/check-out, and staff friendliness have produced a majority of guests who said these innovations have positive influence on customer loyalty decisions. However, individually, these innovations have no statistically significant influence on customer loyalty. It can therefore be concluded that guest decision making does not solely rely on one innovative offering, and that there is need to have a combination of innovations to achieve customer loyalty.

The study also examined product innovations which influence customer loyalty decisions for travellers visiting Cape Town for leisure, business, or other purposes. The following conclusions can be drawn:

5.3.1. Innovative influences on guests visiting Cape Town for leisure

From the study results it can be concluded that hotel business centres with the latest computer technology and hotel art and unique room design on their own have significant positive influence on customer loyalty for leisure guests. Conclusions from the study show that VIP loyalty innovations with membership benefits have a lesser influence on loyalty decisions for leisure guests. Findings from descriptive statistics revealed that the majority of leisure guests would return to an innovative hotel, product innovations such as staff friendliness, management involvement, and free Wi-Fi access have been shown to have statistically insignificant influence on return intentions for leisure guests. However, concurring with Starkov (2001), when innovations are combined, availability of free Wi-Fi access around the hotel has a significant influence on customer loyalty for leisure guests. Therefore, a product innovation strategy with a combination of business centres, hotel art and different room design, VIP

loyalty innovations, and availability of free Wi-Fi access can be used to positively influence customer loyalty for leisure travellers.

5.3.2. Innovative influences on guests visiting Cape Town for business

Descriptive statistics show that the majority of business travellers would return to an innovative hotel. Yet conclusions from Chi-Square tests and logistic regression statistics show that no significant influence between hotel product innovations and customer loyalty for travellers visiting Cape Town for business purposes. Therefore, individual product innovations, when combined, have an insignificant influence on customer loyalty decisions for business travellers. Unlike leisure and other travellers, hotel choice decisions for business travellers are often made by events booking planners or travel agencies with minimal involvement from the actual users. Therefore, future studies need to gather data from these decision makers for business travellers.

5.3.3. Innovative influences on guests visiting Cape Town for other purposes

From the results of the study, it can be concluded that hotel product innovations have a significant positive influence on customer loyalty for guests visiting Cape Town for purposes other than leisure or business. Based on results from Chi-Square tests, it can be concluded that staff friendliness, employees providing options, and hotel business centres individually have significant positive influence on customer loyalty. Also, management involvement has less influence on loyalty decisions. When product innovations are combined it turns out that free Wi-Fi access has a significant influence on return intentions for travellers for other purposes. Therefore, the study established that visitors for other purposes are to a greater extent influenced by human resources innovations than leisure and business travellers.

5.4 Conclusions with regard to research objective 2

This section presents the conclusions for the objective to identify and understand the importance of hotel product innovation on customer loyalty for leisure, business, and other travellers to Cape Metropolis region. From the results, the following conclusions can be drawn regarding the phenomena:

Technological innovations in the form of business centres with latest computer technology and staff friendliness (addressing guests by name) have greater significant importance on guest hotel choice and customer loyalty. Further analysis revealed that VIP loyalty innovations on their own have a significant importance for hotel choice and loyalty decisions. Furthermore, when considered individually, hotel art and unique design, management involvement, and availability of free Wi-Fi have shown no significant importance for customer loyalty. Technological innovations (such as free Wi-Fi around the hotel premises) have shown a relatively low importance in guest's patronage and loyalty decisions. The findings are in line with those in related studies by Dzhandzhugazova (2015); Singh and Kasavana (2005) which hold that free Wi-Fi access has become such a common hotel offering that guests now take it for granted. This is further supported by responses to open-ended questions wherein the respondents mentioned that the low costs of internet data compared to the high cost of a hotel room means that travellers do not consider free internet as a priority for hotel choice. On the other hand, the researcher is of the opinion that guests on leisure may not want to be interrupted during their holidays. They would therefore prefer to make use of business centres when necessary connectivity is required. Therefore, future studies may need to establish why there is such insignificant importance between availability of free Wi-Fi and customer loyalty in hotel industry.

