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How Does Hotel Service Innovation Affect Experiential Value and Consumer Decisions to Stay in Hotels?

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Abstract

Research aims: This research is intended to examine how hotel service innovation affects consumer decisions to stay at hotels with the intervening variable of experiential value.

Design/Methodology/Approach: This explanatory research was intended to explain the effect of exogenous variables on endogenous variables by involving an intervening variable. The subjects of this research were consumers of 3-star hotels in Jember City, East Java. The research population was consumers who used hotel services in Jember City, and the sample was determined by accidental sampling. The number of samples was 90 respondents. Data analysis was then carried out by Structural Equation Model Partial Least Square (SEM-PLS) with the assistance of Smart PLS 4 software.

Research findings: The results prove that hotel service innovation positively affected the experiential value and consumer decisions. In addition, it was found that there was an indirect effect of hotel service innovation on consumer decisions through intervening experiential value.

Theoretical contribution/Originality: The research examined the model's use of experiential value to intervene in the relationship between hotel service innovation and consumer decisions and better explain consumer behavior. The research also gives contribution to the development of marketing management literature.

Practitioner/Policy implication: The results of this study can be considered in hotel marketing, where the impact of the COVID-19 pandemic requires marketing strategies, including service innovation.

Research limitations/Implications: This research was only conducted on hotel consumers in the scope of Jember City, so it is necessary to conduct research in a broader area in the future. Future research must also examine service innovation and its effect on customer satisfaction and loyalty.

Keywords: Hotel Service Innovation; Experiential Value; Consumer Decision

Introduction

Service is a vital issue or aspect of the global economy, especially now that the world is recovering after the COVID-19 pandemic. Specifically, the hotel sector is a business entity seriously affected by the health crisis. The hospitality business is also closely related to service. The hospitality business particularly emphasizes service, relationships, interactions, consumer behavior, and creating value. Both service and consumer

behavior are essential, and changes in both will affect consumers' decisions regarding hotel services. The hospitality business starting to thrive at least faces several challenges, including increasingly fierce competition related to hotel services, the emergence of hotel services platform digital technology, and technological developments in the hospitality business (Isna, 2018). Increasingly intensive competition impacts hotel revenue, and customer loyalty becomes the next homework, considering that consumers easily switch to other hotels or the customer retention rate is high. To deal with this situation, alternative marketing strategies are key, including service innovation and the hotel's ability to create services with high-quality value. Hotel management can use service innovation and high-quality service value added to address consumer behavior. The ability of marketers, in this case, hotel management, to modify consumer behavior also becomes a company's competitive advantage and opportunities to create differentiation from competitors (Chen et al., 2016).

On the other hand, the consumer decision-making process refers to the behavior or actions that precede, influence, and follow decisions related to acquiring products that satisfy consumer needs. Consumers make decisions based on consumer perceptions of a product or service, and they will judge by their senses to describe business messages from marketers. The consumer decision-making model explains how consumers recognize needs and obtain and consume products that meet identified needs (Kotler & Armstrong, 2018). In the consumer decision-making process in the context of the hospitality business, marketers should highlight the importance of inputs to the consumer purchasing decision-making process and imply how consumers will order the outputs to make consumers' final purchasing decisions. Moreover, current development trends provide a challenge for hotel management as marketers to identify consumer preferences and decisions. Nowadays, there is a need to include digital instruments, and at the same time, consumers define high-quality personalized services according to their preferences and expectations of the customers (Yoeti, 2009). Consumer preferences, behaviors, and experiences are constantly evolving, an important aspect of the hospitality industry.

Building a sustainable competitive advantage is necessary for hotels to win the competition. Service innovation is the hotel's effort to increase competition capacity and create a competitive advantage for the company. Service innovation is also expressed as a new service concept, consumer interaction channel, service delivery system, or a new technology concept aimed at increasing the value of a product or service according to consumer needs (Cox, 2013). Service innovation has an important role in hotel management by creating service differentiation, where the services provided by the hotel can be in accordance with the wishes of consumers and bring economic benefits to the company (Chen et al., 2016). In addition, service innovation can be done through technology, organizational structure, market behavior, or new service forms. Service innovation from the company by combining consumer and staff knowledge frontline is aimed at reducing the service gap between consumer needs and expectations, and their impact will be real on consumer behavior, both purchasing decisions and consumer satisfaction. Moreover, innovation plays a key role in changing consumer behavior and the growth of enterprise innovation.

