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## **Budget Hotel Performance Based on Customers' Perspective and Competitive Strategy**

***Christina Catur Widayati; Sri Vandayuli Riorini***

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## Budget Hotel Performance Based on Customers' Perspective and Competitive Strategy

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Christina Catur Widayati<sup>1</sup>, Sri Vandayuli Riorini<sup>2</sup>

**Abstract:**

*For tourists, the speed and ease of access to tourist sites is an important factor when traveling. This prompts the concept of an affordable and comfortable hotel (budget hotel). The study aims to analyze the impact of competitive strategy and dimensions to hotel performance.*

*The dimensions of competitive strategy consist of brand image, human resources, information technology, and service quality, all of which are taken into consideration for this study. Hotel performance is measured by a single dimension namely from the customer's perspective (customer-based performance).*

*Data is collected and processed from 200 budget hotel consumers in the Island of Bali, which is considered a national tourism parameter in Indonesia. The data processing tool employed is SEM (Structural Equation Modeling).*

*The study found a positive effect of competitive strategy and its dimensions, namely brand image, human resources, information technology, and service quality toward hotel performance. Furthermore, information technology is found to be the strongest factor affecting hotel performance. However, brand image is the most important factor in the competitive strategy dimension of budget hotels.*

*For further research, it is suggested to research hotel performance using multiple performance measurements.*

**Keywords:** Budget hotel, Competitive strategy, Brand image, Human resources, Information technology, Service quality, Hotel performance

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## **1. Introduction**

Global tourism is the world's largest foreign exchange producer and is an important factor in the balance of payments in many countries. In 1996, foreign exchange earnings from global tourism reached US \$423 billion, surpassing exports of kerosene products, motor vehicles, telecommunications equipment, textiles and other goods or services. The World Tourism Organization (WTO) predicts that the number of people traveling abroad will increase from 613 million in 1997 to 1.6 billion by 2020. This increment will have an impact on improving tourism facilities in every country, including hotels (<https://www.kompas.com>).

Indonesia is still a world tourism destination. This is visible from the increasing number of foreign tourists who visit Indonesia each year, whereby in 2015 there were 10,406,759 tourists, an increment of more than 100% over the past 10 years (<https://www.bps.go.id>). The increment of foreign tourists to Indonesia, was greeted enthusiastically by the business and hospitality industry, where the hotel construction has become more intense or a booming event between 2015-2018 (<https://www.kompas.com>). In addition to star hotels and non star hotels, budget hotels have become an alternative lodging accommodation for tourists. Until 2014, there were only 45 brands which managed 183 budget hotels in Indonesia. The majority were in Jakarta (as business center) and in Bali (as a tourism sector), where Jakarta and Bali are the benchmarks of Indonesian tourism. This is an opportunity for hoteliers to build budget hotels, which, combined with Indonesia's large population (the world's fourth largest), and the archipelago can drive economic growth and better population income. By comparison, China, as the country with the largest population in the world, has 8,400 hotels managed by 33 brands and Japan has 1,459 budget hotels managed by 57 brands (<http://www.rumah.com>). The huge potential of the budget hotel business will spur the budget hotel competition in Indonesia, as well as other competitors, like the three-star hotel, since it is on the same level of budget hotels.

Fierce competition can affect hotel performance (Al-Saleem *et al.*, 2013). From previous studies, measurement of organizational performance was derived from a single dimension (eg: customer), double dimensions (eg: customers and competitors) or multiple dimensions (eg, customer, efficiency, and financial). This study measured hotel performance using a single dimension, namely the customer (customer based performance). According to Walker and Ruekert (1987), focusing on a single dimension is the same as focusing on a single strategy, and it equally produces good results as using multiple dimensions. The measurement of customer-based hotel performance is viewed from 3 dimensions, namely customer satisfaction, customer value, and customer loyalty (Neill and Rose, 2006). Customer satisfaction is an important factor in forging strong relationships with service providers (Ladhari and Morales, 2008). Furthermore, customer value plays an important role in encouraging consumers to use the products the company offers

(Kaasinen, 2005). While customer loyalty is the key for the company to survive and grow (Reichheld, 1996).

The main goal of a manager is to create the business success he/she needs to win the competition. According to Chathoth and Olsen (2007), the manager's goal can be achieved by determining the right strategies and implementing them. Many hoteliers develop a competitive strategy that aims to strengthen a strong market position and achieve the desired level of profitability (Tavitiyaman and Zhang, 2011). According to Olsen *et al.*, (2008), competitive strategy is a combination of branding, human resources and information technology that can enhance the ability of the hospitality industry to achieve maximum performance. This research added one dimension, namely, service quality as a new dimension of competitive strategy.

Brand is a force that can create differentiation with competitors. Having a strong brand image makes the hotel compete well, since it will be easier for customers to trust the hotel than other hotel brands. Human resources are the most valuable asset in the hospitality industry. The hotel industry is becoming increasingly complex and requires greater skills from employees at all levels, so that many hoteliers are attempting to improve employee competence and reduce employee turnover (Olsen *et al.*, 2008). Hotels with strong resources, can distinguish themselves from their competitors and survive in a competitive environment. This is because by having qualified and skilled workers, the service to customers will be delivered better and in a more professional way.

