



## PRODUCT INNOVATION MEDIATING EFFECT ON THE RELATIONSHIP BETWEEN SOCIAL MEDIA MARKETING AND PERFORMANCE OF STAR RATED HOTELS IN KENYA

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**ABSTRACT:** *The purpose of this study was to investigate the mediation effect of product innovation on the relationship between social media marketing and performance of Star Rated Hotels in Kenya. The objectives of the study were; to determine the effect of social media marketing on product innovation and on performance of star rated hotels, to investigate the effect of product innovation on firm performance and finally to determine the mediating role of product innovation on the relationship between social media marketing and firm performance. The study employed the use of social media integration theory, Innovation Diffusion Theory and social exchange theory to test the relationship between the variables. Explanatory research design was employed and the targeted population was 215 star rated hotels listed on the Tourism Regulatory Authority. Census survey was adopted thus all the 215 rated and classified hotels on TRA were studied. The response rate was 92.09 percent due to hotels not returning the questionnaires sent them. Regression analysis was used in testing the hypotheses. Regression results indicated that social media marketing influenced product innovation ( $\beta = 0.946 > 0.05$ ) and firm performance ( $\beta = 0.3368 > 0.05$ ) respectively. Product innovation influenced firm performance ( $\beta = 0.2041 > 0.05$ ) and acting as a mediator product innovation showed a significant mediation effect ( $\beta = 0.193 > 0.05$ ). It was concluded star rated hotels can use social media marketing for performance improvement and generation and collection of information that they use for product innovation. Furthermore innovativeness of new hotel products is a better way for improving the performance of a hotel. To add on the use of social media as marketing tool has positive significant effect on firm performance in terms of customer satisfaction, market share growth and realized profits. Hotels industry needs to focus social product innovation to enhance their performance, and to obtain customer satisfaction because innovation aids in gaining a competitive advantage.*

**KEYWORDS:** Product Innovation, Firm performance, Competitive Dynamics, Star Rated Hotels, Social Media Marketing,



## INTRODUCTION

Firm performance is an important concept in global strategic management research, and it is frequently used as a dependent variable (Selvam et al., 2016). A firm's performance can be quantified using a variety of indicators; key performance indicators include growth, profitability, market value, customer and employee satisfaction, environmental performance, environmental audit performance, corporate governance performance, and social performance, as defined by (Selvam et al., 2016; López et al., 2007). Since the turn of the twenty-first century, the concept of firm performance has primarily centered on the business's aptitude and ability to efficiently utilize the resources at its disposal in order to accomplish goals accordance with its established objectives (Peterson et al., 2003).

Firm Performance includes increasing profitability and providing outstanding customer service by meeting or exceeding client expectations. Customer satisfaction drives corporate performance (Ramani & Kumar, 2008). The integration of social media marketing (SMM) in organizational activities for enhanced overall performance has been increasing (Keegan & Rowley, 2017). Despite the wide spread use of SMM on organizational performance particularly in East Africa little is still known on its usefulness as most of the available literature focuses on western countries.

Hotel industry is undergoing stiffer competition among its players for market share, provision of quality services and general overall performance (Alon, Ni & Wang, 2012). Customers' expectations and preferences are evolving. For international acceptance of standards certificates, recognition as a firm of the year, star rating, and participation in professional associations, hotels are resorting to strategic management performance drivers (Ongore & Kobonyo, 2011). Hotels are therefore employing various strategies to deal with the dynamic competitive environment and with current technological development social media use is being implemented by hotels to enhance their competitive advantage and increase performance (Tajvidi, & Karami, 2021; He et al., 2013).

