

Impacts of cost leadership, service innovation, customer value creation on business performance during the Covid-19 Era

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ABSTRACT

In today's competitive business landscape, organizations constantly seek strategies to enhance their market position and profitability. One of the pivotal inquiries that many industry experts and scholars are delving into is: How do cost leadership, service innovation, and customer value creation influence business performance? Cost leadership, often seen as a way to gain a competitive edge through operational efficiency, might offer immediate financial benefits. Given the frequent economic challenges, it has become increasingly crucial for hotel businesses to embrace strong competitive marketing strategies. The hospitality sector, particularly susceptible to the ramifications of such crises, has long been scrutinized to discern the strategic measures they employ during turbulent times. This empirical investigation, encompassing insights from 437 industry professionals, underscores that initiatives centered on corporate service innovation yield a direct and favorable augmentation in organizational performance. However, the study found inconclusive evidence regarding the mediating impact of value creation through customer engagement.

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Introduction

In recent years, the dynamics of the hospitality industry have undergone significant transformations, primarily due to external shocks and technological advancements. According to Thompson & Strickland (2003), the ability of businesses to adapt to these changes is a testament to their strategic agility. The hotel industry, being at the forefront of direct customer interactions, has a unique challenge and opportunity in this regard. The strategies they employ not only determine their immediate survival but also set the stage for future growth and industry leadership. Furthermore, Porter (1985) posited that competitive advantage could be derived from either cost leadership or differentiation. In the context of the hotel industry, differentiation often manifests as service innovation. By offering unique and tailored experiences to guests, hotels can command premium prices and foster customer loyalty. However, this must be balanced with efficient operations to ensure profitability. The interplay between cost leadership and service innovation becomes even more critical during crises, where cash flows are constrained, and customer expectations are evolving. Lastly, the concept of customer value creation is pivotal. As Kumar and Reinartz (2016) suggest, businesses that center their strategies around creating superior value for their customers tend to outperform their competitors in the long run. For hotel businesses, this means understanding the changing needs and preferences of their guests, especially in a post-pandemic world, and aligning their offerings accordingly. By integrating cost leadership, service innovation, and customer value creation, hotel businesses can not only navigate crises but also position themselves for sustained success in the future. Rubio-Andrés et al. (2024) examine how entrepreneurial SMEs can improve their market performance by implementing competitive strategies that promote innovation. The study analyzes the mediating role of innovation in the relationship between competitive strategies (differentiation and cost leadership) and market performance, while also examining the moderating effects of perceived risk and marketing capability in this dynamic process. Dost and Umrani (2024) examine the impact of frugal innovation on the financial and environmental performance of firms in emerging markets, emphasizing its cost-effectiveness, sustainability, and market expansion potential. They further point out that managerial proactiveness moderates

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this relationship, amplifying the positive effects on environmental performance while attenuating the financial benefits in the short run.

As the most critical component of the tourism industry, the survival of hotel businesses in such challenging periods depends on developing effective and appropriate strategies. Huber et al., (2001) emphasize that companies that successfully create customer value can survive by increasing their market shares and profitability, at least by protecting them in times of crisis, such as COVID-19. On the other hand, among those factors affecting the business performance, particularly during the crisis, include lowering the higher operating expenses by applying low-cost leadership and stimulating demand by innovating the service design. As a result, the purpose of this study is to analyze the impacts of cost leadership, service innovation, and customer value creation on business performance. To delve deeper into these relationships, this research will explore the dynamics between cost leadership, service innovation, and customer value creation in the context of hotel businesses. Cost leadership involves reducing operating expenses to offer competitive pricing while maintaining quality. This strategy can be particularly useful in attracting price-sensitive customers during economic downturns or crises. On the other hand, service innovation refers to the process of enhancing and revitalizing the hotel's offerings to meet the evolving needs and expectations of customers. This can involve incorporating new technologies, improving customer service, or introducing unique amenities and services that differentiate the hotel from its competitors. Understanding customer needs and expectations is the first step to creating value. Once these needs are identified, companies can then develop products or services that directly address them, ensuring that what is being offered is both relevant and valuable to the target audience. This process often requires extensive market research, innovation, and a deep understanding of the competitive landscape (Smith and Colgate, 2007). Customer value creation, as noted by Huber et al. (2001), is a key factor for business survival and growth. In the hotel industry, this involves providing exceptional experiences and value for money that meet or exceed customer expectations. By doing so, hotels can build strong relationships with their customers, foster brand loyalty, and generate positive word-of-mouth referrals that can drive business performance. To investigate the impacts of these strategies on business performance, this study will employ a mixed-methods approach, incorporating both quantitative and qualitative data. Quantitative data will be collected through surveys and financial performance indicators, while qualitative data will be gathered through interviews with hotel managers and industry experts. The results of this study will provide valuable insights into the effectiveness of cost leadership, service innovation, and customer value creation strategies in enhancing business performance during challenging times, such as the COVID-19 pandemic. Ultimately, this research aims to contribute to the literature on strategic management in the hotel industry and offer practical recommendations for hotel businesses seeking to navigate through crises and thrive in the competitive tourism market.

