

Product Innovations in the Bulgarian Hospitality: Linking Theory and Practice

Vyara Kyurova, Teodora Kiryakova-Dineva



Abstract: *The main objective of this paper is to identify trends in product innovation from the hotel business in Bulgaria and to assess the influence of the professional experience on the ability for creating innovations. Based of qualitative and quantitative analysis, some main problems related to the hotel business are presented. The findings include identification of the role of product innovation for the development of the hotel business. The study outlines issues related to their implementation, namely low share of innovative enterprises; low share of developed and implemented new or modified products in the last three years; lack of thorough market research in the overall product development, etc. The study can be used as a model for analysis of product innovation in hotel business.*

Keywords: *hotel business, innovative awareness, product innovations, managers, professional experience*

I. INTRODUCTION

At present, the hotel business worldwide, including in Bulgaria, is working under new market conditions characterized by a rush dynamic. As a result, the ongoing processes of globalization lead to the intensification and complication of the competition between the hospitality companies at national and international level, the competitive environment has also been greatly changed. Managers in hotel business in Bulgaria are seeking new solutions for satisfying customers' growing needs by developing and offering new products. Product innovations play the major role in the attainment of this objective. Furthermore, the highly competitive environment of the hospitality industry drives the search for new opportunities and tools of efficient performance such as new paths based on value chain theory and customer value in tourism (Linsheng, Yu and Na, 2011; Kanten and Yaşlıoğlu, 2012). One of the core trends in this line of research according to Hoarau-Heemstra and Eide (2016) can be seen through the development and application

of experience-based tourism. The plethora of key drivers for innovations in the service achievement often distinguishes innovations between high level hotels from innovations in budget hotels (Xu et. al. 2014). Additionally, the application of new elements serving as a powerful impetus for hospitality industry development contributes to long-term economic efficiency, long-term organizational survival and firm performance (Zuñiga-Collazos, 2016). At the same time, Patluang (2017) emphasize that besides conventional knowledge networks and knowledge components, social networks have become one of the core providers of the marketing innovation, including in tourism and hospitality sector.

As earlier investigations show, it is up to the success of a new product which is partly determined by the reactions and moves of competitors (Chen, 1996) and cannot be adequately explained without considering the competitive situation (Debruyne et. al, 2002). The ability of the hotel business to develop and offer new products for the tourism market is a prerequisite for their survival in the competitive struggle for market control in the tourism industry. Consequentially, the ability of hotel business to improve and perfect the characteristics of the product offered this way being ahead of competitors, can be achieved through creative innovative performance (Mathisen and Einarsen, 2004; Akdogan and Kale, 2017).

In turn, product innovation allows the hospitality industry to respond adequately to dynamic market changes, not only to retain market share but also to take market leadership positions. Innovation in hotel products is one of the key factors for the growth of the hotel business (Nicolau and Santa-María, 2013). According to Reguia (2014) successful innovation results in new products and services, gives rise to new markets, generates growth for enterprises, and creates customer value. The author emphasizes that on the one hand innovation improves existing products, thereby contributing to higher productivity, lower costs, increased profits and employment, and on the other, customers of innovative products gain benefits in terms of more choices, better services, lower prices and improved productivity. This viewpoint was also shared by Koyundzhiyska-Davidkova (2016) when she said that business profitable development goes hand in hand with innovations and market positioning in long term (Koyundzhiyska-Davidkova, 2016:205). We also confirm the dependence of these phenomena, but also would like to highlight that product innovations are required by firms to cope with competitive pressures, changing tastes and preferences,

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short product life cycles, technological advancement (or contrarily technological obsolescence), varying demand patterns, and specialized requirements of customers (Kanagal, 2015). In this sense, tourism industry's challenge is to provide increased value for money providing more varied tourism experiences for quality-conscious and saturated multi-option customers, as earlier claimed by Weiermair (2004).

In this context, the main goal of this paper is to identify trends in the development of product innovations by the hotel business in Bulgaria and to assess the influence of the professional experience of the owners/managers of medium-sized hotels in Bulgaria on the ability for creating product innovations. On the basis of the analysis, essential problems are revealed. Other possible line for future research can be found in the context of curricula design for all related courses and specialties in the higher education (Stoykova, 2016; Schäler, 2009; Karashtanova et. al. 2015; Levunlieva, 2013). Under these conditions, product innovation is an important factor in achieving economic success and improving the competitiveness in hospitality.

