

## INNOVATING GUEST EXPERIENCES: THE IMPACT OF HOSPITALITY INNOVATION ON TOURIST SATISFACTION

*Sarmela A/P Renganathan<sup>1</sup>, Nor'ain Binti Hj. Othman<sup>2</sup> & Zurinawati Binti Mohi<sup>3</sup>*

*<sup>1</sup>PhD Candidate, Faculty of Business, Lincoln University College, Malaysia*

*<sup>2</sup>Professor, Faculty of Business, Lincoln University College, Malaysia*

*<sup>3</sup>Associate Professor, Faculty of Business, Lincoln University College, Malaysia*

### ABSTRACT

*This paper examines the influence of hospitality innovation on tourist satisfaction in the context of boutique hotels in Malaysia. As competition in the hospitality sector intensifies and customer expectations evolve, innovation has become a key factor in enhancing service quality and delivering memorable guest experiences. The study draws on Social Exchange Theory and the Diffusion of Innovation framework to explore how innovative practices in hotel services affect tourists' satisfaction levels. Data were collected through a structured questionnaire distributed to tourists who stayed in selected boutique hotels across Malaysia. A quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test the proposed relationship. The results indicate a significant and positive impact of hospitality innovation on tourist satisfaction, confirming that modern, adaptive, and guest-focused innovations improve overall satisfaction levels. The findings contribute to both academic literature and industry practice by emphasizing the strategic role of innovation in hospitality management. Hotel managers are encouraged to invest in creative and technological enhancements to exceed guest expectations and strengthen customer loyalty. This research also provides valuable insights for policymakers aiming to support innovation-driven growth in Malaysia's tourism sector.*

**KEYWORDS:** *Hospitality Innovation, Tourist Satisfaction, Boutique Hotels, Malaysia, Innovation Strategy, Guest Experience, PLS-SEM*

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### INTRODUCTION

The hospitality and tourism industry is a major economic contributor in many countries, and in Malaysia, it plays a vital role in GDP growth, job creation, and international perception. As global tourism rebounds in the post-pandemic era, tourist preferences are rapidly shifting toward service providers that offer both safety and innovation. Boutique hotels, in particular, have emerged as key players in delivering personalized and memorable guest experiences. To remain competitive in this evolving landscape, these hotels must go beyond traditional service excellence and embrace innovation as a strategic imperative. Innovation in hospitality refers to the implementation of new technologies, unique service models, and creative customer engagement approaches that enhance the overall guest experience (Cabral et al., 2023; Ghasemi et al., 2024).

Tourist satisfaction, defined as the degree to which tourists' expectations are met or exceeded during their stay, is a crucial determinant of customer retention, loyalty, and positive word-of-mouth. Numerous studies have explored the effects of service quality on tourist satisfaction; however, emerging evidence suggests that innovation may be just as critical in shaping modern travel experiences (Stylos et al., 2021; Bhattacharya et al., 2023). The ability of hotels to provide smart technologies, eco-conscious practices, and customized services can significantly enhance tourists' perceived value and satisfaction. Yet, there remains a lack of empirical research isolating the role of hospitality innovation in influencing satisfaction, especially in the boutique hotel segment in Malaysia.

In today's highly competitive and technologically driven environment, boutique hotels must continuously innovate to stand out. While conventional service elements like cleanliness, comfort, and responsiveness are still important, tourists increasingly expect unique, immersive, and tech-enabled experiences during their stays (Hadjielias et al., 2022; Dang-Van et al., 2024). These expectations have driven many hospitality providers to integrate innovative features such as digital check-ins, personalized room settings, AI-based concierge services, and sustainable operational practices. Innovation is no longer optional but essential to meeting the evolving demands of global travelers and enhancing overall tourist satisfaction.

Despite the growing importance of innovation, current academic literature remains heavily focused on service quality as the primary driver of satisfaction. While a few studies acknowledge innovation as a valuable construct, the direct relationship between hospitality innovation and tourist satisfaction—especially in Malaysia's boutique hotel sector—has not been adequately explored (Bui & Robinson, 2024; Latif et al., 2024). This creates a research gap that limits our understanding of how innovative practices can be strategically leveraged to enhance guest experiences and satisfaction outcomes. Moreover, existing studies tend to treat innovation as a secondary factor or as part of a composite variable, rather than investigating it as an independent determinant of tourist satisfaction.