In this case, the hospitality business is the perfect place to explain service innovation, where from the customer's perspective, the hospitality business is currently very easy to get with various services. Since consumers easily switch hotel services, hotel management must provide service differentiation through new and innovative features (Victorino et al., 2005). Another thing that underlies the importance of service innovation is that the hotel business faces a rapidly changing business environment with the advent of information technology. Hence, hotel management must adapt to changes by increasing the focus on customer preferences and quality and implementing technologies that enhance competitive advantage. The last relates to changes in consumer preferences and loyalty, value-added service. Bharwani and Mathews' (2016) empirical research provides evidence that service innovation affects the behavior and experience of consumers. A new product or service will improve experiential customer value, and internal process innovation will increase productivity through service delivery efficiency and effectiveness.

Several empirical studies have examined the relationship between service innovation and consumer behavior, but little research involved experience as an intervening agent. Chang and Lee (2020) and Khuong and Giang (2014) researched the effects of service innovation on customer behavioral intention. The results demonstrated that service innovation significantly and positively affected behavioral intention. Similar research by Chen et al. (2016) tested the role of service innovation but in the new product development context. Lemy et al. (2019), (Victorino et al., 2005), and (Subramanian et al., 2016) explored the relationship between service innovation and loyalty in the hotels (hospitality) industry. Their findings revealed that service innovation positively affected loyalty but did not moderate the relationship between service quality and loyalty. Li (2021) also believes that service innovation is a factor in increasing customer recognition. However, the empirical research focused on service innovation and its relationship with customer behavior.

Consumers related to services, in this case, hospitality, do not only pay attention to the quality of services provided. Nevertheless, more than that, consumer preferences have shifted by making experiential value the expected added value of hotel service. Certain consumer segments consider that the main purpose of staying at a hotel is to get social value; consumers also intend to create a self-image through their experience in hotel services. Experiential value is expressed as consumer perception, which comes from the consumer experience, either directly or indirectly, about the product/service (Mathwick et al., 2001). Experiential value is also the value of cognitive assessment and consumer preferences for the product or service. In other words, experiential value focuses on the value that consumers derive from the experience of using a product or service (Wu et al., 2018). In particular, the concept of experiential value for someone in the service industry plays a crucial role in recognizing customer value. Therefore, the experiential value differs from product/service value because it results from consumer experience and focuses on the customer's subjective emotions and reactions, which vary according to the type of experience. Further, experiential value has become a valuable asset and a contemporary marketing orientation, especially in the hospitality business. Experiential value allows marketers to consider new marketing approaches, where innovative experience design is critical to hotel marketing success.

Furthermore, the experiential value becomes important and relevant in understanding consumer behavior. Various empirical research has been carried out related to understanding consumer behavior through analysis of experiential value in various business sectors, including hospitality (Alsaid & Amor, 2020; Astari & Pramudana, 2016; Kurniawan et al., 2019; Schulte-Brüggemann & Streit, 2018; Wu & Liang, 2009; Wu et al., 2018; Yu, 2019). The experiential value is created through service innovation (Hsiao, 2017; Nicolau & Santa-María, 2013; Razmi, 2018; Su, 2011; Yeh et al., 2019).

Therefore, this study aims to discuss how hotel service innovation affects consumer decisions to stay at hotels with the intervening variable of experiential value. In addition, this research is expected to be a development model related to marketing management to improve consumer purchasing decisions. The results of this research are also expected to contribute to hotel business entities' policy-making, especially concerning understanding consumer behavior (consumer decisions), hotel service innovation, and experiential value. Further, the results of this study can be considered in hotel marketing, where the impact of the COVID-19 pandemic requires marketing strategies, including service innovation. This research is also hoped to contribute as a reference related to marketing management research. Future research must also examine service innovation and its effect on customer satisfaction and loyalty.

