



UNIVERSITY OF INDONESIA

**GENERATE VALUES ADVANTAGE OF BUDGET HOTEL TO SURVIVE
WITHIN THE HOTEL MARKET COMPETITION
(Case Study: ABC Hotel)**

THESIS

**Anditya Wibawa
(1006792956)**

**FACULTY OF ECONOMICS
MAGISTER OF MANAGEMENT
MASTER OF BUSINESS ADMINISTRATION
JAKARTA
JULY 2012**



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**Submitted to fulfill one of the requirements to obtain degree of
Magister Management and Master of Business Administration**

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(1006792956)**

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JULY 2012**

STATEMENT OF ORIGINALITY

**This thesis is represents my own effort,
any idea or excerpt from other writers in this final paper, either in form of
publication or in other form of publication, if any, have been acknowledged
in this paper in accordance to the academic standard or reference procedures**

Name : Anditya Wibawa

NPM : 1006792956

Signature : 

Date : July 19, 2012

LETTER OF APPROVAL

Proposed by :
Name : Anditya Wibawa
NPM : 1006792956
Study Program: MM-MBA
Title : **GENERATE VALUES ADVANTAGE OF BUDGET HOTEL
TO SURVIVE WITHIN THE HOTEL MARKET
COMPETITION (Case Study: ABC Hotel)**

Has successfully presented the thesis in front of the Board of Examiners and has been approved as one of the requirements to achieve the title Magister Management (MM) and Master of Business Administrations (MBA) in Magister Management Study Program Faculty of Economy, University of Indonesia.

BOARD OF EXAMINER

Counsellor : Dr. Albert Widjaja

(Albert Widjaja)

Examiner : Dr. Nurdin Sobari

(Nurdin Sobari)

Examiner : Dr. Tengku Ezni Balqiah

(Tengku Ezni Balqiah)

Place : Jakarta

Date : July 19, 2012

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Author realizes that the thesis may not be exceptional and still need more improvement. Nevertheless, the author hope that this piece of work can provide useful feedback and solution for ABC Hotel management and other people who are interesting in exploring hotel management.

Jakarta, July 19, 2012

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ABSTRACT

Name : Anditya Wibawa
Study Program : MM-MBA
Title : GENERATE VALUES ADVANTAGE OF BUDGET HOTEL
TO SURVIVE WITHIN THE HOTEL MARKET
COMPETITION
(Case Study: ABC Hotel)

ABC Hotel has existed as budget hotel for approximately 20 years, upheaval of tight competition in the budget hotels affect to ABC Hotel in the future. Today, ABC hotel is facing a lot of challenges to survive in the competition. Navigate the company to create more customer values is a road to competitiveness to survive within the industry. ABC Hotel can create more portfolios of competitive action conforms of its competitor to gather brand equity and loyalty. Those portfolio actions mixed with strategy pursuing value innovation. Value innovation can be reach by identifying guests' needs with new superior value for mass buyers and affordable price

Keywords:

budget hotel, portfolio actions, value innovation, customer values.

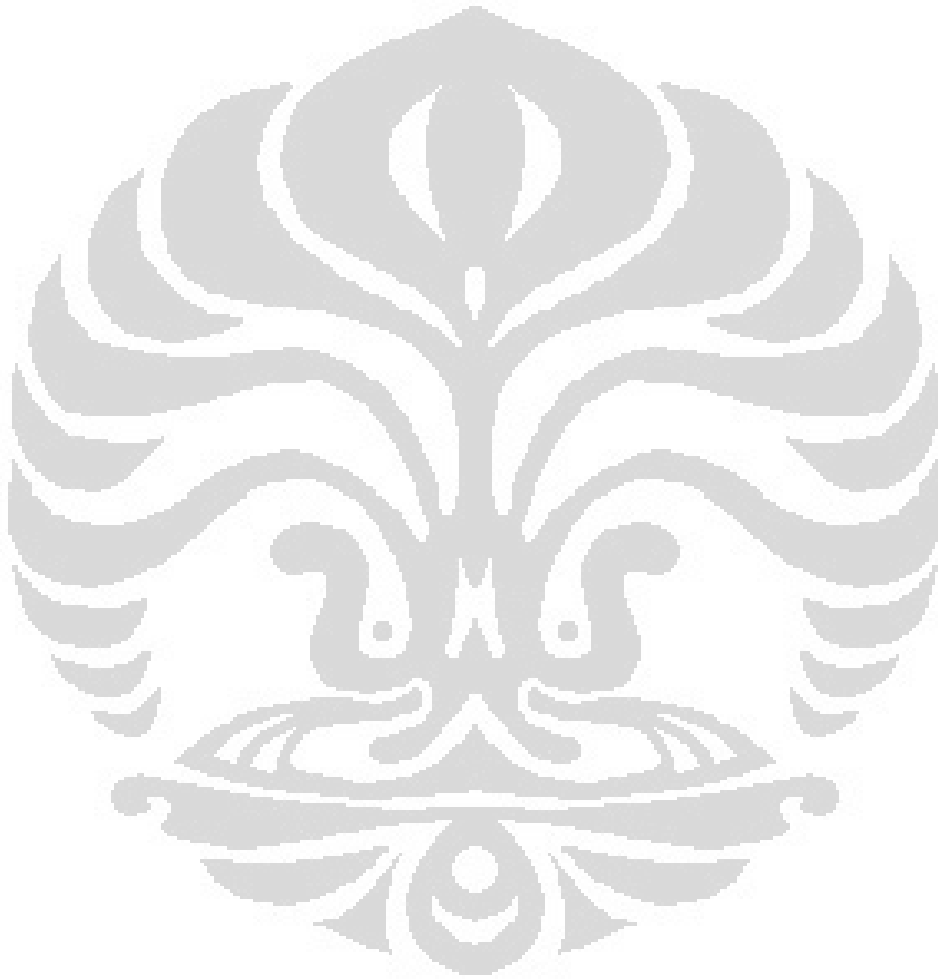
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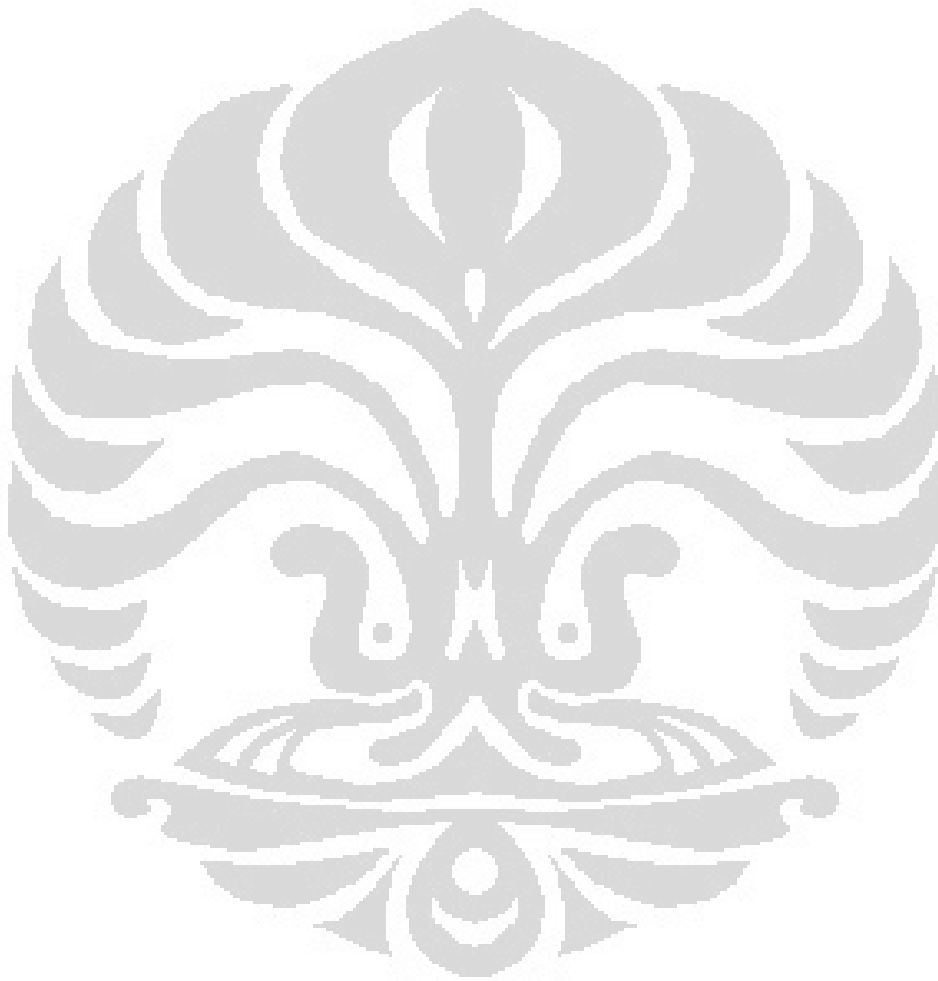
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1 CHAPTER 1 INTRODUCTION

GENERATE VALUES ADVANTAGE OF BUDGET HOTEL TO SURVIVE WITHIN THE HOTEL MARKET COMPETITION (Case Study: ABC Hotel)

1.1 Background

Indonesia is one of the largest countries in Southeast Asia. Indonesia currently has strong economic environment, which has potential positive economics growth. (ADB 2010). Hospitality industry in Indonesia shows favorable growth by the increase of tourists visiting year-by-year from domestic to international origin. Meanwhile in 2011, Tourism Department counted that the tourists visiting Indonesia is more than 7,6 million, exceeding the forecast target. The number of tourists visiting Indonesia in 2011 is 8.5% higher than 2010's and tourism growth in 2011 recorded increase 4.5%. (Kementrian Pariwisata 2011).

In hospitality industry, small hotels serve a significant role in the development of tourism in Indonesia. In 2011 recorded 381.457 rooms available and provide 584.207 beds. Huge number of rooms available in Indonesia consists mostly of small Hotel (including for Star and non Star Hotel). More than 13.000 small Hotels have a role in the growth of Indonesia's tourism. These condition have been contributed Indonesia toward accommodating tourists visiting Indonesia. (BPS 2011).

Conducive environment in business hotel affects a positive growth of "Low Budget Hotel". Those issues are in-line with the increasing number of low prices Hotels or "Low Budget Hotels". Central Java and Yogyakarta have been growth rapidly, more than 45.000 rooms and 75.000 beds recorded in 2011. Budget hotel mostly provides services for FIT (Free Individual Travelers) and business travelers. Based on the statistic data that resulted by BPS, we can conclude that in Java Island has a grant progress movement in Hospitality Industry, which has most number of hotel businesses. Nevertheless Java have become "war land" in hotel industry involve with tight competition by old player, which have exist with huge

number of hotel. (BPS 2011).

Furthermore, now a lot of new entrants from giant companies expand and diversify their business into low budget Hotel in small and medium city like Yogyakarta, Magelang and Purwokerto with cheap price, such as Amaris Santika Group, Ciputra Group, Whiz Hotel, Tune Hotel (Air Asia Group), Bakrieland, etc. (Kontan 2011).

A massive increasing in the growth of quantity hotels give rise to a condition of oversupplied hotels in the “Budget Hotel” industry. The market’s intense competitive pressures present an ideal challenge for a company to enhance the value creation potential of alternative a hotel service. This situation could downsize the market share for players in hotel business if they cannot compete in this competition. (Overstreet, 2005).

This research will take up further in case study on hotel operation in Central Java. ABC Hotel is a star hotel located in Wonosobo Central Java. The tourism area surroundings Wonosobo called Dieng. It just takes an hour to visit the Dieng temple. The Borobudur temple also can be reached on an hour and half from Wonosobo. The distance from Wonosobo to another city is quite close, this location could becomes strategic location for budget hotel and able to affect the competition that not only involve competitor within Wonosobo but also competitor from another city such as Purwokerto, Yogyakarta and Magelang (location of Borobudur temple). Therefore, in those competition need to understand the tourism condition in Central Java and Yogyakarta. However this hotel’s position create more complex competition in the market. This complex competition attracts the author to analyze the implementation strategy to survive within the oversupplied competition. Therefore ABC hotel must create value by portfolios competitive action to survive within competition. This thesis will look at the implication of oversupplied hotel market, identifying competitive strategy to create unique value under this study.

In those situations, uncertainty and increasing competition involve within the hotel industry is crucial to understand in which internal resources that managers can find an advantage to create better value over their

competitors. Only hotel with management that able to find their values advantage for customer will survive within the competition and at least keep maintaining their market share. (Carvalho 2010).

Furthermore, hotel management must have the ability to capture the opportunity and threat through change by generating new sources of value advantages. The ability to create innovation product and services take advantage of future opportunities. The capability to capitalize on change under such circumstances involve within hotel environment will obtain sustainable competitive advantages. (Jagoratman and Tze 2004). Kim and Mauborgne (1999) propose the strategy must focus on expand in existing markets and creating new ones not just beating the competition.

Customers always seek something new service experience that provide by hotel industry. Furthermore, hotel must increase the choices for customers by improvement services with their product and service mix or new product development (NPD). With those pro-active moves attract to the enhancing of hotel profitability. (Nadeem, Rashid and Khan. 2011).

The other consideration for hospitality industry is about delivering value of services in hotel involve with tangible and intangible value. The values for customer become the most important key in this business. There is a necessity to meet with customer value expectation. Hotel could optimize competitive advantage by bridging between value and competitive action. (Nasution and Mavondo 2008).

Developing diverse competitive strategies and actions affect to better growth in hotel performance level and the more portfolios of competitive action conforms of its competitor, thus also create favor growth performance. (Yeung and Lau, 2005). Those portfolio actions mixed with strategy pursuing value innovation by Kim and Mauborgne (1999). Make competition irrelevant by offering new and superior buyer value for the existing market and new market. Value innovation can be reach by identifying new superior value for mass buyers, with affordable price.

1.2 Problem Identification

Upheaval growths in budget hotel have been triggered by increasing

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number of tourist impact to hotel's performance in the hospitality industry. Creating unique value to customer play important role to compete within the competition. Existing Budget Hotel with budget prices needs to improve their values advantage to survive, strive and win within the competition, even with limited resources of the budget hotel. The limitation of recourses on ABC Hotel should encourage them to develop strong creativity with efficient use of economic resources. Navigate the company to create values for customers is a road to competitiveness to survive within the industry. The research question that arise are:

1. What specific value creates in "Budget Hotel" competition that becomes key roles to survive for ABC Hotel?
2. What kind of ABC Hotel internal recourses and capabilities needed to realize unique value to customer?
3. What kinds of implementation from strategies that provides unique value for customer that ABC Hotel can develop to survive and grow with the competitors?

1.3 Objectives

From the surface identified problem, this thesis focuses on researching the ABC Hotel management decision to get values advantage in the hotel business facing the uncertainty and competition. How ABC hotel can define what their values advantage, which can contribute to sustain in the long-term period. ABC Hotel expected to align their good services and quality facing with establish Hotel. The objectives of this research are:

1. Identify the specific value creates in "Budget Hotel" competition that becomes key roles to survive for ABC Hotel.
2. Identify the ABC Hotel internal resources and capabilities with unique value that could be applied and delivered to customer in ABC Hotel.
3. Formulate the portfolios action to create unique value for customer to generate the competitive advantages for ABC Hotel.