During the Covid-19 period, when the World Health Organization invited everyone to be sensitive and emphasized hand hygiene, mask use, physical distance and avoiding large organizations, complying with these measures was very important to slow down the spread of the disease (Siema et al., 2024). This study distinguishes itself from research conducted in other periods due to the critical importance of strategies implemented by hotel businesses during the COVID-19 pandemic, a time when experts strongly emphasized stay-at-home measures and quarantine practices. Given the unprecedented challenges faced by the hospitality industry during this period, the strategies adopted by hotels played a vital role in business survival and adaptation. Therefore, this study holds unique value by offering strategic recommendations specifically tailored to crisis periods, providing insights that can guide businesses in navigating future disruptions effectively.

Literature Review

As stated in the existing literature, an empirical research model has been conducted (Figure 1). In this model, left side variables symbolize independent variables of the research. The dependent variable is business performance, and the mediator variable is customer value. The research question will interrogate the effects of low-cost leadership and service innovation on the business performance in the tourism industry.

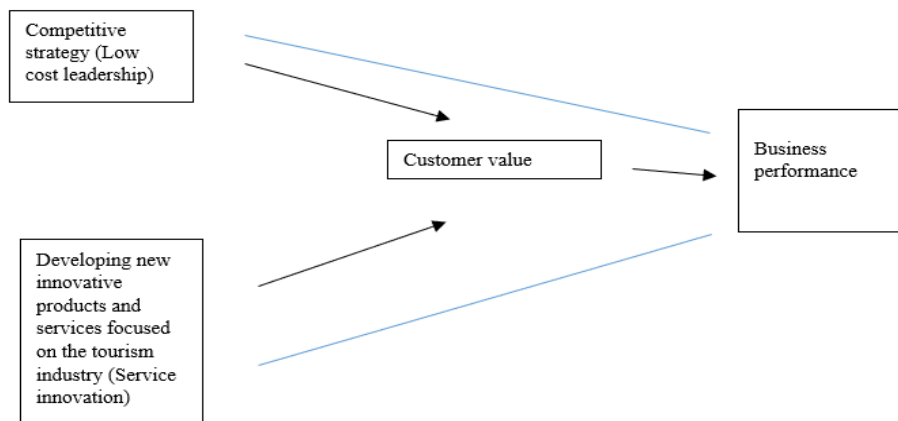


Figure 1: Conceptual model

Low-cost leadership is one of the generic competitive strategies categorized into three groups: low-cost, differentiation, and focus (Porter, 1985). Several investigators argue that businesses should choose and apply only one of these competitive strategies to gain competitive advantage in the long term and to make it sustainable (e.g., Dess and Davis, 1994) where some other researchers claim that businesses can implement all of these strategies together and simultaneously and be successful (e.g., Wright et al., 1990). Porter (1980) defines low-cost leadership as "the ability of the enterprise to produce with the lowest cost compared to all its competitors in the sector." He argues that for businesses to implement this strategy, they should supply their production inputs cheaply by using economies of scale and minimizing their costs such as product development, innovation, distribution, and advertising (Lumpkin and Dess, 2006). Low-cost leadership is a strategic approach where a company aims to become the lowest cost producer in its industry, thereby gaining a competitive advantage. This strategy can have a significant impact on business performance. For instance, Porter (1980) emphasizes that low-cost leadership allows firms to offer lower prices to customers while maintaining profitability, which can lead to increased market share and stronger financial performance. Research has also shown that companies that adopt a low-cost leadership strategy can achieve higher efficiency and cost-effectiveness, which further contributes to improved business performance. Companies employ low-cost and differentiation strategies to attain a competitive edge over their rivals in the market (Haque, Munawaroh, and Sunarsi, 2021). Furthermore, low-cost leadership can act as a barrier to entry, preventing new competitors from entering the market and protecting the firm's market position. However, it is important to note that while low-cost leadership can lead to positive outcomes, it also requires firms to continuously focus on cost reduction and operational efficiency, which can be challenging in a dynamic business environment.

According to the literature, low-cost leadership might be more successful when customers are price sensitive, and competitors in the same market use the distribution channels at a lower cost (Powers and Hahn, 2004). Therefore, it can be argued that low-cost leadership is an appropriate and effective strategy to be potentially and exceptionally applied during crisis periods. In the low-cost leadership strategy, it is not only a matter of decreasing the product's price but also the cost reduction is expected in all realized activities. Thus, the business will gain an advantage over its competitors operating in the same industry by making above-average profits (Timur and Özmen, 2009). This may bring the company to the forefront of its competitors in times