Literature Review and Hypotheses Development

Consumer Decision

Marketers need to understand the dynamics of the consumer decision-making process, where internal and external factors influence consumers' decisions. The main decisions taken by consumers relate to what to buy (products and services), how much to buy (quantity), where consumers buy (place), when to buy (time), and how to buy (payment terms). A decision is also defined as choosing an option from the few available. In addition, decision-making is choosing an alternative from the few/many options available (Kotler & Armstrong, 2018). Thus, consumer purchases are a response to a problem. Consumer decision-making is also concerned with making decisions regarding product and service offerings. It can be defined as the process of collecting and processing information, evaluating them and choosing the best option to solve a problem or make a purchase choice. Moreover, decision-making is defined as selecting alternatives to solve a problem, in which the time and effort required to complete the process vary across buying situations (Schiffman & Kanuk, 2011).

Service Innovation

Service innovation is expressed as a new service concept, consumer interaction channel, service delivery system, or new technology concept aimed at increasing the value of a product or service according to consumer needs (Cox, 2013). Service innovation has an important role in hotel management by creating service differentiation where the services provided by hotels can match the wishes of consumers and bring economic benefits to

the company (Chen et al., 2016). Thus, understanding the interaction for creating and conducting new services is important. Moreover, the idea of service has moved from only going about as an enhancement to an item to a value-added component effectively co-created with a client (Lusch et al., 2007). For services firms, co-making with clients can assist them with being innovative (Yeh et al., 2019). Also, it is fundamental to keep on expanding researchers' and practitioners' inclinations in grasping service innovations (Asbari et al., 2020).

Regardless of the rising interest, the examination in the field of services innovation is as yet not advanced (Antanegoro, Sanusi, & Surya, 2017; Skålén & Gummerus, 2022). Among the restricted hypothesis-based investigations, service innovation structures are seen as a straight and formal interaction (Alnawas & Hemsley-Brown, 2019). This approach sees service innovation as a bunch of systematic, consecutive occasions and exercises, and it underscores the meaning of good planning, managerial control, and organizational support (Babaei & Aghdassi, 2020). In fact, service innovation can be done through technology, organizational structure, market behavior, or new service forms. Globally, the hospitality industry is confronting tremendous changes, and hotels are trying to improve their service capacities to contend with competitors (Khuong & Giang, 2014). On other things, consumer needs are changing, and changing regulatory and competitive environments are driving contingency plans to move away from traditional approaches to continuing work to new channels, action plans, cycles, and progress. In this way, services are extension motors in present-day economies, and service innovation is of fundamental significance to the hospitality industry (Lemy et al., 2019).

Experiential Value

The term customer experience refers to an integrated experience, where every customer interaction with products, services, and other elements leads to a positive or negative experience. Customer experience is also the company's process, strategy, and implementation to control consumers' experience with a product or service (Irawan & Swastha, 2008). The process of continuous interaction between customers and companies through various communication channels, both functional and emotional directions, will produce a customer experience. In addition, customer experience refers to customer perceptions with a choice of several alternatives and the ability to compare offers from service providers. The focus of the customer experience results refers to the customer's attitude towards the number of transaction costs and how service providers help reduce them.

Experiential value is expressed as consumer perception, which comes from direct or indirect consumer experience about the product/service (Mathwick et al., 2001). Experiential value also assesses cognitive value and consumer preference for the product or service provided. In other words, experiential value focuses on the value that consumers get from the experience of using a product or service (Wu et al., 2018). In particular, the concept of experiential value to someone in the service industry plays a very important role in recognizing customer value. Therefore, the experiential value differs from product/service value because it results from consumer experience and

focuses on the customer's subjective emotions and reactions that vary according to the type of experience.

Moreover, consumers in the hotel business experience change in characteristics, where consumers currently have different loyalty and many alternative hotel services that offer other facilities and advantages. Thus, hotel management is required to meet consumer expectations, one of which is by implementing hotel service innovations. Hotel service innovation is an option in anticipating the changing business environment due to the impact of information technology. The changes focus on increasing customer preferences and quality and implementing technologies that enhance competitive advantage. Associated with changes in consumer preferences and loyalty, consumers expect the best service and prioritize choosing hotels that can provide services value-added services.

