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How to Improve Hotel Distribution Performance After Covid-19?*

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Abstract

Purpose: The Covid-19 outbreak has severely impacted the hotel industry. Especially in the new normal period, hotel management is attempting to overcome hardship and improve their hotels' performance using various strategies. There are few studies on increasing post-covid-19 hotel performance through market orientation, market strategy, and service innovation. This study intends to evaluate the impact of market orientation, market strategy, and service innovation on hotel performance post-covid-19. This study has significant ramifications for hotel managers seeking post-covid-19 measures to enhance hotel performance. **Research design, data and methodology:** This research includes 163 managers of 3, 4, and 5-star hotels. SEM-PLS is used to investigate the direct and indirect relationships between variables. **Results:** The study findings reveal that market orientation and service innovation have a direct impact on hotel performance. In contrast, the market strategy has no direct effect on hotel performance. Also, service innovation did not significantly mediate the relationship between market orientation and service innovation and hotel performance. Also, service innovation is proven not to mediate significantly on the effect of market strategy on hotel performance. **Conclusions:** Hotel performance is directly influenced by market orientation and service innovation. Also, service innovation mediates the impact of market orientation on hotel performance.

Keywords: Hotel Performance, Market Orientation, Market Strategy, Service Innovation, Hotel Distribution Strategy

JEL Classification Code: M11, M21, M31

1. Introduction

Tourism is widely recognized as a powerful engine of economic growth for contemporary countries (UNWTO, 2020). One industry that supports the development of tourism activity is the hotel industry. During the Covid-19 pandemic, all hotel industry sectors experienced a decline in performance (Akbari et al., 2023; Khalil et al., 2023; Santos et al., 2023; Sharma & Nicolau, 2020). This condition makes sense because the implementation of social distancing and stay-at-home policies in all countries has forced people to

reduce activities outside the home. Losses to the hotel industry due to the Covid-19 pandemic are estimated to reach 100 trillion rupiah or US\$ 7.1 billion by November 2020 (PHRI, 2020). Threats don't only come from the Covid-19 pandemic but also threats come from tough competition from other hotel industries. Facing this problem, hotel management must establish an innovative strategy to survive amid this intense competition. In addition, hotels must be able to adapt and be creative to meet increasingly varied and complex demands (Wikhamn, 2019), especially after the COVID-19 pandemic (Khalil et al., 2023; Sharma

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et al., 2021; Verma & Gustafsson, 2020). And most importantly, since the entry of the new normal era, hotels must adapt service innovation according to customer demand to improve post-covid-19 hotel performance.

In this study, the ability to develop new and unique service offerings is essential for hotels to improve performance in the short term and achieve a sustainable competitive advantage in the long time (Hernández-Perlines et al., 2019; Tajeddini et al., 2020). For a hotel business to be successful, it is essential to identify which aspects can improve service quality or introduce innovations, thereby retaining existing clients (Bull, 2010). Because basically, every business has to serve its customers and compete with other companies. This is why market orientation and marketing strategies are so crucial in business. Other academics define "market orientation" as meeting customer needs to increase profits (Narver & Slater, 1990). A different term states that market orientation focuses on strategies based on customer needs and how things are going with their competitors (K. Kumar et al., 1998). In other words, market orientation remains concerned with changing behaviour patterns, requirements, and preferences shown by consumers and competitors (Atuahene-Gima et al., 2005; Narver et al., 2004).

Market-driven businesses try to do well by meeting the needs and wants of their customers better than their competitors (Dabrowski et al., 2019; Jogaratnam, 2017; Schulze et al., 2022). Several studies have shown a positive correlation between market orientation and business performance (Abbu & Gopalakrishna, 2021; İpek et al., 2023; Morimura & Sakagawa, 2023). On the other hand, some people have proven that there is no such correlation (Qu, 2014; Tjahjadi et al., 2022). In addition, businesses can gain an edge over competitors by focusing on the market from the start (V. Kumar et al., 2011; Zhou et al., 2009).

Another essential aspect of improving hotel performance is the marketing strategy. Many studies have paid attention to hotel marketing strategies to improve performance after the Covid-19 pandemic (Harif et al., 2022; Köseoglu et al., 2020). Market strategy refers to organizational actions designed to improve company performance by focusing directly on market participants, such as competitors, customers and suppliers (Dewnarain et al., 2019; Zollo et al., 2018). Ketter and Avraham (2021) explain that marketing strategy is an integrated organizational model for making important decisions about products, markets, marketing activities, and marketing resources in creating, communicating, and delivering goods. Marketing strategies can help a business achieve its specific goals, such as increasing its reputation in the minds of customers (Wai Lai, 2019). When tourism and hospitality businesses use different marketing plans, they gain additional benefits and build further brand equity (Chen et al., 2021).