5.5 Conclusions with regard to research objective 3

This section presents conclusions regarding the objective to examine the relationship between hotel product innovations and customer loyalty. From the results presented in chapter 4, the following conclusions can be drawn:

When innovations are combined, flexible check-in/check-out times and direct management involvement during service delivery innovations have a significant

positive statistical relationship with customer loyalty. Also, on their own, the study established significant relationships existing between customer loyalty and individual innovations such as availability of hotel business centres. Furthermore, staff addressing guests by name and business centres again have a significant relationship, and have been shown to have significant importance for customer loyalty. Therefore, product innovations in the form of business centres, staff addressing guests by name, management involvement, and flexible check-in/check-out have significant relationships with customer loyalty, and may be relied on in formulating strategy to build customer loyalty.

5.5.1. The relationship between innovation and loyalty for leisure travellers

From The study found a relatively weak relationship between free Wi-Fi access — on its own — around the hotel and customer loyalty for guests travelling for leisure. However, when combined with other innovations, availability of free Wi-Fi access had a positive influence and there was a stronger significant relationship with customer loyalty. Yet no significant relationship could be established in combinations with any of VIP loyalty innovations, staff addressing guests by name (friendliness and smiles), direct management involvement during service delivery, business centres with latest computer technology, or employees providing options during service delivery.

Concurring to Cheng and Liu (2016); Saleh and Ryan (1992) that guests consider interior décor and exterior aesthetics when making a hotel choice decisions, the study established that attributes of the hotel appearance such as art and unique room options can influence return intentions for leisure guests.

5.5.2. The relationship between innovation and loyalty for business travellers

The study results showed no significant relationship between hotel product innovation and customer loyalty for business travellers. Despite descriptive statistics which showed that 78% of business travellers said they would return to an innovative hotel used before, inferential statistics (Chi-Square tests and logistic regression analysis) could establish neither significant influence nor

significant relationships between hotel product innovation and customer loyalty for business travellers (refer to Appendix I).

5.5.3. The relationship between innovation and loyalty for other travellers

The study concludes that, when implemented individually, employees providing options during service delivery, business centres, and staff friendliness have significant relationships with guests who travel to Cape Town for other purposes. When hotel product innovations are combined, availability of free Wi-Fi, flexible check-in/check-out, and business centres have a significant positive relationship with customer loyalty for guests visiting Cape Town for purposes other than business or leisure. Furthermore, a weaker relationship exists between VIP loyalty innovations, direct management involvement during service delivery, and customer loyalty for such respondents. Thus the study concluded that, to influence customer loyalty in the hotel industry, an innovation strategy must not rely on just one innovation dimension to achieve guest retention. Various combinations have to be considered to provide guests with a full product package.

5.6 Conclusions with regard to research objective 4

This section presents conclusions drawn from the relationships established in objective 3, and puts forward recommendations on the hotel innovative product preferences that influence customer loyalty for leisure, business, and other travellers. The overall finding of the study established significant relationships between product innovation and customer loyalty in the hotel industry. The study suggests that other innovations have further significant relationships which could be established, particularly with reference to the purpose of visit. Further conclusions have been drawn that different innovations have different relationships with different purposes of visit (leisure, business, and other travellers). Leisure travellers have shown a higher likelihood of returning to the hotel which provides flexible check-in/ check-out times, hotel art, and unique room design. The strong relationship established could be that leisure guests may prefer to stay in a different room on every visiting encounter, assured of a unique art gallery and décor in the hotel.

Supporting the significant influence of friendliness and staff addressing guests by name, qualitative data analyses have shown a significant relationship between human resources innovations and customer loyalty. On the other hand, customer loyalty for business travellers has shown no significant relationship with hotel product innovation. Above all, availability of free Wi-Fi access around the hotel, as well as hotel art and unique room design, stood out to have a positive relationship with customer loyalty among guests who travel for other purposes.