Bharwani and Mathews' (2016) empirical research has proven that service innovation affects behavior and consumer experience. A new product or service will improve experiential customer value, and internal process innovation will increase productivity through service delivery efficiency and effectiveness. The relationship between service quality, experiential value, and consumer behavior has also been studied in empirical studies (Chang & Lee, 2020; Chen et al., 2016; Khuong & Giang, 2014; Lemy et al., 2019; Li, 2021; Randhawa et al., 2016; Subramanian et al., 2016; Victorino et al., 2005; Wang et al., 2018). Referring to the arguments and empirical research, the following hypotheses were formulated:

H₁: Hotel service innovation affects experiential value.

H₂: Hotel service innovation affects consumer decisions.

Experiential value becomes important and relevant in understanding consumer behavior. Empirical research has been conducted to understand consumer behavior by analyzing experiential value in various business sectors. Alsaïd and Amor (2020) found a positive and significant relationship between experiential value and consumer behavior, in this case, satisfaction. Astari & Pramudana's (2016) research showed that experiential marketing positively and significantly affected the experiential value and repurchase intention. The positive influence of experiential value on consumer behavior is also supported by research findings from Kurniawan et al. (2019), Schulte-Brüggemann and Streit (2018), Wu and Liang (2009), and Yu (2019). In addition, experiential value is created through service innovation supported by Hsiao (2017); Nicolau and Santa-María (2013); Razmi (2018); Su (2011); and Yeh et al. (2019). Hence, empirical research has been conducted on understanding consumer behavior by analyzing experiential value in various business sectors, including hospitality. Based on the description and empirical research, the following hypothesis was proposed:

H₃: Experiential value affects consumer decisions.

Consumers in decision making are based on perceptions of a product or service, consumers will judge with their senses to decipher business messages from marketers. Consumer decision-making models are used to explain how consumers recognize needs, acquire and consume products that meet identified needs (Kotler & Armstrong, 2016). Hotel consumers today do not only focus on hotel services, but more than that the existence of experiential value becomes an added value that is expected for a hotel service. Experiential value is expressed as consumer perception, which comes from consumer experience either directly or indirectly about the product / service (Mathwick, Malhotra, & Rigdon, 2001).

Experiential value is created through service innovation (Hsiao, 2019; Nicolau & Santa-María, 2013; Razmi, 2018; Su, 2011; Yeh, Chen, & Chen, 2019). Innovation plays a key role in changing consumer behavior and the growth of corporate innovation.

H₄: *Hotel service innovation affects consumer decisions mediated by experiential value.*

A conceptual framework model is presented in the following, prepared to refer to a literature review.

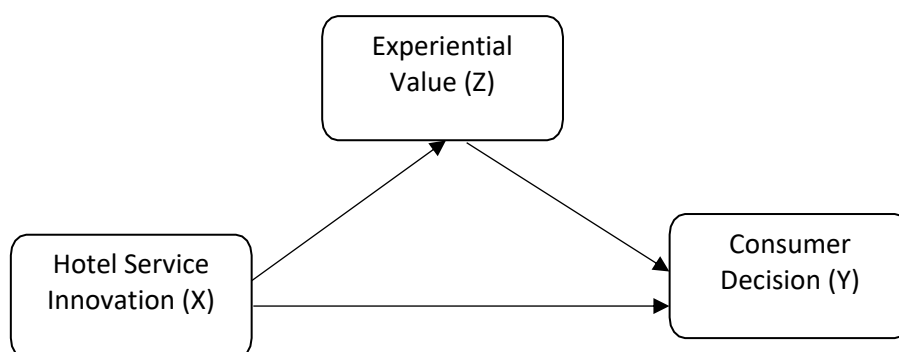


Figure 1 Conceptual Framework Model

Research Methods

This explanatory research was intended to explain the effect of exogenous variables on endogenous variables by intervening variables (Umar, 2019). The subjects of this study were consumers of 3-star hotels in Jember City, East Java. The research population was consumers who used hotel services in Jember City, and the sample was determined randomly by accidental sampling. Accidental sampling, or what is known as momentary sampling (grab) or opportunity sampling, is a form of non-probability sampling that involves the closest and easily accessible population or subject (Sugiyono, 2019). The number of samples was determined by five times the indicator. The instrument for measuring service innovation variables used a 6-item questionnaire, variable experiential value employing eight questionnaire items, and consumer decisions utilizing four questionnaire items. Thus, the number of respondents was $18 \times 5 = 90$ respondents.