Information technology becomes an important resource for hotel business. By having good information technology, the company can be encouraged to create effective and efficient service. According to Chricton and Edgar (1995), information technology facilitates the ability of companies to deal with market complexity and to gain competitive advantage. Information technology is also an important component of the planning process to improve the performance of the hotel business and to improve services that are different from competitors (Johnson and Devonish, 2009). Differentiation through superior service delivery is an effective management strategy, enabling a company to differentiate itself from its competitors, thus having a sustainable competitive advantage and improve business performance (Ladhari, 2009; Cennet *et al.*, 2010).

## **2. Literature review, hypothesis and conceptual model**

### **2.1 The influence of brand image on hotel performance**

Brand image is a reflection of consumer memorable experiences with the organization (Saleem and Raja, 2014). For a hotel, the brand reflects the relationship between the hotel and its guests, as well as what benefits consumers derive from a hotel (Maroofi *et al.*, 2012). Image is built into the minds of consumers through various promotions created by the company and delivering

quality products and services as promised. Superior brand perceived by consumers will gain a positioning in a consumer's heart and mind (Keller, 2008). Consumers tend to undoubtedly accept new products from a brand that has a superior brand image rather than from one with an inferior brand image, since they think brands with superior brand image have full assurance of the quality, characteristics, performance, and service provided (Schiffman and Leslie, 2012). By providing the pertinent promise and assurance, this will have an impact on customer satisfaction (Lahap *et al.*, 2016), customer value (Cretu and Brodie, 2009), and customer loyalty (Sulibhavi and Shivashankar, 2017). In the producer's perspective, this may affect hotel performance. This is also supported by research of Hong-Bumm *et al.*, (2003) and Tavitiyaman *et al.*, (2012) which found a positive influence of hotel brand image toward hotel performance. Based on the theories and descriptions that have been put forward, the research hypothesis to be tested is:

*H<sub>1</sub>: There is a positive influence of brand image toward hotel performance.*

## **2.2 The influence of human resources toward hotel performance**

A key element whether or not a service industry is successful is its employees (Davidson, 2003). Top management in many companies agrees that employees are company assets, so it becomes a challenge for them to enhance employee capabilities, hence employees become valuable, diverse and hard to imitate (Amit and Shoemaker, 1993). High competence, knowledge, skills, and abilities of employees are valuable capital to achieve high performance in serving consumers by creating customer satisfaction, value and loyalty. High performance employees will create value for the organization and ultimately impact on organizational performance (Bontis *et al.*, 2002). This has been supported by research that discovered the impact of human resources on organization's performance in the hotel services industry, where Chand and Katou (2007) studied the Indian hotel industry, and Abou-Moghli and Abo-Rumman (2012) studied five-star hotels in Jordan. Based on this, the hypothesis to be tested is formulated as follows:

*H<sub>2</sub>: There is a positive influence of human resources toward hotel performance.*

## **2.3 The influence of information technology toward hotel performance**

Information technology is a set of tools that support and facilitate people in exchanging information, working with information assistance, and performing tasks related to information processing (Haag and Keen, 1996). According to Williams and Sawyer (2010), information technology is not just limited to computer technology which includes hardware and software, but also includes communication technology to send or disseminate information. The benefits of information technology will affect customer satisfaction (Cobanoglu *et al.*, 2011; Djajanto *et al.*, 2014), customer value (Khuong and Giang, 2014), and customer loyalty (Djajanto *et al.*, 2014), which reflects the hotel's performance based on



consumer perspectives (Neill and Rose, 2006). In addition, research from Johnson and Devonish, (2009), also observes the importance of information technology for hotel businesses in improving services to improve hotel business performance. The hypotheses to be tested next based on previous theories and research is:

*H<sub>3</sub>: There is a positive influence of information technology toward hotel performance.*

## **2.4 The influence of service quality toward hotel performance**

Service quality represents overall consumer attitudes in service firm according to Parasuraman *et al.* (1994). Customer interaction with the service provider during service encounters will affect customers' overall satisfaction with service, since the service encounter is the moment that determines whether consumer's expectations of service quality can be fulfilled or not. Furthermore, when the customer's perception of superior service quality is created, then the services offered will get the superior quality impression in the market. If the customer has a superior quality impression, the customer value of the product will be elevated (Kotler and Keller, 2011), thus, it will create customer loyalty (Wilkins, 2010). The results of empirical research on the hotel industry discover the direct effect of service quality toward customer satisfaction, Wilkins (2010), Ladhari (2009), Rao and Sahu (2014), and Saleem and Raja (2014). Furthermore, research on the effect of service quality toward customer value in the hospitality industry has been performed and a significant influence was found (Kim *et al.*, 2010). Customer satisfaction, customer value, and customer loyalty are very closely related concepts (Iacobucci *et al.*, 1995), and function as a measure of hotel performance seen from a consumer perspective (Neill and Rose, 2006). Studies on the impact of service quality toward hotel performance had been found by Poku *et al.* (2013), Huan-Ming *et al.* (2015), and Chand (2010). The next hypothesis to be tested empirically in this study is:

*H<sub>4</sub>: There is a positive effect of service quality toward hotel performance.*