Managers in hospitality companies create business plans based on how the market works to stay ahead of the competition (González-Rodríguez et al., 2018). The market strategy looks at competitors and how companies can use their resources and skills to improve their performance (Salavou, 2015). Because these strategies try to maximize the economic part of the performance, they may not help managers with sustainability's political, social, and environmental aspects that affect performance (Freeman, 2010). Thus, establishing an effective marketing strategy will improve hotel performance, especially during the post-pandemic period of Covid-19.

Many studies have investigated the role of marketing strategy and market orientation in improving general organizational performance. However, how to improve hotel performance using market strategies and innovative market orientation to improve hotel performance post-covid-19 is still not discussed. Especially after the Covid-19 pandemic, enhancing the quality of services produced through innovative marketing strategies will increase the efficiency and competitiveness of hotels in the market. This problem is the main focus of this study regarding how to improve hotel performance through service innovation. Previous studies have shown that service innovation and hotel business performance positively correlate (Hameed et al., 2021). Other studies also state that innovation (product and process) mediates the effects of customer involvement capability and service firm performance (Anning-Dorson, 2018). A marketing strategy that aims to normalize and even improve hotel performance post-covid-19 is a top priority in various countries, including Indonesia. In many regions in Indonesia, regional economic income still depends on revenue from tourism activities, including the hotel industry. Therefore, this study aims to fill the study gap and learn more about how to improve hotel performance through improving market strategy, market orientation, and service innovation. We believe that the three antecedent factors are critical to boosting hotel performance to face new normal conditions. The results of this study help hotel managers find ways to manage the establishment of innovative marketing strategies after Covid-19. We use a survey-based empirical method and a structural model to test our hypotheses.

2. Literature Review

2.1. Market Orientation and Hotel Performance

The importance of marketing for the tourism industry is widely recognized by experts (Buhalis, 2000; Seaton & Bennett, 1996). However, most of the previous research on tourism marketing tends to focus on the perspective of

consumers, tourism products, and the nature of tourism distribution channels. In contrast, study in other industries increasingly emphasizes the importance of marketing orientation as a path to competitive success (V. Kumar et al., 2011). Market orientation is essentially a strategic orientation that promotes traditional marketing teachings that encourage businesses to stay close to their consumers and place them at the top of their organizational charts (Zhou et al., 2005). A customer-centered orientation differentiates the market orientation from other competitive strategic orientations, which tend to view the competencies of other organizations as key to enhancing organizational success.

Market orientation refers to anticipating and reacting to changes in customer demand and preferences (Kohli & Jaworski, 1990). Other academics define "market orientation" as meeting customer needs to increase profits (Narver & Slater, 1990). A different term states that market orientation focuses on strategies based on customer needs and how things are going with their competitors (K. Kumar et al., 1998). In other words, market orientation remains concerned with changing behavior patterns, requirements, and preferences shown by consumers and competitors (Atuahene-Gima et al., 2005; Narver et al., 2004). According to Narver and Slater (1990), the elements of market orientation consist of customer orientation, competitor orientation, and cross-functional integration. Customer orientation seeks to understand target customers in order to provide them with superior value; competitor orientation is based on the seller's knowledge of the strengths, weaknesses, and capabilities of current and potential competitors; and cross-functional integration means communication and coordination, information sharing, and joint participation to create superior value for clients.

Previous studies have discussed how market orientation is thought of, how it is measured, and how it affects organizational performance (Kohli & Jaworski, 1990). There are various ways to measure market orientation. Kohli et al. (1993) created a valid measure examining how well knowledge is created, shared, and used. Also, Gray et al. (1998) proposed a simple market orientation model based on previous studies (Jaworski & Kohli, 1993; Narver & Slater, 1990). This model has five dimensions: customer orientation, competitor orientation, coordination between functions, responsiveness, and profit emphasis. Market orientation should include focusing on customers, and competitors, scanning the environment, implementing strategies, and creating new services (Anwar, 2008). Different companies may use different tactics. According to this study, market orientation is better for collecting data, including creating and sharing information, interpreting it together, and making organizations more flexible. Sin et al.