Research data collection was carried out using questionnaires, where respondents were required to choose one answer from 1-5 scales (Likert Scale). The following are operational measurements of research variables.

Table 1 Operationalization Measurement of Variables

Variable	Measurement	Source
Hotel Service Innovation (X)	Interior innovation	(Cox, 2013); (Chen et al., 2016); (Yeh et al., 2019)
	Administration innovation	
	Exterior innovation	
	Staff behaviour innovation	
	Innovation in the use of computers and technology	
Experiential Value (Z)	Felxibility and customize services innovation	(Chang & Lee, 2020); (Chen et al., 2016); (Lemy et al., 2019); (Li, 2021)
	The hotel offers good service that is worth the price	
	The price offered by the hotel is acceptable	
	Staying at a hotel is an efficient way to support consumer activities	
	Hotel stays improve consumers' quality of life	
	The services and facilities provided by the hotel are very special	
	Every time they imagine a hotel, consumers appreciate the exceptional quality of service	
	Staying at a hotel is very pleasant and makes consumers feel at home and comfortable	
Consumer Decision (Y)	Staying in a hotel allows consumers to feel free from reality and help them enjoy themselves	(Kotler & Armstrong, 2018); (Schiffman & Kanuk, 2011)
	Previous reviews of hotels influence consumers' decisions to make reservations	
	When consumers feel confident that the hotel offers good service as the results of the review, then consumers are willing to make reservations	
	Consumers choose hotel accommodations based on reviews read	
	The information receive both in person and online influences a consumer's decision to make a reservation	

Before entering the data analysis stage, the authors tested the validity and reliability of the instrument. Data analysis was then carried out by Structural Equation Model Partial Least Square (SEM-PLS) with the assistance of SmartPLS 4 software. Hypothesis testing was intended to determine exogenous variables' direct or indirect effects on endogenous variables.

Validity and Reliability Test

Testing at this stage becomes part of the outer model assessment on PLS-SEM analysis, including Convergent Validity and Composite Reliability.

Table 2 Outer Loadings Values

Variable	Indicator	Loading Value	Results
Hotel Service Innovation (X)	X1	0.900	Score loading > 0.5 in this case is declared fulfilled convergent validity.
	X2	0.848	
	X3	0.824	
	X4	0.874	
	X5	0.835	
Experiential Value (Z)	X6	0.781	Score loading > 0.5 in this case is declared fulfilled convergent validity.
	Z1	0.760	
	Z2	0.802	
	Z3	0.875	
	Z4	0.816	
	Z5	0.868	
	Z6	0.586	
	Z7	0.735	
Consumer Decision (Y)	Z8	0.622	Score loading > 0.5 in this case is declared fulfilled convergent validity.
	Y1	0.799	
	Y2	0.865	
	Y3	0.920	
	Y4	0.877	

The test results prove that the outer model fulfilled convergent validity with a loading value for each indicator of more than 0.5, as stipulated (Ghozali, 2014).

Table 2 Composite Reliability and Average Variance Extracted (AVE)

Variable	Composite Reliability	Average Variance Extracted (AVE)
Hotel Service Innovation (X)	0.937	0.713
Experiential Value (Z)	0.923	0.750
Consumer Decision (Y)	0.917	0.585

The test results showed that the CR value for each construct was greater than 0.70, and the AVE value was greater than 0.5. Therefore, all tested variables were declared reliable.

Results and Discussion

Description of Respondent Demographics

Respondents of this study were consumers who stayed at 3-star hotels in the city of Jember. The demographic description of the respondents can be seen in Table 3.

Referring to Table 3, the demographic description of respondents based on gender is known that male respondents (70.0%) were larger than female respondents (30.0%). Based on this illustration, it can be stated that the consumers of 3-star hotels in Jember City were mostly male.