## **2.5 The influence of competitive strategy toward hotel performance**

Every company requires a competitive strategy in order to survive and grow in a dynamic market (Tavitiyaman and Zhang, 2011). According to Pearce and Robinson (2000), competitive strategy is everything that concerns the company's way of how, when and where companies should compete and for what purpose they compete. Competitive strategy can be generated through brand image, human resources, information technology, and service quality. Brand can become a company's strength and a strategy to compete (Olsen *et al.*, 2008), since it can create memorable experiences for consumers (Saleem and Raja, 2014). Top management in many companies agrees that employees are company assets, so it becomes a challenge for them to enhance employee capability in order to get valuable, diverse and unique employees, which could enhance the competitive

strategy for the company (Chang and Huang 2005). In addition, according to Chricton and Edgar (1995), information technology can support companies to deal with market complexity to gain a competitive advantage and competitive strategy for the company. Furthermore, an important strategy for the success and survival of the company in today's competitive environment is to provide quality services (Gronroos, 2001). Research on the influence of competitive strategy toward hotel performance had been proven by Tavitiyaman *et al.* (2012). Based on the description above, hypothesis to be tested is as follows:

*H<sub>5</sub>: There is a positive influence of competitive strategy toward hotel performance.*

## **2.2 Methodological grounds of the research**

The research aimed to test the hypothesis above. Data were collected from 200 consumers of budget hotels in the Island of Bali, as a barometer of Indonesian national tourism which was sampled and selected by using a purposive sampling technique. A response rate of 87% was obtained. In addition, the data collected were primary data by using questionnaires as research instruments used in September 2017. Questions in the questionnaire were divided in two, namely questions about the respondent's profile and questions related to the research variables. The respondent profile data obtained shows that the majority of hotel budget consumers were local tourists (75%), and 62% were male. Forty percent of the respondents were aged between 46 and 60 years, 85% were undergraduate, and most of them (73%) said that the purpose of the stay is to travel with family.

In this study, there are 2 variables used, as well as, 7 dimensions and 27 statement items. The first variable is the competitive strategy which was measured by using 4 dimensions, of which 3 dimensions and 9 statement items are adapted from Tavitiyaman *et al.*, (2011), namely brand image, human resources, information technology. Service quality dimensions were added in this study (Cennet *et al.*, 2010), measured by 5 statement items adapted from Ren-Fang *et al.*, (2015). Furthermore, the second variable is hotel performance measured by using 3 dimensions and 13 statement items adapted from Neill and Rose (2006), namely customer satisfaction, customer value, and customer loyalty.

Respondents were asked to answer all item statements and rate their choices using a 5 point Likert scale, where 1= strongly disagree and 5=strongly agree. To obtain data related to research variables, prior to the data collection, the research instruments were initially tested to obtain valid and reliable data. The technique used for validity testing is Pearson correlation method and reliability test with internal consistency method. All variables and measuring tools used are valid and reliable. The correlation coefficient of each item statement varies from 0.884 to 0.943 (meaning each statement item has a strong relationship with each construct) and p-value obtained for each statement of  $0.000 < \text{sign.value of } 0.05$ . It can be concluded that each statement item is valid or suitable in measuring each construct.

Furthermore, Cronbach's Alpha value was obtained for each variable and values varied between 0.884 and 0.912, which means that all the available variables are reliable or consistent when used. The method used to analyze the data in this study is multiple regression analysis, which is done to test the variables either partially or simultaneously. Data processing is performed with the help of SPSS 19. Criteria testing of hypothesis is performed by comparing the significance value obtained with the level of significant of 0.05 (Hair *et al.*, 2010).

### 3. Results

Prior to hypothesis testing, a feasibility test of the regression model is performed as a step to identify whether the estimated regression model is feasible or not to be used to explain the effect of the independent variables toward the dependent variables. The feasibility test of the regression model formed is also called the F test, since it follows the F distribution of the test criteria such as one way ANOVA. From the results of data processing, multiple regression models are formed:

$$Y = 0.569 + 0.190 X_1 + 0.035 X_2 + 0.317 X_3 + 0.694 X_4$$

where Y=hotel performance;  $X_1$ =brand image;  $X_2$ = human resources;  $X_3$ =information technology;  $X_4$ =service quality.

Furthermore, from the F test results obtained, the F probability value of 0.000 is smaller than the level of significance of 0.05, so it can be concluded that the regression model estimated is feasible to be applied to explain the effect of brand image, human resources, information technology, and service quality toward the dependent variable of hotel performance. Once the model obtained is feasible, the authors proceed with the interpretation or an explanation of a multiple linear regression model generated for hypothesis testing. Results of data processing obtained are as follows:

**Table 1.** Hypothesis Testing Result (Partial Test and Simultaneous Test)

Hypothesis	$\beta$ (Regression weight)	Sign.	Decision
H <sub>1</sub> : There is a positive influence of brand image toward hotel performance	0.190	0.011	H <sub>1</sub> Supported
H <sub>2</sub> : There is a positive influence on human resources toward hotel performance	0.235	0.000	H <sub>2</sub> Supported
H <sub>3</sub> : There is a positive influence on information technology toward hotel performance	0.694	0.000	H <sub>3</sub> Supported
H <sub>4</sub> : There is a positive effect on service quality toward hotel performance	0.317	0.000	H <sub>4</sub> Supported
H <sub>5</sub> : There is a positive influence on competitive strategy toward hotel	-	0.000	H <sub>5</sub> Supported

performance			
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Based on Table 1, the interpretations made from the results of the data include explanations of regression coefficients (explanation of sign/direction) and sign values for partial testing. From the results of the data processed for the  $H_1$  partial test, the value of  $\beta = 0.190$  obtained explains that the direction of the influence of brand image toward the hotel performance is positive, when the hotel brand image becomes better, the hotel performance will also rise. Also, with the sign value of  $0.011 < 0.05$ , this explains that there is significant effect of brand image toward hotel performance. Similarly for  $H_2$  ( $\beta=0.235$ , sign.= 0.000),  $H_3$  ( $\beta=0.694$ ; sign.=0.000), and  $H_4$  ( $\beta=0.317$ ; sign. =0.000), where each variable indicates the direction of positive influence, which means that: (a) if the hotel's human resources are well qualified, then the hotel performance will improve, (b) if the hotel technology information is better, the hotel performance will improve, and (c) if the hotel provides better service quality, performance will improve. The sign value of  $0.000 < 0.005$ , hence it can be concluded that there is significant influence of each variable of human resources, information technology and service quality toward hotel performance. However, the most powerful factor affecting hotel performance is information technology.

Furthermore, from the results of ANOVA data processing for  $H_5$  for simultaneous testing, the F sign value obtained is 0.000 ( $p < 0.05$ ), so it can be concluded that the brand image, human resources, technology information, and service quality have a significant effect simultaneously toward hotel performance.

Competitive strategy can improve the ability to achieve maximum performance in the hospitality industry (Olsen *et al.*, 2008). Competitive strategy is dynamic and sustainable, therefore the activity of formulating, implementing and evaluating strategy to compete must be performed constantly, and this process will never end (Ofori and Atiogbe, 2012). The research performed supports previous research by Tavitiyaman *et al.*, (2011) and Huan-Ming *et al.*, (2015), where the competitive strategy which is formulated from 4 elements: brand image, human resources, information technology, and service quality, can affect hotel performance. O'Neill and Mattila (2010) explained that a positive brand image can have an affect on hotels within the middle chain scale categories (upper upscale, upscale, and midscale), but not in the top (luxury) and bottom (economy) categories, and well managed hotel brands can compete in the market.

Brand is an intangible asset for every company and can only be created if the company can create tangible value for consumers, through human resources, information technology, and service quality delivered. Human resources are the most valuable assets in the hospitality industry, as hotels are heavily dependent on humans in delivering services (Fitz-Enz, 2009). The hotel industry is becoming increasingly complex and requires greater skills among employees at all levels, thus many hoteliers are attempting to improve employee competence and reduce

employee turnover (Olsen *et al.*, 2008). Furthermore, the company's information technology will greatly assist the company in delivering effective and efficient service, so that customers feel satisfied and offer good judgment on the company's performance (Johnson and Devonish, 2009). In addition, the hotel can improve its service quality by continuously performing alterations through innovation, because innovation can create perceived value and hotel guest return intention (Khuong and Giang, 2014).

#### **4. Conclusions and recommendations**

Hotel performance is a success indicator of any hotel. Every hotel should be able to formulate a perpetual competitive strategy to improve its hotel performance. Based on the results of this research, the influence of competitive strategy to hotel performance was confirmed, where every hotel can formulate its competitive strategy through brand image, human resources, information technology, and service quality. Hotels with a better brand image, increasingly competent human resources, better information technology, and higher service quality, will perform better. The study also found that the strongest factor affecting hotel budget performance is information technology.

Some suggestions for managers, from the research results are as follows: First, hotel managers must create a good image in consumer's eyes by creating different images in consumer perceptions. Differences can be created if the hotel manager can provide a hallmark of the hotel concerned, such as differentiations in human resources, information technology, and service quality. Second, the hotel manager must be able to manage the human resources owned, so that employees can consistently provide services which satisfy the customers. This can be achieved if the manager pays attention to employee satisfaction, with attention to employee welfare, so that employee turn over is low. Third, to create the highest performance, budget hotels must also update information technology to assist employees in delivering effective and efficient service. Fourth, budget hotels should be able to provide consistent quality service to their customers. For this to happen, training for employees should to be carried out constantly, and the quality control by the manager must be enhanced through concrete efforts.

Some limitations and suggestions may be given for further research. Firstly, this research is only in budget hotels, so it is suggested that the same framework be applied to other middle chain scale categories hotels, such as 1, 2 or 3 star hotels. Secondly, the data is gathered only from consumers whose purpose for staying is for a trip/vacation, so for further research, it is advisable to interview consumers who have different reasons for staying in budget hotels, such as business purposes. Third, research was conducted only on hotel services, so this can also be applied to other related service industries, such as restaurants. Fourth, hotel performance is only seen from a customer based performance in this research, so it is suggested to apply other basis in measuring hotel performance, namely financial performance.