1.4 Methodology

The research will be held by interview and questionnaires addressed to hotel manager furthermore conducted observation directly to the ABC Hotel to gather the required data and information. Data and information that has relation with the topic and problems would be analyze with descriptive analysis, using the theory which relevant.

The theory refers to the journal, books, articles, research, literary study and feedback from ABC Hotel's customer. A principal component factor gathered could be identifying the business strategies.

1.5 Writing Systematic

Chapter 1: Introduction

This chapter will describe the background, problem definition, objectives and methodology of the research study.

Chapter 2: Theoretical Framework

This chapter outlines the theoretical basis related with value advantages, Hospitality management, Strategy which can applied in ABC Hotel and various theory that solving problems related to the topic. Review of the literature can be derived from various sources as books, journals, and articles.

Chapter 3: Company Profile

This chapter will describe the market figure of hotel industry and the ABC Hotel management associated with the hotel performance

Chapter 4: Analysis and Suggested Strategy

This chapter contains analysis of the strategy which ABC Hotel can applied that gain the portofolio action to create value for hotel's value advantages.

Chapter 5: Conclusion and Recommendation

This chapter will present the conclusions based on an analysis and give recommendation for implementation should be done.

2 CHAPTER 2 THEORETICAL FRAMEWORK

In order to meet the objectives in hospitality industry, ABC Hotel must find the proper framework to gain competitive advantage. Related with service industry, we need to recognize the theory and definition concern in the hotel industry.

2.1 Hotel Definition

Harrison and Enz (2005) defined hotel as industry that primarily consists of business that provide accommodation, food, and beverage or some combination of these activities. Hospitality business is providing services that differ from tangible products because they immediately consumed and require a people for intensive creation process for their customer services. Hotel differs from other service establishment by providing for those customers who are in the process of traveling (leisure, business, etc) away from home in contrast to local residence, although restaurants often serve both travelers and local guests. Providing beds, bathroom, television, and phone are hotel basic, but additional amenities and services are common. Strategies distinguish properties on the basis price, service, functions, style, offering, and type of guest served.

Nowadays hotel industry has become more complex and sophisticated, hotel can be viewed by the ownership factor as follows:

- a. Company that built, developed and own operated the hotel.
- b. Company as a franchisee of a hotel (Company can have shares or not within the company)
- c. Company in form of franchisor that involve in the developing hotel.

Thus, companies can select those choices or combination of ownership and operator.

2.2 Hotel Classification

Walker (2010) defined classification hotel according to location, price, and type of services offered. This allows guests to make selection on these as well as personal criteria. Following is a list of hotel classification:

- a. City Centre Hotels are located in the downtown, by virtue of their location, meeting the needs of the traveling public for business or leisure reason. Those hotels could be luxury, midscale, business, suites, economy or residential
- b. Resort Hotels came of age with the advent of rail travel. Increasingly, city dwellers and others had the urge to take vacation in locations they found appealing. Traveling to these places often more exotic generating a part of pleasure experience. The leisure and pleasure traveler enjoy with resorts, beaches, or spectacular mountain scenery.
- c. Airport Hotels are hotels located in the major airports. These hotel enjoy high occupancy because the large number of travelers in transit, arriving and departing in the airport. The guest of airport hotel consists of business, group, and leisure travelers. Passenger with early or late flight may stay over at the airport hotel, whereas other resting while waiting for connecting flight.
- d. Freeway Hotels and Motels come into prominence with the help of the interstate highway. They are smaller than most hotels, usually fewer than fifty rooms. Motels are often clustered near freeway off ramps on the outskirts of towns and cities.
- e. Casino Hotels are hotels which coming with entertainment industry and often with the financial mainstream
- f. Convention Hotels are hotels providing facilities and meeting the needs of group attending and holding convention. Apart from this segment of the market, convention hotels also attract seasonal leisure travelers. Convention hotel have may banquet areas within and around the hotel complex
- g. Full Service Hotels are another classified hotel by the degree of service offered. Full service hotel offer a wide range of facilities, services, and amenities, including many that were provided by luxury hotel category such as multiple food and beverage outlet including bars, lounges and restaurant, meeting and convention, business features, etc.

- h. Economy/Budget Hotels. This type of minimum services occurs after enjoying a wave of growth for most of the last twenty years, the economy hotel segment may be close to the saturation point. The economic laws of supply and demand rules, if an area has too many similar properties then the price wars usually break out and they try to attract guests with similar differentiated offer. Some players will effort to differentiate in this fascination of the business. Budget hotel offers clean, reasonably sized and furnished rooms with the reasonable price for customers.
- i. Boutique Hotels are hotel with different lodging experience compared to mid- to large chain hotel. Boutique hotel have a unique architecture, style, decor, and size.

Dimiyati (1989) defined hotel category as follow:

- a. Big size hotels are hotels that have 300 guest rooms or more.
- b. Medium size hotels are hotels that have 100 – 299 guest rooms
- c. Small size hotels are hotels that have 25 - 99 guest rooms.

2.3 Hotel Characteristics

Shoemaker, Lewis and Yesawich (2007) described hotel as a part of service industry that has the characteristic of service industry itself. The hospitality product is something that buyers for the most part cannot experience before buying. Guests do not know whether they are buying. After they buy, they must wait until the seller produce it before they can consume it, sometimes after having paid for it. Guests do not purchase individual element of the offering, rather they purchase a bundle of product and services. When buying a hotel room, the guests also buying the bed, bathroom, restaurant, wake-up call, check in procedure, and many more bundled items. As well when buying to the hotel's restaurant, they buying food also with bundled of the services and atmosphere of the restaurant. Hotels have some characteristic as follows:

- a. Intangibility defines as incapable of being touched or perceived by touch. One cannot be taste, feel, see, smell, or hear a service, at least until one has consumed it but one can easily appreciate it

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conceptually.

- b. Perishability is compounded by the fact that most services have fixed capacity. Hotels are only a certain number of rooms available. It means that if a room is not sold on a particular night, the opportunity to sell it is gone forever.
- c. Heterogeneity refers to the variation and lack of uniformity in the service being performed. The service received by the guest at the front desk of a hotel may be much better or much worse than that received at the restaurant in the same hotel.
- d. Simultaneity of production and consumption is unique to services. As the customer purchases his room, the desk clerk produces the services that enable the customer to check in. The fact that production and consumption occur simultaneously.

Shoemaker, Lewis and Yesawich (2007) defined type of hospitality customer or travelers into some categories as follow:

- a. Business Travelers, whom can be further characterized according to more specific profiles. The business travelers is guests who using the product because of a need to conduct business in the particular destination area such as company-related business, consulting, sales trip, personal business and others trip required to fulfill managerial functions.
- b. Pleasure travelers are composing of travelers as individually, couple, families, or small group visit a hotel or restaurant for non-business purposes. They may be traveling on vacation, but often are not. Many of them are weekend or other package users. Other travel to cities for shopping, visiting friends, going to the theatre, personal business, and various other purposes.
- c. The Package Market, which segment becomes popular of attracting customer during low demand period into more crowded with offering every day. The hotel package market is defined as the offering of a combination of room and amenities to customers for an inclusive price, sometimes combined with airfares. Normally

these packages are designed to boost occupancy during low demand period.

- d. Resort Market is unique from the customer viewpoint. The resort leisure markets however travel to resort because they tend to be there and to get away from it all. Resort leisure guests need to fulfill their need for idea of a vacation. Whether a total quiet relaxation or a sports or recreation. They must feel satisfied that their idea of relaxation was met.
- e. International travelers, its travelers consist of overseas travelers. As the global economy expands, an increasing number of people travel internationally. In tight economic condition, international travelers are declining
- f. The mature travelers market, actually a sub-segment of the pleasure market, is another important growth segment for both the hotel and restaurant marketer. The needs and wants of the mature market are different from those of other segments. The mature market is not homogeneous. This market can be segmented in a variety of ways. Travel habits of mature travelers differ depending on retirement status, travel habits are likely to be affected by travelers' life stage as they grow older and encounter physical restrictions, and mature travelers may prefer to travel as part of a group, whereas others travel in pairs.
- g. The Free Independent Traveler (FIT) is a non-organized visitor who does not belong to a group. Although these travelers may well participate in tours during visit, they essentially come on their own and do as they please. Unidentified business travelers will also be lumped into this category.

2.4 The Hospitality Marketing Mix

Reid and Bojanic (2010) defined the five components of the Hospitality Marketing Mix as follow:

a. Product-service mix.

This is a combination of all the products and services offered by the hospitality operation, including both tangible and intangible elements. Once a hospitality consumer leaves the hotel or restaurant all of the experience is kept in their mind. The consumer has purchased and consumed the services which largest part of the hospitality industry product-service mix is indeed the intangible elements of service.

b. Presentation mix.

This includes those elements that the manager uses to increase the tangibility of the product-service mix as perceived by the consumer. This mix includes physical location, atmosphere (lighting, sound, and color), and personnel.

c. Communication mix.

This involves all communication that takes place between the hospitality operation and the consumer. It includes advertising, marketing research, and feedback about consumer perceptions. There are some similarities and differences between the traditional marketing mix and the hospitality. In the hospitality version, the product component is expanded to include some aspects of distribution. People are part of the production process in services, and distribution occurs in the presence of the consumer. The communications is almost identical with the promotion component in the traditional marketing mix, although it does include some additional communications such as marketing research. Finally, the presentation mix represents the largest departure from the traditional marketing mix. It includes price and some of the aspects of the place component such as location, and it adds elements such atmosphere and the personal contact between customers and employees.

d. Pricing mix.

In addition to the actual price a firm charges, the pricing mix encompasses the consumer's perception of value. The pricing mix includes such variables as volume discounted price. Fast-food chains use this bundling approach extensively as a method to increase spending per customer.

e. Distribution mix.

This includes all distribution channels available between the firm and the target market.

2.5 The Hotel Objectives and Values

Pearce and Robinson (2007) defined that when a firm desires to developing business or reformulating direction for an ongoing business, it must determine the basic goal and philosophies that will shape its strategic posture to shape its business offer. This fundamental purpose sets a firm apart from the other firm of its type and identifies the scope of its operation in product and market terms is being defined as the company vision and mission. The definition describe as follow:

2.5.1 Hotel Vision

A vision statement presents the firm's strategic intent that focuses the energies and resources of the company on achieving a desirable future. However, in actual practice, the mission and vision statement frequently combine into a single statement. When they are separated, the vision statement is often a single sentence and designed to be memorable.

2.5.2 Hotel Mission

The company mission is a broadly framed but enduring statement of a firm's intent. It embodies the business philosophy of the firm's strategic decision makers, implies in image the firm seeks to project, reflects the firm's self-concept, and indicates the firm's principal product and services areas and the primary customer needs the firm will attempt to satisfy. The mission statement is a message designed to be inclusive of the expectations of all stakeholders for the company's performance over the

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long run. The executives and board who prepare the mission statement attempt to provide a unifying purpose for the company that will provide a basis for strategic objective setting and decision-making. In general terms, the mission statement addresses the following questions:

- a. Why is the hotel in business?
- b. What are hotel economic goals?
- c. What is hotel operating philosophy in terms of quality, hotel image, and self-concept?
- d. What are hotel core competencies and competitive advantages?
- e. What customers do and can hotel serve?

The process of defining of the hotel mission for hospitality business can perhaps be best understood by thinking about the business at its inception. The typical business begins with the beliefs, desires, and aspirations of a single entrepreneur. Such an owner-manager's sense of mission usually is based on the following fundamental beliefs:

- a. The service of the business can provide benefits at least equal to its prices.
- b. The service can satisfy a customer need of specific market segments that is currently not being met adequately.
- c. The technology that is to be used in daily operation will provide a cost and quality competitive service.
- d. With hard and smart work and the support of others, the business can not only survive but also grow and be profitable.
- e. The management philosophy of the business will result in a favorable public image and will provide financial and psychological rewards for those who are willing to invest their labor and money in helping the business to succeed.
- f. The entrepreneur's self-concept of the business can be communicated to and adopted by employees and stockholders.

2.5.3 Hotel Values

Harrison and Enz (2005) defined the final factor that equally important aspect of strategic direction is the establishment of

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organizational values. Values guide organizational decisions and behavior. Values statements are common throughout the hospitality industry. High-level managers, especially the CEO, have a great deal of influence on the values of the company. The values of an organization are also a reflection of the social groups from which managers and other employees are drawn. These individuals bring a personal value system with them when they are hired. In the hospitality industry, often the values of social group are parts of the service experience.

2.6 Strategies to Create Value

Strategies become important way to gather the desire objective of the company within the competition. Create more values through strategies become potential way to aim competitive strategies toward compete with another. Some strategies related with hotel operation describes as follow:

2.6.1 Value Innovation

Kim and Mauborgne (1999) proposed in nowadays, strategy must focus on expanding existing markets, or creating new ones, and not beating the competition. Usually company look competition becomes central concern in strategic thinking such as competitive strategy, dynamic competition, or competitive advantage better than the rivals. Firms concern into incremental improvement daily operation. Company tends to imitative for incremental approaches, there is no present of innovation and sustainable competitive advantage. Reactive in responding daily against competitive moves, not creating growth opportunities and unclear in defining the new customer demands. Firm's strategy pursuing value innovation to make competition irrelevant by offering new and superior buyer value for the existing market and new market. Value innovation can be reach by identifying new superior value for mass buyers, with affordable price. Shifting strategy focus by following non-customers closely, to gain insight of new trends. Making value innovation happen must empowering the employee to involve the value innovation project.

Unlocking employees' ideas become tools to support value innovation, as follow:

- a. Creating autonomous units focusing on value innovation
- b. Creating team members with diverse background & perspective

2.6.2 Brand Equity

Xu and Chan (2010) described some perspectives in an attempt to understanding the brand equity. The customers become important perspective for hotel to understanding hotel brand equity. Keller (1993, p.8) categorized brand equity into four dimensions: brand awareness, brand association, perceived quality, and brand loyalty. From these dimension, Keller combines proportions of two pioneering propositions and defines brand knowledge to be a determinant of brand loyalty. Brand knowledge is further divided into brand awareness, brand associations and quality of experience.

Keller (1993) defined the brand awareness is the first step in building brand equity. Which Xu and Chan (2010) described the brand awareness is represents customer's ability to identify hotel brand in the memory and to increase the likelihood to remember of that brand name coming to mind. Hotel management must attempt to maintain customer's brand awareness so as to influence their brand choices.

The brand association is anything associated in the memory to a brand, which is, could be a product, services, country of origin, company location, competitor, design, hotel characteristic, or users with particular demographic or lifestyle characteristics. Aaker (1991, p.115) categorized brand associations into eleven types, including product attributes, intangibles, customer benefits, relative price, applications, customers, persons, lifestyle/personality, product class, competitors and country/geographic area".