of crisis and increase its preferability by the market. Marketing is a management function that creates, defines, and provides value to customers (Piercy, 2000). Today, customers are faced with a wide variety of products and brands. Customers act with the expectation of value at a certain level while deciding which will provide them with the highest benefit. Customer value is the sum of customers' benefits from physical products or services. (Singh, 2011). The continuous use of the same products or services makes customers feel monotonous after a while. Having different experiences, especially in terms of services, makes people pleased with the output of their consumption. As a result, it is inevitable for the service providers to be innovative in their product and service designs.

The service innovation concept was first applied by Barras (1986) and a great mass of research on service innovation has been developed by the researchers since then. The service innovation denotes creating new value for customers, updating service content, expansion of service scope, increase in service efficiency and quality, changing and improving existing services and products, and eventually, applying new technologies and concepts in the service process. It is considered to be an essential component in augmenting the businesses' competitive advantage. The theories regarding service innovation mainly concentrate on service innovation and the associated dimensions. According to Oke (2007), the service innovation is accomplished as new service activities are developed by companies so as to obtain customer satisfaction and as the primary service products are delivered to the customers. Service innovation is categorized and discussed in four main dimensions. These dimensions include the customers' competitiveness, service output, service provider competitiveness and the service provider technology. Weitze and Elfring (2002) maintain that service innovation is categorized in two forms: organizational innovation and technological innovation (Feng et al., 2020). Innovation forges value for the developer company, bringing about changes in the market and, in turn, convincing other businesses to pursue and act alike. Consequently, a novel market comes to existence. Recent developments regarding the innovation imply that the service innovation is interchangeable with a definition associated with a new service (Gustafsson et al., 2020).

Luecke (2003) argues that the service industry is suitable for engaging with innovative developments. Those changes created in services can be transformed into permanent models in the long term. However, there are also opposite views stating that creating innovation in the service industry is not as easy as it seems. For instance, John and Storey (1998) argue that the abstract nature of the service makes it difficult to patent, making a new service imitative, which is not creative. According to Matear et al. (2004), it is almost impossible to develop a new form of service because services are consumed simultaneously once they are produced. Consumers, representing a more significant part of society, are undoubtedly developing and changing daily in a constantly changing world. Therefore, businesses that are forced to meet customers' changing needs play an essential role in innovation (Mahavarpour et al., 2023). With globalization, increasing consumer demands caused the market share to grow and the quality of service and product innovation to increase. The form of innovative culture enables businesses to be more competitive than they already are (Liu et al., 2023). Service innovation often relies on creating new services using the latest innovations and cutting-edge technologies (Lee et al., 2019; Raddats et al., 2022). The services environment and the increasing pace of the latest service changes constantly create new opportunities for service innovation. Especially service innovation plays an essential role in many industries. Service opportunities arise due to a more competitive environment, customer expectations with higher demand, higher demand for personalized and customized services, and their desire to contribute to service innovation and sustainability (Pougnnet et al., 2022) and managing collaborative arrangements and maintaining the shared goals on the business side (Liu et al., 2023).