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# Budget Hotel Performance Based on Customers' Perspective and Competitive Strategy

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## Budget Hotel Performance Based on Customers' Perspective and Competitive Strategy

Christina Catur Widayati<sup>1</sup>, Sri Vandayuli Riorini<sup>2</sup>

### Abstract:

*For tourists, the speed and ease of access to tourist sites is an important factor when traveling. This prompts the concept of an affordable and comfortable hotel (budget hotel). The study aims to analyze the impact of competitive strategy and dimensions to hotel performance.*

*The dimensions of competitive strategy consist of brand image, human resources, information technology, and service quality, all of which are taken into consideration for this study. Hotel performance is measured by a single dimension namely from the customer's perspective (customer-based performance).*

*Data is collected and processed from 200 budget hotel consumers in the Island of Bali, which is considered a national tourism parameter in Indonesia. The data processing tool employed is SEM (Structural Equation Modeling).*

*The study found a positive effect of competitive strategy and its dimensions, namely brand image, human resources, information technology, and service quality toward hotel performance. Furthermore, information technology is found to be the strongest factor affecting hotel performance. However, brand image is the most important factor in the competitive strategy dimension of budget hotels.*

*For further research, it is suggested to research hotel performance using multiple performance measurements.*

**Keywords:** Budget hotel, Competitive strategy, Brand image, Human resources, Information technology, Service quality, Hotel performance

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## 1. Introduction

Global tourism is the world's largest foreign exchange producer and is an important factor in the balance of payments in many countries. In 1996, foreign exchange earnings from global tourism reached US \$423 billion, surpassing exports of kerosene products, motor vehicles, telecommunications equipment, textiles and other goods or services. The World Tourism Organization (WTO) predicts that the number of people traveling abroad will increase from 613 million in 1997 to 1.6 billion by 2020. This increment will have an impact on improving tourism facilities in every country, including hotels (<https://www.kompas.com>).

Indonesia is still a world tourism destination. This is visible from the increasing number of foreign tourists who visit Indonesia each year, whereby in 2015 there were 10,406,759 tourists, an increment of more than 100% over the past 10 years (<https://www.bps.go.id>). The increment of foreign tourists to Indonesia, was greeted enthusiastically by the business and hospitality industry, where the hotel construction has become more intense or a booming event between 2015-2018 (<https://www.kompas.com>). In addition to star hotels and non star hotels, budget hotels have become an alternative lodging accommodation for tourists. Until 2014, there were only 45 brands which managed 183 budget hotels in Indonesia. The majority were in Jakarta (as business center) and in Bali (as a tourism sector), where Jakarta and Bali are the benchmarks of Indonesian tourism. This is an opportunity for hoteliers to build budget hotels, which, combined with Indonesia's large population (the world's fourth largest), and the archipelago can drive economic growth and better population income. By comparison, China, as the country with the largest population in the world, has 8,400 hotels managed by 33 brands and Japan has 1,459 budget hotels managed by 57 brands (<http://www.rumah.com>). The huge potential of the budget hotel business will spur the budget hotel competition in Indonesia, as well as other competitors, like the three-star hotel, since it is on the same level of budget hotels.

Fierce competition can affect hotel performance (Al-Saleem *et al.*, 2013). From previous studies, measurement of organizational performance was derived from a single dimension (eg: customer), double dimensions (eg: customers and competitors) or multiple dimensions (eg, customer, efficiency, and financial). This study measured hotel performance using a single dimension, namely the customer (customer based performance). According to Walker and Ruekert (1987), focusing on a single dimension is the same as focusing on a single strategy, and it equally produces good results as using multiple dimensions. The measurement of customer-based hotel performance is viewed from 3 dimensions, namely customer satisfaction, customer value, and customer loyalty (Neill and Rose, 2006). Customer satisfaction is an important factor in forging strong relationships with service providers (Ladhari and Morales, 2008). Furthermore, customer value plays an important role in encouraging consumers to use the products the company offers



(Kaasinen, 2005). While customer loyalty is the key for the company to survive and grow (Reichheld, 1996).

<sup>5</sup> The main goal of a manager is to create the business success he/she needs to win the competition. According to Chathoth and Olsen (2007), the manager's goal can be achieved by determining the right strategies and implementing them. Many hoteliers develop a competitive strategy that aims to strengthen a strong market position and achieve the desired level of profitability (Tavitiyaman and Zhang, 2011). According to Olsen *et al.*, (2008), competitive strategy is a combination of branding, human resources and information technology that can enhance the ability of the hospitality industry to achieve maximum performance. This research added one dimension, namely, service quality as a new dimension of competitive strategy.

Brand is a force that can create differentiation with competitors. Having a strong brand image makes the hotel competitive, since it will be easier for customers to trust the hotel than other hotel brands. Human resources are the most valuable asset in the hospitality industry. The hotel industry is becoming increasingly complex and requires greater skills from employees at all levels, so that many hoteliers are attempting to improve employee competence and reduce employee turnover (Olsen *et al.*, 2008). Hotels with strong resources, can distinguish themselves from their competitors and survive in a competitive environment. This is because by having qualified and skilled workers, the service to customers will be delivered better and in a more professional way.

