

Competition as a Critical Factor of the Strategic Planning of Hotel Businesses

Dr. Sotirios Varelas¹ & Prof. Nikolaos Georgopoulos²

Abstract

The challenges which modern hotel businesses are called upon to address within a constantly changing globalized world, with rapid technological developments that dictate new corporate governance models, render the strategic analysis of competition necessary for their growth. This study views competition as one of the fundamental parameters when implementing holistic strategic management in a business, in an effort to give it a competitive edge, with special emphasis on how this is reflected on the business's performance. Our study focuses on tourism businesses where competition and competitive forces attract special interest.

Keywords: Strategic Management, Competition, Tourism Businesses

1. Methodology

This paper seeks to analyze the intensity of competition and how critical it is in the industry of tourism businesses, and particularly main hotel accommodations. An attempt is essentially made to approach, in terms of methodology and research, the critical factor of competition, whether it pertains to the macro or the micro environment of a tourism business, as well as those parameters related to the management of modern hotel businesses, such as the strategic management of businesses. The approach of this research paper is differentiated from the framework of business management, where the concept of competition is usually used as found in international literature, whereas the aim here was the holistic and upgraded approach in the research branch of strategy. An extensive review of the literature on the subject of competition, especially in the hotel sector, was conducted for the needs of the paper. In addition to the literature review, an analysis - field study of hotel businesses of an entire spatial unit that of the Peloponnese Region, was also carried out.

For the purpose of the research, a primary survey was carried out in order to extract the opinion of the hotel executives themselves, addressing competition as part of strategic management and a parameter that influences the performance of their businesses. For the analysis of the data that will help us draw the conclusions of the research, we used statistical methods such as field study of hotel businesses at the Peloponnese, Descriptive Statistics and Factor Analysis Technique in order to identify the role of competition as a separate parameter affecting the performance of hotel businesses. Further correlation of competition with the characteristics of hotel businesses followed.

2. The Concept of Competition in Tourism Businesses

Competition is the most important factor when it comes to a tourism business, directly affecting the strategies that will be followed (Luck & Ferrell, 1985). According to Georgopoulos (2013), this is the arena of the competitive game, with defense against the competitive forces being the goal. Porter (1980) argues that each business needs to research and analyze competition. This is the way for the tourism business to identify the image that visitors have about it, about the product it offers compared to that of competition, and how its competitors operate, in order to be in a position of using the appropriate strategies that will give it its competitive edge (Porter, 1980).

¹ University of Piraeus, Department of Business Administration , M. Karaoli & A. Dimitriou 80, Piraeus, Greece, 18534

² University of Piraeus, Department of Business Administration , M. Karaoli & A. Dimitriou 80, Piraeus, Greece, 18534

According to Porter (1980), the key priority for the analysis of tourism business competitors, is to examine the driving force guiding the competitors, as well as their current and future operations. Porter (1980), places emphasis on four characteristics that refer to the knowledge of a business with regard to its competitors.

He essentially records the future targets of the competitors, their current strategies, their demands and in conclusion, their capabilities (Porter, 1980). According to Kotler (1994), the potential competitors of a business are usually larger than what the business itself believes, giving the wrong picture, whereas the management executives of many tourism businesses tend to overestimate the capabilities of the large and strong competitors, while underestimating the capabilities of the smaller ones (Andriotis, 2004). Competition is more intense and with significant disputes, when it occurs between a group of tourism businesses that follow a similar strategy and are essentially a distinct strategic group (Hill & Jones, 1995). Businesses with similar strategies may also have similar strengths and weaknesses, which allow us to rank them into strategic groups (Georgopoulos, 2013).

Each tourism business must, over regular intervals, examine the strategies followed by its competitors and map out the businesses in the same strategic group, recording the factors that influence them. According to Kotler (1994), the goals of each competitor are affected by variable factors, such as its size, the nature of the business, the culture, its history, its members, the operating procedures, the financial resources. The tourism business must be in a position to identify the resources available to its competitors, their capabilities and weaknesses, collecting information for each competitor separately. Such information usually pertains to areas such as sales, profit and loss, market shares, procedures followed, quality systems, organizational behavior, distribution channels, marketing, human resources, reputation management, etc (Wilson et al., 1994). The analysis of the competitive environment for the businesses is directly related to the assessment of the competition attractiveness itself for the tourism industry in this case (Georgopoulos, 2013).