Table 3 Descriptive Demographics of Respondents

	Criteria	Frequency (persons)	Percentage (%)
Gender	Male	63	70.0
	Female	27	30.0
	Total	90	100.0
Age	17 - 25 years	8	8.9
	26 - 35 years	32	35.6
	36 - 45 years	38	42.2
	45 and above	12	13.3
	Total	90	100.0
Education Degree	Elementary School	0	0.0
	Secondary High School	3	3.3
	Senior High School	16	17.8
	Associate Degree	21	23.3
	Bachelor's Degree	35	38.9
	Master/Doctoral Degree	15	16.7
	Total	90	100.0
Job	Student/Scholar	9	10.0
	PNS/TNI/POLRI	25	27.8
	Private Employees	21	23.3
	Self-Employed	28	31.1
	Others	7	7.8
	Total	90	100.0
Income	<IDR 2,000,000.00	14	15.6
	IDR 2,000,000.00 – IDR 4,000,000.00	26	28.9
	IDR 4,000,000.00 – IDR 6,000,000.00	28	31.1
	> IDR 6,000,000.00	22	24.4
	Total	90	100.0

Regarding age, respondents were 36 to 45 years (42.2%), followed by respondents aged 26 to 35 years (35.6%). Based on this illustration, it can be stated that the consumers of 3-star hotels in Jember City were mostly in the productive age group.

Concerning education, most respondents graduated from S1 (38.9%) and D3 (23.3%). Based on this illustration, it can be stated that the consumers of 3-star hotels in Jember City were mostly groups with high levels of education.

Judging from the background of work, entrepreneurs (31.1%), PNS/TNI/POLRI (27.8%), and private employees (23.3%) used the service. Based on this illustration, it can be stated that consumers of 3-star hotels in Jember City were mostly entrepreneurs whose reasons for staying at hotels were related to business purposes.

Finally, the income level of IDR 4 million to IDR 5 million (31.1%) and IDR 2 million to IDR 4 million (28.9%) were revealed. Based on this illustration, it can be stated that the consumers of 3-star hotels in Jember City were mostly in the high-income group.

Inner Model Test

Testing this stage, the R Square results on PLS-SEM analysis were seen. The test results for the endogenous variable Z obtained an R Square of 0.434, meaning that 43.4% of the variability of change in the experiential value could be explained by hotel service innovation. Meanwhile, the endogenous variable Y got R Square of 0.581, indicating 58.1% of the variability of changes in consumer decisions to stay at hotels could be explained by hotel service innovation and experiential value.

Hypothesis Test

The results of the PLS-SEM test are presented as follows.

Table 4 Summary of PLS-SEM Analysis Results

	Original Sample (O)	STDEV	T-Statistics	P-Values	Result
X -> Z	0.659	0.117	5.616	0.000	H ₁ is accepted.
X -> Y	0.210	0.088	2.379	0.017	H ₂ is accepted.
Z -> Y	0.608	0.096	6.315	0.000	H ₃ is accepted.

The result of testing the hypothesis is the direct effect of the hotel service innovation variable on experiential value, hotel service innovation variable on consumer decision, and experiential value on consumer decision. Each variable is stated to have a significant effect if the p-value is smaller than 0.05.

Table 5 Summary of PLS-SEM Analysis Mediation Result

	Sample Original (O)	STDEV	T-Statistics	P-Values	Result
X -> Z-> Y	0.400	0.094	4.282	0.000	H ₄ is accepted.

The indirect effect describes how the indirect effect of the independent variable constructs on the dependent variable involved the mediating/intervening variables. The results of testing the indirect effect of hotel service innovation on consumer decisions with experiential value as an intervening variable were obtained.

Discussion

The results of testing the effect of hotel service innovation on experiential value had a path coefficient of 0.659, a t-statistic of 5.616, and p-values of 0.000. T-statistic was greater than 1.98, and the p-value was smaller than 0.05, so the effect was significant. Thus, the hypothesis that hotel service innovation affected the experiential value was declared accepted. In this case, a positive influence can be interpreted as the better the innovation of hotel services, the better the experiential value.