5.7 RECOMMENDATIONS

The findings of the study provide deeper insight into the specific innovations that have significant importance and influences on customer loyalty in the hotel industry. Such insight and understanding enables hoteliers to draw inferences on what innovations may help hotels achieve customer loyalty. Thus, from the conclusions above, the following recommendations were established:

The findings have shown that analysis of guests' needs for each innovation category is essential for hoteliers to establish an understanding of which innovations are important and which have no significant influence on customer loyalty decisions. Such understanding enhances decision making on revenue generating offerings and complementary or augmenting hotel products.

From the results of the study, hoteliers may improve customer retention by classifying product innovation influencing factors for each guest's category based on their preferences when making hotel choices. The customer and product profile enables informed product improvement processes, aiming at achieving customer loyalty for the specific guest's profile.

Based on the findings each category (leisure, business, and other) of traveller has shown that various innovations must be combined and formulated into a holistic product to influence customer loyalty and patronage decisions. Some innovations, such as free Wi-Fi, has shown to be important to both business and leisure travellers, yet it has no significant influence on customer loyalty.

Therefore, to avoid putting off guests, Wi-Fi and free internet connection should be provided as complementary to other product components with significant influence.

Hotel business centres have emerged as important and having significant influence on leisure travellers. Therefore, luxury hotels must ensure that the business centres have all the facilities to support both business and luxury requirements.

The study results have shown that guest return intention is higher in higher-graded innovative hotels compared to lower-graded hotels. Therefore, management should ensure that they have sufficient budget to provide innovations required to support high-grading standards expected by guests staying in four and five star hotels.

Leisure and business travellers have indicated no significant difference on return intentions (80% and 79% respectively). However, marketers and hoteliers must understand the difference between the needs of leisure and business travellers, and implement a product innovation-mix which influences customer loyalty for the respective guest category. The findings above would be vital in designing such an understanding of the guest segments with their needs and wants.

Hotel product designers must be aware that guests assess hotel products in bundles and not just the individual components of the offering. Therefore, product design must consider combining an innovative product mix to achieve a significant influence on customer loyalty. For example, as presented in the conclusions above, combining hotel art and room design with business centres has shown an increased significant influence on customer loyalty.

Human resources (people) innovations have been shown to have significant importance for customer loyalty — more particularly management involvement during service delivery which seems to assure guests of their importance and that problem may be solved immediately. Furthermore, management involvement during service delivery enables them to gather more information about guests, enabling them to provide options for better experiences.

Staff addressing guests by name also has significant importance for guest retention. Therefore, investment in training is imperative; hotels should have training programs to equip staff with professional communication skills to be able to use guest names at every encounter.

5.8 FURTHER RESEARCH POSSIBILITIES

Arising from the results of the survey, certain areas which could justify further research were highlighted. These are:

- Future studies must focus on the influencing innovative factors for business travellers, with focus on group choice and decision making.
- Further studies should analyse the influence of cultural differences on customer loyalty. It will be important to study what international guests need, thereby assisting managers for international hotel destinations.
- The influence of environmental innovations on customer loyalty in the hotel industry was not included in the study. With the world focusing on sustainable use of resources, environmental innovations have become a key influencing factor on hotel choice and loyalty decisions for some guests.
- The replicated study should be continually conducted, with more components of each innovation dimension being tested, and adapting to accommodate the changes that come with new inventions.

5.9 GENERAL CONCLUSIONS

The purpose of this study was to examine the influence of hotel product innovation on customer loyalty. The main aim was to examine the extent to which product innovation may influence customer loyalty decisions regarding Cape Town Metropolitan hotels.