Schmitt (2003) suggested the quality of experience into five types: sense, feel, think, act, and relate. Direct experiences enable guests to fulfill their need within hotel. Feel experiences refer to guest's expectation of new services, polite hospitality, fun, pleasure, business needs and etc.

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Finally, relate experiences involve the social networks and interrelationships among customers, which then produce a feeling of belonging to the community and to society.

Xu and Chan (2010) suggested that companies must maintain their brand loyalty as well as a strategic asset for companies. Hotel need to develop, maintain, and enhance customer loyalty toward products and services to foster brand equity. Building brand loyalty becomes potential profits for a hotel. Because the cost of obtaining new guests are much higher than the costs of keep retain existing guests. Moreover, loyal guests are more wiling to pay price premiums and are less likely to be price sensitive. Hallberg (1995) researched that, on average, one third of loyal purchasers account for two thirds of the total volume sold in certain product categories.

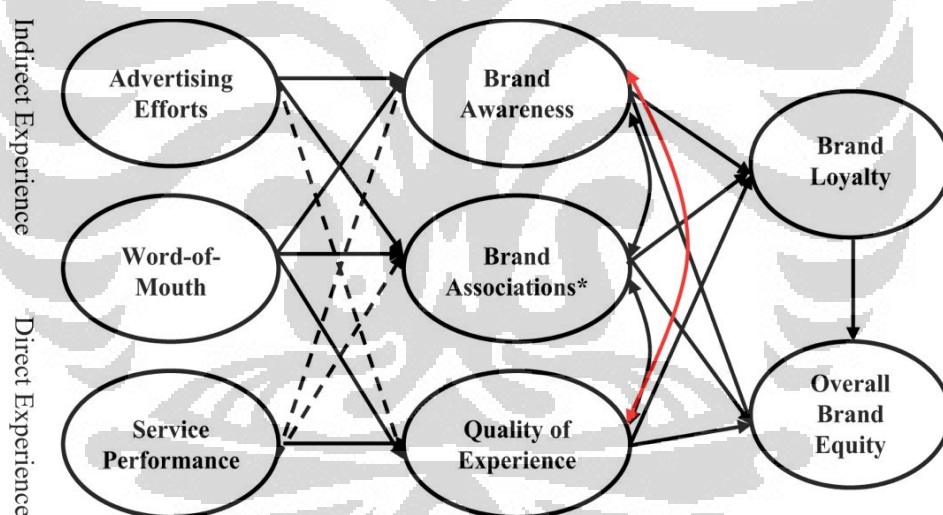


Figure 2-1: Brand Knowledge

Source: Xu and Chan (2010)

Xu and Chan (2010) proposed advertising, WoM, and service performance to be the most important tools of the development of brand equity in the hotel industry. Advertising and WoM contribute to brand equity by providing indirect experiences for customers, whereas service performance creates direct experiences. Advertising is the tools that affiliated with marketing communication strategy. Advertising is an external

driver of brand equity that can be controlled by hotels. WoM is interpersonal channel to deliver information regarding hotel brand. It is delivered from loyal customers who are committed to a brand and then act as alternative for others to make a brand decision. WoM does not only present in traditional types of marketing communication. In today electronic age, technology involve with WoM such as social networking, e-mails, consumer report and reviews, blogs, news groups, chat rooms, product review sites, and etc. Service performance and services experiential outlet are the dimensions include interaction between service provider and consumers, the physical environment and outcomes. Service performances are the major determinants in creating a differentiated brand image to achieve brand equity for the guests.

2.6.3 Customer Satisfaction

Gupta (2007) defined that consumers are satisfied with the service and it's associated product, Then the customer tend more likely to repeat their purchase which can increase company profit. Wu and Liang (2009) described that environmental factors and interactions with service employees and other consumers positively influence the consumer experiential value.

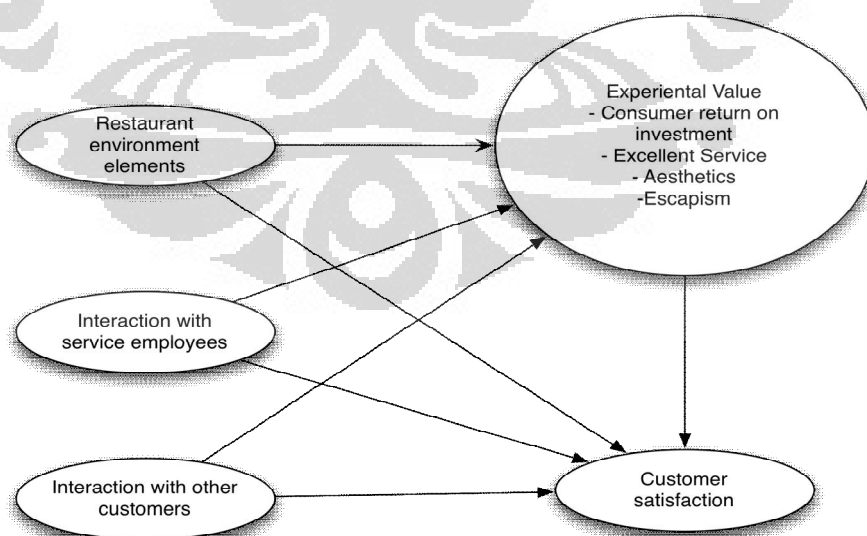


Figure 2-2: Research of Customer Satisfaction

Source: Wu and Liang (2009)

To enhance customer experiential value in hotel's restaurant, manager should focus on three-service encounter. Baker (1987) defined the service encounter element are the trigger of experiential value that influence to customer. Service encounter element can be categories into three main components:

- a. First is the environmental element, which involve consumer interactions with tangible and intangible element in the service environment such as lighting, music, and design encompasses the periods during customer interacts with physical facilities and other tangible element in the service environment.
- b. Second component involve service employee factors, including the attitude of employee while they serve the guest. Hence, the interactive relationship between guests and service employees is the important factor to consumer evaluations. Specific behaviors, including the behavior of service employee are the key of perceived service quality and also of consumer satisfaction.
- c. Third component is consumer factor such as whether the consumer in influenced by the appearance, behavior and perception to other customer.

2.6.4 Total Quality and Determinant Hotel Factors of Repeat Patronage

Wilkins, Merrilees, Herington (2007) researched that there are three main types of total service quality in hotels. Those are physical product, service experience and quality food and beverage. The three main types are the big three factors that significant from a consumer perspective.

Physical product refers to the dimensions named as stylish comfort, room quality and added extras such as floor concierge and valet parking. These components of the physical product dimension should be planned as a whole rather than operated as three separate functions.

Choi and Chu (2001) defined the relative importance of hotel factors in relation to travelers overall satisfaction levels. If we relate Choi and Chu's factors regarding physical product from Wilkins, Merrilees, Herington (2007) researched, we can aim some factor that frequent

influence customer choice intentions regarding with physical product, as follow:

- a. Room quality that provide by hotel to serve comfortable to the guest such as bed, mattress, pillow, temperature in room, room is clean and quiet.
- b. Business services is the support service provide by hotel to accommodate the guests doing their business activities within the hotel such as meeting rooms, business related activities, secretarial services.
- c. IDD facilities are other service for guest to facilitate international direct dial.
- d. Security feature is the sense of security that provide for guest during stay in the hotel such as loud fire alarm are reliable, safe box is available.

Choi and Chu (2001) examined that one of the most important factor are room qualities which is influent factors in determining travelers overall satisfaction level in their likelihood of returning in the same hotels.

Wilkins, Merrilees, Herington (2007) defined that training programs provide an opportunity to integrate the three main types of service components and have a role in achieving service performance in total quality. Human resource training is important, say in terms of just being respectful, polite and nice to clients. In some hotels it is important to make the client the focus of attention (personalization) and not to keep the client waiting more than a minute (speedy service). Hotel staff training is needs for hotel employee to understand comprehensive meaning of service.

Choi and Chu (2001) also defined some relative importance of hotel factors which is related with purpose of training program (Wilkins, Merrilees, Herington), as follow:

- a. Staff service quality is the intangible quality that provide by hotel such as staff are polite, friendly, helpful, understand guests need, provide efficient service, ability multi-lingual skill, and neat appearance.

- b. Security is the sense of security that provide for guest during stay in the hotel such as responsibility of security personnel.

Choi and Chu (2001) examined that staff service quality become one of the most influential factors in determining travelers overall satisfaction level in their likelihood of returning in the same hotels.

Wilkins, Merrilees, Herington (2007) defined that food presentation and drink are both reflective of quality food and beverage. The food and beverage product involve with exquisite food presentation, provision of fine dining restaurant, provision of breakfast. This main factor from Wilkins, Merrilees, Herington (2007) can be mixed with service encounter element by Wu and Liang (2009) to gather good presentation of food and beverages services in hotel's restaurant.

Wilkins, Merrilees, Herington (2007) defined others added extra services for guests also can support to the total services. Floor concierge and valet parking is more reflective of added extras. Choi and Chu define general amenities is the others service provide by hotel during the guest stay in the hotel, such as valet, laundry, room service, food and beverages facilities with great variety, wake up call, information desk is available in 24 hours, mini bar. Those others added extra affect to the expectation guest about value. Value is the conformity between the values that provide by hotel compares with the cost that guest pay for all of it. Choi and Chu (2001) defined that value for money are considered to be the most influential factors in determining travelers overall satisfaction level in their likelihood of returning in the same hotels. Nasution and Mavondo (2008) defined that a hotel could provide extra customer value with low cost may benefit from positive word of mouth and may gain a value advantage. In analyzing the customer value there are two common definition of value: the notion of "trade off " and "benefit-sacrifice". Trade-off can be determines as difference between benefit and sacrifice. Customer value is created when customer perceives that the benefit of consuming product or services exceeds the sacrifices.

Hotel managers must integrate their operations to optimize the

delivery services. Wilkins, Merrilees, Herington (2007) defined that it would be unwise if hotel manager cannot optimize all components in the hotel factor. Such as hotel with nice lobby presentation while the other components of service experience and food product not delivered as nice as physical hotel. Choi and Chu (2001) examined that staff service quality, room qualities and value are considered to be the most influential factors. In contrast, the hotel manager must focus on total service quality (the sum of the physical, service and quality food and beverage components) rather than any of the components in isolation, and ensure to satisfy the critical concern on major factors in determining travelers overall satisfaction level in their likelihood of returning in the same hotels (staff service quality, room qualities and value)

2.6.5 The Role of HRM Practices

Tsaur and Lin (2004) described similar factor with Wilkins, Merrilees, Herington (2007) and Choi and Chu (2001) in human management that examine the staff service quality become one of the most influential factors. Tsaur and Lin (2004) defined that employees who already involve with positive HRM practices on the three dimensions recruitment/ selection, training/ development, and compensation/ benefits may affect to the “paying back” their organization by being more positive, courteous and helpful toward guests. In addition, management can use the perception of performance appraisal, this specific dimension of HRM practices use to predict and asses service behavior. Tsaur and Lin (2004) defined that in positive HRM when the organization appraises employee’s performance appraisal, employees willing to be assessed with satisfaction to be derived form working environment. Tsaur and Lin defined that there was a positive relationship between service behavior and service quality in hotel. It indicated when employees demonstrated excellent service behavior, the customers perception of service quality were increased.

2.6.6 Customer Value in the Hotel Industry

The other consideration for hospitality industry is about delivering

value of services in hotel involve with tangible and intangible value. Nasution and Mavondo (2008) researched that there are significant differences between customers and managers regarding values. The values for customer become the most important key in this business. Nasution and Mavondo (2008) suggested for hotel's managers to have better understanding of customers. There is a necessity to meet with customer value expectation. Hotel could optimize competitive advantage by bridging between value and competitive action. Nasution and Mavondo (2008) suggested that investment in research to understand customers is a good investment. Nasution and Mavondo (2008) encouraged managers to adopt the customer's perspective as guidance to utilize resources that become potential source of hotel's advantage. Managers should actually invest in research to identify customer value, needs, and the drivers of customer value and invest resources appropriately.

2.6.7 Portfolio Competitive Action

Yeung and Lau (2005) developed a typology of competitive action of a generic firm. The typology suggests four types of competitive action count, action deviation, action diversity and action heterogeneity.

- a. Action counts and action deviation represent the extent of the difference in specific types of action taken by firms. The action count of a specific action is the total number of specific type of competitive action taken by a firm at a given period. Action count can be applied in the Hospitality industry, such as give many number of action promotion related with new product of food in the hotel's restaurant within a high season month. While action deviation is the extent to which this specific action taken by the firm is different from the norm among competitor, such as create innovation package pick up service from airport include sightseeing in tourism area passed through the way back to hotel as in complimentary.

		Competitive Action	
		Specific Action	Portfolio of Action
Betweenness of Measure	Within Firm	Action Counts	Diversity
	Between Firm	Deviation	Heterogeneity

Figure 2-3: Typology on differences in competitive actions

Source: Yeung and Lau (2005)

- b. Action diversity and action heterogeneity, aim to capture the difference in competitive action taken by each firm as a portfolio. Diversity measures the range of different types of actions employed by a firm, such as promotion, new product development, cost saving measures, etc. It is measure of within firm action differences. Heterogeneity measures the extent of differentiation of a firm's portfolio of competitive actions among competitors. For example hotel employs a specific cheap package, and this hotel portfolio could be different from the competitor portfolio in the industry.

2.7 Generic Strategy: Low Cost

The fundamental basis of company compete with competitor in the long run is by sustainable competitive advantage. Porter (1985) developed the generic strategies, there are two basic types of competitive advantage a firm can possess: low cost or differentiation. The low cost strategies of competitive advantage combined with the scope of activities for which a firm seeks to achieve some values compare with others for achieving efficient performance. In low cost, a hotel sets out to become the low cost compete with its competitors. The sources of cost advantage are varied and depend on the structure of the industry.

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad	Low Cost	Differentiation
	Narrow	Cost Focus	Differentiation Focus

Figure 2-4: Generic Strategy

Source: Porter (1985)

They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost hotel must find and exploit all sources of cost advantage. While a hotel can achieve and sustain overall low cost, then it will be an efficient performer in its industry, provided it can command prices at or near the industry average.

2.8 Hotel Budget

Fiorentino (1995) defined that as a new product concept, budget hotels still lack an established definition and it is difficult to fit them into existing hotel categories. Hotel Budgets have been moved in different strategies in managing the success way of budget hotel.

2.8.1 Hotel Budget Concepts

Fiorentino (1995) in research journal titled “Budget hotels: not just minor hospitality products”, describes some definition and condition of budget hotels. The following literature reviews are some of the main definitions given by Fiorentino (1995) as follows:

Quest (1983) identified a new generation of the so-called budget hotels, mainly small and all with limited facilities and budgeted price. However, Lee (1984) defined to one of the fastest-growing segments of the industry offering clean, simple room, a restaurant coffee shop is

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generally on-site nearby. In the same article D. Bale, CEO of Super 8 Motels, says that the American budget motel is a rooms only operation, with room rate 25% to 50% lower than those of mid range hotels and offering 150 rooms or fewer.