Therefore, service innovation leads to customer satisfaction. Service quality is vital for customer satisfaction that can be achieved with the help of service innovation. Businesses need to reach service quality that requires creation to arrive higher performance (Hameed et al., 2021). In such a case, creating innovation appears as a new form of service design, new organizational structures, and service concepts by using new technologies (DenHertog et al., 2010). This can be a successful innovative model implemented by one unit and implemented by another department. This may take the form of creating new combinations on the parts from which the service is produced, resulting in new service generations by referring to the customers' ideas about the service or directly being included in innovation, so-called the process of co-creation (Frow et al., 2015; Jaakkola et al., 2015). As a result, the way to create such innovations affects the financial and growth performance of the business. Cainelli et al. (2004) suggest that financial criteria are primarily used to evaluate how innovative practices reflect business performance in the service industry. Furthermore, Ambler et al. (2004) state that financial measures generally indicate sales and cash flow, with profitability in the first place. Recently, market share has also been considered among the financial criteria.

Some years ago, Peter Drucker echoed that the primary task is to create customers. In recent years, customer value has become a sensitive subject in the business world to effectively manage the performance evaluation criteria and target market (McDougall and Levesque, 2000; Huber et al., 2001; Eggert and Ulaga, 2002; Lin et al., 2005). It refers to the relationship between the benefit obtained by customers as a result of goods or services received and the level of prices paid by customers in return (Zeithaml, 1988; Gale, 1994; Woodruff and Gardial, 1996; Hubert et al., 2001; Monroe, 2003). Customer value creation happens when businesses and customers create customer value together. In particular, value is designed due to customers' enjoyment of their service and participation in the service production process. It plays a vital role in creating customer value for businesses, providing competitive advantage, and establishing long-term customer relationships (An and Han 2020, 391). Since 1980s, the customer value concept has garnered remarkable attention in the marketing world. The notion concerning creating value together is applied by Vargo and Lusch (2008) and Prahalad & Ramaswamy (2004). They profess that businesses bring about value with customers; neither the customer value is regarded as a tool devised by producers in order to attract customer satisfaction, nor is it constructed by customers through taking part in the production phase. To these academics, what is meant by customer value creation is the co-creation of consumers and producers both for themselves and one another. Such co-creation results in a personalized service experience obtained via pursued interactions and dialogues. Upon this theory, a novel perspective is designed by some scholars concerning the consumer perspective on creating customer value, mainly upon the excellent interaction and the consumer-business interaction (Zhang et al., 2017).

Businesses trying to produce goods or services that will meet the target audience's expectations also succeed in creating customer value when customers develop a positive attitude towards their efforts in this direction. Understanding what customers want ensures that service quality elements are organized to create customer value, even in businesses that do not provide service. Creating customer value is not producing short-term solutions to the target audience's wishes but to provide long-term and innovative contributions to the market's expectations by displaying a market-oriented understanding. Firms that can support their efforts to create customer value with their resources and capabilities can more easily obtain the necessary capital for issues such as scale development or change of operations. According to Porter's (2008: 220) definition, customer value is the perception of total benefits obtained from the service delivery and the total costs incurred to receive the service by customers in proportion. When the current body of literature is sifted through, there has been evidence that customer value is a concept that can be measured not by the benefits that a particular business offers to its customers but also how customers perceive the use provided (Zeithaml, 1988; Woodruff and Gardial; 1996; Khalif, 2004). In a further study, Singh (2011) also emphasizes that value is a matter of customers' perceptions of the performance of the products and services compared to the level of prices paid for. Porter (1985) underlines that the competitive strategy is to take a profitable and sustainable position against the forces that determine the competition in the market. The actual demand is the most significant source of cash flows for a business, and creating tiny customer value is an essential competitive advantage. That is to say, increasing the degree of customer value, measured by consumer satisfaction (Mittal et al., 2014), may potentially affect customer behavior that drives the business's most important financial resources, such as revenues and profitability). Although this may not seem possible in the short term, the longtime would bring more opportunities to do so, according to Frennea et al. (2014).