Although Malaysia's boutique hotel industry has shown potential for growth, many operators continue to rely on standard service delivery models, overlooking the competitive advantage offered by innovation. As a result, they may fail to meet the elevated expectations of modern tourists, who seek value through personalized, tech-savvy, and environmentally conscious offerings. The lack of innovation-driven service strategies could lead to lower satisfaction rates, reduced customer loyalty, and ultimately, loss of market share. This issue becomes more pressing in light of increased global competition, digital transformation, and the rise of review-based platforms where customer feedback directly influences brand image.

Therefore, this study seeks to investigate the direct impact of hospitality innovation on tourist satisfaction in boutique hotels across Malaysia. By identifying and analyzing the specific innovative practices that contribute to enhanced satisfaction, this research aims to provide practical insights for hotel managers and policy makers. It also seeks to fill a critical gap in academic literature by positioning hospitality innovation as a core variable influencing tourist satisfaction, rather than a peripheral or mediating factor. Understanding this relationship is essential for creating sustainable, guest-centered hospitality models that can thrive in the fast-changing tourism landscape.

## LITERATURE REVIEW

### Concept of Hospitality Innovation

Hospitality innovation refers to the process by which hospitality businesses introduce new services, technologies, or operational practices aimed at enhancing customer experiences and improving business performance. It encompasses service, technological, managerial, and process innovations that enable hotels to respond to changing customer needs and competitive pressures (Carvalho et al., 2023). In the context of boutique hotels, innovation is not merely a trend but a strategic necessity to deliver unique, personalized, and value-driven experiences (Cabral et al., 2023).

According to Baskaran and Mehta (2016), innovation plays a significant part in the economy of the whole globe. As a result, it is essential that individuals have a solid understanding of what innovation really entails. According to Baregheh, Rowley, and Sambrook (2009), innovation is connected to employment, business profit, and a higher quality of life. However, innovation, which is essential for our economy and way of life, may not develop if 73 people do not have a clear understanding of what it is and, as a result, establish the "wrong" connections with it. There is a correlation between innovation and growth, as stated by Denicoló and Zanchettin (2016). It is possible for innovation to provide possibilities for organizations to experience sustained growth. At this point, the reason for this association's relationship to business is not due to the development of anything novel. Specifically, this relationship discusses the implications that innovation has on private businesses. It has been said that innovation is the most effective tactic in the contest for growth, which most businesses aim to achieve. In the process of creating market space and income, innovation is one of the many essential components that contribute to growth. 2016 edition of Sardana. One of the questions that was asked in the poll was, "What do you think of when you think of innovation?" Growth was one of the alternatives to this topic that received the most responses. Growth was mentioned in forty percent of the responses, from three hundred and forty-nine responses. What this indicates is that individuals are in agreement with the relationship with development. It is often believed that innovation is something that businesses use in order to expand their operations and enter new markets. Sardana (2016) asserts that innovation is more than just the acquisition of information; it is the ongoing process of learning, with the need for the acquired knowledge to be put into practice. Furthermore, since innovation is ongoing and undergoes modifications along the road, it is difficult to determine what exactly it is. As a result of the absence of defined definitions, it is difficult to determine whether or not we all share the same perspective toward innovation.

This study defines hospitality innovation as the ability of hotels to quickly adjust to evolving market trends and customer demands by offering novel experiences and enhanced services (Ghasemi et al., 2024). This may include the adoption of mobile check-in systems, AI-driven concierge services, sustainable design features, or personalized guest interactions. These innovations contribute significantly to tourists perceived value and satisfaction, making them more likely to return or recommend the property to others (Setianingsih et al., 2023; Truong et al., 2020).

Innovation in hospitality also plays a critical role in emotional and functional value creation. As travellers today are more likely to choose hotels that not only meet their basic needs but also offer creative experiences that are emotionally engaging and socially shareable (Hadjielias et al., 2022). For boutique hotels in Malaysia, where service personalization is a key differentiator, innovation enhances both the quality and memorability of the guest experience.