As alluded to in the literature review, any innovation process around products or services aims at achieving specific objectives. Such objectives often include increasing market share, developing competitive advantage in the industry, improving production efficiency, and achieving customer loyalty. By analysing quantitative and qualitative data from the survey, this study provided up-to-date findings on the influence of hotel product innovations on customer loyalty. The research focused on specific product innovation dimensions —hotel design, technological, marketing, and human resource innovations — and their influences on customer loyalty. Because the hotel industry relies on customer service, the study found that it is important to have comprehensive training programs to ensure that staff will be able to identify and use guests' names at every encounter. Training would enhance product knowledge and skills to provide guests with options. While innovations related to staff addressing guests by name showed strong significant importance, no influence on patronage and loyalty decisions was established. However, effective human resource innovations can start with the recruitment process and respective supporting training programs.

Hotel business centres have shown a strong significant importance and significant influence on patronage and customer loyalty decisions. This could be due to the fact that leisure guests prefer to be on internet at certain times and therefore free Wi-Fi has relatively low significant importance to hotel choice.

The study also established that VIP loyalty programs on their own have minimal significant importance to guests. Nevertheless, travellers who value VIP loyalty programs have put significant importance on having the finest facilities, sparkling rooms, and elegant linen. They have typically built a long history with the hotel, and they have strong potential to spend a lot of time and money in a hotel.

Drawn from the study findings, VIP guests are influenced the most by human resource innovations, demanding personal attention and a variety of options.

Finally, responses from open-ended questions established that human resource innovations have more importance for guests' return and hotel choice decisions. Technological and marketing innovations have been mentioned as important considerations. Hoteliers must also take cognisance of the importance of non-innovative factors such as pricing and value for money which were raised by respondents.

5.10 REFERENCE LIST

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APPENDICES

Appendix A: Research ethics certificate



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Symphony Road Bellville 7535

Office of the Chairperson
Research Ethics Committee

Faculty: **BUSINESS**

At a meeting of the Research Ethics Committee on 03 September 2014, Ethics Approval was granted to NHEPERA, Nicholas (213306166) for research activities

Related to the MTech/DTech: MTech: BUSINESS ADMINISTRATION

at the Cape Peninsula University of Technology


Title of dissertation/thesis:

The influence of hotel product innovation on customer loyalty

Supervisor: Dr Onojaefe

Comments:

Decision: **APPROVED**

	03 September 2014
Signed: Chairperson: Research Ethics Committee	Date

Signed: Chairperson: Faculty Research Committee	Date
---	------

Clearance Certificate No | 2014FBREC216

Appendix B: CPUT – Research participation request



Dr Darlington Onojaefe
Coordinator: Business Administration

Graduate Centre for Management
Room 4,1B, Commerce
Cape Town Campus
Tel: 0(12) 460 9019; Fax: 0(21) 460 3717
Email: onojaefed@cput.ac.za

December 4, 2014

TO WHOM IT MAY CONCERN

Research participation request – Nhepera Nicholas

The influence of product innovation on customer loyalty is a proposed research project conducted by Nhepera Nicholas. This project forms part of the requirement for his M Tech: Business Administration Degree. In this project, Nicholas seeks to understand how product innovation influences customer loyalty in the hospitality industry in Cape Town.

This is to formally request on behalf of CPUT your interest and willingness to participate in the proposed study. This request aligns with CPUT's ethics requirement for which the Project Leader, Nicholas Nhepera requires written permission from participating Institutions/companies. In return for your participation, the finding and outcome of the study would be made available on request.

Please note that all information supplied would be used for the stated purpose of academic research only – and kept in strict professional confidence.

Thank you sincerely

A handwritten signature in black ink, appearing to read "Darlington Onojaefe".

PO Box 1906 Bellville 7535 South Africa
086 123 2788

Appendix C: Research data collection permission letters

Dear Nicholas Nhepera

Survey permission letter

We are happy with you conducting your surveys at Kirstenbosch. Please just inform me beforehand, ideally a day in advance, so that I can alert all frontline staff that they can expect you. We wish you good luck with your research.