(2005) found that market direction is important in determining a hotel's performance. These sources indicate that the empirical findings on market orientation have yielded complex and mixed results. Most studies on the effect of market orientation have shown a strong and positive relationship between market orientation and organizational performance (Jaworski & Kohli, 1993; Kirca et al., 2005). However, several studies have shown that this relationship may be situational (Greenley, 1995).

Market-driven hotel businesses try to do well by meeting the needs and want of their customers better than their competitors (Dabrowski et al., 2019; Jogaratnam, 2017; Schulze et al., 2022). Several studies have shown a positive correlation between market orientation and business performance (Abbu & Gopalakrishna, 2021; İpek et al., 2023; Morimura & Sakagawa, 2023). On the other hand, some people have proven that there is no such correlation (Qu, 2014; Tjahjadi et al., 2022). In addition, businesses can gain an edge over competitors by focusing on the market from the start (V. Kumar et al., 2011; Zhou et al., 2009). Thus, market orientation is essential in improving hotel performance post-covid-19.

H1: Market orientation has a significant positive effect on hotel performance

2.2. The Role of Marketing Strategy to Improving Hotel Performance

Marketing strategy is a reaction between external environmental factors and internal forces determining the organization's position in the target market (Slater et al., 2010). The term "marketing strategy" describes a coordinated set of choices businesses make to adapt to changing market conditions and achieve their objectives in a particular market (Griffith, 2010). Decisions about dividing the market and allocating limited marketing resources to create, communicate and provide the best value to buyers in return for return on investment are at the heart of every marketing effort (Varadarajan, 2010).

In terms of the achievement of an organization, a company's marketing techniques are essential for its growth and the satisfaction of its clients. Environmental forces that affect a company's ability to meet its needs must be identified and managed effectively so that the business can achieve its vision and goals. Organizations must have different strategies for effective competitiveness, growth, and profitability. The marketing strategy combines product development, promotion, distribution, pricing, relationship management, and other elements (Ketter & Avraham, 2021).

In the context of this study, marketing strategies between hotels can increase the effect of service innovation on business performance (Harif et al., 2022). Applying the right

marketing strategy helps improve the performance of an organization (Freeman, 2010). A marketing strategy is a business's comprehensive plan for reaching potential customers and converting them into buyers of its products and services. Previous studies have highlighted the importance of marketing strategies to improve hotel performance after the Covid-19 pandemic (Harif et al., 2022; Köseoglu et al., 2020). The hotel industry will get different advantages when using various marketing strategies from its competitors (Chen et al., 2021). The marketing strategy developed must be based on how the market works (González-Rodríguez et al., 2018).

H2: Market strategy has a significant positive effect on hotel performance

2.3. Service Innovation as a Mediator for Hotel Performance Improvement

The importance of service innovation must be addressed due to the rise of globalization (Johannessen & Olsen, 2010). According to Aas and Pedersen (2010), product and service innovation in manufacturing companies have the same effect on organizational performance. Agarwal and Selen (2011) concluded that service innovation and product innovation have identical effects on business performance. According to Storey and Kahn (2010), service innovation gives organizations a strategic advantage, increasing their overall value. Like Crook et al. (2011) and Liao and Rice (2010), many additional studies show that service innovation improves organizational performance.

In general, service innovation is based on establishing new public services with the most advanced characteristics (Vries et al., 2016). According to Ostrom et al. (2015), a business's strategic goal is driving service innovation. The service panorama and recent accelerating changes in the service industry have resulted in a growing prospect of service innovation. In the hospitality industry, service innovation is significant. Opportunities in services arise as a result of a more competitive environment, changing levels of customer expectations with increased demand, their willingness to contribute to service innovation, and demand for more personalized and customized services (Aguirre et al., 2016), all of which contribute on customer satisfaction (Chandrasekhar et al., 2019).

Lawson and Samson (2001) and Yfantidou et al. (2019) define organizational innovation capability as its ability to introduce new physical products or services, processes, and innovative marketing approaches through continuous knowledge acquisition and metamorphosis of ideas. Therefore, hotels with a high capacity for innovation can implement more creative marketing initiatives than their competitors. However, a marketing program can only be

innovative based on an original concept. As a result, hotels can offer their guests a higher value in terms of utility and try to adapt their marketing strategies to their evolving tastes and preferences (Lawson & Samson, 2001; Magadán & Rivas, 2018; Wang & Dass, 2017).