Hospitality innovation is particularly significant for boutique hotels, which often lack the scale and resources of larger hotel chains. To compete effectively, these establishments must leverage creativity and distinctiveness to attract and retain customers. Most of the boutique hotels rely heavily on their ability to deliver unique service encounters, which can be effectively enhanced through innovation. By offering distinctive room designs, personalized services, and immersive local experiences, boutique hotels can create strong emotional connections with guests, leading to increased satisfaction and loyalty.

This study identifies several dimensions of hospitality innovation, including service innovation, process innovation, marketing innovation, and organizational innovation. Service innovation involves redesigning the service delivery to enhance efficiency or customer experience. Process innovation focuses on the internal procedures that support service delivery, such as adopting new reservation systems or digital housekeeping protocols. Marketing innovation includes the use of new media or branding approaches to better communicate with and attract guests. Organizational innovation relates to management styles, decision-making flexibility, and employee empowerment, which foster a culture of creativity and responsiveness.

One of the critical arguments made in the thesis is that innovation enables boutique hotels to differentiate themselves in a saturated and competitive marketplace. Unlike standard hotel chains that emphasize consistency and efficiency, boutique hotels depend on novelty, personalization, and experience-driven offerings to stand out. Innovation allows them to develop unique value propositions tailored to niche market segments such as eco-tourists, solo travelers, or luxury-seekers. This differentiation enhances guest perceptions of authenticity, exclusivity, and engagement, key factors that influence satisfaction.

Moreover, hospitality innovation contributes to strategic advantages by enhancing brand image and increasing operational efficiency. The thesis points out that innovative hotels are often perceived as trendsetters and industry leaders, which strengthens their appeal among modern, experience-oriented travellers. Innovation also facilitates quicker adaptation to external changes such as shifting customer expectations, technological disruptions, and post-pandemic safety requirements. These capabilities help boutique hotels maintain service quality and guest satisfaction even under challenging conditions.

In summary, the thesis underscores that hospitality innovation is not just an added feature but a strategic requirement for boutique hotels aiming to achieve sustained competitiveness and high tourist satisfaction. Through various forms of innovation—technological, service-related, and organizational—these hotels can enhance the quality, value, and uniqueness of guest experiences. This reinforces the positive linkage between innovation and satisfaction that the study empirically confirms.

### **Tourist Satisfaction**

Tourist satisfaction is widely recognized as a key performance indicator in the hospitality and tourism industry. It reflects the extent to which a tourist's expectations are met or exceeded during their experience, and it significantly influences future behavior such as loyalty, recommendations, and repeat visitation. Tourist satisfaction refers to the emotional response resulting from the comparison between expectations before consumption and actual experiences after consumption (Oliver, 1997). Satisfaction is a multidimensional construct comprising both cognitive and affective components. Cognitive satisfaction relates to the perceived quality and value of services, while affective satisfaction is associated with the emotional pleasure and comfort a guest feels during their stay. In the context of boutique hotels, where

personalization and ambiance are central, affective satisfaction plays an especially critical role (Stylos, Bellou, Andronikidis, & Vassiliadis, 2021).

According to the literature, several factors influence tourist satisfaction, including service quality, hotel environment, employee behavior, perceived value, and increasingly, the level of innovation offered. Past studies such as Fornell et al. (1996), Oliver (1997), and Kandampully and Suhartanto (2000), support the notion that high satisfaction leads to greater customer retention, loyalty, and positive word-of-mouth, all of which are vital for the long-term success of boutique hotels. Measurement of tourist satisfaction is based on established scales adapted from prior research. Boutique hotels often cater to niche markets, creating and maintaining high levels of satisfaction is crucial for differentiation. Satisfied tourists are more likely to post positive online reviews, recommend the hotel to others, and return for future stays all of which contribute to sustainable business performance.