In a more creative manner Gilbert and Arnold (1989) defined the budget hotel as a limited service lodging establishment offering the benefit of good value for money in standardized modern accommodation: quality is as good as three or four star hotels and rates are 25% to 30% cheaper. Roper and Carmouche (1989) defined the budget hotel is a catch-all term to describe a variety of accommodation types offering rooms at proportionately lower tariffs than the industry norms and whose facilities and services often differ both in extent and type from those defined as common to traditional full-service hotels. Senior and Morphew (In 1990) defined as accommodation units that have been developed for short stay travelers on low budgets. Gilbert and Lockwood (1990) said that the budget hotel offers consistent, low risk accommodation on peripheral sites where restaurant facilities are often minimal but accommodation standards are good. And Durrell said the most economic hotel concept possible.

In a broad scope on budget hotels, Justus (1991) described the US Microtel formula as budget-lodging properties that keep prices down by offering just the basics. There are no costly amenities such as food and beverage services, meeting-room facilities, fitness centre, or other recreational areas. Brennan states that budget-conscious travelers today want clean comfortable rooms, free coffee in the morning, and room rates they can live with. Davidson (1993) stated that budget accommodations offer all the advantages of recognized hotel chains, these hotels have an ability to offer very competitive room rates was achieved through their particular design and management with low construction costs and low operating costs.

In short, the essential characteristics of budget hotel include offering clean comfortable rooms, simple room, restaurant and coffee shop facilities limited, free coffee in the morning, standardized accommodation

quality is as good as three star hotels and rates are 25% to 50% cheaper with affordable room rates, there are limited five star hotel's amenities such as food and beverage services, meeting-room facilities, fitness centre, or other recreational areas. Budget hotels mainly small and with limited facilities and budgeted price for low budget travelers with short time stay.

2.8.2 Hotel Budget Movement

According to time, Fiorentino (1995) approached budget hotels in different ways. There are two main temporal phases understanding on budget hotels, those are:

- a. The first period a product-orientated perspective prevailed, with Fiorentino (1995) analysis of budget hotels from the point of view of the service provider, The first phase lasted until the late 1980s. During those years, the main concern was development cost.
- b. The second phase a wider interest emerged in studying the strategic aspects of budget hotels' management. During the second phase, starting from 1988 onwards, a more comprehensive approach has emerged. Fiorentino (1995) analyzed that budget hotels as a specific hospitality concepts providing the core hospitality service but without costly amenities. Hotel designed to meet the needs of selected customers (the budget conscious travelers).

Since then budget hotels have been considered successful examples of segmentation and branding within the wider context of product portfolio management, a technique recently introduced by hospitality organizations. Based on Figure 2.5 in provision from the customer perspectives, there are clear needs in budget Hotel in developing values for customers. Considering with a clear market positioning, encourage the outcome of a new product concept designed to deliver service quality and value for money. The quality issue has been particularly stressed during recent years. Quality could be a key to success and to competitive advantage in hospitality industry.

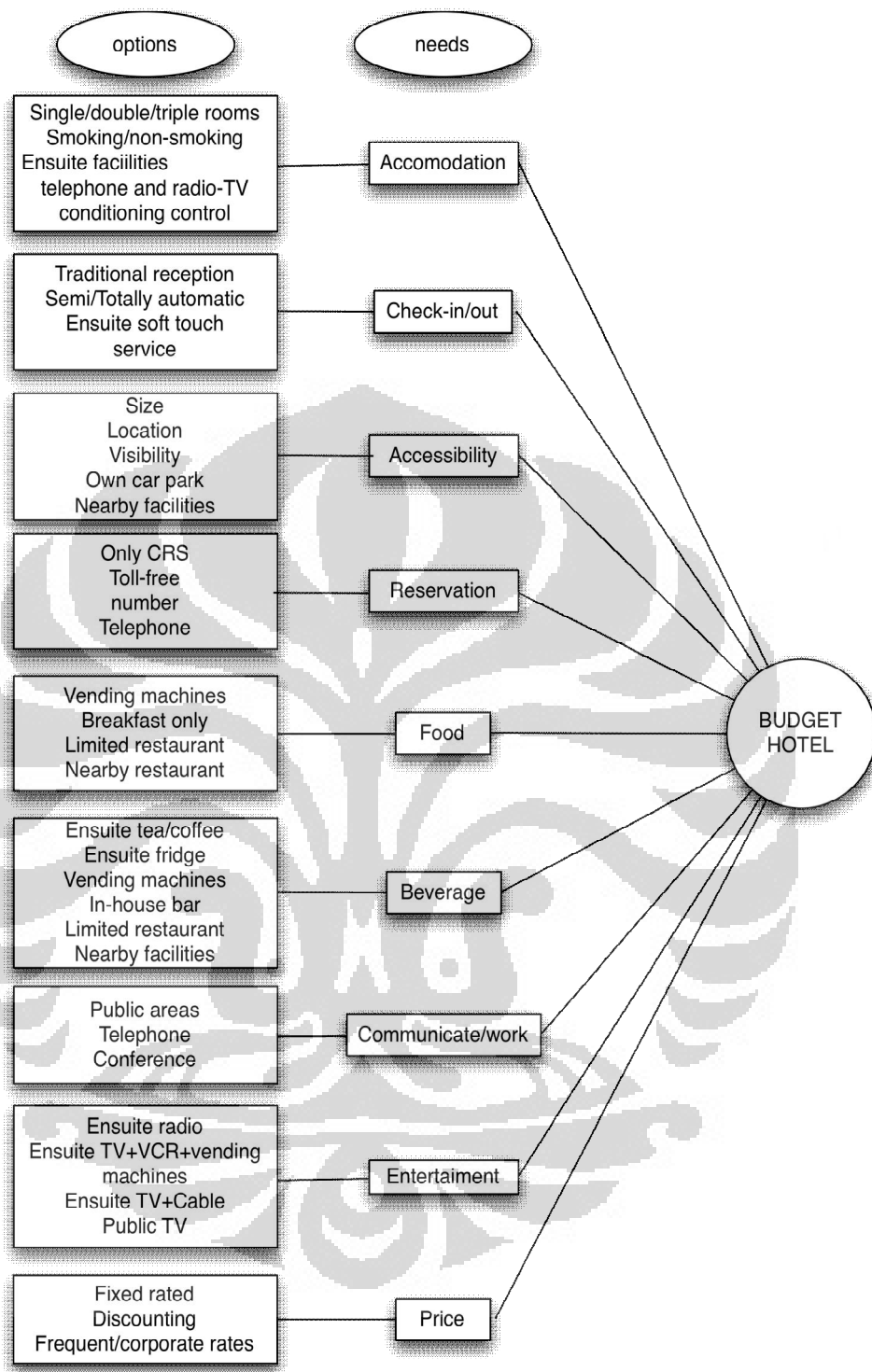


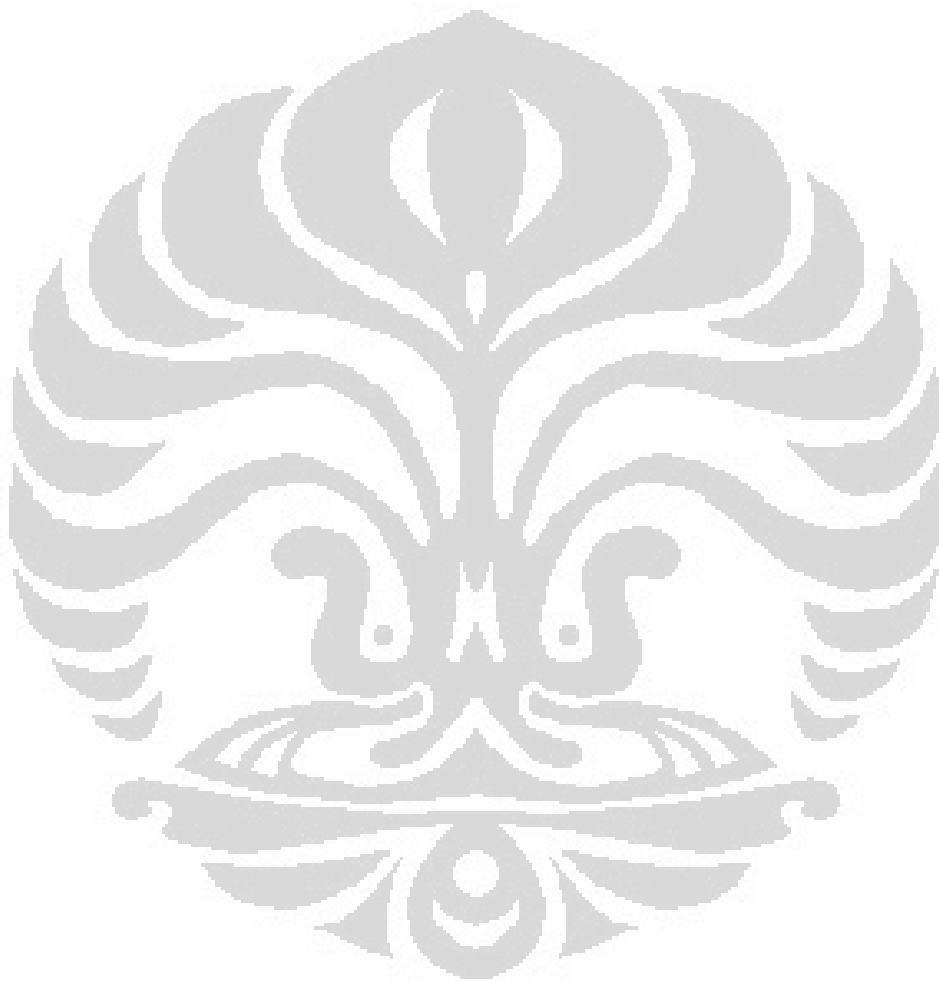
Figure 2-5: Budget Hotel Provision from the customer perspective

Source: Fiorentino (1995)

Fiorentino (1995) considered budget hotels as products delivering low risks through guaranteed standards of service. Therefore in order to compete

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effectively and to keep pace with the economics of the new tourism trends, industry players should shift to non-price based competition in the budget segment as well.



3 CHAPTER 3 CENTRAL JAVA TOURISM AND ABC HOTEL PROFILE

3.1 Tourism in Central Java and Yogyakarta

Tourism business is one of the profitable businesses in Indonesia. The government tries to promote Indonesia tourism to attract international visitors. Asia becomes one of the target destinations, enjoying the traditional heritages and the spectacular natural resources. Those condition supports the Indonesia tourism industry especially in Central Java and Yogyakarta.

Table 3-1: Number of Foreign Tourist by Nationality

Countries	Amerika Total	Eropa Total	Afrika	Timur Tengah	Asean Total	Asia Pasifik Total	Total
2002	222,052	833,004	36,503	37,987	2,085,736	1,818,118	5,033,400
2003	175,546	605,904	30,244	31,371	2,083,320	1,540,636	4,467,021
2004	209,779	720,706	35,507	35,783	2,431,154	1,888,236	5,321,165
2005	209,511	798,408	27,450	60,601	2,174,006	1,732,125	5,002,101
2006	184,525	730,398	22,655	55,033	2,328,345	1,550,395	4,871,351
2007	220,202	796,730	27,777	55,348	2,490,076	1,915,626	5,505,759
2008	239,678	924,745	29,753	67,271	2,794,607	2,178,443	6,234,497
2009	229,824	978,369	28,375	122,069	2,772,684	2,192,409	6,323,730
2010	258,584	1,038,420	27,200	144,661	3,052,285	2,481,794	7,002,944
	1,949,701	7,426,684	265,464	610,124	22,212,213	17,297,782	49,761,968

Source: BPS

Tourism industry shows favorable growth by the increase of tourists visiting year-by-year from domestic to international origin. Beautiful nature has become the attraction for tourist to visit Indonesia. In 2010, recorded more than 7 million foreign tourists visiting Indonesia. Those number grows year-by-year from 2002, it indicates positive escalation for hospitality industry. Central Java and Yogyakarta are province with

rich cultures and ancient site. Achmad Yani Airport Semarang, Adi Sucipto Airport Yogyakarta, and Adi Sumarmo Surakarta have been become the ports to visit Central Java and Yogyakarta. Same as Bali, Central Java and Yogyakarta is a tourism city with plenty of cultural heritage. Those condition affect to growth of tourism in surrounding city in Central Java, including Wonosobo.

Table 3-2: Number of Tourist visit based on Port

Port of Entry	2008	2009	2010	2011
Juanda	156,726	29,715	168,888	185,815
Adi Sumarmo	19,022	16,489	22,350	23,830
Tanjung Priok	67,886	59,212	63,859	65,171
Adi Sucipto	N/A	N/A	46,987	48,160
Husein Sastranegara	N/A	N/A	90,278	115,285
Others	1,046,559	1,010,723	427,521	441,846

Source: BPS

In hospitality industry, small hotels serve a significant role in the development of tourism in Indonesia. In 2011, the cumulative number of classified hotel in Central Java and Yogyakarta were recording 12.702 rooms available that provided 20.836 beds (Table 3-3) and non-classified hotel recorded 34.167 rooms available that provided 54.263 beds (Table 3-4).

Table 3-3: Number of Classified Accommodation

Number Of Classified Accommodation	2011			2010			2009		
	Number Of			Number Of			Number Of		
Province	Hotel	Room	Bed	Hotel	Room	Bed	Hotel	Room	Bed
Central Java	131	8,736	14,339	119	7,031	12,432	114	7,002	12,256
DI Yogyakarta	42	3,966	6,497	34	3,491	5,481	34	3,434	5,466
Central Java & Yogyakarta Classified Hotel	173	12,702	20,836	153	10,522	17,913	148	10,436	17,722
Indonesia in Total (Classified)	1,489	142,481	215,633	1,306	124,789	191,948	1,240	118,716	183,744

Source: BPS

Huge number of rooms available in Indonesia consists mostly of small Hotel (including for Star and non Star Hotel). More than 2.200

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cumulative number small Hotel in Central Java were recording in 2011 be active in accommodating rooms and services.

Upheaval number of hotel built has an implication to the hotel business in Central Java and Yogyakarta. Rooms in classified hotel raise more than 2000 from 2009 to 2011, meanwhile rooms for non-classified hotel raise more than 1.000 rooms from 2009 to 2011. This indicates that many company expand their source to hospitality industry. In order to facing that condition, ABC Hotel must implement proper strategies to survive in this competition.

Table 3-4: Number of Non Classified Accommodation

Number Of Non Classified Accommodation	2011			2010			2009		
	Number Of			Number Of			Number Of		
	Province	Hotel	Room	Bed	Hotel	Room	Bed	Hotel	Room
Central Java	1,237	22,002	36,418	1,225	21,590	32,926	1,166	20,479	31,766
DI Yogyakarta	1,016	12,165	17,845	1,147	12,860	18,412	1,091	12,077	17,714
Central Java & Yogyakarta Non Classified Hotel	2,253	34,167	54,263	2,372	34,450	51,338	2,257	32,556	49,480
Indonesia in Total (Non Classified)	13,794	238,976	368,574	13,281	228,349	350,692	12,692	216,101	335,461

Source: BPS

More than 1.300 hotels built in Indonesia from 2009 to 2011. Even though the escalation of competition was rising the occupancy rates of guests stay within the hotel still recorded in favorable number. In average, Indonesia has 48.86% occupancy rates recorded in 2010.