In particular, service is the main factor determining the success level enjoyed in the hospitality industry (Buhalis & Sinarta, 2019; Singjai et al., 2018). Service innovation in the hospitality industry influences services profitably by interacting with knowledge acquisition, which brings something fresh and original to hotels (Huang & Liu, 2019). As a result, the most critical component that hotels focus on when trying to produce cutting-edge services is service innovation. Empirically, service innovation and hotel business performance have a positive correlation (Hameed et al., 2021). Other studies also state that innovation (product and process) mediates the effects of customer involvement capability and service firm performance (Anning-Dorson, 2018).

H3: Service innovation has a significant positive effect on hotel performance

H4: Market orientation has a significant positive effect on hotel service innovation

H5: Market strategy has a significant positive effect on hotel service innovation

H6: Service innovation significantly mediates the effect of market orientation on hotel performance

H7: Service innovation significantly mediates the effect of market strategy on hotel performance

Based on existing literature studies, it can be understood that improving hotel performance post-covid-19 requires a series of organizational strategies that involve market orientation, marketing strategy, and service innovation. The relationship between each variable in this study is shown in Figure 1.

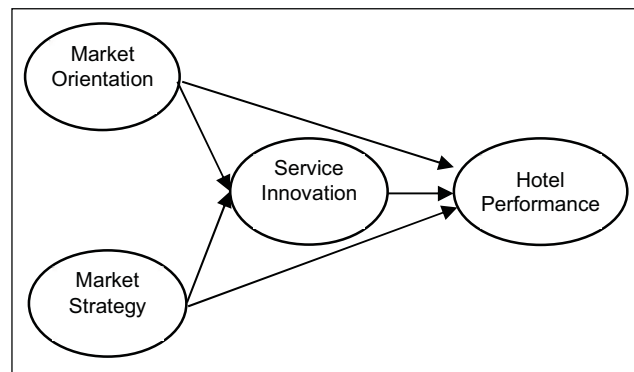


Figure 1: Conceptual model

3. Research Methods and Materials

Data collection regarding market orientation, market strategy, service innovation, and hotel performance involved 3, 4 and 5-star hotels in Bali, Indonesia. Data was collected using an online questionnaire presented on the Google Form platform. The link to the online questionnaire for this study was distributed via the WhatsApp Group of the Association of Indonesian Hotels and Restaurants Chapter Bali. We use a letter of appeal from the chairman of the Indonesian Hotel and Restaurant Chapter Bali association to hotel managers in Bali. Respondents who filled out the online questionnaire were hotel managers. The total number of respondents who completed the online questionnaire using the Google Form platform was 163 (4.9% for 3-star hotels, 41.7% for 4-star hotels and 53.4% for 5-star hotels). The demographic information of this study sample is shown in Table 1.

Table 1: Respondents' demographic information

Attribute	Categories	N	%
Gender	Male	99	60.7
	Female	64	39.3
Hotel Status	5 star hotel	87	53.4
	4 star hotel	68	41.7
	3 star hotel	5	4.9
Age	15-20 years	0	0
	21-25 years	16	9.8
	26-30 years	36	22.1
	31-35 years	55	33.7
	36-45 years	44	27.0
Educational background	Over 45	12	7.4
	High school / vocational high school	12	7.4
	Diploma I/II/III	20	12.3
	Diploma III/S1	119	73
	Master's Degree	8	4.9
Marital status	Doctoral Degree	4	2.5
	Single	48	29.4
	Married	115	70.6
	Divorced	0	0

Data regarding hotel performance uses Campo et al. et al (2014) as references. The original questionnaire describes business performance through three dimensions: marketing, economic, and financial. In this study, we use two dimensions to explain hotel performance, namely financial and economic performance. The total hotel performance items are eight items (3 financial performance items and five economic performance items). We use a 5 Likert scale ranging from very bad (1) to very good (5).

Furthermore, information regarding market orientation was collected using previous studies by Kohli et al. (1993) developed by Qu (2014). This questionnaire consists of three dimensions: market intelligence generation, intelligence dissemination, and responsiveness to intelligence. The total items of this questionnaire are ten items consisting of 4 items of market intelligence generation, three items of intelligence dissemination, and three items of responsiveness to intelligence. This questionnaire uses 5 Likert scales ranging from strongly disagree (1) to strongly agree (5).

The management perception questionnaire regarding market strategy was adapted from Knight (2000). The number of items developed is four items. Furthermore, the service innovation scale was adapted from previous studies (Monica Hu et al., 2009). The original Service Innovation Behavior questionnaire consisted of two dimensions: employee service innovation behaviour (ESIB) and new service development (NSD). The total number of items to measure service innovation developed in this study is six items. Market strategy and service innovation use a five-Likert scale ranging from strongly disagree (1) to strongly agree (5).