Tourist satisfaction is a vital outcome variable in hospitality research, representing the degree to which tourists' expectations are fulfilled by their hotel experience. It also defines tourist satisfaction as the emotional and psychological response that results from comparing expected and actual service performance (Oliver, 1997). It is both a cognitive evaluation of service quality and an emotional reaction to the experience, especially important in boutique hotels where personalization and emotional connection matter more than standardization. Boutique hotels rely on tailored experiences and unique ambiance to achieve high satisfaction levels. Satisfaction in this context is shaped not just by service quality, but by distinctive and meaningful experiences such as creative décor, staff friendliness, and guest-focused service delivery. This aligns with the findings of Stylos et al. (2021), who emphasized that emotional satisfaction derived from ambiance, personalization, and interaction quality is a powerful predictor of overall satisfaction in boutique hospitality settings.

The findings by Falatoonitoosi et al. (2022) argued that satisfaction is influenced by value congruence that is, how well hotel services match the values and preferences of tourists. This includes preferences for eco-friendliness, local cultural immersion, and authentic service interactions, which are key attributes of boutique hotel offerings. These factors create memorable experiences that strengthen the emotional component of satisfaction.

Recent studies further support the empirical findings. Cabral et al. (2023) and Ghasemi et al. (2024) found that tourists' satisfaction is increasingly influenced by innovative features such as digital check-ins, mobile concierge services, and eco-smart facilities. These innovations enhance convenience, engagement, and perceived modernity thereby improving satisfaction outcomes. This study mirrors these findings, stating that hospitality innovation is a significant and positive predictor of tourist satisfaction in Malaysian boutique hotels.

In summary, tourist satisfaction serves as a key indicator of boutique hotel success. It is driven by a combination of innovation, service quality, emotional engagement, and value perception. The findings of the thesis, supported by recent scholarly work, affirm that hotels must continuously innovate and personalize experiences to maintain high levels of satisfaction and remain competitive in today's hospitality landscape.

### **Theoretical Underpinning**

This study is underpinned by two well-established theories: Social Exchange Theory (SET) and the Diffusion of Innovation (DOI) Theory, which together offer a comprehensive explanation for the relationship between hospitality innovation and tourist satisfaction.

**Social Exchange Theory (SET)**, developed by Blau (1964), suggests that social behavior results from an exchange process where individuals seek to maximize benefits while minimizing costs. In tourism and hospitality settings, SET explains that tourists evaluate their experiences based on the perceived value of services received compared to the effort, time, or money invested. When hotels introduce innovative services that exceed expectations such as personalized experiences or technology-enhanced convenience, tourists perceive these as high-value exchanges, resulting in higher satisfaction and potential loyalty (Blau, 1964; Homans, 1958).

SET has been widely used in hospitality research to explain how customers respond emotionally to service providers' efforts (Cropanzano & Mitchell, 2005). For instance, if a hotel offers a guest a unique, eco-conscious experience or seamless digital interaction, it can be interpreted as an investment in the guest relationship, prompting a reciprocal response such as satisfaction or repeat patronage (Kusluvan et al., 2010).

**Diffusion of Innovation (DOI) Theory**, introduced by Rogers (2003), complements SET by focusing on how and why individuals adopt innovations. The theory outlines five innovation attributes: relative advantage, compatibility, complexity, trialability, and observability that affect the likelihood of adoption. In the context of boutique hotels, innovations such as smart room controls, eco-design, mobile check-in, or curated guest activities are more likely to enhance tourist satisfaction when they are perceived as useful, compatible with guest expectations, and easy to engage with (Rogers, 2003).

DOI has been frequently applied in tourism and hospitality innovation studies. For example, Cabral et al. (2023) and Ghasemi et al. (2024) demonstrated that perceived usefulness and visibility of innovative hotel features significantly influence guest satisfaction and loyalty. These studies support the premise that innovations not only fulfil functional needs but also contribute to emotional engagement and perceived service quality.

By integrating SET and DOI, this study captures both the motivational and behavioral dimensions of how tourists perceive and respond to hospitality innovation. SET explains why guests may feel satisfied with innovative services because they perceive high relational value while DOI explains how the characteristics of innovations themselves influence adoption and satisfaction. This dual-theoretical lens has been used successfully in hospitality research to study the effects of innovation on customer behavior and performance outcomes (Tajeddini & Trueman, 2012; Ghasemi et al., 2024).

