

## Chapter 18

# Impact of Social Media in Service Innovations: An Empirical Study on the Australian Hotel Industry

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### **ABSTRACT**

*Service innovations have become an important source for organisations to gain competitive advantage in today's increasingly dynamic, complex, and unpredictable business environment. While the concept of technology as a driving force for service innovations has long been recognised, the recent growing popularity in the use of social media has given rise to many concerns by businesses as there is insufficient knowledge and understanding about the usage of social media in the context of service innovations. This research seeks to investigate the impact of social media and the key challenges that impede businesses from leveraging social media in service innovations within the Australian hotel industry. The research adopts the use of a case study methodology that involves 12 in-depth interviews conducted with 6 businesses in the hotel sector. The findings highlight 4 key themes (i.e. behavioural change, online reputation, customer service channel, and monitoring and responding) in which social media has impacted service innovations and also revealed 9 major challenges (i.e. lack of adequate funding, difficult to determine financial gains, lack of human resources, lack of management support, lack of understanding of social media innovation, resistance to change, lack of proven evidences, lack of technological infrastructure and knowledge, and security concerns) that pose potential barriers for businesses to adopt and leverage the use of social media in service innovations.*

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## INTRODUCTION

Services dominate the world's established economies and are increasingly important in developing economies. In today's increasingly dynamic, complex and unpredictable business environment, organisations attempt to revitalise themselves and add value through innovations. Service innovations are becoming vital not only for service organisations but also for many product-centric organisations, since product commoditisation and low-cost competition make traditional product innovations inadequate to address the challenges of globalisation and economic transformation. Therefore, service innovations have become an important source for organisations to gain competitive advantage (Griffin, 1997; Kandampully, 2002; Preissl, 2000).

Service innovations encompass the newness and enhancement of different characteristics in the service system and offerings that are perceived by consumers to be influential in their purchase decision-making process (Gebauer, Paiola, & Edvardsson, 2012; Hjalager, 2010; McDermott & Prajogo, 2012). A review of the current literature indicates that there are limited studies (Goldstein, Johnston, Duffy, & Rao, 2002; Jaw, Lo, & Lin, 2010; Menor, Tatikonda, & Sampson, 2002) on service innovations, particularly in the Australian travel and tourism industry, which is the key focus of this study. The lack of research into service innovations can be attributed to some of the following key factors: (1) service innovations, improvements and/or changes made are often difficult to identify and measure (Gallouj & Weinstein, 1997; Hipp & Grupp, 2005); (2) service innovations are usually less prominent and may take a longer time to realise the benefits attained (Dolfsma, 2004; Voss, 1992); (3) service innovations are regarded as less interesting but more easily replicated than product innovations (Jiang, Yan, & Jiangqi, 2008; Siadat, Buyut, & Abidin, 2008; Tether, 2005).

Other studies have also investigated several different aspects of service innovations, such as

new service development process (Alam & Perry, 2002; Blazevic & Lievens, 2004; Jaw et al., 2010), impact on business performances (Hsueh, Lin, & Li, 2010; Love, Roper, & Hewitt-Dundas, 2010; McDermott & Prajogo, 2012), building service networks (Agarwal & Selen, 2009; Hsueh et al., 2010; Spring & Araujo, 2013) and similarities and differences with product innovations (Ernst, 2002; Hipp & Grupp, 2005; Schleimer & Shulman, 2011).

Technology is considered a major driving force for service innovations and there are evidences suggesting that it can further enhance the understanding, attraction and accessibility for consumers and lead to greater level of organisational efficiency (Damanpour, Walker, & Avellaneda, 2009; McLoughlin, Kaminski, & Sodagar, 2007; Nielsen & Liburd, 2008; Pastuszak, Shyu, Lee, Anussornnitisarn, & Kaewchur, 2012). An area of growing popularity and research interest in this domain is the use of social media by businesses. A recent report predicts there will be approximately 1.43 billion social media users in 2012 globally, which represents a 19.2 per cent increase as compared to 2011 figures (eMarketer, 2012). Understandably businesses are concerned by this shift of massive usage of social media, which can be regarded as a threat since there are insufficient knowledge and understanding about the usage of social media in the context of service innovations. However, there are evidences supporting the increasing number of businesses being represented on social media (such as Facebook, Twitter, YouTube) (Kaplan & Haenlein, 2010; Weinberg & Pehlivan, 2011). These businesses consider the usage of social media as an opportunity to improve communication with their customers and receive valuable feedbacks on improving business performance and also the delivery of enhanced services and/or products (Fischer & Reuber, 2011; Li & Bernoff, 2011; Smith, 2010).

In particular, the travel and tourism industry has changed dramatically with the overwhelming emergence of social media, which have very

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