Partial Least Square-Structural Equation Modeling (PLS-SEM) was used to evaluate the hypotheses of this study. This study uses Smart-Partial Least Squares (PLS) software version 3.2.9. The two main components of the analysis using PLS-SEM consist of 1) evaluating the measurement model and 2) evaluating the structural model. The measurement model is used to test the validity of the questionnaire on each variable. Meanwhile, a structural model is used to test research hypotheses (Hair et al., 2017). The item criteria are declared valid if they meet the value of the factor loading parameter more significant than 0.7 (Hair et al., 2017). And the requirements for testing the hypothesis use the criteria for accepting the hypothesis with a significance value of less than 0.05 (Hair et al., 2017).

4. Results and Discussion

4.1. Validities and Reliabilities Questionnaire

Factor loading was first analyzed to verify internal item consistency using the PLS-SEM measurement paradigm. Figure 2 presents the PLS-SEM measurement model, and Table 2 displays the data obtained. This study set the item validity criterion at 0.5 (Hair et al., 2014; Hulland, 1999). All of that for each variable shows a factor loading above 0.5 which means that all items are declared valid.

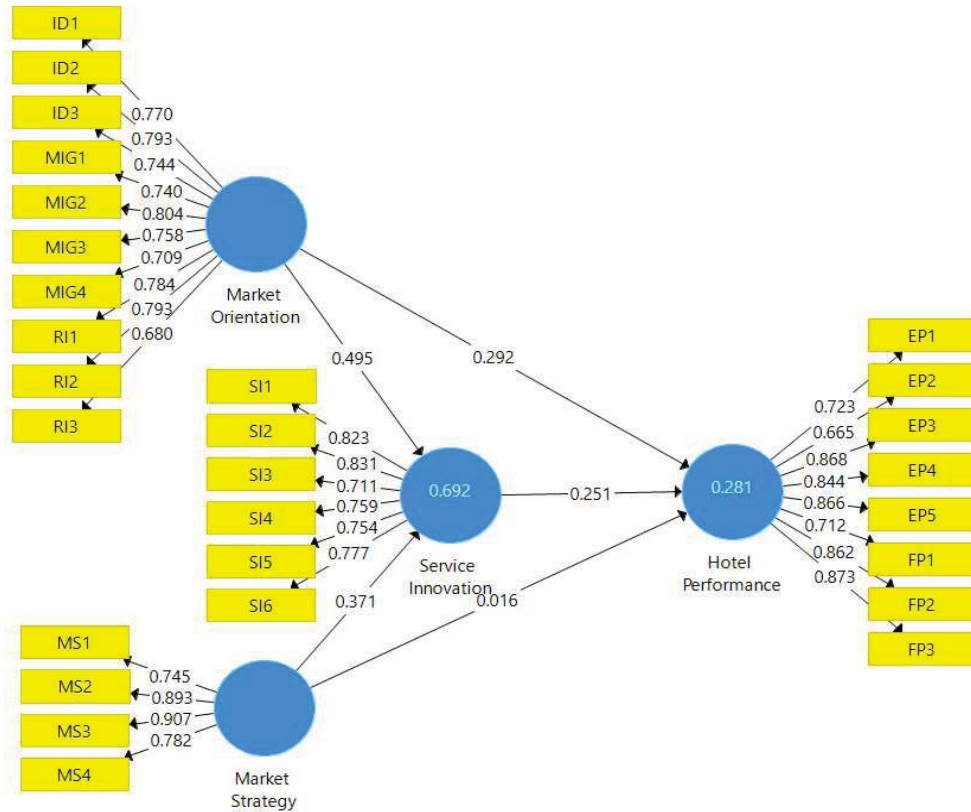


Figure 2: SEM models using Partial Least Squares Algorithm

In addition, this study uses Cronbach's alpha and composite reliability (CR) to assess the reliability. Cronbach alpha and CR values must exceed a threshold of 0.7 (Bacon et al., 1995; Peterson & Kim, 2013). Table 2 shows that the Cronbach alpha and CR values have exceeded the threshold.

This study also uses other references; Fornell and Larcker (1981) say that convergent validity must be achieved by utilizing the average variance extract (AVE) value greater than 0.5. In Table 2, all AVE values are more than 0.5.