## Research Gap

Despite the growing body of literature on innovation in the hospitality sector, there remains a noticeable lack of empirical studies focusing specifically on how hospitality innovation affects tourist satisfaction in the boutique hotel context, especially within developing countries such as Malaysia. Previous research has largely concentrated on large international hotel chains, leaving boutique hotels underexplored, despite their increasing popularity and contribution to tourism economies (Tajeddini & Trueman, 2012; Cabral et al., 2023). Additionally, although the relationship between innovation and customer behavior has been acknowledged in past studies, there is limited research integrating both Diffusion of Innovation Theory and Social Exchange Theory to explain this relationship in boutique hospitality. This theoretical gap is critical, as the combined use of these theories can offer a richer understanding of how innovation attributes (such as relative advantage and complexity) influence tourists' emotional and cognitive satisfaction (Rogers, 2003; Blau, 1964; Ghasemi et al., 2024).

Methodologically, most prior studies have adopted conceptual frameworks or qualitative methods, with limited use of quantitative models validated by robust data analysis techniques. Few studies have measured tourist satisfaction using a multidimensional approach that includes both affective and functional dimensions in response to specific innovation practices (Stylos et al., 2021; Zeithaml et al., 1996). This limits the scope for generalizing findings to the boutique hotel segment in Malaysia.

Moreover, while Malaysia has positioned boutique hotels as a priority in its tourism development strategies, academic research investigating how innovation in these establishments affects tourist satisfaction is still scarce. Addressing this gap is important for both theoretical advancement and practical application, especially in helping boutique hotels enhance customer experiences and remain competitive in a dynamic tourism environment (Ghasemi et al., 2024; Cabral et al., 2023).

### Conceptual Framework and Hypothesis Development

This study is built on the integration of two theoretical perspectives: Diffusion of Innovation (DOI) Theory (Rogers, 2003) and Social Exchange Theory (Blau, 1964), to explain how hospitality innovation influences tourist satisfaction. The conceptual framework reflects a causal relationship where hospitality innovation is proposed as the independent variable and tourist satisfaction as the dependent variable.



**Figure 1: Conceptual Framework**

Diffusion of Innovation Theory explains the process through which innovation is adopted within a social system. In the context of boutique hotels, innovation can take the form of new service delivery methods, personalized digital solutions, eco-friendly practices, or value-added guest experiences. According to Rogers (2003), when innovations are perceived as having a relative advantage, being easy to try, and offering observable benefits, they are more likely to be accepted by users. In the hospitality industry, the application of this theory suggests that tourists are more likely to respond positively to innovative hotel features that improve convenience, personalization, and overall guest experience (Cabral et al., 2023; Ghasemi et al., 2024).

Social Exchange Theory supports the idea that tourists evaluate the services provided based on perceived benefits in comparison to what they give in return, such as time and money (Blau, 1964; Cropanzano & Mitchell, 2005). When a boutique hotel offers innovations that enhance the quality or uniqueness of a stay such as seamless check-in technology, personalized amenities, or sustainable design, tourists may perceive a higher level of value. This perceived value often results in emotional satisfaction and increased likelihood of future loyalty (Tajeddini & Trueman, 2012).

Based on the above theoretical rationale and supported by empirical literature, the following hypothesis is proposed:

**H1: Hospitality innovation has a significant and positive influence on tourist satisfaction.**



The conceptual framework is visually represented as a simple direct relationship between hospitality innovation and tourist satisfaction. This model reflects the central premise of the study: that the more a boutique hotel engages in meaningful and user-friendly innovation, the more likely it is to satisfy its guests. This hypothesis is tested using quantitative data to validate the theoretical link between innovation and satisfaction in the context of Malaysian boutique hotels.

## **METHODOLOGY**

This study adopts a quantitative research design to examine the relationship between hospitality innovation and tourist satisfaction in Malaysian boutique hotels. The methodology follows a positivist paradigm, which is appropriate for hypothesis testing and statistical analysis using observable data (Creswell, 2014). This design supports objective evaluation of the proposed conceptual model.

### **Population and Sampling**

The target population comprises domestic and international tourists who have stayed in boutique hotels in Malaysia within the past twelve months. A non-probability purposive sampling technique was employed to ensure that respondents had relevant and recent experience with boutique hotel services and innovations. Using G\*Power analysis with an effect size of 0.15, a significance level of 0.05, and a power level of 0.80, the minimum sample size was determined to be 92. However, to enhance statistical robustness and generalizability, 384 valid responses were collected and analyzed, consistent with sample size guidelines provided by Hair et al. (2017).