Kind regards

Sarah Struys, MBA (UCT)

Events Manager

South African National Biodiversity Institute

KIRSTENBOSCH NATIONAL BOTANICAL GARDEN

Tel: +27 (0)21 799 8775 Fax: +27 (0)21 761 5626

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Website: www.sanbi.org.za Facebook: Kirstenbosch

Twitter: @KirstenboschNBG



12A
THE TWELVE APOSTLES
HOTEL AND SPA

25.02.2014

To whom it may concern

This letter serves to confirm that Nicholas Nhepera (Student no: 213306166) has been permitted to perform his guest feedback survey at the Twelve Apostles Hotel & Spa as part of his course with CPUT. This will be in the form of an electronic document which will be sent to all guests who chose to comment on the satisfaction on their stay with the hotel. The questionnaire must be submitted to the Rooms Divisions Manager who will ensure the relevant guests receive the survey.

Permission has also been granted on condition that your findings will be shared with the Twelve Apostles Hotel & Spa and that we may use these results in anyway deemed fit.

Research topic: The influence of hotel product innovation on customer loyalty

Do let me know if you have any further questions.

Kind Regards

Michael Nel
Deputy General Manager
021 437 9000

Victoria Road, Camps Bay, Cape Town, South Africa



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booktab@12apostles.co.za www.12apostleshotel.com
www.reservationhotels.com



Vat no: 4100 172 982 Reg no: 1998/003762/07
The Twelve Apostles Hotel (Pty) Ltd Directors: V E O'Hana M Toirnan L du Plessis

Appendix D: Pilot survey questionnaire



Cape Peninsula
University of Technology

QUESTIONNAIRE

The influence of hotel product innovation on customer loyalty is a study being conducted as part fulfillment of the requirement for the M Tech Business Administration. In this questionnaire, hotel product innovation means generation and implementation of new hotel offerings (guest can touch, see or feel) to improve guest experiences.

As a respondent, your responses will be kept in strict professional confidence and will be used for this academic study.

Nicholas Mhlopezi (Cell: 078 3611124)

QUESTIONS

Q1. Have you visited Cape Town before?

- 1) YES
- 2) NO

Q2. What is your primary purpose of visit?

- 1) Leisure
- 2) Business
- 3) Recreational
- 4) Other

Q3. How many hotel stars are you staying?

- 1) 1 Star
- 2) 2 Stars
- 3) 3 Star
- 4) 4 Star
- 5) 5 Star

Q4. How often do you usually travel to Cape Town?

- 1) Once a year
- 2) More than once every year
- 3) Every second year
- 4) Other (specify).....

Q5. Rating from where 1= highly likely, 2 = likely, 3=unlikely, 4 =very unlikely and 5 = not at all.

Q. What is the likelihood of you returning to stay in a hotel where		Highly Likely	Likely	Unlikely	Very unlikely	Not at all
5.1	You have stayed in your previous visits					
5.2	There is unique interior design and art	1	2	3	4	5
5.3	Bed linen and towels are changed everyday	1	2	3	4	5
5.4	You get a free internet access (Wi-Fi) around the hotel	1	2	3	4	5
5.5	You have a VIP status with loyalty (card) membership benefits	1	2	3	4	5
5.6	Staff are calling you by name (friendliness & smiles)	1	2	3	4	5
5.7	There is direct and visible management involvement during service delivery	1	2	3	4	5
5.8	Internet access is charged	1	2	3	4	5
5.9	There is business centers with latest computer technology	1	2	3	4	5
5.10	Employees always give options during service delivery	1	2	3	4	5
5.11	There is no Wi-Fi access	1	2	3	4	5
5.12	There is technology for saving electricity	1	2	3	4	5
5.13	You get flexible check-in and checking- out times	1	2	3	4	5

Q6. Please rate by ticking on product/ service innovation below on a five point Likert scale

1= not important at all, 2 = unimportant, 3 = neutral, 4= important and 5 = very important,