Table 3-5: Number of Accommodation In Indonesia

Number Of Accommodation	2011			2010			2009		
	Number Of			Number Of			Number Of		
	Province	Hotel	Room	Bed	Hotel	Room	Bed	Hotel	Room
Central Java & Yogyakarta Classified Hotel	173	12,702	20,836	153	10,522	17,913	148	10,436	17,722
Central Java & Yogyakarta Non Classified Hotel	2,253	34,167	54,263	2,372	34,450	51,338	2,257	32,556	49,480
Total	2,426	46,869	75,099	2,525	44,972	69,251	2,405	42,992	67,202

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Total Classified Hotel	1,489	142,481	215,633	1,306	124,789	191,948	1,240	118,716	183,744
Total Non Classified Hotel	13,794	238,976	368,574	13,281	228,349	350,692	12,692	216,101	335,461
Indonesia in Total	15,283	381,457	584,207	14,587	353,138	542,640	13,932	334,817	519,205

Source: BPS

More than 40 % occupancy in Central Java recorded in 2010, eventhough there is huge number of hotel built. This number indicate ABC Hotel has opportunity to keep maintain their market share, in other way foreign tourists visiting increase year-by-year. ABC Hotel management must utilize this condition to give favorable growth for company.

Table 3-6: Room Occupancy in Java Island 2004-2010 (percent)

Province	2004	2005	2006	2007	2008	2009	2010
DKI Jakarta	51.08	54.53	55.01	53.61	50.57	50.69	51.76
West Java	37.77	37	38.63	39.39	40.26	41.4	43.49
Central Java	43.21	41.74	36.92	37.6	37.79	38.12	41.01
DI Yogyakarta	45.64	43.04	43.37	45.55	50.07	49.53	47.3
East Java	48.29	45.6	45.46	42.78	46.9	47.06	46.05
B a n t e n	33.26	32	39.3	37.58	46.89	42.07	41.69
Indonesia	44.98	45.03	46.18	46.89	48.06	48.31	48.86

Source: BPS

3.2 Company Profile

3.2.1 History of company

ABC Hotel build as a one star hotel is based in Wonosobo. ABC Hotel starting operates in July 1992 with it legal number from the Judicial Affairs Department is 9739.HT.01.92 as Hotel Industry. ABC Hotel is a one star hotel with characteristic like Business Hotel, which combines with

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comfortable, homey, and quiet. Their main target market is business people and pleasure. Moreover, they are targeting to package market, which are companies whose wants to arrange accommodation for business meeting or training for their employees. The package market usually arranges for the accommodation, meals, and meeting rooms for each guest. Travelers or guests can be local and foreign guests.

3.2.2 Organization Structure & Job Description

Table 3-7: ABC HOTEL Job Description

NO	DIVISION	JOB DESCRIPTION
1	General Manager	Manage, maintain and responsible for all lodging facilities.
		Observe and monitor workers' performance to make sure that company rules and procedures are being followed.
		Collaborate and cooperate with all departments to coordinate hotel services activities.
		Resolve customer's complaints.
		Interview and hire staff.
		Ensure customers serves with hotel's standard services.
2	Sales & Marketing Manager	Accommodate for meeting, party, etc in Ballroom
		Selling rooms to intermediary
		Promote to customers
3	Operation Manager	Inspect hotel for cleanliness and appearance.
		Ensure that housekeeping, laundry and maintenance staff are coached and trained to perform their duties effectively.
		Ensure that attendance registers are completed daily and in accordance with statutory regulations
		Assign duties to workers and schedule shifts.
4	Food & Beverage Manager	Liaise and coordinate all food & beverages division
		Ensure guests serves with good food & beverages product.
5	Accounting Manager	Prepare hotel report to owner
		Coordination Accounting division, purchasing and cashier at work.
6	Maintenance & Banquet Supervisor	Ensure that all public area included parking lot, garden, etc are serviced and cleaned daily.
		Ensure that ballroom are serviced and cleaned daily.

		Ensure that hotel's engineering equipments are serviced and working properly.
7	Laundry	Ensure an adequate supply of clean linen.
8	Housekeeping Supervisor	Ensure that all bedrooms are serviced and cleaned daily
		Ensure that rooms are checked regularly for repairs and refurbishing, and that appropriate maintenance is completed
		Liaise with Operation Manager and notify them of areas in need of attention pertaining to decor.
		Ensure that staff accommodation is kept clean and in a good state of repair
9	Room Service	Cleans all bedrooms daily with adequate supply amenities.
10	Front Office Supervisor	Coordinate front-office duties and resolve problems.
		Coordinate reception and bellboy duty
11	Reception	Greet and register guests.
		Arrange telephone answering service, mail delivery, and answers customer questions about area.
12	Bellboy staff	Give all services to guests during stay within hotel including check in and check out
13	Security	Ensure security in hotel area (today this job description covered by bellboy)
14	Massage Centre	Give all services in massage centre (Today this massage centre does not operate)
15	Restaurant staff	Give all services for restaurant's guests including ordering, restaurant cleanliness, etc.
16	Kitchen staff and Food & Beverages in room	Provide food and beverage product for all guests whether in room or restaurant
		Responsible in kitchen cleanliness and hygienic of foods beverages.
17	Finance & Accounting	Prepare hotel report to owner
		Prepare payment to supplier
18	Purchasing	Supplier selection based on quality, quantity, on time delivery and price.
		Purchase supplies or services from outside vendors, such as laundry, repair, and trash.
19	Cashier	Collect payment and record money earned and spent.
		Receive and process advance payments
		Coordinate and help for preparing hotel report.

Source: ABC Hotel

Organization Structure

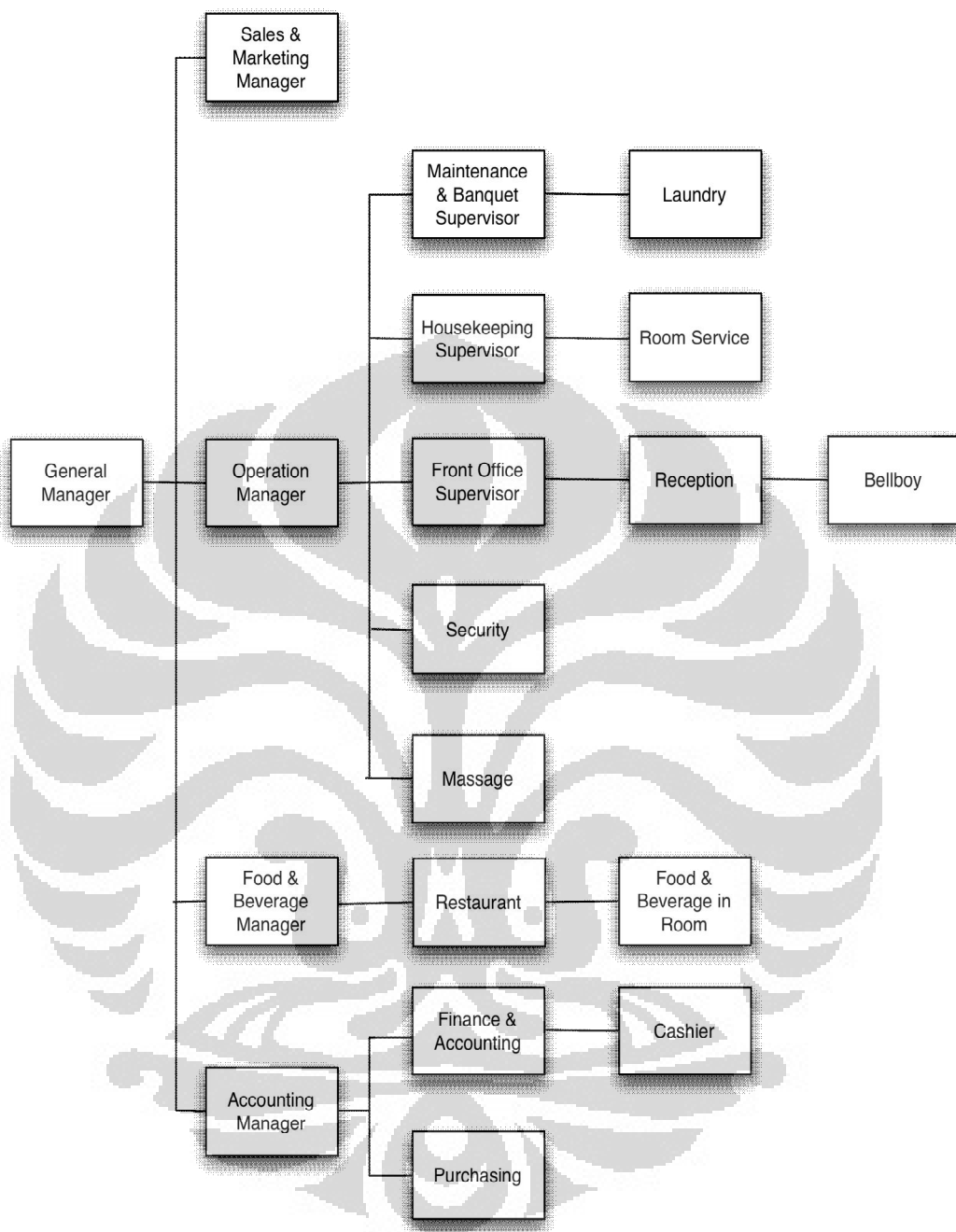


Figure 3-1: ABC Hotel Organization Structure

Source: ABC Hotel

3.2.3 Member of the company

Today, there are 38 employees work in ABC Hotel. Almost of all the staff in departments are working in shift, except for marketing, accounting, and purchasing. The employees before going into a working contract, the employees must fulfill 3 months probation. The contracted employees and permanent employees are receiving their salaries plus service points. There are three shifts in a hotel. The first shift is from 7 am to 3 pm, the second shift is from 3 pm to 11 pm, and the third shift is from 11 pm to 7 am.

3.2.4 Hotel Overview

As mention above, ABC is a one stars hotel with 63 rooms, the type of rooms are:

- Economy rooms = 9 rooms
- Economy plus = 5 rooms
- Family = 2 rooms
- Standard rooms = 15 rooms
- Superior Twins = 10 rooms
- Superior Single = 10 rooms
- Deluxe rooms = 8 rooms
- Suite rooms = 4 rooms

The facilities and products, which provided by the hotel, are:

- Lobby
- Restaurant
- Business Centre
- Minimart
- Laundry
- Meeting Rooms

3.2.5 Company Products and Services

The hotel designed to stimulate a feeling of refreshing and comforting. The notion of home is built upon comfort and tranquility. Today hotel building is looking old and need more refreshment. The condition describe as follow:

- **Location**

ABC Hotel is strategically located in the city center with area 3500sq. Walking distance to Banking, Restaurant, Government office, and Business area is quite close. ABC Hotel has a strategic location with strategic surrounding environments. The tourism area surroundings Wonosobo called Dieng, just takes an hour to visit. The Borobudur temple also can be reached on an hour and half from Wonosobo.

- **Lobby**

Lobby area is quite big with a lot of sofas provided. The lobby is a good place to meet and greet guest within ABC Hotel

- **Restaurant**

Restaurant is quite large. At first, this restaurant provides meals for breakfast and dinner. Today, this restaurant just accommodate for breakfast. The owner's reason to operate restaurant just for breakfast is because the difficulty of ABC Hotel to maintain their restaurant staff. The turnover of restaurant staff is quite high.

- **Business Center**

Business centre has a 60sqm area, quite enough for business support. It is located besides the lobby lounge and ready to serve the guests for office needs, such as printing, scanning, telephone includes Money Changer. The rate is comparable with the market rate. Business centre just opens from 9 am to 5 pm.

- **Minimart**

Minimart is providing complete needs for guests and people surrounding hotel. Franchisee mode was chosen by ABC Hotel management to serve all customers, named Indomaret.

- **Laundry**

ABC Hotel's laundry quite simple and has a minimum standard presentation of laundry quality. Laundry services must be improve and standardized its quality as hotel laundry

- **Massage Centre**

Individual massage is the latest services in ABC Hotel added in the

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end of 2005. Before, ABC Hotel had a facility traditional massage in a massage centre. However, a lot of guests request to has a massage in their room instead of in the massage centre that provided. Due to the guest's request, ABC Hotel provides a massage service in guest's room. Now, the massage centre had become storage to put some inventory's hotel.

- **Rooms**

ABC Hotel makes the guest feel like at home while away from home with spacious and comfortable rooms included a clean bathroom. For Superior single and twin, Deluxe and Suite rooms, the guests can enjoy the individual Air Condition system, welcome drink, and complimentary 2 bottles of mineral water everyday, laundry services, and 24 hours room services. Table provides more detail information about room and in-room facilities.

Table 3-8: ABC Hotel Rooms & Facilities

ROOMS	FACILITIES
Economy	Twin beds, welcome drink, laundry service, and room service
Economy plus	Twin beds, welcome drink, hot cold water in bathroom, laundry service, and room service
Family	Three bed in room (1 double + 1 single), welcome drink, hot cold water in bathroom, television, complimentary 3 bottles of mineral water, and breakfast everyday, laundry service, and room service
Standard	Comfort beds, spacious room, internal telephone, laundry service, welcome drink, hot cold water in bathroom, television, complimentary 2 bottles of mineral water, and breakfast everyday and room services
Single/ Twin Superior	Comfort beds, spacious room with terrace, Internal telephone, AC with individual control, laundry service, welcome drink, hot cold water in bathroom, television, complimentary 2 bottles of mineral water, and breakfast everyday and room services

Deluxe	Luxuriously furnished, comfort beds, spacious room with terrace, Internal telephone, AC with individual control, laundry service, welcome drink, hot cold water in bathroom, television, complimentary 2 bottles of mineral water, and breakfast everyday and room services
Suites room	Luxuriously furnished, comfort beds, spacious room with terrace, living room, kitchen, internal telephone, AC with individual control, laundry service, welcome drink, hot cold water in bathroom, television, complimentary 2 bottles of mineral water, and breakfast everyday and room services

Source: ABC Hotel

- **Meeting Rooms**

All fully air conditioned meeting rooms are located on the 1st floor of the hotel, where is inside the business centre, with a capacity maximum 25 persons. It needs an arrangement with the persons in charge in the business centre, later they will give a confirmation about the schedule. Package market usually uses this meeting room to arrange their business trip. Package market is quite big portion for ABC Hotel's revenue.

3.3 Company Performance

ABC Hotel is one of the affordable hotel in that area, with a good facilities and services. The ABC Hotel get acknowledge from customer as low price with clean room. There are several number of services generate revenues in ABC Hotel. Rooms, Food&Beverages, and Minimart become the most part of ABC Hotel revenue.