Moreover, it is possible to consider the concept of creating customer value as inputs, components, and outputs (Mittal et al., 2014). Generally, customer value information refers to those visible investments such as operational, technology, infrastructure, workforce, and invisible investments. Invisible investments indicate brand value and effective communication designed to affect customers' perceptions. Components of customer value are more management effectiveness and service quality oriented. Outputs are divided into two groups: abstract and concrete outcomes. The former conveys customer satisfaction and often manifests itself in repeat visits and word-of-mouth recommendations. The latter is generally the indication of financial results, including sales revenues, profits, and stock market values. The literature also proposes that creating customer value has monetary and non-monetary drivers. The former refers to customers' expectations from the prices of services produced and delivered (Huang and Zhang, 2008). The latter provides convenience to customers, increases the quality of life, creates a good reputation, and entertains customers. (Bono, 2000). In the end, we have a couple of questions that need proper answers for the sake of both businesses and customers. For instance, how do we create customer value? How will we make the perception that we value the customer? According to Singh (2011), the way to achieve this is, unlike competitors in the market, to offer customers special and unique benefits and always do their best to meet their needs and expectations. The following part focuses explicitly on how the relationship among such significant terms as low-cost leadership, service innovation, and customer value creation works together.

According to Davis (2011), customer value is formed by creating innovations such as producing new products, making innovations in existing products, making new investments, and acquiring new markets. Likewise, as further indicated in the literature (Day, 1990; Slater and Narver, 1998), the importance of creating customer value stems from the production of products and services that are above the needs and demands of customers and different from those offered in the market (service innovation) and their provision to customers with the lowest cost as possible (low-cost leadership). In the contemporary business environment, understanding the intricate dynamics between strategic approaches is paramount for sustained success. The relationship among low-cost leadership, service innovation, and customer value creation offers a compelling area of study in this context. Low-cost leadership, characterized by operational efficiencies and cost reductions, provides firms with a competitive edge in price-sensitive markets. However, solely relying on cost leadership might render businesses vulnerable to competition and commoditization. This is where service innovation steps in, allowing firms to differentiate themselves by offering unique and enhanced customer experiences. Yet, the ultimate goal of both these strategies is to foster customer value creation, ensuring that customers perceive and receive superior value for the price they pay. By holistically integrating these three elements, businesses can not only optimize their operational performance but also cultivate deeper, more profitable customer relationships. Future research in this domain can further elucidate the synergies and trade-offs between these strategic pillars and their collective impact on organizational growth and profitability.

Research and Methodology

The study's universe consists of 4 and 5 star hotel businesses in Istanbul. The data was collected electronically between April 2020 and December 2021, during which the Covid-19 pandemic was observed, and 437 hotel employees participated in the study. During data collection, a survey was conducted using a personal information form created by the researchers and original scales from the literature. The scale developed by Horng and Sun in 2009 for service innovation, the scale used by Luo and Zhao in their empirical studies in 2004 for cost leadership, and the scale developed by Uzkuurt and Torlak in 2007 for customer value were used. Firm performance was addressed in two dimensions, compiled from the studies of Antoncic and Hisrich (2001), Zahra et al. (2002), Chang et al. (2003), King and Zeithaml (2001), Lynch et al. (2000), Rozenzweig et al. (2003), Venkatraman & Ramanujan (1986), Baker & Sinkula (1999), Vorhies et al. (1999), and Vorhies and Morgan (2005). In the analysis of the data, factor analysis, reliability, correlation, and regression tests were conducted using the SPSS 25 software package.