Social media is a debatable concept, in the beginning the platforms were created as a way connecting people with common goals, same lifestyles and probably from the same geographical region (Cogburn & Espinoza-Vasquez, 2011). Social media marketing comprises engaging with clients online, and according to Wikipedia, it is comprised of internet-based tools for group engagement, information exchange, and discussion. LinkedIn was launched in 2003, followed by MySpace and Facebook in 2004, YouTube in 2005, and Twitter in 2006 (Lipschultz, 2020; Chebib & Sohail, 2011). The following years saw a dramatic increase in the number of users, who currently number in the billions. With over 500 million members worldwide, Facebook is the most popular social network, followed by Twitter (175 million), LinkedIn (90 million), and MySpace (57 million) (Deepa & Deshmukh, 2013). The various forms of social media marketing accessible today give a single channel of communication via which firms may interact with and exchange information with their customers (Gallaughier & Ransbotham, 2010). Communication on social media platforms entails the creation of online brand communities (OBC), carrying out advertising campaigns, interaction and sharing of content and finally the availability and accessibility to relevant and updated content by their customers provide the various mediums through which organizations can carry out marketing campaigns (Latif, 2021; de Silva, 2021). Companies have introduced online brand communities, a virtual environment in which members engage mostly over the internet, then they interact and share with those customers in their OBC through providing special



advertisement campaigns tailored at them (Mangold & Folds, 2009) and finally organizations should update the information they share with their customers regularly to ensure they remain relevant and customers have up-to date information (Hossain & Sakib, 2016).

Rainey (2006) defines product innovation as the creation and marketing of new products and services based on emerging technologies. There is evidence linking innovation with organisational performance. Production and marketing objectives include improving product quality, decreasing costs, increasing marketing share, expanding market reach, increasing production flexibility, and improving managerial performance (Mitrega et al., 2021). Hoteliers' key actions, such innovation investments, appear to be targeted at increasing business value and profitability (Peters, 2012). Product innovation activities result into enhanced commodities/services which could result into an expanded market share and therefore better returns to investment in form of profits (Owino, 2018). Worldwide, research show that innovation is critical to a company's financial performance (Bockova & Zizlavsky, 2016; Cegarra-Navarro et al., 2016; Aastvedt et al., 2021; Xie et al., 2019).

To understand hotel product innovation, it is necessary to first define the term "hotel product" as it is used in the tourism business. Hotel products are a critical component of the hospitality industry (Bouranta, Psomas & Pantouvakis, 2017). According to Yilmaz and Bititc (2006), tourism, like hotel products, possesses both service and tangible product qualities. On the other hand, Weiermair (2006) defines a tourism product as a simultaneous production and consuming experience. Thus, improving the physical hotel product improves service delivery and adds to the creation of truly unique visitor experiences. According to Santos (2014), tourism sites, particularly hotels, are compelled to adopt innovative strategies in order to attract new clients and maintain a consistently unique customer experience. Locally, few researches have examined the link between product innovation and the performance of star rated hotels in Kenya. This study was designed to investigate the mediation effect of product innovation on the relationship between social media marketing and performance of Star Rated Hotels in Kenya.

## LITERATURE REVIEW

### Empirical review

Innovation is widely regarded as a key performance factor for firms and many businesses are looking for new ways to increase profits (Artz et al., 2010). Many studies have shown that innovation improves business performance (Bockova & Zizlavsky, 2016; Cegarra-Navarro et al., 2016; Aastvedt et al., 2021; Xie et al., 2019). Products and services based on emerging technology are defined as product innovation by Rainey (2006). Process innovation involves implementing new ideas for new products, markets, marketing services, organisational structures, and workplace external relations. Cho and Pucik (2005) came to the conclusion that enterprise innovation was associated with growth and profitability after conducting an empirical research of Fortune 1000 organisations. Eggert et al., 2011 discovered that product innovation was a key factor of growth and profitability in industries. Developing and implementing innovative ideas requires unique organisational resources and talents, however, in order to be effective. The performance of innovations in diverse environments may differ due to the fact that they are multi-faceted. Corporate internal and market boycotts, for example,



might make innovation more difficult to implement and so reduce the impact of innovation on business performance. When a company embraces an invention, it may force employees, suppliers, and consumers to use it, even if they are not aware of the value the innovation provides to them (Van de Vrande, De Jong, Vanhaverbeke & De Rochemont, 2009). Some employees may be resistant to change if they are pushed to do so.

According to Chen (2017), the relationship between innovation and business performance can be positive, neutral, or negative, with the industrial or market environment serving as the primary moderating component in the relationship. A composite construct based on multiple performance indicators, such as new patents, product launches, initiatives, procedures, and organisational configurations is used to measure success (Gunday et al., 2011). Using social media has allowed the company to directly connect customers (Kargaran et al., 2017). Both businesses and consumers have the freedom to post content on the internet, which encourages discussion and debate. Organizations can share information with a big audience, and consumers can write good or negative comments about the material. Companies can use content communities to market themselves, but it is difficult to monitor all content posted through them. Uploading and sharing copyrighted information is one of these difficulties (Kaplan & Haenlein, 2010).