II. LITERATURE REVIEW

A specific issue for the hotel business is that of product innovation. In our opinion, it is not sufficiently clarified in the scientific literature. It pays special attention to product innovation in tourism, but not in the hotel sector. In this context, it is important to clarify the essence of product innovations and their classification. It will help to better outline the problems of the hotel business in terms of developing and implementing product innovations. Sipe and Testa (2009) define product innovations as the ability to bring new or improved products to the marketplace. According to Macerinskiene and Mikaliuniene (2014) product innovations can be explained as the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. Only slightly different is the opinion of Lenfle and Midler (2009), who think that product innovations should be perceived as the improvement of a product or service, which is critical for firms. In addition, product innovation comprises of significantly improved or completely new service or goods (Oslo manual 2005). Along with this, the essence of product innovation is treated in terms of change by Hjalager (2010). The author claims that product innovation is appeared in changes observed by the customer. Contrary to the above cited authors, Valdaytsev, Molchanov and Petsoldt (2015) think that product innovation as a means of ensuring the viability of an enterprise revenue profits and increase market share. As a result, a new service and/or product is created.

The position of Gunday, Kandah and Ranch (2011) is that product innovation should be perceived as one of the main elements of competitiveness, entrenched in the structure of an organization and its operations. At the same time, they define product innovation as one of the fundamental tools of the strategies of growth, market entry strategy, strategies to increase market share. The development of product innovation theory is accompanied by the formation of different views which, in our view, are important for the

definition of their nature and their specific manifestation in the hospitality sector as well. What Pehlivanov and Kyurova (2013:133) have thematized is that product innovations can be differentiated into the following three main types:

- adaptation of products to changes in market needs and to the conditions of production and exploitation of purchased products, which allows to extend the life cycle of products in a saturated market;
- product modification, which means expanding the range of products based on the base model, and aims to extend the scope of potential consumers;
- product innovation through the production of principally new products, which requires a radical overhaul of the technology.

Regarding the classification of product innovation, it is also necessary to take into account the technology-related and consumer-related competences owned by the hotel business.

In our opinion, product innovation is of general nature, and in this sense, these definitions also apply to hotel product innovation. But we think it is necessary to take into account that the specificity of product innovation depends on the industry type or sector in which they are created. In hospitality, product innovations are created reflecting the specifics of the hotel business and services.

In terms of product innovation in the hotel business, there are some differences. For example, according to Linsheng, Yu and Na (2011) the hotel product innovation mainly includes the innovation of guestroom, catering, amusement, etc. The opinion of Xu, Liu, Song and Wang (2015) on product innovations in hospitality is that in their essence they are new products and services developed by hotels themselves, especially fulfilling diversified customers' needs. The opinion of Kanter (1995) is that hotel product innovation should be seen as outcome-focused process of providing new tangible or intangible hotel offerings, customization, and flexibility of offerings aimed at improving customer benefits through experiences and emotions. Weiermair (2004) thinks that hotel product innovations are a complex of new products in catering, trendy/more comfortable hardware in the hotel room, new wellness hardware and applications, new architecture/design, customer loyalty programs, price innovations and new destinations. At the same time, there is the perception according to which hotel product innovation enables usage of technology to improve organizational communication and guests' experiences (Keller, 2006), bringing brand new (or differentiated) products/services to the industry (Johannessen, Olsen and Lumpkin, 2006) and products reproduced from competitors or adapted from industry's existing products/services (Linton, 2009). Special attention must be paid to the typology of the innovative thinking considering the tourism industry (Dimitrov, 2012).

III. METHODOLOGY

The methodology applied uses a qualitative approach which is based on a questionnaire distributed among 35 owners and managers of medium-sized hotel establishments in Bulgaria.

Concerning the profile of the enterprises that participated in the survey, the following statement can be done: 92.5% of the respondents are representatives of small enterprises, followed by representatives of micro enterprises (7.5%). The type of the hotel activity is: 69.8% of the participating hotel establishments are specialized in sea-based recreation tourism and 30.2% are representatives of mountain and ski tourism.

The respondents were contacted via e-mail in 2018. The collected information allowed us to gather data about their self-assessment and the ability for creating product innovation in the hotel business.

The pre-stage of the empirical study included the content analysis of the main types of product innovations in hotel business. Regarding the indicators for innovation assessment, Hjalager (2002) considers as a priority the following ones: incremental raise of quality and standards; combining existing products in new ways; diffusion of new technology to the business firms, introducing new methods that shift composition of staff; creating new events and attractions that demand a re-organization. In our view, these indicators can be used to assess the product innovation awareness in the hotel business.

Respondents were asked to assess the level of the professional experience and each of the abilities for creating of product innovation. They were also asked to evaluate their professional experience, on the one hand, and each of the indicators of the ability for creating of product innovations, on the other, using the 6-point Likert scale ranging from *Extremely Important* (= 6) to *Not Extremely Important* (=1).