The reliability of measurement indicates the degree to which the measurement is unbiased (Cavana et al., 2001). It, therefore, offers consistent measurement across various items over time. In addition, the reliability of measurement means the stability and consistency of the survey. Thus, it provides a significant advantage in evaluating a measurement (Ishak, 2014). Reliability analysis is used when a questionnaire containing multiple Likert questions is used to collect data and when the scale's ability to consistently reflect the construct it measures must be determined. The reliability of a questionnaire indicates its ability to give the same results when filled in by like-minded people in similar situations (Idris et al., 2018). The Cronbach's alpha coefficient is the most popular factor used to measure reliability. Cronbach alpha is a test reliability technique that provides a unique estimate of reliability for a given test. Value ranges typically range from 0 to 1. The closer the alpha to 1, the greater the internal consistency of the evaluated variables (Yadav and Saxena, 2017).

Results and Discussion

Table 1: Reliability Statistics

Variable	N of Items	Cronbach's Alpha
Cost Leadership	4	,688
Creating Customer Value	10	,934
Service Innovation	14	,967
Performance	10	,958

According to the reliability analysis conducted; three items conclude a Cronbach's Alpha value higher than 0,700 with a very high value closer to one. Only 'Cost'2 item is lower than 0,70 but 0,68 value is a very close value to the desired value of 0,70. According to all these values, it can be interpreted that Cronbach's Alpha values ensure construct reliability. KMO and Bartlett's Test is used for measuring the compatibility of the dataset for analysis. KMO values higher than 0,700 mean the dataset is compatible for analysis.

Table 2: Factor Loadings

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,940
Bartlett's Test of Sphericity	Approx. Chi-Square	17977,931
	Df	703
	Sig.	0,000
		76,548

According to the KMO and Bartlett's Test, KMO value is 0,940 which is higher than the desired value of 0.700. The approximate Chi-Square value is 17977,931 and the degree of freedom is 703. KMO and Bartlett conclude that the dataset used for this study is convenient for analysis. Factor analysis is used to compare the correlations of variables and reduce them to a certain amount of Exploratory factor analysis is about the most frequently used statistical measurement in social sciences. Analysis of variance explained by the exploratory factor method is obtained and factor distribution is provided by comparing factor loads.

Table 3: Factor Analysis

	Component					
	1	2	3	4	5	6
Si1		,777				
Si2		,795				
Si3		,756				
Si4		,739				
Si5		,791				
Si6		,799				
Si7		,810				
Si8		,796				
Si9				,802		
Si10				,850		
Si11				,812		
Si12				,806		
Si13				,760		
Si14				,848		
Cost					,688	
cost2					,687	
cost3					,785	
cost4					,586	
ccv1			,720			
ccv2			,731			
ccv3			,708			
ccv4			,666			
ccv5			,787			
ccv6			,823			
ccv7			,741			
ccv8			,642			
ccv9			,660			
ccv10			,591			
p1	,894					
p2	,902					
p3	,909					
p4	,886					
p5	,894					
p6	,888					
p7	,784					
p8	,617					
p9	,845					
p10	,819					
Rotation converged in seven iterations.						

'Service Innovation' variable is divided into two groups. The first group includes items from first to eighth, the second group includes items from ninth to fourteenth. The first group is named 'Corporate Service Innovation' and the second group is named 'Individual Services'. All four items of 'Cost' variable are loaded into the original variable. Ten items of 'Creating Customer Value' and 'Performance' variables are loaded to the original variables. Exploratory factor analysis table shows that all items are loaded towards the original variable, only 'Si' variable is divided into two groups. In exploratory factor analysis, value loadings of items are expected to be higher than 0,500 to be accepted as successfully loaded into a certain variable. All items in this analysis have loadings higher than 0,500.

Correlation analysis demonstrates the relationship between two or more variables (Gogtay, 2017: 78). Correlation analysis is based on the calculation of the relationship between two random variables. The correlation coefficient shows the independence of the relationship between these two variables. The process performed in this analysis is basically the determination of the correlation coefficient (Çavuşoğlu and Hussein 2019).