Individuals' ability to form communities and sub-groups in a social media environment is evaluated through the Groups component of the test (Cho et al., 2007). The more socially active a network is, the greater the number of groups, communities, followers, and contacts it will have on its side (Kietzmann et al., 2011). According to Mehrabi et al. (2014), they conducted research on the Effect of Social Media Marketing on Customers' Brand Loyalty. In their paper, they used several dimensions of social media marketing, including the provision of relevant content, the updating of content, the provision of content that is popular among friends, and the implementation of advertising campaigns. According to the findings of the study, by providing useful content, one might expose oneself to a great deal of mental turmoil toward a business and ultimately grow loyal to it. Digital marketing has elements such as online communities, interactivity, content sharing, accessibility, and validity. For example, online communities and user interaction, content sharing, accessibility, and credibility were all explored by Karman (2015). Social networks are commonly used to facilitate peer group communication and idea exchange among members of a particular group.

### **Theoretical Review**

Social media Integration Theory was developed by Emile Durkheim, a French sociologist in 1917 (Thompson, 2003). Social integration is the process of interacting, connecting, and validating within a community. Interaction allows both the audience and the brand to contribute equally, resulting in a long-lasting feedback communication process and a comprehensive engagement strategy all in one (Lee & Seltzer, 2018). It goes like this: Facebook, Twitter, and other social media are integrated into social bookmarking sites (Isra, 2011). This content is then virally circulated via social media eco-links. This social media platform enables for natural interaction and model flow. Then, the social networking platforms offer public participation through the "two-way street" interaction process linked to social bookmarking sharing. Simultaneously, the driving forces of one side act and create communication. However, the incoming network's dialogue is channeled into a valuable feedback experience and exposure by the incoming network's driving forces, such as social recommendation/reviews (Isra 2011). This theory is important to this study as it will enable to look at how hotels interact and share



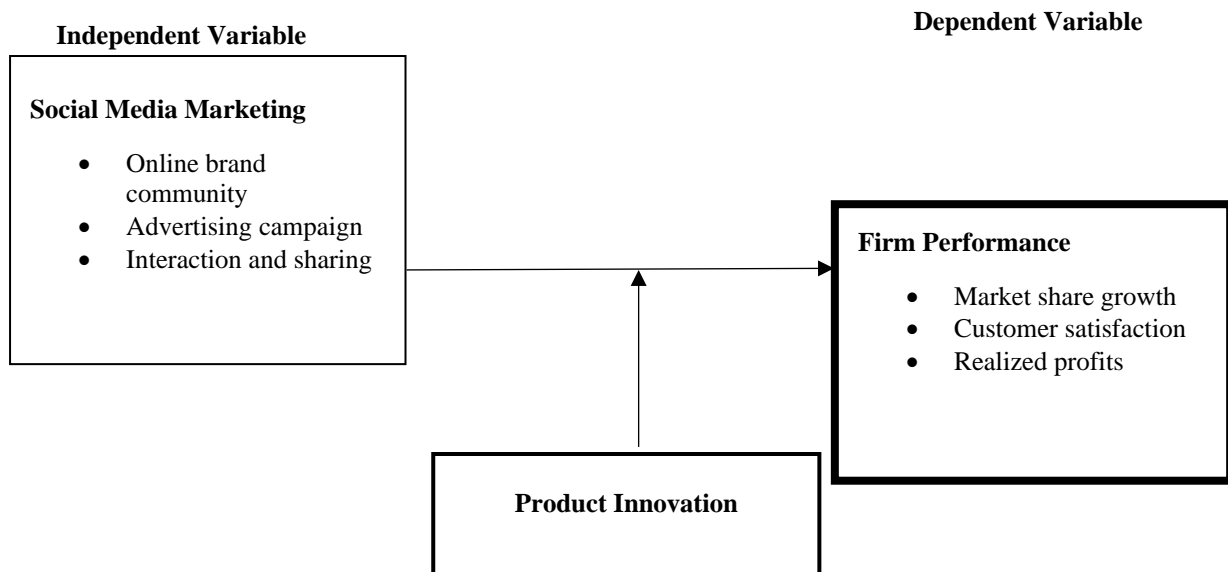
information with their clients enabling them to be innovative in regard to developing new products, modifying existing ones and also handling customer complaints to achieve customer satisfaction and increase their performance.