Q. To what extent are the following innovations important to you when deciding on a return visit to a hotel?		Very Important	Important	Neutral	Unimportant	Not important at
6.1	Each time you visit, you stay in a room with unique design	5	4	3	2	1
6.2	Staff calling you by name (friendliness & smiles)	5	4	3	2	1
6.3	You get internet access at a charge	5	4	3	2	1
6.4	You receive VIP status with loyalty (card) membership benefits	5	4	3	2	1
6.5	Bed linen and towels are changed everyday	5	4	3	2	1
6.6	You get a free internet access (Wi-Fi) around hotel	5	4	3	2	1
6.7	There is direct and visible management involvement	5	4	3	2	1

Q. To what extent are the following innovations important to you when deciding on a return visit to a hotel?		Very important	Important	Neutral	Unimportant	Not important at
6.8	There is business centers with latest computer technology	5	4	3	2	1
6.9	Employees always give options during service delivery	5	4	3	2	1
6.10	There is technology for saving electricity	5	4	3	2	1
6.11	No access to Wi-Fi	5	4	3	2	1
6.12	You get flexible check-in and checking- out times	5	4	3	2	1

Q7: Do you think any of the eleven innovations above, may influence your decision to stay in a hotel? Explain why?

.....

Q8. What is your age group?

- 1) 18-30
- 2) 31-40
- 3) 41- 50
- 4) 51-60
- 5) 61 and over

Q9. What is your highest education level?

- 1) Senior Secondary (Matric)
- 2) National Diploma
- 3) Degree
- 4) Masters Degree
- 5) Doctorate

Q10. What is your gender?

- 1) Male
- 2) Female

THANK YOU FOR YOUR CONTRIBUTION AND COOPERATION

Appendix E: Survey final questionnaire



QUESTIONNAIRE

The influence of hotel product innovation on customer loyalty is a study being conducted as part fulfillment of the requirement for the M Tech Business Administration. In this questionnaire, **hotel product innovation** means generation and implementation of new hotel offerings (guest can touch, see or feel) to improve guest experiences.

As a respondent, your responses will be kept in strict professional confidence and will be used for this academic study.

Nicholas Nhepera: (Cell: 078 251 9795) nheperanicholas90@gmail.com

QUESTIONS

Q01. What was the primary purpose of visiting Cape Town?

- 1) Leisure
 2) Business
 3) Other

Q02. You stayed in?

- 1) 1 / 2 Star
 2) 3Stars
 3) 4Star
 4) 5Star

Q03. Rating on a scale where: 1 = "Will have a strong negative influence on my decision to return"
 2 = "Will have a negative influence my decision to return"
 3 = "Will have no influence at all"
 4 = "Will have a positive influence on my decision to return"
 5 = "Will have a strong positive influence on my decision to return"

Q03. What influence each of the following innovations has on your future visits (return intentions) to a hotel?		A strong negative influence	A negative influence	No influence	A positive influence	A strong positive influence
03.1	Flexible check-in / checking- out times	1	2	3	4	5
03.2	Hotel art and unique room design	1	2	3	4	5
03.3	Availability of free Wi-Fi access around the hotel	1	2	3	4	5
03.4	VIP status with loyalty (card) membership benefits	1	2	3	4	5
03.5	Staff are calling you by name (friendliness & smiles)	1	2	3	4	5
03.6	Direct management involvement during service delivery	1	2	3	4	5
03.7	Business centers with latest computer technology	1	2	3	4	5
03.8	Employees provide options during service delivery	1	2	3	4	5

Q04. Rating on a scale where: 1= not important at all, 2 = unimportant, 3 = neutral, 4= important and 5 = very important

Q. Rate the importance of the following innovations on your decision for future return visits to a hotel?		Very important	Important	Neutral	Unimportant	Not important at all
04.1	Each visit you stay in a room with a different design	5	4	3	2	1
04.2	Staff calling you by name (friendliness & smiles)	5	4	3	2	1
04.3	Loyalty card (VIP status) with membership benefits	5	4	3	2	1
04.4	Availability of free Wi-Fi (internet access) around hotel	5	4	3	2	1
04.5	Direct management involvement during service delivery	5	4	3	2	1
04.6	Business centers with latest computer technology	5	4	3	2	1
04.7	Employees provide options during service delivery	5	4	3	2	1
04.8	Flexible check-in and checking- out times	5	4	3	2	1

Q05: Explain WHY any of the above innovations may influence the most on your hotel stay decision?