The Pearson correlation coefficient is specified as (r) and can only take values ranging from -1 to +1. The plus sign in front of this coefficient indicates that there is a positive correlation between two variables (as the value of one variable increases, the value of the other variable also increases), while the presence of a minus sign indicates that there is a negative correlation between the variables (the value of one variable increases while the value of the other variable decreases). If there is a perfect correlation between two variables, the correlation coefficient is obtained as +1 or -1. As a result, by knowing the value of one variable, the value of the other variable can be determined precisely. In addition, if the correlation coefficient is 0, there is no relationship between the two variables. If $r = 0.00-0.25$, the relationship is very weak, if $r = 0.26-0.49$, the relationship is weak, if $r = 0.50-0.69$, the relationship is medium, if $r = 0.70-0.89$, the relationship is high, if $r = 0.90-1.00$, the relationship is considered very high. The relationship of all variables used in the analysis of this study has been applied and shown in the table.

Table 4: Correlations Values

Correlations		1	2	3	4	5
Corporate Service Innovation (1)	Correlation	1				
	Sig. (2-tailed)					
	N	437				
Individual Services (2)	Correlation	,710**	1			
	Sig. (2-tailed)	,000				
	N	437	437			
Cost (3)	Correlation	,312**	,244**	1		
	Sig. (2-tailed)	,000	,000			
	N	437	437	437		
Creating Customer Value (4)	Correlation	,646**	,608**	,319**	1	
	Sig. (2-tailed)	,000	,000	,000		
	N	437	437	437	437	
Performance (5)	Correlation	,262**	,241**	,097*	,182**	1
	Sig. (2-tailed)	,000	,000	,042	,000	
	N	437	437	437	437	437

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

According to the correlations table; all variables have p values lower than 0,05. Values lower than 0,05 represents a significant relationship between variables. In correlation analysis, a value closer to +1 demonstrates a positive strong relationship between variables; whereas a value closer to -1 shows a negative strong relationship between variables. Values closer to 0 means weaker relationship between variables. According to the correlations table; all variables have p values lower than 0,05. Values lower than 0,05 represents a significant relationship between variables. All of the correlation values are positive, which means there is no negative relationship between variables. 'Corporate Service Innovation' has a strong correlation with 'Individual Services' variable. These two variables also have a strong correlation with 'Creating Customer Value' variable. All other variables have correlation values lower than 0,50 which represents weaker relationship. For the empirical analysis of this study regression analysis has been conducted. Regression analysis is represented by a mathematical model and is created to predict and examine the relationship between two or more variables with a multiple regression analysis relationship. (Erdil and Taçgın 2020). Results of the regression analysis are given in Table 5. R2 value means determination coefficient. According to the model summary table R2 value is calculated as 0,075. According to the model table, Sig. (p) value is lower than the desired value of 0,05. That shows the validity of the effects of variables. Following table shows the effects of independent variables to the dependent variable.

Table 5: Regression Results

Correlations		1	2	3	4	5
Corporate Service Innovation (1)	Correlation	1				
	Sig. (2-tailed)					
	N	437				
Individual Services (2)	Correlation	,710**	1			
	Sig. (2-tailed)	,000				
	N	437	437			
Cost (3)	Correlation	,312**	,244**	1		
	Sig. (2-tailed)	,000	,000			
	N	437	437	437		
Creating Customer Value (4)		,646**	,608**	,319**	1	
	Sig. (2-tailed)	,000	,000	,000		
	N	437	437	437	437	
Performance (5)		,262**	,241**	,097*	,182**	1
	Sig. (2-tailed)	,000	,000	,042	,000	
	N	437	437	437	437	437

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

According to the results of regression analysis; ‘Corporate Service Innovation’ is the only variable that has a significant effect on the ‘Performance’ dependent variable. A positive beta value represents a positive significant effect of ‘Corporate Service Innovation’ to ‘Performance’ variable. 0,184 Beta value shows even the effect is significant it is not extremely strong. All other items do not have a significant effect on the dependent variable as their p values are higher than 0,05.