### **Data Collection Procedure**

Primary data were collected using a structured, self-administered questionnaire. The instrument was distributed both online and in person at selected boutique hotels. Prior to full-scale data collection, a pilot study was conducted with 30 respondents to test item clarity and ensure reliability. Ethical considerations were followed, including informed consent, voluntary participation, and anonymity of respondents.

### **Measurement of Variables**

All constructs were measured using items adapted from established scales in previous research. Hospitality innovation was measured through items capturing creative, guest-focused services and technological enhancements, adapted from Tajeddini and Trueman (2012) and Cabral et al. (2023). Tourist satisfaction was measured using items reflecting emotional and cognitive evaluation of the stay, based on the work of Oliver (1997) and Zeithaml et al. (1996). Responses were recorded on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

### **Data Analysis Technique**

Data were analyzed using Structural Equation Modeling (SEM) via SmartPLS 4.0. SEM was selected for its suitability in testing relationships between latent variables in complex models (Hair et al., 2017). The analysis involved two main stages: first, assessing the measurement model for reliability and validity using Cronbach's alpha, composite reliability, average variance extracted (AVE), and item loadings; and second, evaluating the structural model by examining path coefficients, t-values, p-values, and R<sup>2</sup> values. Additionally, model fit was assessed using the Standardized Root Mean Square Residual (SRMR) index to confirm adequacy of the model.



## RESULTS AND FINDINGS

This study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4.0 to examine the relationship between hospitality innovation and tourist satisfaction. The analysis followed a two-step approach, beginning with the measurement model assessment, followed by the structural model evaluation.

### Measurement Model Assessment

The measurement model was evaluated based on internal consistency reliability, convergent validity, and discriminant validity. All constructs showed strong reliability with Cronbach's alpha and composite reliability (CR) values exceeding the acceptable threshold of 0.70. Average Variance Extracted (AVE) for each construct was above 0.50, indicating sufficient convergent validity.

Discriminant validity was assessed using the Fornell-Larcker criterion and HTMT ratio. All inter-construct correlations were lower than the square roots of AVE, and HTMT values were below 0.85, satisfying the criteria for discriminant validity.

### Structural Model Assessment

The structural model analysis confirmed that hospitality innovation has a significant positive effect on tourist satisfaction, thereby supporting the proposed hypothesis.

**Table 1: Structural Model Assessment**

Path Coefficient ( $\beta$ )	t-value	p-value	R <sup>2</sup> for Tourist Satisfaction
0.351	5.420	< 0.001	0.369

These results indicate that hospitality innovation explains approximately 36.9% of the variance in tourist satisfaction, which reflects a moderate explanatory power in line with social science standards (Hair et al., 2017). The t-value exceeds the critical value of 1.96 and the p-value is below 0.05, confirming statistical significance.

The model fit was also assessed using the Standardized Root Mean Square Residual (SRMR), which yielded a value of 0.066, indicating a good fit as it falls below the threshold of 0.08.

### Hypothesis Testing Summary

**Table 2**

Hypothesis	Path coefficient ( $\beta$ )	t-value	p-value	Result
H1	HI $\rightarrow$ HS 0.351	5.420	< 0.001	Supported

**Note:** HI = Hospitality Innovation, TS = Tourist Satisfaction

The findings demonstrate that innovation in boutique hotel services whether technological, service-related, or experiential has a statistically significant impact on how satisfied tourists feel during their stay. This supports the theoretical assertion that innovative service delivery enhances perceived value and emotional satisfaction (Oliver, 1997; Tajeddini & Trueman, 2012).

## DISCUSSION

The findings of this study confirm a significant and positive relationship between hospitality innovation and tourist satisfaction. The statistical analysis revealed that hospitality innovation has a moderate yet meaningful influence on how tourists evaluate their stay experiences in boutique hotels in Malaysia. This result supports the proposed hypothesis and reinforces both the theoretical and practical understanding of the role innovation plays in shaping tourist perceptions.