George Hormans founded the Social Exchange Theory in 1958 and this theory focuses on job connections as economic and social transactions (Nammir et al., 2012). Social Exchange Theory is a key approach in interpersonal interaction research. The theory states that interpersonal interaction is a process in which diverse participants engage in activities and share information. Interpersonal connections are based on the principle of reciprocity (Bock and Kim, 2002). Due to reciprocity, rewards for exchange include both material and psychological benefits such as support, trust, self-esteem, and status. Individuals conduct online community information sharing activities. Knowledge exchange between knowledge owners and knowledge demanders. In virtual communities, information sharing is a personal action and a type of individual exchange. Organizations have used social exchange theory to better understand the reciprocal relationship that develops between employees and the organization (Masterson, Lewis, Goldman & Taylor, 2000). An organization's employees will feel obligated to help achieve its goals if they are treated properly and valued for their efforts. The employee's support can result in improved organisational performance and loyalty, and reduced staff turnover. The latter indicates members' time and efforts committed in the virtual community. Encouraging individuals to share knowledge is important in the virtual community. Thus, encouraging individual sharing intentions on the internet is critical to promoting information sharing behaviors related to social trade.

Innovation Diffusion Theory (IDT) was developed by Rogers in 1962, and seeks to explain the flow of innovations within an organization. Rogers explained that diffusion is the means by which an innovation is communicated over time among the participants in a social system (Kügler et al., 2013). The diffusion of innovations theory origin is diverse and extent various disciplines. Rogers suggests a social system, the innovation itself, communication channels and time to be the four key essentials that affect the spread of a new idea which heavily relies on human capital. So as for the innovation to self-sustain there must be extensively implemented. an innovation reaches perilous (Estabrooks et al., 2006). There is a time in adoption where Rogers describes diffusion as the gradual acceptance of a new concept, behaviour, or physical innovation by a social system. Rogers discovered significant innovation qualities that drive adoption behaviour. Rodgers noted that the characteristics of innovations influence how and how quickly they are adopted. Rogers argues that what potential adopters of diffusion perceive as characteristics of innovation is important, citing Kunreuther and Pauly (2012). The rate of technological innovation usage is critical for organisational growth and development. Rodgers (1995) divides innovation between hardware and software. Hardware is a physical of technology. Differing degrees of relative advantage effect dissemination. As a result of this idea, hotels' financial performance is explained



## Conceptual Framework



**Figure 1: Author Conceptualization 2022**

## METHODOLOGY

An explanatory research design was employed in this study with the goal of explaining and accounting for descriptive data. This study focused on the 215 hotels in Kenya that are star rated and listed under the Tourism Regulatory Authority (2020) and the Kenya Association of Hotelkeepers and Caterers. Hotels have been clustered into various regions. Nairobi region, Western region, Eastern region, Coast region South rift and North rift regions. As at December 2020 the number of hotels listed and classified by the Tourism Regulatory Authority and Kenya Association of Hotelkeepers and Caterers were 215. The targeted population for this study was 215 hotels listed on Tourism Regulatory Authority with each hotel producing one respondent for the study. Census survey was adopted for the study and all the 215 star rated hotels were studied. The response rate was 92.09 percent due to some hotels filling questionnaire incorrectly and others not returning it at all. The coordinator/employee in charge of social media activity at each hotel and Sales and marketing manager were interviewed. A 5-point Likert scale questionnaires were used to collect primary data. Cronbach's alpha was used to determine the internal consistency of a measurement instrument and a score of 0.7 or higher on the dependability scale was acceptable. Data was coded into SPSS version 24 and analyzed using descriptive statistics, Pearson correlations and inferential statistics. Results were presented using means, standard deviation, percentages and frequency. Multiple regressions were used in testing the hypotheses.