Description	2009	2010	2011
Rooms	43	40	41
Food & Beverages	22	25	26
Minimart	13	11	14
Function Rooms	8	8	3
Massage	6	5	6

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Business Centre	5	7	6
Laundry	3	4	4
TOTAL	100	100	100

Figure 3-2: ABC Hotel Revenue Report (in percentage)

Source: ABC Hotel

3.3.1 Existing Internal Training

The employees graduated from tourism local high schools and vocational schools. The statute for recruitment is mostly based on the educational degree and experience. The management is likely selecting based on experience compare to the degree. Training is done inside the hotel, outside training are limited done by ABC Hotel. The Employees will be train by the management before they start working. However, the training is just the basic and moreover through learning by doing. The management encourages the employees to learn by doing from their working experiences, furthermore improvise their knowledge within the hotel's policy.

3.3.2 Existing Strategy

ABC Hotel strategies are limited in action. They do not have marketing team. The Front Office department is not very active in accommodating the guest's needs. The hotel just considering waiting guests come and gives them good service to make sure the guests feel happy and come back.

In ABC Hotel, the advertising is very rare to be performed. The advertisings that had been done are in local radio and newspaper about a ballroom promotion and room rate promotion. The reasons are budget and effectiveness.

ABC Hotel cooperates only with some local travel agencies to increase the sales and promotional. The payment should be direct or cash basis for all guests. Except for the big and active travel agencies that have a good relationship with ABC Hotel. ABC Hotel has not have their website. They just use public domain such as Yahoo, Hotmail and Gmail to accommodate Internet sales. The email address has been used only for

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existing guests to deliver some valuable information. This mode of marketing action by mail is rare to be performed.

3.3.3 Hotel's Target Market

Today ABC Hotel is targeting middle to low-income class. Most of them are business traveler and pleasure guests.

Guests	2009	2010	2011
Business Travelers	39	37	38
Pleasure Travelers	24	33	26
The Package Market	15	15	13
The Free Independent Traveler (FIT)	14	11	14
International Travelers	8	4	9
TOTAL	100	100	100

Figure 3-3: ABC Hotel's Guests proportion (in percentage)

Source: ABC Hotel

Moreover, they are also targeting a company who arranges accommodation for meeting or to do training. In this case, the company will arrange the accommodation, meals, and meeting rooms for it.

3.3.4 Competition Challenges

ABC Hotel is located in central districts. There are many other hotel where is located in the same area in Wonosobo, including star and non-star hotel. Some competitors are smaller and having less facilities compare to ABC Hotel. However, some competitors from other city provide good quality and better facilities that able reduce market share in pleasure guests and package market. For business traveler who need to transit in Wonosobo for their business trip, ABC Hotel must compete with competitors within Wonosobo itself.

4 CHAPTER 4

ANALYSIS

Fiorentino (1995) considered budget hotels as products that offering clean, simple room, also limited restaurant and coffee shop facilities. They provide limited significant value for customer at relatively modest price featuring of five star hotel's amenities that might not include such as extensive food and beverage services, meeting-room facilities, fitness centre, or other recreational areas, but the accommodation standards are good. Budget-conscious travelers today want clean comfortable rooms, free coffee in the morning, and affordable room rates. Based on the definition of budget Hotel from Fiorentino (1995), ABC Hotel can be classified as economy class or Budget Hotels. Guests mostly stay in the ABC Hotel consist of pleasure, business, the Package Market, International travelers, and the Free Independent Traveler (FIT).

ABC Hotel as company that built, developed, and own operated the hotel, has some challenges to improve their performance. In budget hotels, the benefit of good value for money in standardized accommodation quality is as good as three star hotels and rates are 25% to 50% cheaper. The challenges for ABC Hotel are to achieve those low service prices with standardized quality through their particular design and management with low construction costs and low operating costs.

In the hotel's product and services for the most part buyers cannot experience before buying. Guests do not know whether they are buying the intangibility, perishability, heterogeneity of the product and services. Triggered from this point of view, it can be analyzed how ABC Hotel can do to survive in the competition. ABC Hotel should not only concern price-based competition in the budget segment. ABC Hotel must have concern on the concept of budget hotel which already shifting in non-price strategy, namely value for money. On the last decade many successful budget hotels offers standard services based on values

4.1 Key Roles Strategies to Survive for ABC Hotel

There are some specific strategies aiming value, which creates

“Budget Hotel” competition that becomes key roles to survive for ABC Hotel. The key roles of ABC Hotel are formulating as follow:

4.1.1 The Company Objectives and Values

Pearce and Robinson (2007) described in order to aim objectives, every company must formulate direction to shape its company characteristic. For all the company, including ABC Hotel, needs to formulate direction in navigating all recourses by any kind of guidance or direction. This fundamental purpose sets a firm diverse from the other firm of its type and to become the identity of company. The guidance should be designed refers to value innovation progress.

Today, ABC Hotel does not have company objective, employees have been assumed that working just as daily activities without any specific purposes. ABC Hotel should have clear vision and mission statement with company values (beliefs) and the employees should know and understand them. This is important for company to deliver the main values, objectives within company, and gives messages to all members within company as guidance at work.

The guidance should be postulated in vision, mission and values to give clues for all ABC Hotel’s member at work for addressing company objective. The guidance based on Pearce and Robinson (2007) perspectives are suggesting as follow:

ABC Hotel Vision in 5 years

Become one of the acknowledged and considered budget hotel in Central Java with best quality and satisfaction.

ABC Hotel Mission

Provide business and leisure travelers by improving total service quality with a choice of excellent hospitality products that offer good value for money, while ensuring a good return to owners and shareholders and inspiration to employees.

ABC Hotel Values

Hotel should hold the following values and beliefs, as a framework for all members of ABC Hotel at work. ABC Hotel as part of budget hotels needs

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to formulate some values that support to give values to customer. The values that should belief by all members are:

a. Friendly and kinship

ABC Hotel gives polite and pleasant service in every interaction with owners, guests, colleagues and the communities, even the demanding guests.

b. Integrity

All hotel members are honest, straightforward, and accountable in every interaction with owners, guests, colleagues and the communities.

c. Respect

All Hotel members respect the objectives of stakeholders, the values of the guests, and the cultural difference in the every circumstance.

d. Teamwork and Passion

ABC Hotel brings individual expertise, creativity and passion for ABC Hotel team member. Work with cooperation and cooperative to give best services to customer.

e. Continuous Improvement

Management attempts to be innovative and utilize best practices to continuously improve hotel management techniques, and the quality of our products and services.

f. Value for money

ABC Hotel provides all product and service with fairness for hotel and guests in term of quality and price to create favorable relationship between hotel and customers.

4.1.2 Value Innovation

Budget hotel competition surrounding ABC Hotel becomes more complex because escalation number of new hotel, meanwhile existing player becomes more aggressive. Budget hotel can be trapped by giving for much attention on competition as central concern in forming strategy. It might result with only concerns into incremental improvement daily operation advantage better than the rivals. They tend to imitative, reactive

action, and not innovative. Kim and Mauborgne (1999) suggested focusing on creating value to expand the existing markets, or creating new ones, and not on beating the competition. Value innovation can be reached by identifying new superior value or needs for mass buyers, with affordable price.

ABC Hotel as budget Hotel which most targeting on business, pleasure and package market must focusing to create more value for customers at its reasonable price. Based on ABC Hotel performance, the business traveler, pleasure and package market become the biggest portion of ABC Hotel revenue. Those are the potential opportunity for ABC Hotel to survive, in order to keep maintain those market share from the attack of a lot of competitors, ABC Hotel need to implement smart strategies with efficient use of economic resources to survive. Value innovation strategy is suitable for ABC Hotel for survives in complex competition, instead of focusing in the competition itself.

Based on Kim and Maurborgne (1999) perspective on value innovation, there are some suggested actions that can be implemented to increase ABC Hotel's values. In order to address more value on business traveler, ABC Hotel can create support services for business activities. These are the support activities that can be used to simplify guests doing their business activities

a. Business Services

ABC Hotel should create the new additional support service to accommodate the guests doing their business activities within the hotel such as Facsimile, computer rental with Internet access, printing, scanning, copies, stationary, and business assistance.

b. Local and International Telephone

Today, ABC Hotel just provides local or domestic phone service. ABC Hotel should facilitate regional and IDD facilities to accommodate international direct dial for all guest.

c. Ticketing

ABC Hotel should accommodate guests who need the transportation

ticket for traveling such as, airplane, train, and bus. ABC Hotel can create collaboration with other tour travel to provide this extra service.

d. Internet and Wi-Fi Services

ABC Hotel as budget hotel must facilitate for the guests to use Internet within hotel. ABC Hotel can give free Wi-Fi for free in the hotel restaurant.

e. Car rental

ABC Hotel can offer transportation services by cooperation with efficient transfer provider, to accommodate guests who need car for traveling or support their business trip to another city or visiting tourism area surroundings Wonosobo.

In order to address more value on pleasure traveler, ABC Hotel can create another new services to accommodate guests in traveling trip such as:

a. City tour Package

Create package to accommodate guests for experiencing the tourism area in Wonosobo such as rafting, culinary, experiencing *delman*, hiking, Tambi tea Plantation Tourism, and etc.

b. Dieng Plateau Package

Create package to accommodate guests for experiencing the tourism area in Dieng tourism such as Dieng temple, Arjuna temple, The Colorful lake, Sembungan tourism, Mount Sikunir, etc.

c. Central Java Supreme Package

Create complete package to accommodate guests for experiencing the tourism area in central java. For examples, Magnificent Central Java Package, accommodating package for the guests who want to visit Keraton (Yogyakarta), Borobudur (Magelang), Dieng Plateau (Wonosobo), and Baturaden (Purwokerto) as a bundled package with complete items such as meals, room, pass entry to tourism area, car, and etc.

In order to address more value on Package Market, ABC Hotel can provide accommodation and bundled package for big package guests, such as:

a. Meeting room

The meeting room looks old, not well maintains and equipped that affect to decrease of package guests. The meeting room must be renovated with to address package guests for their business trip. Nice lighting, sound system, screen, microphone, stand, and etc should equip the meeting room.

b. Room and Business Meeting/Party Package

Offering attractive package for big package including using some facilities provide by ABC Hotel such as rooms, restaurant, meeting, etc.

c. All inclusive event package

Offering package to manage whole wedding, party or even meeting such as entertainment with band, wedding organizer, speaker, etc. This package bundled with rooms, restaurant, ballroom, etc.

Kim and Maurborgne (1999) also suggested encouraging value innovation process in human resources factor by empowering employees. Based on Kim and Maurborgne (1999), propose action are suggesting as follow:

a. ABC Hotel can create autonomous units focusing on value innovation. ABC Hotel can implement autonomous unit by create value innovation program in every department including Front desk, Room boy, Housekeeping, Kitchen, Laundry, and Restaurant. Every department get offering reward such as bonus in every new idea that can apply and have values for guests, hotel, employee and communities. Meanwhile, ABC Hotel also encourage manager by program “new innovation every month” that related with manager’s KPI in leading the company.

b. ABC Hotel can adapt and encourage the value innovation by give consideration in the selection of employee. ABC Hotel can applied

the variety of selection based diverse in gender, personality, background, education, experience, perspective, etc. Kim and Mauborgne (1999) propose value innovation strategy must focus on expanding existing markets, by creating team members with diverse background & perspective to unlocking and empowering employees' ideas. When ABC Hotel aims team work with different background can affect positively with hotel's creativity.

4.1.3 Brand Equity

Xu and Chan (2010) proposed advertising, WoM, and service performance to be the most important tools of the development of brand equity in the hotel industry. Advertising and WoM contribute to brand equity by providing indirect experiences for customers, whereas service performance creates direct experiences.

Today ABC Hotel does not have any action in order to attract brand equity. ABC Hotel needs to survive and expand their market toward other competitor, building brand equity action is necessary to attract the demanding guests and keep maintain the loyal guests. The demanding guest can be from domestic to international visitor. Advertising, WoM, and service performance actions can be implement to gather brand equity.

Advertising action should be conducted by ABC Hotel as a step in building brand equity. Based on Xu and Chan (2010) perspective in brand equity, ABC Hotel should promote the strength and quality service by some implementation as follows:

a. Brand and logo

Today ABC Hotel already has brand and logo, but this brand and logo is looking old and not fancy any more. In order to create awareness of ABC Hotel, unique characterize of brand of logo is needed to present that represent the ABC Hotel values. The brand and logo must be easy to memorize by customer.

b. Bellow the line Advertising

In order to address brand awareness of ABC Hotel, management can apply advertising action that suitable and address with targeted

market. Middle low budget traveler can be address by ABC Hotel by some bellow line advertising such as sticker, brochures, following tourism expo, etc

c. Hotel's Company Profile Website

ABC Hotel should create new line of marketing using Internet to address for certain segment of customer including domestic or local and international guest. In the website, the hotel can provide useful and needed information. Website is easy to set up, flexible to customize, high level of user involvement, provide service in 24 hours, efficient costs and time. In other way website is a perfect tool to communicate with foreign guests. The hotel website provides features for visitors to make a direct reservation, also feature for guests to comment their satisfaction, in return for valuable comment can be rewarded by giving promotion to customer.

ABC Hotel should promote WoM (Word of Mouth) as indirect experience that triggered from loyal customer who are committing to the brand and then act as alternative source of information for other to make brand decision. Based on Xu and Chan (2010) perspectives in brand equity, there are some suggestions implementations in ABC Hotel, as follow:

a. Loyalty Card Programs

ABC Hotel must maintain existing guests by any kind of program loyal guests that has benefit for cardholder such as, discount, prioritize guest program, and give information actively via mail or short messages services regarding the discount or promotions.

b. Member gets Members

ABC Hotel should create unique program to increase customer awareness and get potential buyer. Member gets members program could be a useful tool in gathering larger scope of visitor. This kind of tool can be implemented by ABC Hotel such as holder of loyalty card get further discount if they propose new loyalty card holder

c. Interactive email promotion

ABC Hotel can use direct mail as personal advertising that send the information through postal service. Direct mail can be sent to the personal guests in order to 'keep in touch'. Furthermore, by sending information, ABC Hotel can introduce to the new potential buyer and update them with hotel programs. New potential buyer can be reach by linked member get member, for example if guest sent 20 email to their colleagues, guests get 1 day room voucher for free in deluxe room.

d. Interactive Mobile phone promotion

ABC Hotel should have call centre to provide services from customer's direct phone call. Meanwhile, ABC hotel is able to store the guest's number and sending short message services to give privileges for certain guests who always stay at ABC Hotel continuously. The content can be promotion or courtesy to create strong awareness for loyal guests, in order deliver information for their colleagues.