The aim was to prove if there is a statistically significant difference between the level of the professional experience of the managers/owners of hotels and their ability for product innovation creating. The data distribution analysis applied the classical one-way ANOVA test. Given the objectives of this research, the following hypotheses have been formulated:

- H0 There is no statistically significant influence between the level of the professional experience of the managers/owners of medium-sized hotels and their ability to create product innovation.
- H1 The differences in the levels of the professional experience of the managers/owners of medium-sized hotels have a significant influence on their ability to create product innovations.

To determine the relationship between the level of professional experience of the managers/owners of medium-sized hotels, which is the factor x_i , and the ability for creation of product innovation, which is the result y_i , a single factor regression analysis was applied. To determine the strength of the relationships between the professional experience and the ability for creation of product innovations, the correlation analysis method was also applied, and Pearson's correlation coefficient was used to determine the dependence between them. Finally, the coefficient of determination was calculated.

IV. RESULTS AND DISCUSSION

It is essential for hotel business competitiveness to introduce new products/services for the tourism market or to improve existing ones. This is a win-win strategy for the hotel

business as the realization of such products is tied to better meeting the growing needs of tourists and retaining market positions. We should bear in mind that product innovation provides a time advantage for the entrepreneur, who takes a certain risk, and their competitors need time to reach that level achieved by the company that is going forward. On this basis, it is possible to determine the great importance of the indicator, which reveals the participation of hotel enterprises in the realization of product innovations, namely the share of hotels that have made new or improved products new to the market from the total number of hotels. The analysis of survey data on this indicator makes it possible to establish the contribution of hotel businesses to the development or improvement of new products (Table 1).

The data in the table reveals that the share of hotel enterprises that have implemented innovations in new market products or have perfected existing products significantly changes in negative direction in the period 2017-2019. For 2019 there is some decrease in the share of the micro-enterprises that have launched new or improved products.

Table I: Dynamics of the share of hotels that launched products that are improved or new to the market from the total number of hotels (in %) for the period 2017-2019

Hotel establishments according to the number of employees	Year		
	2017	2018	2019
Micro	9.4	7.2	6.8
Small	18.9	15.3	15.1

It has to be mentioned that as a result of the implemented product innovations during the studied period, 11.8% of the respondents introduced and offered a new product and 5.6% - two new products. It was also found that the share of hoteliers (23.4%), who claim to be in the process of developing new products, is also low. It is necessary to point out that product innovation is mainly related to the provision of additional services. Moreover, the new products offered by the hoteliers are a combination of the basic element of the hotel product, namely accommodation and catering of the hotel guests with the possibility of practicing conference, wellness, spa tourism, ecological and cultural tourism. A promising segment in this respect for Bulgaria is for example wine tourism (Terziyska, 2017).

An obligatory condition for making the right decision to create product innovations by the hotel business is, according to us, to conduct in-depth marketing research.

However, it appears that only 37.5% of respondents are develop new products based on analysis and assessment of market trends, the preferences and needs of consumers, and competitors. This means that a significant part of the hotel business still underestimates the importance of market research and analysis.

This, in turn, is a barrier to the business in terms of identifying the factors influencing the formation of its markets, as well as assessing current and future demand and, on that basis, defining its competitive advantages.

Achieving the innovation goals of the hospitality is unthinkable without a product launch strategy. In this respect, it is found that a large number of respondents (36.7%) have developed and have a strategy for product innovation.

The strategies applied by the hotel business are mainly aimed at: increasing profits (19.5%), increasing market share (7.8%), caring for clients (6.3%), raising prestige (3.1%).

An important task in the process of creating product innovations by the hotel business is their planning. When analyzing future hotel business plan for product innovations, it is found that respondents intend to update the product range (39.4%) and create new products (31.7%). Further analysis of the data of figure 1 reveals that the largest share of respondents is that which declare readiness to implement product innovations in the first year of the next three-year period.

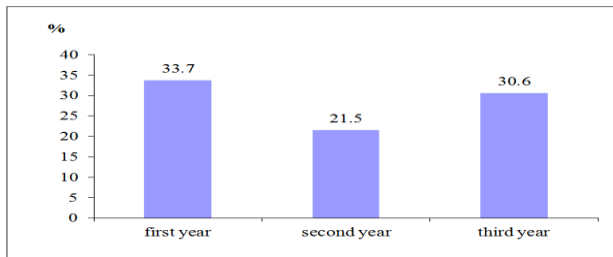


Fig. 1. Distribution of hotel businesses according to the intention to implement product innovations for the next three-year period

An important question about the hotel business is what action it should take to reveal the specific features of the new or advanced product and convince consumers of its attractiveness. The analysis of the survey results showed that in order to retain loyal customers and to attract new clients, most of the surveyed enterprises (28.6%) have developed promotional plans for introducing new products to the tourism market. At the same time, it is established that, for the imposition of new products on the tourist market, hoteliers rely mainly on strong and influential advertisements.