Information technology becomes an important resource for hotel business. By having good information technology, the company can be encouraged to create effective and efficient service. According to Hricton and Edgar (1995), information technology facilitates the ability of companies to deal with market complexity and to gain competitive advantage. Information technology is also an important component of the planning process to improve the performance of the hotel business and to improve services that are different from competitors (Johnson and Devonish, 2009). Differentiation through superior service delivery is an effective management strategy, enabling a company to differentiate itself from its competitors, thus having a sustainable competitive advantage and improve business performance (Ladhari, 2009; Cennet *et al.*, 2010).

## 2. Literature review, hypothesis and conceptual model

### 2.1 The influence of brand image on hotel performance

<sup>2</sup> Brand image is a reflection of consumer memorable experiences with the organization (Saleem and Raja, 2014). For a hotel, the brand reflects the relationship between the hotel and its guests, as well as what benefits consumers derive from a hotel (Maroofi *et al.*, 2012). Image is built into the minds of consumers through various promotions created by the company and delivering

quality products and services as promised. Superior brand perceived by consumers will gain a positioning in a consumer's heart and mind (Keller, 2008). Consumers tend to undoubtedly accept new products from a brand that has a superior brand image rather than from one with an inferior brand image, since they think brands with superior brand image have full assurance of the quality, characteristics, performance, and service provided (Siffman and Leslie, 2012). By providing the pertinent promise and assurance, this will have an impact on customer satisfaction (Lahap *et al.*, 2016), customer value (Cretu and Brodie, 2009), and customer loyalty (Sulibhavi and Shivashankar, 2017). In the producer's perspective, this may affect hotel performance. This is also supported by research of Hong-Bumm *et al.*, (2003) and Tavitiyaman *et al.*, (2012) which found a positive influence of hotel brand image toward hotel performance. Based on the theories and descriptions that have been put forward, the research hypothesis to be tested is:

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*H<sub>1</sub>: There is a positive influence of brand image toward hotel performance.*

## 2.2 The influence of human resources toward hotel performance

A key element whether or not a service industry is successful is its employees (Davidson, 2003). Top management in many companies agrees that employees are company assets, so it becomes a challenge for them to enhance employee capabilities, hence employees become valuable, diverse and hard to imitate (Amit and Shoemaker, 1993). High competence, knowledge, skills, and abilities of employees are valuable capital to achieve high performance in serving consumers by creating customer satisfaction, value and loyalty. High performance employees will create value for the organization and ultimately impact on organizational performance (Fotis *et al.*, 2002). This has been supported by research that has discovered the impact of human resources on organization's performance in the hotel services industry, where Chand and Katou (2007) studied the Indian hotel industry, and Abou-Moghli and Abo-Rumman (2012) studied five-star hotels in Jordan. Based on this, the hypothesis to be tested is formulated as follows:

*H<sub>2</sub>: There is a positive influence of human resources toward hotel performance.*

## 2.3 The influence of information technology toward hotel performance

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Information technology is a set of tools that support and facilitate people in exchanging information, working with information assistance, and performing tasks related to information processing (Haag and Keen, 1996). According to Williams and Sawyer (2010), information technology is not just limited to computer technology which includes hardware and software, but also includes communication technology to send or disseminate information. The benefits of information technology will affect customer satisfaction (Cobanoglu *et al.*, 2011; Djajanto *et al.*, 2014), customer value (Khuong and Giang, 2014), and customer loyalty (Djajanto *et al.*, 2014), which reflects the hotel's performance based on



consumer perspectives (Neill and Rose, 2006). In addition, research from Johnson and Devonish, (2009), also observes the importance of information technology for hotel businesses in improving services to improve hotel business performance. The hypotheses to be tested next based on previous theories and research is:

*H<sub>3</sub>: There is a positive influence of information technology toward hotel performance.*

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#### **2.4 The influence of service quality toward hotel performance**

Service quality represents overall consumer attitudes in service firm according to Parasuraman *et al.* (1994). Customer interaction with the service provider during service encounters will affect customers' overall satisfaction with service, since the service encounter is the moment that determines whether consumer expectations of service quality can be fulfilled or not. Furthermore, when the customer's perception of superior service quality is created, then the services offered will get the superior quality impression in the market. If the customer has a superior quality impression, the customer value of the product will be elevated (Kotler and Keller, 2011), thus, it will create customer loyalty (Wilkins, 2010). The results of empirical research on the hotel industry discover the direct effect of service quality toward customer satisfaction, Wilkins (2010), Ladhari (2009), Rao and Sahu (2014), and Saleem and Raja (2014). Furthermore, research on the effect of service quality toward customer value in the hospitality industry has been performed and a significant influence was found (Kim *et al.*, 2010). Customer satisfaction, customer value, and customer loyalty are very closely related concepts (Iacobucci *et al.*, 1995), and function as a measure of hotel performance seen from a consumer perspective (Neill and Rose, 2006). Studies on the impact of service quality toward hotel performance had been found by Pok *et al.* (2013), Huan-Ming *et al.* (2015), and Chand (2010). The next hypothesis to be tested empirically in this study is:

*H<sub>4</sub>: There is a positive effect of service quality toward hotel performance.*