Xu and Chan (2010) described in brand equity, service performance become important to develop experiential brand image. Based on Xu and Chan (2010) perspective in brand equity, ABC Hotel should increase their service performance by some suggested action, as follow:

- a. ABC Hotel can implement the training program to enhance the service skill for guests. Topic of each training program is specialized base on each function within the ABC Hotel (Back Office, Front Desk, Kitchen, Laundry, Housekeeping and Bell Boy). Each training program has various levels of training to improve quality of each division services. ABC Hotel also conducts development training to capture all issues such as innovation, problem, complaining, upgrade services, troubleshooting, etc. This training conducted to improve hotel performance
- b. SOP (Standard Operation Procedure)

In order to maintain the ABC Hotel quality services, the

management should create the standard procedures. Standard operating procedures (SOP) are covering clear rules and courtesy when employees at work

4.1.4 Customer Values Expectation

(Nasution and Mavondo 2008) defined that values for customer become the most important key in service business. There is a necessity to meet with customer value expectation. Hotel could optimize competitive advantage by bridging between customer value and competitive action. Managers should actually do some researches to identify customer value, needs, and the drivers of customer value to gather proper information as based on investing the resources appropriately.

In order to enhance customer experiential value, ABC Hotel should focus on significant component that influence to customer. At the same time, when consumers are satisfied with the service and it's associated product, they tends more likely to repeat their purchase. Today ABC Hotel does not have any tools to gather information from customer expectation in ABC Hotel. ABC Hotel should find and consider the customer point of view to address customer's needs and expectation thus customer satisfied and influence positive word of ABC Hotel. Based on (Nasution and Mavondo 2008) point of view, ABC Hotel can create some activities to gather customer expectation in ABC Hotel by provide comment and suggestion for customer such as questioners, call centre, ABC Hotel email, consumer report and reviews, newsgroups, product review sites, face book, twitter. Those input must be evaluated and response by ABC Hotel management.

4.2 Improving Internal Resources and Strategies to Create Value

In order to meet the hotel objectives, ABC Hotel should change and improve some specific internal resources and capabilities to increase the value of ABC Hotel.

Internal action should involve with value innovation criteria, it is important for ABC Hotel when they want to expand the market share and

increase the revenues. The internal recourses and improving capabilities describe as follow:

4.2.1 HRM Practice

Choi and Chu (2001) examined that staff service quality become one of the most influential factors in determining travelers overall satisfaction level in their likelihood of returning in the same hotels. Furthermore, Wilkins, Merrilees, Herington (2007) defined that training programs provide an opportunity to integrate the three main types of service components and have a role in achieving service performance in total quality. Tsaur and Lin (2004) also define that positive HRM practices on the all dimensions included recruitment/ selection, training/ development, compensation/ benefits, and performance appraisal.

Today, ABC Hotel does not have clear application in HRM, they just assume HRM as complement effort in business. HRM is needed for ABC Hotel to increase their service quality facing competitor from establish budget hotel with good quality of service performance. Based on Tsaur and Lin (2004) perspective in HRM, there are necessities for ABC Hotel to implement HRM. Based on Tsaur and Lin (2004) perspective in HRM, some HRM practices are suggesting as follow:

- a. First step of HRM is selection process. Today, selection process just do in simple way by rely on like and dislike of manager. This kind of selection mode creates opportunity of error, because there is no guidance for selecting the employee. ABC Hotel management can recruit and selection to all candidates by screening process with some test that is related with hotel needs and values. Screening test must be designed to gather candidate who meet and able to implement the hotel's values and belief. Screening can be conducted with some physiology test including personality, IQ, integrity.
- b. Second step of HRM is training. ABC Hotel can implement the training program that is related with service performance in brand equity. This training conducted to improve understanding and ability of employee's. Furthermore, in each division is conduct weekly

meeting and manager must present in this meeting. Manager also conducts monthly meeting with all member to discuss regarding improvement.

- c. Last step of HRM is implementing rewards and punishment to stimulate positive change and improvement of employee's service quality that is related with performance evaluation. Some part of employee's monthly compensation is based on average number of satisfied customer. Customer satisfaction or feedback is referring to customer reviews and expectation. ABC Hotel also can give reward to employee when total amount of sales is increasing in exceed certain amount. In other way, ABC Hotel can create "employee of the month program", appreciation for employee with best works in a month with some criteria such as good behavior, good teamwork, etc. All member employees of ABC Hotel can participate do the appraisal for "employee of the month". By implementing those HRM practices, ABC Hotel enable to catch up the good staff service quality such as staff are polite, friendly, helpful, understand guests need, provide efficient service, ability multi-lingual skill, and neat appearance.

4.2.2 Total Quality: Physical Product

Wilkins, Merrilees, Herington (2007) researched that physical products are the factors that significant from a consumer perspective. ABC Hotel needs to enhance their physical factor to give better service satisfaction for all guests. Based on Wilkins, Merrilees, Herington (2007) researched in physical environment, there are some suggestion improvements that enable to implement in the ABC Hotel, as follow:

- a. Hotel Appearances

ABC Hotel should change the appearances of Hotel to meet some requirement such as clean, organized, and fancy. Those physical improvements in ABC hotel, improvement can be done by nice lobby (good sofa, nice desk, clean floor, organized art work, etc), clean parking lot, clean gangway, clean, good smell environments and etc.

b. In Room Quality

ABC Hotel should promote comfortable services for guests by clean bed (including mattress and pillow), air-conditioner in room, clean and quiet rooms.

c. Satellite Television Services

ABC Hotel should increase hotel's room entertainment by installing TV with cable channels. All guests can enjoy this service in room, restaurant, business services and meeting room.

d. Family Reflexology Centre

Based on ABC Hotel revenue report, in room massage services has quite large portion of income. This service could be potential for ABC Hotel to increase the revenue. ABC Hotel should renovate massage centre services to accommodate guests by providing traditional massage (already exist) and reflexology. The concept tends to involve nature and healthy that suitable for all family members including for woman and children.

e. Implementing IT for internal process

ABC Hotel should built and develop system that integrate with all division (Front desk, Room boy, Housekeeping, Kitchen, Laundry, Restaurant) in order to create faster speed of services. The system has to cover all business process such as internal information, billing, welcome drink, wake up call, and etc

f. 24 hours Security feature

ABC Hotel should provide the sense of security for guests during stay within the hotel by 24 hours CCTV not only rely on room boy at work.

4.2.3 Total Quality: Extra Added Services Performance

Wilkins, Merrilees, Herington (2007) defined the others added extra services for guests can support to the total services. In order to give more satisfaction for guests, ABC Hotel as low cost hotel also can provides a value proposition that cannot earn by other hotels as the main competitor. By those services, ABC Hotel can create better value over competitor to

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survive within tight competition and attract potential guests who seek hotel with nice services. Meanwhile, the guests can enjoy those facilities with fair price. Based on Wilkins, Merrilees, Herington (2007), some implementation of extra services are suggesting for ABC Hotel such as:

a. Amenities in certain type of room

ABC Hotel should provide in room complement to give additional satisfaction for guests such as extra towel, soap, toothbrush, shampoo, and etc. This kind of extra amenities can delivered for certain type of rooms such as suite, deluxe and superior.

b. Major credit cards accepted

ABC Hotel should facilitate EDC that accepted by major credit cards to simplify guests on paying during stay in ABC Hotel such as Visa, MasterCard, Amex, Debit Card, etc.

c. Laundry Services

Existing laundry in ABC hotel does not have good appearances, they just wash, ironing, folded, and delivered to guests. ABC Hotel should improve their existing laundry services by create additional laundry services such as dry cleaning and pressing. Nice appearances of laundry by fold with hanger and wrapped with plastic are necessary to present.

d. Extra role Service

Services provide by ABC Hotel's employee in serving customers beyond formal role requirements.

e. Safe deposit box

ABC Hotel should accommodate the sense of security for guest's luggage during stay in the hotel by provide safe deposit box for any valuables.

f. 24 Hours Services

In order to give satisfaction, ABC Hotel should accommodate 24 hours services for all guests in term of fulfilling their needs. Full day and night services cover some services such as 24 hours Information desk Services, 24 hours Business Services, 24 hours Room Services

g. 24 hours Security

ABC Hotel should provide the sense of security for guest during stay in the hotel by security personnel and all employees at work.

h. 24 hours in rooms Food and Beverage

ABC Hotel should serve food and beverage for 24 hours at least for certain menu that hotel restaurant able to serve in 24 hours

4.2.4 Total Quality and Customer Satisfaction: Food & Beverages

Wu and Liang (2009) defined service encounter element in hotel's restaurant can be categorized into three main components environmental element, service employee factors, and consumer factor. Wilkins, Merrilees, Herington (2007) defined that food presentation and drink are both reflective of quality food and beverage. The food and beverage product involve with exquisite food presentation, provision of fine dining restaurant, provision of breakfast.

Based on interview with ABC Hotel management and physical condition of restaurant, food&beverage in ABC Hotel does not have good presentation and necessary to improve this service. In order to create good satisfaction within competition and based on Merrilees, Herington (2007) researched, ABC Hotel must improve their presentation of food &beverages services. Meanwhile Wu and Liang (2009) defined that hotels must considering encounter element. Based on those perspectives, there are suggestion actions for ABC Hotel, such as:

- a. Presentation of restaurant environment including lighting, music, LCD TV, table and chairs, menu must be renewing with consider restaurant theme, concepts, comfort, and etc.
- b. The ABC Hotel should add a coffee shop inside restaurant to accommodate some guests who want to conduct small meeting with friends or else during stay in the ABC Hotel. The menu can be consisting of drink, appetizers, snack and etc. Provide smoking and non-smoking area within restaurant and coffee.
- c. Hire employee who experienced in food beverage to support the food product. In other way training must be conducted regularly to improve

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waitress services.

- d. Now ABC Hotel just accommodate for breakfast in hotel restaurant. ABC Hotel should open nice hotel’s restaurant, that able to accommodate guests in breakfast, lunch and dinner. The design and appearance of restaurant should be reorganized with the up to date style of design and atmosphere.
- e. Menu of Food and beverage should be present by more of varieties. The menu for breakfast, lunch and dinner can be differentiated. The food is not only present in Chinese food but give more variety in Indonesian food and some Western food.
- f. ABC Hotel management must encourage new food product, at least improving in taste and presentation of existing menu.

4.2.5 Low Cost Strategy

ABC hotel is located in the middle of downtown area in Wonosobo. Wonosobo is usually visited by a lot of people for transit (business trip) and pleasure (tour trip such as, Dieng and Borobudur). Choi and Chu (2001) defined that value for money are considered to be the most influential factors in determining travelers overall satisfaction. ABC hotel should provide customer value with low cost that may benefit from positive word of mouth and may gain a value advantage.

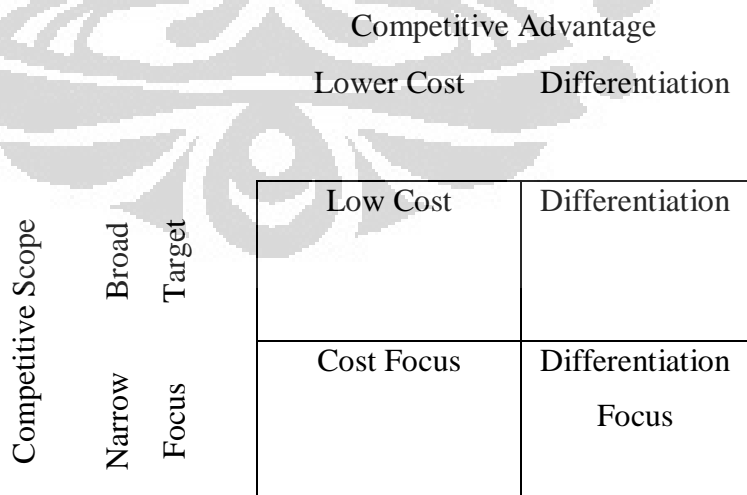


Figure 4-1: Low Cost strategy

In low cost strategies, ABC hotel sets out to minimize the cost as low as possible, while maintains the quality for customer. ABC Hotel is

targeting specific market segment, that is businessman from outside town. Another market segmentation of ABC Hotel is the middle low economy segment whose are guests that searching a hotel with a low budget for vacation in Wonosobo. The challenges for ABC Hotel to create affordable selling price for targeted market segment by the ability to maximize ABC Hotel's room occupancy.

Porter (1985) defined that the action and strategies in low cost strategies may include the pursuit of economies of scale, applying technology, precise cost management. Low cost hotel like ABC Hotel must find and exploit all sources of cost advantage to achieve sustain overall low cost. By considering from Choi and Chu (2001) researched regarding value of money and based on Porter (1985) perspective on low cost, ABC Hotel can use some particular implementation action to reduce cost become efficient such as:

- a. Cost focus in efficiency such as scheduling in off position for electricity during daytime, using smart card system in every room as main switch for room's electricity.
- b. Efficiency in purchasing. Its easier for the hotel, if the management has a couple permanent supplier so purchasing department can make a call and order the product and ask to delivery to the hotel. It can reduce cost and money
- c. Reduce person in night shift to reduce cost of labor, such as housekeeping division in night shift can be limited.
- d. Double job position for housekeeping and bell boy can reduce cost in labor
- e. Outsourcing for dry cleaning, ABC Hotel can create cooperation with others laundry service to avoid investment in specially laundry machine. Also, can reduce labor to fill the laundry service
- f. Outsourcing particular activities such as outsourcing to push operational costs and efficiency in other operational sectors. Outsourcing modes that can be use by ABC Hotel are Outsourcing AC Maintenance, Security.

ABC Hotel can create corporation with other tours to make some city tour for the guests, instead of the hotel make their own tour. It is cost a lot of expense, such as buy a bus, hire some people to arrange the tour and also a tour guide and driver.

4.2.6 Marketing Action

Reid and Bojanic (2010) defined the five components of the Hospitality Marketing Mix. Today, ABC Hotel does not have particular action in marketing, they just wait the guests visiting hotel. Marketing does not get attention and role in ABC Hotel sales. Based on Reid and Bojanic (2010) marketing action should be conducted by considering marketing mix in ABC Hotel as a step in building brand equity. Some marketing action are suggesting as follow:

a. E-commerce

ABC Hotel should join with B2B (Business to Business) link to optimize ABC Hotel's occupancy. While becoming members of acknowledged hotel booking website, it is ultimately increasing the ABC Hotel's brand awareness. Example: Agoda.com, Rajakamar.com, booking.com, etc.

b. Intermediary Selling

ABC Hotel must have marketing network with some intermediary. The intermediaries are mostly travel agent who sells rooms vouchers to the consumers.

c. Direct Marketing

Direct marketing usually work with many tools including telephone, Internet, direct mail using hotel domain, stickers promotion, banner and posters.

Direct mail can be addressed to company that had arranged the accommodation for their guests or employees. Meanwhile, direct mail can be sending to passive companies or new company in order to catch their awareness.

Direct visiting also can be applied to address corporate. The corporate purchasing person needs depth information about the ABC Hotel

before making the decisions. In the same time, the hotel can generate direct respond to get the contact person information and corporate needs. From this mode of marketing, ABC Hotel should create marketing team to support this action.

d. Promotion Program

In order to introduce and stimulate the sales of new service and product development, ABC Hotel should create promotion program related with new services or new product of rooms, food in the hotel's restaurant, and other services within a high season month by any discount or bundled in any package.