The regression model:

Direct effect

$$FP = \alpha_0 + \beta_1 SMM + \varepsilon \dots\dots\dots 1$$

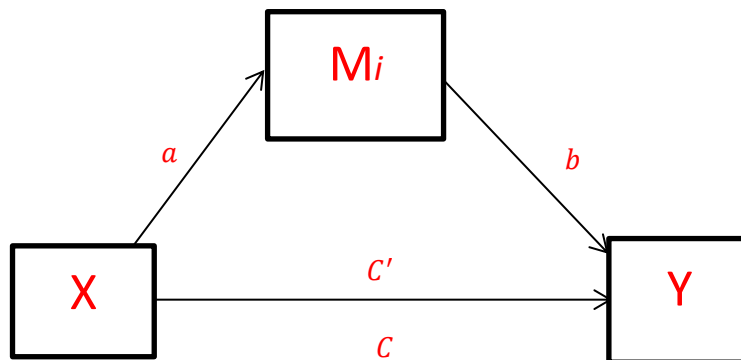
$$FP = \alpha_0 + \beta_1 PI + \varepsilon \dots\dots\dots 1$$

$$PI = \alpha_0 + \beta_1 SMM + \varepsilon \dots\dots\dots 1$$

**Mediation effect**

$$a_1 b_1 \dots\dots\dots 2$$

Where, FP is the performance of star rated hotels in Kenya (Social Media Marketing), Moderating variable (Competitive Dynamics). FP is the performance of star rated hotels in Kenya, SMM the social media marketing,  $\alpha_0$  is intercept,  $\beta_1$  the coefficient and  $\varepsilon$  the standard error term.



**Figure 2: Statistical Diagram for Mediation Model**



## RESULTS AND DISCUSSION

### Firm Performance of Star Rated Hotels

Performance of star rated hotels was measured using nine items and the respondents were required to rate the extent to which they agreed with the statement on a Likert scale of 1-5. Majority of the respondents (n= 181, 91.4%) agreed with the statement that customer complaints have gone down. This statement further showed a mean of 4.37 and a variance of 0.54. This was closely followed by the statement that there is an increase in product development (n=180, 90.9%) which had a mean of 4.41 and a variance of 0.985. (Hauser *et al.*, 2006) opine that it is widely accepted that one of the most significant topics firms' success today is in the introduction of new products to the market. It provides an opportunity to create and product not just one but a constant stream of new products as a requirement for every product-delivery business to stay competitive in the market. This is important because it contributes generating sales and increases income for a firm that would not have been produced otherwise (Annacchino, 2011).

**Table 1: Performance of Star Rated of Hotels**

Statement	Strongly Disagree		Disagree		Don't Know		Agree		Strongly Agree		Mean	Variance
	F	%	F	%	F	%	F	%	F	%		
We've increased the Total number followers and fans on social media sites	8	4	16	8.1	14	7.1	49	24.7	111	56.1	4.21	1.282
Our Hotels Customer list has increased	1	9.1	24	12.1	18	9.1	70	35.4	68	34.3	3.74	1.677
Our online bookings have increased	7	3.5	14	7.1	28	14.1	59	29.8	90	45.5	4.07	1.199
Customer complaints have gone down	1	0.5	4	2.0	12	6.1	84	42.4	97	49.0	4.37	0.54
Our revenue has gone up after social media use	1	0.5	8	4.0	13	6.6	58	29.3	118	59.6	4.43	0.683
Our profits have gone up from carrying out marketing campaigns on social media	0	0	5	2.5	20	10.1	56	28.3	117	59.1	4.44	0.603
Market share has increased than that of our competitors	1	7.1	3	1.5	22	11.1	11	38.9	82	41.4	4.06	1.225





We achieved better customer satisfaction emanating from better communication on social media	1	0.5	3	1.5	26	13.1	68	34.3	100	50.5	4.33	0.638
There is an increase in product development	9	4.5	5	2.5	4	2.0	57	28.8	123	62.1	4.41	0.985
<b>Composite mean</b>												<b>4.228</b>

*Source: Researcher's Data, 2021*

### Product Innovation

Product innovation was constructed using five items. The respondents were required to rate the extent to which they agree on the statements using a scale of 1-5 with (1-Strongly disagree, 2- Disagree, 3- Don't Know, 4- Agree and 5- Strongly agree). Table 2 presents the findings of the statements posed concerning the responses by the respondents on the provided five-point Likert scale. The mean scores of between 4 and 5 have taken to represent the responses of agree and strongly agree. The score of 'I don't know' was taken to represent a mean score of 3 while the score of strongly disagree and disagree was taken to represent a mean score between 1 and 2. As reported further, majority of the respondents (mean= 4.27 and variance = 1.164) agreed that they integrate customer comments from online platforms in the product development to improve their service delivery. This was closely followed that service delivery is based on customer requirements (mean = 4.24 and variance = 1.360); they base their service delivery on customer interactions within their forums and blogs (mean = 4.21 and variance = 1.211).