Table 2: Validity and reliability

Variables (N)	Validity	Cronbach's Alpha	Composite Reliability	AVE
Hotel Performance	0.665 ~ 0.873	0.921	0.936	0.649
Market Orientation	0.680 ~ 0.804	0.918	0.931	0.575
Market Strategy	0.745 ~ 0.907	0.852	0.901	0.697
Service Innovation	0.711 ~ 0.831	0.868	0.901	0.604

4.2. Correlation Analysis between Study Variables

Bivariate correlation was used to examine the relationship between market orientation, market strategy, service innovation, and hotel performance. The relationships between variables in this investigation are displayed in Table 3. The results revealed that all variable correlation is a high correlation (> .500) (Blakstad, 2008).

The correlation between hotel performance and market orientation, market strategy, and service innovation is above 0.50 (0.589, 0.524, and 0.572 respectively). In addition, a high correlation is also shown in the relationship between market orientation and market strategy (0.865) and service innovation (0.821). Finally, a high relationship is also shown in the correlation of market strategy and service innovation (0.780).

Table 3: Correlation between variables

Variable	Hotel Performance	Market Orientation	Market Strategy	Service Innovation
Hotel Performance	1	0.589	0.524	0.572
Market Orientation	0.589	1	0.865	0.821
Market Strategy	0.524	0.865	1	0.780
Service Innovation	0.572	0.821	0.780	1

4.3. Hypothesis Testing using SEM Analysis

Figure 3 depicts the results of the PLS bootstrapping analysis, which is an essential phase of PLS-SEM to examine the relationship between variables (Hair et al., 2012, 2014). Table 4 is the result of testing the relationship between variables. This study uses 500 subscales and a significance level of 0.05. Before testing the hypothesis, we tested the fit model of this study. The goodness of fit criterion test applies to acquiring NFI and SRMR scores. The model is considered appropriate if the NFI value

exceeds 0.80 and the SRMR is below 0.08 (Hair et al., 2010). Based on the results of the model fit test conducted with SmartPLS-SEM, the resulting NFI and SRMR values met the requirements presented in Table 4.

Table 4: Criteria for Goodness of Fit Model

Criteria	Saturated Model	Estimated Model
NFI	0.825	0.827
SRMR	0.068	0.069

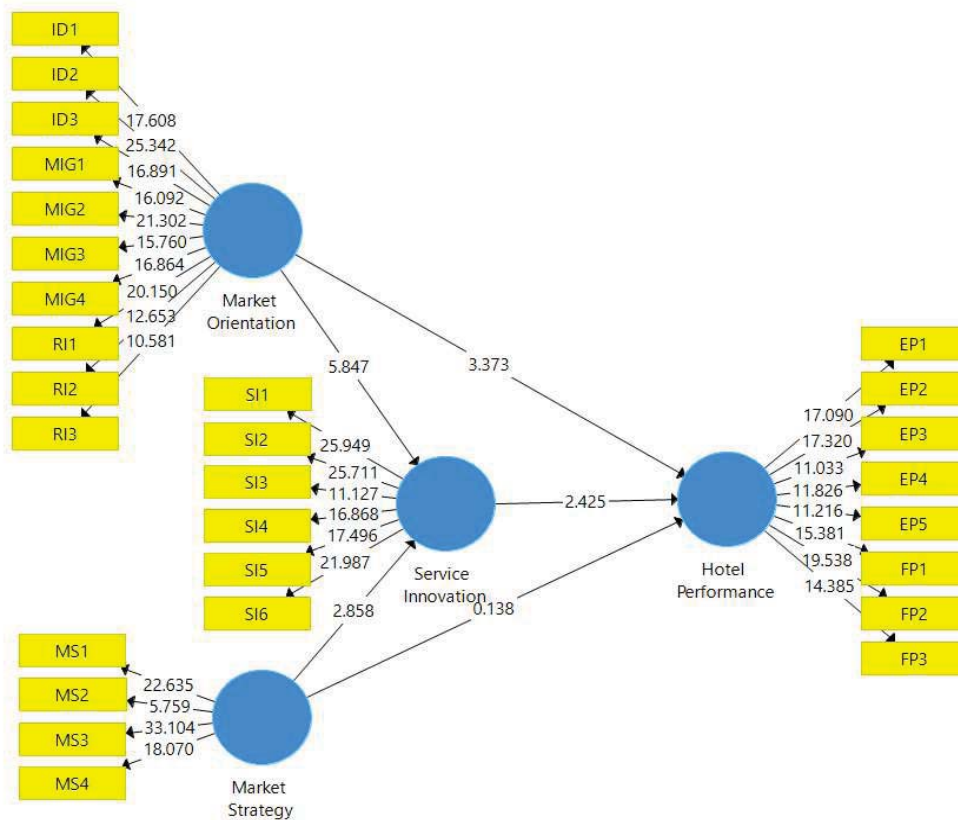


Figure 3: Structural model assessment (T-value) using bootstrapping analysis

Furthermore, the study's hypothesis testing was based on t-scores and beta values. A t value of 1.96 or more is required for the hypothesis to be accepted. All hypotheses