One of the prerequisites for successful operation of the activity related to the development of product innovations by the hotel enterprise is the opportunity for its financing. In this respect, the survey results reveal that only 6.8 percent spend funds for research and development. In our opinion, this low share is associated with the lack of specialists in innovation, research and development (95.4% of enterprises surveyed do not have such a specialist) and corresponds to the relatively low number of enterprises that have implemented innovative solutions in the period 2017-2019.

The provision of highly qualified staff is essential for the efficient implementation of product innovation in the hotel business. With regard to the hotels surveyed, it is found that most of them do not have such a staffing potential. Only 4.6% of respondents have a marketing specialist. The analysis of the respondents in terms of the reasons to implement product innovations is also important. It is found that the main reasons for the hotel business to create product innovations are changing the attitude of consumers to the hotel product and their desire for a new type of products to meet new needs.

The investigation of the dispersion analysis results regarding the influence of the professional experience on the

ability for creation of product innovation based on their mean values gives us reason to state if the influence of professional experience statistically is significant/ not significant. The estimated value of empirical feature of the Fisher coefficient is $F_{em} = 68.8$. The theoretical value of the Fisher criterion at a level of significance $\alpha = 0,5$ is $F_t = 2.69$ and by comparing of the coefficients $F_{em} \geq F_t$, which allows us to reject the null hypothesis and, hence, to confirm the alternative hypothesis that the differences in the levels of professional experience significantly influence the ability to implement product innovations.

When applying the regression analysis for the investigation of the significance between the values of the professional experience and the values of the ability for implementation of product innovation we obtained that the value of the coefficient is positive, i.e. $b = 6.87$. Following this result, an increase in the mean value of the professional experience by a unit will lead to an increase in the mean value of the ability for implementation of product innovation by 6.87.

The final stage of the empirical analysis concerned the calculated value of Pearson's correlation coefficient which was $R_{y/x} = 0.7$. According to this result, we can state that there is a strong correlation between the professional experience of managers/owners of hotel establishments in Southwest Bulgaria and their ability to implement product innovations.

Considering the value of the coefficient of determination was 0.49, so we can conclude that a significant part, namely 49% of the general changes regarding the variable ability for implementing product innovation will result due to changes in the variable professional experience

V. CONCLUSION

The present research demonstrated that creation of product innovations on the part of the hotel business relates to a wide range of problems, but it also can be supported in several ways one of which is the professional experience of the hotel managers. The low share of innovative enterprises and new and modified products developed and implemented in the last three years in Bulgaria is indicative of the unawareness of role of product innovation for the sustainability and competitiveness in the hotel business. Moreover, a timely planning and implementation of innovations aimed at future product development and immediate needs will contribute to the better development of the business in the long run as well as to their better positioning on the market (Koyundzhyska-Davidkova, 2016). Obviously, under the conditions of dynamically changing environment and sharpened competition, product innovation should be a priority in the hotel enterprise lifecycle. They are also a strategic tool for retaining customers and creating a competitive edge. Focusing on constant development of new products or upgrading the existing product range helps the hotel business to gain a larger market share, exploit the opportunities for functioning of developed markets, for higher growth rates and higher profitability. At the same time, it will greatly contribute to providing consumers of these products with benefits such as greater choice, better service and lower prices.

Crucial for the hotel business is the availability of an innovative strategy for using the new product capabilities and hotel design (Tang, 2014). It is imperative that the hotel business development efforts include a successful product innovation strategy coupled with a technology strategy for the company with an effective business leadership (Cooper and Edgett, 2010).

With a view to successfully implementing product innovation activities, it is imperative that the hotel business focuses its efforts on providing well-trained and highly qualified staff. This, in turn, will allow in-depth and quality marketing research on the environment. Knowing the peculiarities of the behavior of loyal customers and potential consumers is a prerequisite for undertaking appropriate market actions. In order to address the issues of product innovation in the hospitality business, it is important to take concrete action towards developing an effective innovation policy that will help make the right strategic decisions regarding both the upgrading of the product assortment and the development of concept of the new product or modernization of the old one.

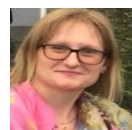
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