The smallest variance (1.211) indicates that the responses were closer to the mean. On the statement, that hotel have services that are generated from monitoring customer communications online; it had a mean of 4.14 and a variance 1.367. Lastly, on the statement that hotels communicate with their customers to ensure that the products are developed and offer match customer demands, a mean of 4.08 and a variance of 1.634 was recorded. It implies therefore, that product innovation has a significant effect on the performance of star rated hotels in Kenya. Furthermore, we can say that product Innovation has a significant effect on performance by resulting in a stronger marketplace, which provides a competitive advantage and superior performance (Walker, 2004). Product innovation among star rated hotels affects their performance as it enhances wide range of products and services offered to their customers, this will in turn give the customers a wide range of products to choose from. Product innovation among hotels implies improved a wide range of product and services and thus edge out their competitors.

**Table 2: Product Innovation**

Statement	Strongly Disagree		Disagree		Don't Know		Agree		Strongly Agree		Mean	Variance
	F	%	F	%	F	%	F	%	F	%		
We communicate with our customers to ensure that the products we develop and offer match their demands.	20	10.1	6	3.0	16	8.1	53	26.8	103	52.0	4.08	1.634
We integrate customer comments from online platforms in the product development in order to improve our service delivery	4	2.0	17	8.6	20	10.1	37	18.7	120	60.6	4.27	1.164
The hotel has services that were generated from monitoring customer communications online	11	5.6	14	7.1	15	7.6	55	27.8	103	52	4.14	1.367
Our service delivery is based on customer requirements	11	5.6	11	5.6	17	8.6	40	20.2	119	60.1	4.24	1.360
We base our service delivery from customer interactions within our forums and blogs	9	4.5	14	7.1	7	3.5	65	32.8	103	52	4.21	1.211
<b>Composite Mean</b>											<b>4.19</b>	

*Source: Researcher's Data, 2021*

## Social Media Marketing

In this section, the respondents were required to rate the extent to which they agreed with statements relating to organizations use of social media marketing using a Likert scale 1-5 (1- Strongly disagree, 2- Disagree, 3- Don't Know, 4- Agree and 5- Strongly agree) using 16 items. Table 3 presents the findings of the statements posed concerning the responses by the respondents on the provided five-point Likert scale. Similarly, the mean scores of between 4 and 5 have taken to represent the responses of agree and strongly agree. The score of 'don't know' was taken to represent a mean score of 3 while the score of strongly disagree and disagree was taken to represent a mean score between 1 and 2. It is evident from the Table 3 that the composite mean is 4.13. These shows that majority of the respondents agreed that social media marketing has a significant effect on the performance of star rated hotel in Kenya. On the statement that managers have taken an active part in developing an online brand



community for their hotels, majority of the respondents agreed (n= 124, 88.4 %). It also indicated a mean of 4.46 and a variance of 0.697.

**Table 3: Social Media Marketing**

Statement	Strongly Disagree		Agree		Don't Know		Agree		Strongly Disagree		Mean	Variance
	F	%	F	%	F	%	F	%	F	%		
We've taken an active part in developing an online brand community for our hotel	3	1.5	3	1.5	1	0.7	51	25.8	124	62.6	4.46	0.697
We frequently provide useful information to members on our social media communities	0	0	16	8	4	2.0	57	28.8	121	61.1	4.43	0.774
In general we post messages and responses on our social media sites with enthusiasm and frequency	7	3.5	6	3	2	1.0	81	40.9	83	41.9	4.15	0.948
We have incorporated the products and services we offer into an online page on social media	21	10.5	8	4	2	1.0	64	32.3	82	41.4	3.90	1.645
We have guidelines for what's acceptable for public contributions to our organization's website, blog, and forum	3	1.5	19	9.5	3	1.5	49	24.7	94	47.5	4.07	1.162
We have established and maintained relationships with our customers on social media platforms	13	6.5	13	6.5	1	0.5	51	25.8	102	51.5	4.09	1.464
When launching new services we communicate to our customers on our social media page	7	3.5	13	6.5	2	1.0	40	20.2	114	57.6	4.22	1.237
We've developed our social media pages so that they can support the purchase process.	1	0.5	18	9	2	1.0	52	26.3	106	53.5	4.23	1.002