were validated by finding that all variables have t-values greater than 1.96, see Table 5 (Hair et al., 2014). There are several accepted and rejected hypotheses. The findings of

this study prove that market orientation (t-value = 3.373; p-value = 0.001) and service innovation (t-value = 2.425; p-value = 0.016) separately have a significant positive effect on hotel performance (first hypothesis and third accepted). In addition, the accepted hypothesis is also shown in the market orientation effect test on hotel service innovation (t-value = 5.847; p-value = 0.000; hypothesis four is accepted). Testing the effect of market strategy on hotel service innovation shows the acquisition of a t-value of 2.858 and a p-value of 0.004 (the fifth hypothesis is accepted). Meanwhile, different results are shown in testing the effect of market strategy on hotel performance. The acquisition of

a t-value of 0.138 and a p-value of 0.891 indicates that the market strategy has no significant impact on hotel performance (the second hypothesis is rejected).

This study also tested the mediation role of service innovation. Our findings reveal that service innovation significantly mediates the influence of market orientation on hotel performance (t-value = 2.427; p-value = 0.016; the sixth hypothesis is accepted). And finally, this study proves that service innovation does not significantly mediate the effect of market strategy on hotel performance (t-value = 1.612; p-value = 0.108; the seventh hypothesis is rejected).

Table 5: Hypothesis Testing Results

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values
Market Orientation -> Hotel Performance	0.379	0.396	0.112	3.373	0.001
Market Orientation -> Service Innovation	0.581	0.571	0.099	5.847	0.000
Market Strategy -> Hotel Performance	-0.017	-0.019	0.123	0.138	0.891
Market Strategy -> Service Innovation	0.278	0.287	0.097	2.858	0.004
Service Innovation -> Hotel Performance	0.274	0.27	0.113	2.425	0.016
Market Orientation -> Service Innovation -> Hotel Performance	0.159	0.152	0.066	2.427	0.016
Market Strategy -> Service Innovation -> Hotel Performance	0.076	0.08	0.047	1.612	0.108

4. Discussion

The hotel industry faces challenges in improving hotel performance post-covid-19. The downturn in the hotel industry during Covid-19 has worsened the condition of tourism in all countries. Therefore, various studies that aim to improve hotel performance are critical and needed. This study examines the role of market orientation, market strategy, and service innovation in improving hotel performance in Bali, Indonesia. Our study proves that market orientation has a significantly positive effect on hotel performance. This finding is relevant to previous studies, which state that market orientation and business performance have a positive correlation (Abbu & Gopalakrishna, 2021; Morimura & Sakagawa, 2023). These results indicate that the market-driven hotel business will seek to meet market needs and desires adequately and will ultimately have an impact on improving hotel performance which includes financial performance (return on investment, profitability, and gross operating profit) and economic performance (sales growth), market share, room occupancy rate, percentage of earnings from online reservations, and percentage of revenues from overseas customers). Atuahene-Gima et al. (2005) stated that businesses with a good market orientation would pay attention to changes in behaviour patterns, requirements, and preferences shown by

consumers and their competitors.

Meanwhile, market strategy is not proven to affect hotel performance. This finding is different from studies in general which agree that marketing strategy is an essential aspect for improving business performance (Pelsmacker et al., 2018; Wai Lai, 2019). There are many reasons why the marketing strategy does not significantly affect hotel performance. For example, the marketing strategy program has not yet led to innovations that have adapted to changes in consumer behaviour. Post-covid-19, consumer behavior has undergone many changes, for example, consumer behaviour that leads to digitalization. Since Covid-19, various governments have implemented stay-at-home and social distancing policies, resulting in consumers having new behaviours such as touchless order processing. The study conducted by De Pelsmacker et al. (2018) highlighted the importance of developing a digital marketing strategy in the hotel industry. In this new normal condition, hotel practitioners must create a variety of innovative digitalization-based services to capture consumer needs.

Another finding, service innovation is proven to have a significant positive effect on hotel performance. These results corroborate previous studies conducted by several scholars (McDermott & Prajogo, 2012; Prajogo & Oke, 2016). They mentioned that service innovation influences improving business performance. The same thing was also

shown by Hameed et al. (2021); according to him, service innovation and hotel business performance have a positive correlation. One of the reasons why service innovation is so important is because it offers a new strategy to counter the trend towards commodity services. Hotels with full attention to service innovation are shown by developing new services, implementing innovative ideas, and improving existing services or introducing new services.