.....

Q06. Discuss the innovation that was important to you in your recent hotel choice?

.....

Q07. In your next visit, would you return to the same hotel?

- 1) YES
 2) NO

Q07.1. Explain why to your answer to question Q7 above?

.....

Q08. What is your age group?

- 1) 18-30 2) 31-40 3) 41- 50 4) 51-60 5) 61 and over

Q09. What is your highest education level?

- 1) Senior Secondary (Matric) 2) National Diploma 3) Degree
 4) Master's Degree 5) Doctorate

Q10. What is your gender?

- 1) Male
 2) Female

THANK YOU FOR YOUR CONTRIBUTION AND COOPERATION

Appendix F: Variables in the logistic regression equation: (innovation influences)

Variables in the Equation: innovation influence								
Variable	Q#	B	S.E.	Wald	df	p-value	Exp(B)	Comments
Flexible check-in / check-out times	Q03.1			15.170	4	.004		
	Q03.1(1)	-18.987	18567.141	.000	1	.999	.001	
	Q03.1(2)	-17.941	24002.466	.000	1	.999	.001	
	Q03.1(3)	2.789	1.009	7.631	1	.006	16.258	Significant positive influence when flexible check-in times
	Q03.1(4)	3.520	.949	13.761	1	.000	33.792	
Direct management involvement during service delivery	Q03.6			4.777	4	.311		
	Q03.6(1)	40.936	45247.696	.000	1	.999	555,90	
	Q03.6(2)	-20.542	17130.966	.000	1	.999	.000	
	Q03.6(3)	-1.376	.691	3.960	1	.047	.253	Significant positive influence when management involvement
	Q03.6(4)	-1.584	.734	4.661	1	.031	.205	
Business centers with latest computer technology	Q03.7			15.381	4	.004		
	Q03.7(1)	.109	25269.499	.000	1	1.000	1.116	
	Q03.7(2)	-1.044	.978	1.139	1	.286	.352	
	Q03.7(3)	-2.605	.741	12.347	1	.000	.074	Significant positive influence when business centres
	Q03.7(4)	-2.254	.737	9.356	1	.002	.105	
	Constant	-.855	.857	.996	1	.318	.425	
a. Variable(s) entered on step 1: Q03.7.								
b. Variable(s) entered on step 2: Q03.1.								
c. Variable(s) entered on step 3: Q03.6.								
d. Stepwise procedure stopped because removing the least significant variable results in a previously fitted model.								

Appendix G: Variables in the logistic equation (innovation importance)

Variables in the Equation: Innovation importance							
Variable	Q#	B	S.E.	Wald	df	p-value	Exp(B)
	Constant	-1.256	.159	62.571	1	.000	.285
Staff calling you by name (friendliness & smiles)	Q04.2			7.528	2	.023	
	Q04.2(1)	1.257	.524	5.752	1	.016	3.514
	Q04.2(2)	.746	.387	3.713	1	.054	2.109
Business canters with latest computer technology	Q04.6			17.153	2	.000	
	Q04.6(1)	-.865	.523	2.737	1	.098	.421
	Q04.6(2)	0	.382	16.968	1	.000	.207
	Constant	-.818	.284	8.329	1	.004	.441

Appendix H: Variables in the Logistic regression equation: Innovation influence on leisure guests

Variables in the logistic regression equation:Leisure						
		B	S.E.	Wald	df	p-value
Step 0	Constant	-1.427	.227	39.419	1	0.000
Availability of Free Wi-Fi	Q03.2			2.692	2	0.260
	Q03.2(1)	-23.999	27544.170	.000	1	0.999
	Q03.2(2)	-22.193	27544.170	.000	1	0.999
	Q03.3			5.576	2	0.062
	Q03.3(1)	-1.892	.933	4.112	1	0.043
	Q03.3(2)	-1.308	.624	4.387	1	0.036
	Constant	21.994	27544.170	.000	1	0.999
a. Purpose = Leisure						
b. Variable(s) entered on step 2: Q03.3.						