Customers can book  
online

Our social media has a human voice that resonates with our brand	13	6	23	1	2	11.1	59	29.8	81	40.9	3.87	1.566
		.		1	2							
		6		.								
				6								
We have developed blogs and forums through which our clients can interact with each other and share their experiences from using our facilities	22	1	14	7	1	8.6	48	24.2	97	49.0	3.93	1.863
		1		.	7							
		.		1								
		1										
We update our social media pages frequently to keep our clients informed	5	2	20	1	2	10.1	30	15.2	123	62.1	4.24	1.301
		.		0	0							
		5		.								
				1								
Relevant and important information concerning our services is regularly posted online	10	5	12	6	1	7.6	56	28.3	105	53.0	4.18	1.276
		.		.	5							
		1		1								
We encourage our customers to share their experiences with us on our Social media page	11	5	14	7	1	8.6	37	18.7	119	60.1	4.21	1.434
		.		.	7							
		6		1								
Our customers interact with other on our social website	8	4	16	8	1	6.1	60	30.3	102	51.5	4.17	1.239
		.		.	2							
		0		1								
We respond and reply to customer inquiries made on our social website	7	3	13	6	1	7.1	55	27.8	109	55.1	4.24	1.149
		.		.	4							
		5		6								
When posting marketing campaigns we link them to our hotels marketing strategies	19	9	24	1	1	9.6	70	35.4	66	33.3	3.71	1.701
		.		2	9							
		6		.								
				1								
<b>Composite mean</b>											<b>4.13</b>	

*Source: Researcher's Data, 2021*



### Testing for Mediation Effects of Product Innovation

Table 4 represent results for direct effects and for mediation effect of product innovation on the relationship between social media marketing and firm performance of star rated hotels in Kenya. Before looking into mediation, it is good to understand the link between the independent variable (SMM) and the mediating variable (PI).

Figure 2 below presents the path analysis where the influence of SMM on PI is referred to as path  $a$  and effect of PI on FP is path  $b$  while path  $c'$  is the effect of SMM on FP according (MacKinnon & Luecken, 2008; MacKinnon, Cheong & Pirlott, 2012); Barron & Kenny 1986).

The total effect is the sum of indirect and direct effects where indirect effects is the product of path  $a$  and path  $b'$  ( $ab$ ). Thus, according to the results, path  $a' = 0.9464$ , path  $b' = 0.2041$  and path  $c' = 0.3368$ . The mediation effect (indirect effect of SMM on FP through PI) is  $ab = 0.9464 * 0.2041 = 0.1932$ . Now the total effect is  $ab + c' = 0.5299$ . Comparing the effect of SMM on FP without the mediation effect of PI and result of SMM on FP with mediation was 0.3368 and significant at  $p = 0.000$  before and it has changed to 0.5299 show that the magnitude has improved and that means product innovation acts as a strong mediator on the direct effect of SMM and FP.

**Table 4: Results for Mediation Effects of Product Innovation**

Fitting Target Model						
Iteration 0: Log likelihood		=-590.37309				
Iteration 1: Log likelihood		=-590.37309				
Estimation method = ml		No. of Observation = 198				
PI	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
SMM	0.9464	0.0437	21.64	0.000	0.8607	1.0321
Constant	0.2163	0.1892	1.14	0.253	-0.1546	0.5871
FP	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
PI	0.2041	0.0614	3.32	0.001	0.0837	0.3245
SMM	0.3368	0.6933	4.86	0.000	0.2009	0.4726
Constant	2.0719	0.1641	12.63	0.000	1.7504	2.3935
Variance						
e.PI	0.3407	0.0342			0.2798	0.4149
e.FP	0.2545	0.0256			0.2090	0.3099
Direct Effects						
PI	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
SMM	0.9464	0.0437	21.64	0.000	0.8607	1.0321
FP	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
PI	0.2041	0.0614	3.32	0.001	0.0837	0.3245
SMM	0.3368	0.0693	4.86	0.000	0.2009	0.4726
Indirect Effects						
FP	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
SMM	0.1932	0.0588	3.28	0.001	0.0779	0.3084
Total Effects						
PI	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
SMM	0.9464	0.0437	21.64	0.000	0.8607	1.0321