Service innovation has an important role in hotel management by creating service differentiation, where the services provided by the hotel can be in accordance with the wishes of consumers and bring economic benefits to the company (Chen et al., 2016). The changes are emphasized by increasing the focus on customer preferences and quality and implementing technologies that enhance competitive advantage. Associated with

changes in consumer preferences and loyalty, consumers expect the best service and prioritize choosing hotels that can provide services value-added services.

One strategy that needs to be carried out by companies to overcome intense competition and changes in the market environment is to innovate in their business. Innovation is the initial commercialization of an invention by producing and selling a new product, service, or process (Pearce & Robinson, 2013). By creating innovation, entrepreneurs can turn an idea into a profit for the company. In fact, companies in all sectors, both manufacturing and services, require good service quality to achieve customer satisfaction. The services delivered by company employees include the need to carry out a series of innovations so that customers are satisfied. Generally, service innovations involve technological sophistication, especially information technology (Roach et al., 2018).

Moreover, Bharwani and Mathews' (2016) empirical research has proven that service innovation affects behavior and consumer experience. In the current study, the results of testing the effect of hotel service innovation on consumer decisions to stay at the hotel had a path coefficient of 0.210, a t-statistic of 2.379, and p-values of 0.017. The effect was significant since the t-statistic was greater than 1.98 and the p-value was smaller than 0.05. Hence, the hypothesis that hotel service innovation affected consumer decisions to stay at the hotel was accepted. Its positive influence can be interpreted as the better the innovation of hotel services, the better the consumer's decision to stay there.

Related to that, service innovation is expressed as a new service concept, consumer interaction channel, service delivery system, or a new technology concept aimed at increasing the value of a product or service according to consumer needs (Cox, 2013). Consumers in the hotel business experience change in characteristics, where consumers currently have different loyalty and many alternative hotel services that offer other facilities and advantages. Therefore, hotel management is required to meet consumer expectations, one of which is by implementing hotel service innovations. Hotel service innovation is an option in anticipating the changing business environment due to the impact of information technology. A new product or service will improve experiential customer value, and internal process innovation will increase productivity through the efficiency and effectiveness of service delivery. The relationship between service quality, experiential value, and consumer behavior has also been studied in empirical research (Chang & Lee, 2020; Chen et al., 2016; Khuong & Giang, 2014; Lemy et al., 2019; Li, 2021; Randhawa et al., 2016; Subramanian et al., 2016; Victorino et al., 2005; Wang et al., 2018).

Next, the effect test results of experiential value on the consumer's decision to stay at the hotel had a path coefficient of 0.608, a t-statistic of 6.315, and p-values of 0.000. The effect was significant because the t-statistic was greater than 1.98, and the p-value was smaller than 0.05. Thus, the hypothesis that experiential value influenced the consumer's hotel stay was accepted. Hence, the positive influence can be interpreted as the better experiential value, the better the consumer's decision to stay at the hotel.

In this regard, experiential value is expressed as consumer perception, which comes from direct or indirect consumer experience about the product/service (Mathwick et al., 2001).

Customer experience is conceptualized on the entire customer journey through emotions towards products, services, or even brands at the affective level. Implementing the customer experience concept aims to create good relationships with consumers and build loyalty with consumers (Wu et al., 2018). The concept of customer experience is that when consumers buy a service, a set of activities cannot be stated clearly. However, when consumers buy an experience, these consumers pay to spend time for an unforgettable opportunity or experience and make a company known differently (Laksana, 2019).

Experiential value becomes important and relevant in understanding consumer behavior. Various empirical research has been carried out related to understanding consumer behavior through analysis of experiential value in various business sectors, including hospitality (Alsaid & Amor, 2020; Astari & Pramudana, 2016; Kurniawan et al., 2019; Schulte-Brüggemann & Streit, 2018; Wu & Liang, 2009; Wu et al., 2018; Yu, 2019). Experiential value is also created through service innovation (Hsiao, 2017; Nicolau & Santa-María, 2013; Razmi, 2018; Su, 2011; Yeh et al., 2019).