The application of Diffusion of Innovation Theory (Rogers, 2003) is particularly relevant here, as tourists appear more satisfied when hotel innovations are perceived as offering relative advantages, simplicity, and added value. The positive path coefficient ( $\beta = 0.351$ ,  $p < 0.001$ ) suggests that tourists respond well to innovative features such as digital check-ins, eco-friendly room designs, personalized services, and other technology-driven or experience-enhancing innovations. These findings align with previous studies, such as those by Cabral et al. (2023) and Ghasemi et al. (2024), which concluded that innovation contributes significantly to customer satisfaction in the hospitality sector. Moreover, the results also support the principles of Social Exchange Theory (Blau, 1964), which posits that customers assess their experiences based on the perceived value of the exchange. When boutique hotels deliver innovative services that exceed expectations, tourists perceive greater benefits in return for their expenditure and time, thereby increasing emotional satisfaction. As noted by Cropanzano and Mitchell (2005), satisfaction is a form of reciprocal response to perceived relational investment, which appears to be validated by the current study.

The  $R^2$  value of 0.369 suggests that hospitality innovation accounts for nearly 37% of the variance in tourist satisfaction, indicating that while innovation is a key factor, other variables such as service quality, perceived value, and emotional engagement may also play important roles. This opens avenues for future research to explore additional mediators or moderators that may influence this relationship.

The findings also highlight the unique context of boutique hotels, where customization, intimacy, and experiential differentiation are central to guest experience. Unlike large chain hotels, boutique properties often rely on niche innovation strategies to appeal to specific market segments. The results thus emphasize that investment in innovation is not only relevant for large hotel operators but also crucial for boutique hotels aiming to enhance tourist satisfaction and competitive advantage (Tajeddini & Trueman, 2012).

Overall, this study contributes to the existing body of knowledge by empirically validating the link between innovation and tourist satisfaction using a dual-theory approach in an emerging market context. It also provides actionable insights for hotel managers and tourism stakeholders, indicating that carefully implemented innovations can drive customer satisfaction and potentially increase repeat visitation and brand loyalty.

## CONCLUSION AND RECOMMENDATIONS

This study investigated the relationship between hospitality innovation and tourist satisfaction in the context of boutique hotels in Malaysia. Drawing on Diffusion of Innovation Theory and Social Exchange Theory, the research confirmed that innovative practices in hotel service delivery significantly enhance tourist satisfaction. The structural model showed that hospitality innovation is a strong predictor of tourist satisfaction, explaining 36.9% of its variance. These findings contribute to both theoretical development and practical application in hospitality management.

From a theoretical perspective, the integration of Rogers' (2003) innovation attributes and Blau's (1964) value-exchange principles provides a comprehensive framework for understanding how and why tourists respond positively to innovative hotel experiences. The findings extend the application of both theories into the boutique hotel segment in a developing tourism economy, an area that has been underrepresented in prior research.

Practically, this study offers valuable insights for hotel managers, especially those in boutique and independent hospitality settings. Hotels that invest in guest-focused innovation—whether through technology, personalization, sustainability, or service design are more likely to enhance customer satisfaction. Managers should assess guest expectations continuously and align innovations to address their evolving preferences. Offering trialable, observable, and user-friendly innovations can help increase acceptance and satisfaction.

Furthermore, tourism authorities and policymakers should support innovation through incentives, training programs, and digital infrastructure, especially for small and medium-sized hotel operators. Strengthening the capacity for innovation within the boutique hotel sector may help Malaysia differentiate itself in a competitive regional tourism market.

## LIMITATIONS AND FUTURE RESEARCH

Although the study provides important contributions, it is not without limitations. First, it focuses only on boutique hotels in Malaysia, which may limit the generalizability of results to other types of hotels or geographical contexts. Second, the study adopted a cross-sectional design, which captures tourist satisfaction at a single point in time but does not reflect changes in satisfaction across repeated visits.

Future studies could explore other moderating or mediating variables such as perceived value, service quality, or customer engagement to further explain the innovation–satisfaction relationship. Additionally, researchers could employ a longitudinal design to observe how satisfaction evolves in response to sustained innovation over time, or replicate this study in different cultural or economic contexts to validate the findings more broadly.

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