FP	Coef.	Std. Err	Z	p> z	[ 95% conf. Interval]	
PI	0.2041	0.0614	3.32	0.001	0.0837	0.3245
SMM	0.5299	0.0388	13.65	0.000	0.4538	0.6060

Source: Researcher's Data, 2021

Person correlation analysis indicated that social media marketing and product innovation are strongly correlated ( $\rho = .838$ ). This implies that social media marketing together with product innovation correlates with firm performance of the star rated hotels in Kenya.

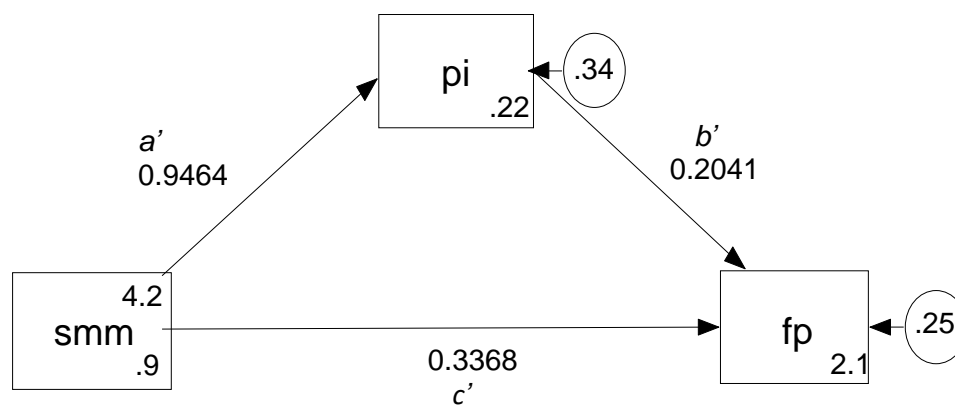


Figure 3: Path Diagram for Mediation Effect of Product Innovation

The hypothesis of this study stated that product innovation has no significant mediating effect on the relationship between social media marketing and performance of star rated hotels in Kenya. Results indicates product innovation significantly mediates the relationship between social media marketing and hotel performance. This null hypothesis was rejected and alternative accepted. This is because of significant effect ( $\beta = 0.193, p - value = 0.001 < 0.05$ ) as shown in table 4 and it implies that social media marketing affects performance through the influence of product innovation. Product innovation plays a very important role by enhancing online customer interactions, generate and monitoring customer communication.

## CONCLUSION

The study shows that social media is the most important element affecting performance in Kenya's hospitality business. Social media is an important part of your hotel marketing strategy, but posting infrequent, one-time tweets about bargains or services is not going to cut it. The interaction with hotel customers on social media leads to product innovation as new ideas; information of doing this is learned and adopted. While linking product innovation and hotel performance the study found that innovativeness lead to improvement in the performance of star rated hotels. Creating a strong social media presence helps to build hotel brand in the





minds of travelers and creates more money for the business. Product innovation showcases new brand by producing and showcasing photographs, videos, and other brand-related material. Product innovation can increase efficiency, productivity, quality, competitive positioning, and market share, among other things.

### Policy and further studies Recommendations

Product innovation has been evident to have a mediating role between social media marketing and performance. Therefore, the study recommends that hotels need to embrace innovations. Innovation has been widely used in other sector such as manufacturing, finance, and information technology. Hotels industry needs to exhaustively focus product innovation to enhance their performance, and to obtain customer satisfaction because innovation adds economic competitive advantage to the firm which is responsible for establishment of new products on the market or for implementing new processes in the production cycle.

The study recommends further research on the influence of product innovation on firm performance in other unrated hotels in Kenya.

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