This study also examines the role of market orientation and market strategy for hotel service innovation. And our findings prove that both influence improving hotel performance. The results of this study are relevant to previous studies, which revealed that proactive and reactive market orientation positively impact digital innovation (Zhao et al., 2023). In addition, this finding breaks with previous studies, which show that a unilateral focus on a particular market orientation is not conducive to increasing a company's innovation capability (Brettel et al., 2012). In this study, these findings indicate that market intelligence generation, intelligence dissemination, and responsiveness to intelligence are significant in encouraging the growth of various innovative services in the post-covid-19 hotel industry. Market strategy is also essential to increase service innovation. D'Attoma and Ieva (2022), the introduction of marketing innovations generates environmental benefits both within the company (internal) and during the consumption or use of services and products (external).

Furthermore, this study also examines the mediating role of service innovation on the effects of market orientation and market strategy on hotel performance. There are two mediation pathways tested in this study. First, this study reveals that service innovation is proven to mediate the effect of market orientation on hotel performance, as is the case with previous research, which shows that product innovation and process innovation act as mediation in the relationship between customer involvement capability and service firm performance (Anning-Dorson, 2018). This finding also reinforces previous studies that state that innovation mediates the relationship between a company's marketing orientation and how well it performs (S. Agarwal et al., 2003). Customer involvement is the key to successful innovation in a business (Abramovici & Bancel-Charensol, 2004). Service innovation plays a role in strengthening the effect of market orientation on hotel performance after Covid-19. Hotel management needs to define various innovative new services for their customers.

Finally, different findings are shown in the seventh hypothesis test, which states that service innovation mediates a significant effect of market strategy on hotel performance. Our results in this test reveal that service innovation does not significantly mediate the impact of market strategy on hotel performance. From the start, other findings in this study have shown that market strategy does

not affect hotel performance. Hence, another opportunity that needs to be tested is how the indirect effect is through service innovation. However, the results of path analysis on each path showed a significant influence. For example, market strategy has a significant impact on service innovation.

Furthermore, service innovation also influences hotel performance. But unfortunately, if these pathways are tested simultaneously in the mediation test, it does not prove that service innovation is a reliable mediation for the effect of market strategy on hotel performance. This means that the involvement of hotel management in the development of new services and the implementation of innovative ideas in new post-covid-19 services has not had much of an impact on improving hotel performance. This could be because the new service development program in the marketing strategy has not shown innovative services in responding to post-covid-19 market needs. A good market strategy must consider competitors and seek to optimize the hotel's resources to improve its performance (Salavou, 2015).

The findings of this study provide several implications for hotel practitioners. Today's most formidable challenge for hotel practitioners is improving post-covid-19 hotel performance. Market needs and wants need to be analyzed further to be used as a reference for determining the right marketing strategy to improve hotel performance. Apart from that, hotel management also needs to develop various new, innovative services to face increasingly fierce competition in the hotel business. Enhancing the image of hotels post-covid-19 also needs to be considered through obtaining CHSE (Cleanliness, Health, Safety, Environment Sustainability) certification, which is currently a strategic policy in the Indonesian government.

5. Conclusions

This study offers essential findings for improving hotel performance post-covid-19. One of them is, hotel performance can be improved through the development of market orientation and service innovation programs. Market orientation and service innovation are proven to influence hotel performance. In addition, the market strategy does not have a significant effect on improving post-covid-19 hotel performance. Other findings also reveal that service innovation mediates the impact of market orientation on hotel performance. Meanwhile, regarding the effect of marketing strategy on hotel performance, service innovation has not been able to mediate significantly.

The findings of this study provide important implications for hotel practitioners to establish various innovative marketing strategies to improve post-covid-19 hotel performance. Also, the results of this study can provide

insight into how market orientation, market strategy, and service innovation can be used to optimize hotel supply chains. This includes inventory management, product distribution, and distribution system integration to ensure that hotel rooms are available and accessible to potential guests easily through various distribution channels.

This study has limitations; namely, the number of samples involved is still small because of the difficulty of collecting data through hotel managers. Therefore, future research needs to increase the number of samples involved or expand the reach of the study population. In addition, the hotel performance questionnaire still uses a perception questionnaire approach that has the potential not to describe actual performance. Thus, further research needs to collect accurate data regarding financial performance and economic performance.

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