Furthermore, the results of testing the indirect effect of hotel service innovation on consumer decisions to stay at hotels through mediation (intervening) experiential value had a path coefficient of 0.400, a t-statistic of 4.282, and a p-value of 0.017. Since the t-statistic was greater than 1.98 and the p-value was smaller than 0.05, the effect was significant. Thus, it can be stated that hotel service innovation affected consumer decisions to stay at hotels with experiential mediation value. Its positive influence can be interpreted as the better the hotel service innovation and the experiential value following it, the better the consumer's decision to stay at the hotel.

Consumers in decision making are based on perceptions of a product or service, consumers will judge with their senses to decipher business messages from marketers. Consumer decision-making models are used to explain how consumers recognize needs, acquire and consume products that meet identified needs (Kotler & Armstrong, 2016). The development and competition of the hotel business is increasingly tight, encouraging the need for business people's efforts to be able to create sustainable competitive advantages. Hotel consumers today do not only focus on hotel services, but more than that the existence of experiential value becomes an added value that is expected for a hotel service. Experiential value is expressed as consumer perception, which comes from consumer experience either directly or indirectly about the product / service (Mathwick, Malhotra, & Rigdon, 2001). Experiential value is also an assessment of cognitive value and consumer preference for the product or service provided.

Various empirical research is conducted related to understanding consumer behavior through experiential value analysis in various business sectors including hospitality (Alsaid & Amor, 2020; Astari & Pramudana, 2016; Kurniawan, Nirwanto, & Firdiansjah, 2019; Schulte-Brüggemann & Streit, 2018; C. H. J. Wu & Liang, 2009; H. C. Wu, Cheng, & Ai, 2018; Yu, 2019). Experiential value is created through service innovation (Hsiao, 2019; Nicolau & Santa-María, 2013; Razmi, 2018; Su, 2011; Yeh, Chen, & Chen, 2019). Service innovation has an important role in hotel management by creating service differentiation where the services provided by hotels can be in accordance with consumer desires and

bring economic benefits to the company (Chen et al., 2016). Service innovation is aimed at reducing the service gap between consumer needs and expectations and the impact will be real on consumer behavior both purchasing decisions and consumer satisfaction. Innovation plays a key role in changing consumer behavior and the growth of corporate innovation.

Referring to these results, it can be asserted that experiential value plays a role as a mediator or intermediary in the relationship between hotel service innovation and consumers' decision to stay at the hotel. It denotes that better hotel service innovation and good experiential value will increase consumers' decision to stay at the hotel.

Conclusion

This study aims to discuss how hotel service innovation influences consumer decisions to stay at hotels with the intervening variable of experiential value. The test results revealed that the proposed hypothesis was accepted or proven true. In this case, hotel service innovation influenced consumer decisions to stay at hotels directly and indirectly through experiential value. This research is a development of several previous empirical studies regarding the relationship between service innovation and consumer behavior. This research involved experiential value as an answer to the many researchers who suggest that companies not only focus on products and services but also need to provide added value in the form of consumer experience. Further, the results of this study provide evidence that hotel service innovation is an essential factor in determining consumer decisions to stay, of course, supported by the experience value offered by the hotel.

The results of this research can positively contribute to hotel management as material for evaluating policy formulation, especially those related to service innovation and creating added value in the form of customer experience. Consumers who stay at hotels, specifically those with star-rated facilities and services, consider the experience of someone who has stayed at a hotel. It comes from the consumer's experience or recommendations from others. Therefore, hotel management should continually strive to innovate services to differentiate from competitors. Hotel management can use various ways to win the competition by providing the best service for the hotel's visitors.

Nevertheless, this research's object was limited to hotel consumers in Jember City, so generalization results have not been achieved. Future research can be carried out with a broader object (regional or national). The next limitation concerns the need for a qualitative questionnaire to explain how hotel service innovation affects hotel services' experiential value and consumer decisions to stay in hotels. Further, the findings of this study provide practical implications, namely that hotel companies must be able to innovate services in line with the application of information technology and offer more value in their services to create experiential value. These two aspects will become important assets for hotel companies to differentiate and become competitive advantages. Meanwhile, for the theoretical implications, this research opens up

opportunities for future research agendas to develop existing concepts related to consumer behavior, particularly consumer loyalty.

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