Appendix I: Variables NOT in the Logistic regression equation: Innovation influence on business travellers

Variables not in logistic equation: Business travellers				
Variables	Q#	Score	df	p-value
	Q03.1	.595	2	.743
Flexible check-in and check-out	Q03.1(1)	.005	1	.941
	Q03.1(2)	.117	1	.732
Hotel art and different room design	Q03.2	1.217	2	.544
	Q03.2(1)	.535	1	.465
	Q03.2(2)	1.004	1	.316
Availability of Free Wi-Fi	Q03.3	2.532	2	.282
	Q03.3(1)	2.101	1	.147
	Q03.3(2)	1.340	1	.247
VIP loyalty innovations	Q03.4	3.129	2	.209
	Q03.4(1)	1.999	1	.157
	Q03.4(2)	2.886	1	.089
Staff friendliness (smiling, addressing guests by name)	Q03.5(1)	.024	1	.877
Management involvement	Q03.6	1.750	2	.417
	Q03.6(1)	1.584	1	.208
	Q03.6(2)	1.004	1	.316
Hotel business centres	Q03.7	.867	2	.648
	Q03.7(1)	.084	1	.772
	Q03.7(2)	.013	1	.910
Employees providing options (service delivery)	Q03.8	1.440	2	.487
	Q03.8(1)	.098	1	.754
	Q03.8(2)	.713	1	.399
Overall Statistics		16.066	15	.378

Appendix J: Variables in the Logistic regression equation - Innovation influence on other travellers

Variables in the logistic equation: Travellers for other purposes						
Variable	Q#	B	S.E.	Wald	df	p-value
Flexible check-in and check-out	Q03.1			.000	2	1.000
	Q03.1(1)	19.654	34126.194	.000	1	1.000
	Q03.1(2)	40.821	29477.666	.000	1	.999
Availability of free Wi-Fi	Q03.3			7.253	2	.027
	Q03.3(1)	23.714	38887.118	.000	1	1.000
	Q03.3(2)	3.555	1.320	7.253	1	.007
Hotel business centres	Q03.7			.000	2	1.000
	Q03.7(1)	-40.860	24798.885	.000	1	.999
	Q03.7(2)	-18.491	23165.848	.000	1	.999
	Constant	-24.275	18228.445	.000	1	.999

Appendix K: Qualitative data – Innovations with most influence on hotel choice

Innovations with most influence to your hotel choice			
Response Code	Response Category	Frequency	Frequency Distribution
1	Hotel art & unique room design	21	12%
2	Technological	55	37%
3	Marketing	41	44%
4	Human resources	31	58%
5	Other innovations	7	32%
6	Non- innovative factors	15	100%

Appendix L: Qualitative data – Innovations with most importance on recent hotel choice

Innovation important to your recent hotel choice			
Response Code	Response Category	Frequency	Frequency Distribution
1	Hotel art & unique room design	25	15%
2	Technological	39	13%
3	Marketing	24	9%
4	Human resources	46	19%
5	Other innovations	22	11%
6	Non- innovative factors	5	3%
7	All innovations	3	2%

Appendix M: Qualitative data – Why returning to the same hotel?

Why returning to the same hotel?			
Response Code	Response Category	Response Category	Frequency Distribution
0	No return intention	31	18%
1	Hotel art & unique room design	16	5%
2	Technological	11	4%
3	Marketing	17	6%
4	Human resources	53	19%
5	Other innovations	18	8%
6	Non- innovative factors	28	14%