#### **2.5 The influence of competitive strategy toward hotel performance**

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Every company requires a competitive strategy in order to survive and grow in a dynamic market (Tavitiyaman and Zhang, 2011). According to Pearce and Robinson (2000), competitive strategy is everything that concerns the company's way of how, when and where companies should compete and for what purpose they compete. Competitive strategy can be generated through brand image, human resources, information technology, and service quality. Brand can become a company's strength and a strategy to compete (Olsen *et al.*, 2008), since it can create memorable experiences for consumers (Saleem and Raja, 2014). Top management in many companies agrees that employees are company assets, so it becomes a challenge for them to enhance employee capability in order to get valuable, diverse and unique employees, which could enhance the competitive

strategy for the company (Chang and Huang 2005). In addition, according to Chripton and Edgar (1995), information technology can support companies to deal with market complexity to gain a competitive advantage and competitive strategy for the company. Furthermore, an important strategy for the success and survival of the company in today's competitive environment is to provide quality services (Gronroos, 2001). Research on the influence of competitive strategy toward hotel performance had been proven by Tavitiyaman *et al.* (2012). Based on the description above, hypothesis to be tested is as follows:

*H<sub>5</sub>: There is a positive influence of competitive strategy toward hotel performance.*

## 2.2 Methodological grounds of the research

The research aimed to test the hypothesis above. Data were collected from 200 consumers of budget hotels in the Island of Bali, as a barometer of Indonesian national tourism which was sampled and selected by using a purposive sampling technique. A response rate of 87% was obtained. In addition, the data collected were primary data by using questionnaires as research instruments used in September 2017. Questions in the questionnaire were divided in two, namely questions about the respondent's profile and questions related to the research variables. The respondent profile data obtained shows that the majority of hotel budget consumers were local tourists (75%), and 62% were male. Forty percent of the respondents were aged between 46 and 60 years, 85% were undergraduate, and most of them (73%) said that the purpose of the stay is to travel with family.

In this study, there are 2 variables used, as well as, 7 dimensions and 27 statement items. The first variable is the competitive strategy which was measured by using 4 dimensions, of which 3 dimensions and 9 statement items are adapted from Tavitiyaman *et al.*, (2011), namely brand image, human resources, information technology. Service quality dimensions were added in this study (Cennet *et al.*, 2010), measured by 5 statement items adapted from Ren-Fang *et al.*, (2015). Furthermore, the second variable is hotel performance measured by using 3 dimensions and 13 statement items adapted from Neill and Rose (2006), namely customer satisfaction, customer value, and customer loyalty.

Respondents were asked to answer all item statements and rate their choices using a 5 point Likert scale, where 1= strongly disagree and 5=strongly agree. To obtain data related to research variables, prior to the data collection, the research instruments were initially tested to obtain valid and reliable data. The technique used for validity testing is Pearson correlation method and reliability test with internal consistency method. All variables and measuring tools used are valid and reliable. The correlation coefficient of each item statement varies from 0.884 to 0.943 (meaning each statement item has a strong relationship with each construct) and p-value obtained for each statement of 0.000<sign.value of 0.05. It can be concluded that each statement item is valid or suitable in measuring each construct.



Furthermore, Cronbach's Alpha value was obtained for each variable and values varied between 0.884 and 0.912, which mean<sup>4</sup> that all the available variables are reliable or consistent when used. The method used to analyze the data in this study is multiple regression analysis, which is done to test the variables either partially or simultaneously. Data processing is<sup>38</sup> formed with the help of SPSS 19. Criteria testing of hypothesis is performed by comparing the significance value obtained with the level of significant of 0.05 (Hair *et al.*, 2010).

### 3. Results

<sup>3</sup> Prior to hypothesis testing, a feasibility test of the regression model is perform<sup>31</sup> as a step to identify whether the estimated regression model is feasible or not to be used to explain the effect of the independent variables toward the depende<sup>3</sup> variables. The feasibility test of the regression model formed is also called the F test, since it follows the F distribution of the test criteria such as one way ANOVA. From the results of data processing, multiple regression models are formed:

$$Y = 0.569 + 0.190 X_1 + 0.035 X_2 + 0.317 X_3 + 0.694 X_4$$

where Y=hotel performance; X<sub>1</sub>=brand image; X<sub>2</sub>= human resources; X<sub>3</sub>=information technology; X<sub>4</sub>=service quality.

Furthermore, from the F test results obtained, the F probability value of 0.000 is<sup>14</sup> smaller than the level of significance of 0.05, so it can be concluded th<sup>37</sup> the regression model estimated is feasible to be applied to explain the effect of brand image, human resources, information technology, and service quality toward the dependent variable of hotel performance. Once the model obtained is feasible, the authors proceed with the interpretation or an explanation of a multiple linear regression model generated for hypothesis testing. Results of data processing obtained are as follows:

**Table 1.** Hypothesis Testing Result (Partial Test and Simultaneous Test)

<sup>9</sup> Hypothesis	$\beta$ (Regression weight)	Sign.	<sup>9</sup> Decision
H <sub>1</sub> : There is a positive influence of brand image toward hotel performance	0.190	0.011 <sup>2</sup>	H <sub>1</sub> Supported
H <sub>2</sub> : There is a positive influence on human resources toward hotel performance	0.235	0.000 <sup>2</sup>	H <sub>2</sub> Supported
H <sub>3</sub> : There is a positive influence on information technology toward hotel performance	0.694	0.000 <sup>2</sup>	H <sub>3</sub> Supported
H <sub>4</sub> : There is a positive effect on service quality toward hotel performance	0.317	0.000 <sup>2</sup>	H <sub>4</sub> Supported
H <sub>5</sub> : There is a positive influence on competitive strategy toward hotel	-	0.000	H <sub>5</sub> Supported



performance			
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Based on Table 1, the interpretations made from the results of the data include explanations of regression coefficients (explanation of sign/direction) and sign values for partial testing. From the results of the data processed for the  $H_1$  partial test, the value of  $\beta = 0.190$  obtained explains that the direction of the influence of brand image toward the hotel performance is positive, when the hotel brand image becomes better, the hotel performance will also rise. Also, with the sign value of  $0.011 < 0.05$ , this explains that there is a significant effect of brand image toward hotel performance. Similarly for  $H_2$  ( $\beta=0.235$ , sign.= 0.000),  $H_3$  ( $\beta=0.694$ ; sign.=0.000), and  $H_4$  ( $\beta=0.317$ ; sign. =0.000), where each variable indicates the direction of positive influence, which means that: (a) if the hotel's human resources are well qualified, then the hotel performance will improve, (b) if the hotel technology information is better, the hotel performance will improve, and (c) if the hotel provides better service quality, performance will improve. The sign value of  $0.000 < 0.005$ , hence it can be concluded that there is significant influence of each variable of human resources, information technology and service quality toward hotel performance. However, the most powerful factor affecting hotel performance is information technology.

Furthermore, from the results of ANOVA data processing for  $H_5$  for simultaneous testing, the F sign value obtained is 0.000 ( $p < 0.05$ ), so it can be concluded that the brand image, human resources, technology information, and service quality have a significant effect simultaneously toward hotel performance.

Competitive strategy can improve the ability to achieve maximum performance in the hospitality industry (Olsen *et al.*, 2008). Competitive strategy is dynamic and sustainable, therefore the activity of formulating, implementing and evaluating strategy to compete must be performed constantly, and this process will never end (Ofori and Atiogbe, 2012). The research performed supports previous research by Tavitiyaman *et al.*, (2011) and Huan-Ming *et al.* (2015), where the competitive strategy which is formulated from 4 elements: brand image, human resources, information technology, and service quality, can affect hotel performance. O'Neill and Mattila (2010) explained that a positive brand image can have an affect on hotels within the middle chain scale categories (upper upscale, upscale, and midscale), but not in the top (luxury) and bottom (economy) categories, and well managed hotel brands can compete in the market.

Brand is an intangible asset for every company and can only be created if the company can create tangible value for consumers, through human resources, information technology and service quality delivered. Human resources are the most valuable assets in the hospitality industry, as hotels are heavily dependent on humans in delivering services (Fitz-Enz, 2009). The hotel industry is becoming increasingly complex and requires greater skills among employees at all levels, thus many hoteliers are attempting to improve employee competence and reduce

employee turnover (Olsen *et al.*, 2008). Furthermore, the company's information technology will greatly assist the company in delivering effective and efficient service, so that customers feel satisfied and offer good judgment on the company's performance (Johnson and Devonish, 2009). In addition, the hotel can improve its service quality by continuously performing alterations through innovation, because innovation can create perceived value and hotel guest return intention (Khuong and Giang, 2014).

#### 4. Conclusions and recommendations

Hotel performance is a success indicator of any hotel. Every hotel should be able to formulate a perpetual competitive strategy to improve its hotel performance. Based on the results of this research, the influence of competitive strategy to hotel performance was confirmed, where every hotel can formulate its competitive strategy through brand image, human resources, information technology, and service quality. Hotels with a better brand image, increasingly competent human resources, better information technology, and higher service quality, will perform better. The study also found that the strongest factor affecting hotel budget performance is information technology.

Some suggestions for managers, from the research results are as follows: First, hotel managers must create a good image in consumer's eyes by creating different images in consumer perceptions. Differences can be created if the hotel manager can provide a hallmark of the hotel concerned, such as differentiations in human resources, information technology, and service quality. Second, the hotel manager must be able to manage the human resources owned, so that employees can consistently provide services which satisfy the customers. This can be achieved if the manager pays attention to employee satisfaction, with attention to employee welfare, so that employee turn over is low. Third, to create the highest performance, budget hotels must also update information technology to assist employees in delivering effective and efficient service. Fourth, budget hotels should be able to provide consistent quality service to their customers. For this to happen, training for employees should to be carried out constantly, and the quality control by the manager must be enhanced through concrete efforts.

Some limitations and suggestions may be given for further research. Firstly, this research is only in budget hotels, so it is suggested that the same framework be applied to other middle chain scale categories hotels, such as 1, 2 or 3 star hotels. Secondly, the data is gathered only from consumers whose purpose for staying is for a trip/vacation, so for further research, it is advisable to interview consumers who have different reasons for staying in budget hotels, such as business purposes. Third, research was conducted only on hotel services, so this can also be applied to other related service industries, such as restaurants. Fourth, hotel performance is only seen from a customer based performance in this research, so it is suggested to apply other basis in measuring hotel performance, namely financial performance.

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