Conclusion

The tourism industry is one of the most fragile economic sectors. Consequently, cost leadership, individual services, and creating customer value do not have a significant effect on business performance during the covid-19 pandemic era for hotel businesses. As the covid-19 pandemic era has been a stagnant period for the tourism industry, it is not colossal that intensive business efforts are found to be insignificant. However, innovative efforts still seem to be a lifesaver for hotels during this dull era as corporate service innovation has been found to have a significant positive effect on business performance for hotels. Tourism establishments and unique hotels should overexert their innovative applications to have a high business performance, differentiate from others, gain a competitive advantage, and achieve a high profitability and brand image. Regardless of the industry, especially on the basis of service innovation, product usage updates, systematic maintenance plans, 24/7 customer support, information and training, and extended warranties always strengthen the company's competitive advantage in the market.

According to the research results, service innovation directly and positively affects the firm's performance in the tourism industry. Hotels may use many new generations service types as instruments. For example, fever control and HES code control over a fully automatic system at the entrance of hotels during the Covid-19 period can be given as an example. In the frame of the strict restrictions, hotel employees must wear masks and gloves during all activities in the work time. Similarly, forks, knives, and spoons offered to the customer in catering activities, which should be personalized, can be given as an example, in hygienic conditions, again in fully automatic machines, and presented to the customer as closed and untouched. Thus, customers can feel safe and focus on their holidays with less worry during their stay at the hotel. Especially since the comments made by the customers who benefit from the hotel services on the internet after their vacations are over, affect the quality perception of the hotel, indoor or outdoor advertisements by the satisfied customers will also increase the hotel's business performance. Furthermore, the rapid adaptation of technology in the hotel industry, as demonstrated by the implementation of automated systems for health checks, underscores the sector's resilience and forward-thinking approach. As the digital transformation continues to permeate various industries, hotels that leverage technology not only ensure safety but also enhance the overall guest experience. For instance, the integration of AI-driven chatbots for customer inquiries, virtual reality tours of hotel facilities, or mobile apps for contactless check-ins and room service orders can further elevate the guest experience. Moreover, the emphasis on hygiene and safety has reshaped the training and development programs within the hotel industry. Staff training now encompasses not only traditional hospitality skills but also knowledge about health protocols, technology usage, and crisis management. This holistic approach ensures that employees are well-equipped to handle a myriad of situations, from addressing customer concerns about cleanliness to efficiently using tech solutions for service

delivery. Lastly, the role of online reviews and customer feedback cannot be understated. In an era where online reputation can make or break a business, hotels must actively engage with their digital audience. Responding to reviews, both positive and negative, showcases the hotel's commitment to continuous improvement and customer satisfaction. Additionally, leveraging user-generated content, such as guest photos or testimonials, in marketing campaigns can serve as authentic endorsements, further boosting the hotel's credibility and appeal to potential guests.

This study examined the strategies implemented by 4- and 5-star hotels in Istanbul regarding customer value creation, service innovation, and cost leadership, as well as their impact on business performance. Based on the findings, the following recommendations are proposed: The successful strategies of hotels in Istanbul can be adapted to other major cities to enhance competitive advantage. Increasing service innovation practices can improve customer satisfaction and loyalty. Especially in the post-pandemic period, a greater focus on cost management strategies can enhance resilience to crises. Since this study focuses only on 4 and 5 star city hotels in Istanbul, research on resorts, boutique hotels and all-inclusive hotels in tourism areas can provide insights into how different strategic approaches yield varied outcomes. Each hotel concept has a unique customer base, service model, and operational structure, necessitating an investigation of how strategies vary by hotel type. How do strategies implemented in major cities like Istanbul differ from those in rural areas or less touristy cities? Future research on this topic could provide valuable industry insights. Investigating how hotels in smaller cities attract customers, whether they apply innovative practices, and how they maintain competitive advantage would be beneficial. A comparative analysis of hotel strategies in metropolitan and rural areas could help develop region-specific strategic management models. Moreover this study focuses on strategies implemented during the COVID-19 period. Future research could assess the impact of similar variables on business performance during different crises, such as: The economic recession following the COVID-19 pandemic, which affected consumer spending and tourism demand. The February 6, 2023 Kahramanmaraş earthquakes, which had significant consequences for the tourism and hospitality industry in affected regions. By examining how businesses adapt to various crises, future studies can provide insights into resilience strategies and long-term business performance in the tourism sector.

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