4.2.7 Portfolio Competitive Action

Yeung and Lau (2005) defined hotels should create many number of action promotion related with services or product. Portfolio action aim to capture the difference in competitive action taken by management as a portfolio, such as create innovation package, promotion, new product development, cost saving measures, etc.

ABC Hotel should provide some varieties of packages and offering value for money room package that could combine with others services for guest during stay at ABC Hotel. New service and product development must be encouraged by management to give additional action count for customer. Value innovation has important role in designing the new service and product development. Meanwhile, the differences in competitive action taken by ABC Hotel create new competitive values for company. ABC Hotel can differentiate the firm's portfolio of competitive actions among competitors that some services never exist. Based on Yeung and Lau (2005) perspective, some new services and product in ABC Hotel are suggesting as follow:

a. Day Room Package

Loyal guest cardholder can experiencing rooms by check in from morning at 08.00 until 14.00 for discounted price.

b. Room only Package

Loyal guest cardholder can experiencing cheaper price for room only,

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exclusive amenities, breakfast and others additional services

c. Full Package Room and meals

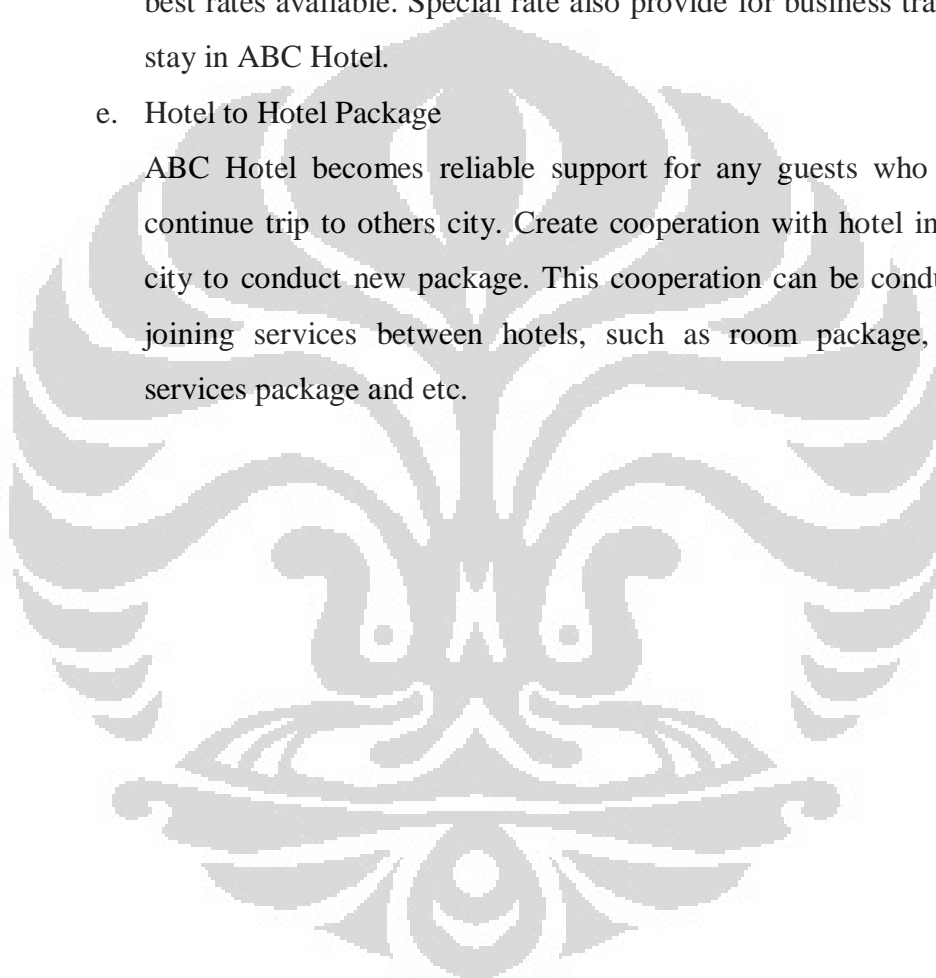
Full services rooms including breakfast, lunch, dinner and pick up service.

d. B2B Package / Corporate Price for Business Travelers

ABC Hotel become reliable business partner, one that can accommodate company's corporate travel planning and provide the best rates available. Special rate also provide for business travelers to stay in ABC Hotel.

e. Hotel to Hotel Package

ABC Hotel becomes reliable support for any guests who want to continue trip to others city. Create cooperation with hotel in another city to conduct new package. This cooperation can be conducted by joining services between hotels, such as room package, tourism services package and etc.



5 CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

This chapter will elaborate the conclusion of this final paper that combine all analysis made over generate values for ABC Hotel. In addition to the conclusion, some recommendations are also suggesting to ABC Hotel.

5.1 Conclusion

ABC Hotel is a one star hotel that has characteristic of Budget Hotel. ABC Hotel combines comfortable, homey, and quiet to accommodate guests. Their main target market is business people and pleasure. Moreover, they are targeting to package market. The facilities and products, which provided by the hotel, are 63 varieties and clean rooms, lobby, restaurant, business centre, minimart, laundry and function rooms.

Since upheavals growth in budget hotel, those condition affect to ABC Hotel's implementation strategies. ABC Hotel must formulate company objectives (vision, mission and values) that accommodate the customer values expectation. Creating unique value to customer played important and become key role strategies in building brand equity to compete within the competition or budget hotel especially to ABC Hotel. Developing more portfolios of competitive action mixed with strategy pursuing value innovation to attract and survive within competition.

In order to create more values to customer, ABC Hotel needs to improve their internal resources and implementing action that create value for ABC Hotel. Based on theoretical framework by many authors in this thesis, applying in HRM practice, cost efficient strategy, and physical improvement are become important internal factors in order to improve ABC Hotel's values.

Meanwhile, implementation action from strategies that provides unique value for customer are able to develop, survive and grow for ABC Hotel with the competitors. Based on theoretical framework by many authors in this thesis, implementation strategies that involving extra-added services performance, customer satisfaction in restaurant, food & beverages,

marketing action and portfolio competitive action are create more values for customer.

5.2 Recommendation

ABC Hotel can priorities the implementation of action that are suitable and necessary to create values for customer for ABC Hotel. The recommendation action based on necessity and priority for ABC Hotel are suggesting as follow:

1. The Company Objectives and Values

Company objectives become important for ABC Hotel because today ABC Hotel does not has any particular purposes in daily hotel's operation. Vision, mission and company values must be state by top management to give guidance for all hotel members at work. Suggestion objectives for ABC Hotel describe as follow:

Suggesting ABC Hotel Vision in 5 years:

Become one of the acknowledged and considered budget hotel in Central Java with best quality and satisfaction.

Suggesting ABC Hotel Mission:

Provide business and leisure travelers by improving total service quality with a choice of excellent hospitality products that offer good value for money, while ensuring a good return to owners and shareholders and inspiration to employees.

Suggesting ABC Hotel Values:

- a. Friendly and kinship
- b. Integrity
- c. Respect
- d. Teamwork and Passion
- e. Continuous Improvement
- f. Value for money

2. HRM Practice

Today, ABC Hotel does not have clear application in HRM. They just assume HRM as complement effort in business. There are necessities for ABC Hotel to implement HRM in order to change staff

quality that can create more values for customer. First step of HRM is selection process. ABC Hotel management can recruit and select to all candidates by screening process with some test that is related with hotel needs and values. Second step is implementing the training program that is related with service performance in brand equity. This training conducted to improve understanding and ability of employees.

Last step of HRM is implementing rewards and punishment to stimulate positive change and improvement of employee's service quality that is related with performance evaluation, such as: employee's monthly compensation is based on average number of satisfied customer, give reward to employee when total amount of sales is increasing in exceed certain amount and employee of the month program.

3. Customer Values Expectation

ABC Hotel should bridging customer value and competitive action to optimize ABC Hotel values advantage by identifying customer value, needs, and the drivers of customer value. Based on customer reviews such as questioners, call centre, ABC Hotel email, consumer report and reviews, newsgroups, product review sites, face book, twitters, ABC Hotel is able to invest resources appropriately. Those input must be evaluated and feed back by ABC Hotel management.

4. Value Innovation

ABC Hotel as budget Hotel that targeting most on the business, pleasure and package market must focusing to create more value innovation for customers at its reasonable price. ABC Hotel can create support services for business activities such as business services, local and international telephone, Internet and Wi-Fi services, ticketing, and car rental. In other way to address more value on pleasure traveler, creating many traveling package as support services are suggesting for ABC Hotel such as city tour package, Dieng Plateau package, Central Java supreme package. Meanwhile, to address value on package market, values innovation and support services are suggesting for ABC

Hotel such as ballroom and meeting room in good atmosphere, room and business meeting/party package, all inclusive event package. Furthermore, value innovation process must be encourage in human resources factor by empowering employees such as:

- a. ABC Hotel can create autonomous units focusing on value innovation.
- b. ABC Hotel can adapt and encourage the value innovation by give consideration diversity in the selection of employee.

5. Brand Equity

Advertising and WoM (Word of Mouth) contribute to brand equity by providing indirect experiences for customers. Advertising action should be conducted by ABC Hotel as a step in building brand equity such as good brand and logo, advertising, build Hotel's Company Profile Website, internet advertising. WoM (Word of Mouth) is triggered from loyal customer that committed to brand and then influence other to make brand decision. WoM (Word of Mouth) are suggesting for ABC Hotel, such as loyalty card programs, member gets members, interactive email promotion, and interactive mobile phone promotion.

Service performance contributes for ABC Hotel brand equity by creates direct experiences. In order to get nice direct experience while guests stay in ABC Hotel service performance by training and clear guidance of SOP (Standard Operation Procedure) are suggested for ABC Hotel.

6. Total Quality: Physical Product

Physical products are factor that significant from consumer perspective. ABC Hotel is needs to improve and invest more on ABC Hotel physical factor. In order to give better service satisfaction to all guests, ABC Hotel should increase their physical factors such as hotel appearances, in room quality, satellite television services, family traditional massage and reflexology centre, implementing IT for internal process, 24 hours security feature.

7. Total Quality: Extra Added Services Performance

ABC Hotel as budget hotel also can provides a value proposition for the guests that cannot earn by other hotels as the main competitor with fair and affordable price. Some implementing extra services to guests are suggesting for ABC Hotel such as extra amenities in room, major credit cards accepted, laundry services, extra role service, safe deposit box, 24 hours services, 24 hours security, 24 hours in rooms Food and Beverage

8. Total Quality and Customer Satisfaction: Food & Beverages

Food presentation and drink are both reflective of quality food and beverage and affect to the hotel values for customers. ABC Hotel has to improve their presentation of food & beverages services and considering encounter element in hotel restaurant. Based on those perspectives, there are suggesting actions for ABC Hotel, such as nice presentation of restaurant environment, coffee shop, experienced F&B employees, accommodate for breakfast, lunch and dinner, more of varieties menu, and new food product.

9. Low Cost Strategy

Value for money becomes the most influential factors in determining travelers overall satisfaction. ABC hotel should provide customer value with low cost that may benefit from positive word of mouth and may gain a value advantage. In those circumstances, ABC hotel is facing the challenge to minimize cost as much as possible, while maintains the quality for customer. ABC Hotel can use some particular suggesting action such as efficient cost focus, efficiency in purchasing, reduce person in night shift, double job position, outsourcing for dry cleaning, outsourcing particular activities (maintaining AC, security, cooperation with other tour, etc)

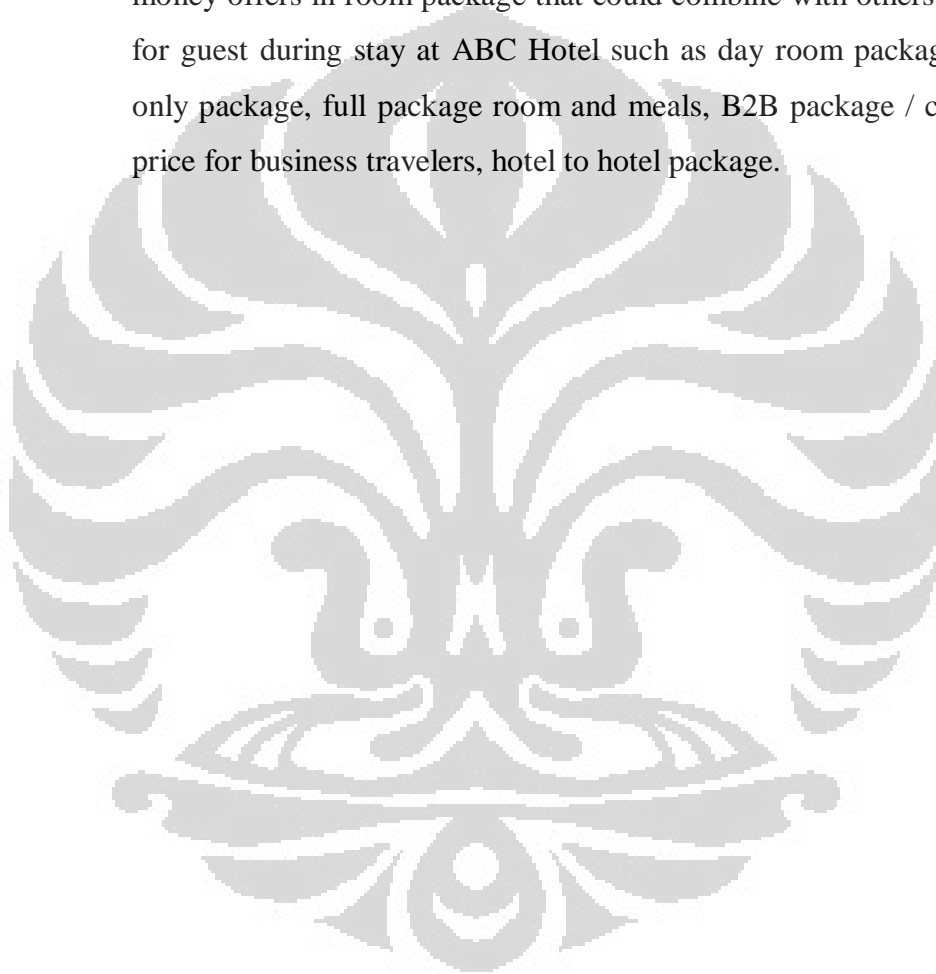
10. Marketing Action

ABC Hotel does not have attractive action in marketing, they just wait the guests visiting hotel. Marketing is necessary for ABC Hotel to get consumer attention and support in ABC Hotel sales. Some

marketing action are suggesting for ABC Hotel such as E-commerce activity, intermediary selling, direct marketing, promotion program

11. Portfolio Competitive Action

ABC Hotels should create many number of action related with services or product. Those portfolio action aims to capture the difference in competitive action taken by management as a portfolio. ABC Hotel should provide some varieties of packages and value for money offers in room package that could combine with others services for guest during stay at ABC Hotel such as day room package, room only package, full package room and meals, B2B package / corporate price for business travelers, hotel to hotel package.



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