According to Kotler (1994), competitors may be classified depending on their reactions into laidback competitors (loyalty to customers), selective competitors, tiger competitors, and unpredictable competitors. An analysis approach of the competitive environment of a tourism business and the competitive businesses focused on performance is achieved through strategic group analysis.

There are very few papers that have dealt with strategic group analysis in the tourism industry, and in particular hospitality businesses (Claver-Cortes et al., 2007). According to Porter (1979), strategic groups are determined by companies in the same industry, which are following similar strategies, while the term is mentioned for the first time in the Michael S. Hunt's thesis in 1972. Cool and Schendel (1987), argue that strategic groups are a group of businesses that compete in the same industry and use similar strategic variables. Cool and Schendel (1987) and McNamara, Deephouse, and Luce (2003) add that strategic group analysis offers the opportunity to interested parties to describe the strategies followed by hotels and the competitive edge they produce, in order to determine a priori the performance level of the tourism business, that belongs to a specific strategic group.

Nevertheless, according to Longenecker, Moore & Petty (1997), all tourism businesses have a negative view of new entrants, their purpose being not to disrupt the status quo they have established. This view of course changes, depending on the destination's lifecycle. Specifically as regards the accommodation sector, the threat of new entrants applies to destinations that are in their maturity and regeneration phase, as regards their lifecycle. Respectively, in destinations which are in the startup and growth phase, the entry of new businesses, new competitors, in the sector are definitely not a threat, but an imperative need. The limited number of beds does not allow travel agents, airlines, online travel agents (OTAs), etc., to invest in a destination since it cannot support economies of scale (Varelas, 2016). Also, in the sector of tourism and destinations, each business must treat the competitor on collaborative, co-competition terms, playing a role in the constant improvement of all competitors that comprise the destination. It is a fact that the bad competitor does not harm only its own business, but the entire destination. This is why modern co-competition networks are created, to help upgrade competitors and the destination in its entirety (Varelas, 2016).

3. Competition as a Critical Parameter of the Strategic Management of Hotel Businesses

With a significant part of the methodological approach having preceded, such as the literature review as regards competition of tourism businesses, in the context of a combined methodology that was followed below follows the reflection of the opinions of the hotel owners themselves on competition as a parameter of strategic management that affects the performance of hotel businesses. Techniques of Descriptive Statistics were followed in order to analyze the findings of the research conducted. An attempt was made to record the precise opinion of the interviewees on whether they take competition into consideration as a parameter when planning their strategic management and its effective use in tourism businesses, as well as to whether it affects the performance of tourism businesses. The analysis focused on the suitable presentation and processing of the collected data, with the purpose of extracting useful conclusions.

While the combined methodological approach was completed through Factor Analysis, aiming at summarizing the data on competition, in order to enable interpretation of the relationships of competition with the variables under examination in an easy and comprehensible manner.

4. Descriptive Statistics for Data Analysis

The survey was carried out among hotel businesses at a Destination of Greece, the Peloponnese, and included all hotel categories (1 up to 5 stars). 131 individuals were surveyed: men accounted for 69.5% of all participants and women for 30.5%.

One out of two people surveyed were the owners of the hotel, whereas the rest of them were holding senior management positions. The majority of the people surveyed (87%) believes that there is sufficient to high competition in the industry. According to the majority, the strategic orientation of the business is influenced by the competitive environment of the industry (85%), followed by the economic environment (92.7%), the political environment (91.8%) and technological advances (80.2%). A percentage of 82% of them believe that their business' services are different compared to those of the competition.

Table 1: Strategic Marketing Planning Parameters, Competitive Environment

	Extremely	Very	Sufficiently	Somewhat	Not at all
Competition intensity in the industry	19 (15.4%)	43 (35%)	45 (36.6%)	14 (11.4%)	2 (1.6%)
The degree of influence of the competitive environment on the strategic direction of the business	15 (12.5%)	34 (28.3%)	41 (34.2%)	27 (22.5%)	3 (2.5%)

Correspondingly, only 73.7% of the businesses that took part in the survey study and define their competitive environment. As regards the tools for measuring competition in the industry, according to the persons surveyed, 40.5% of them have used SWOT Analysis, 19.1% PEST Analysis, and a small percentage Porter's 5 competitive forces (9.9%).

Table 2: Strategic Marketing Planning Parameters, Tools For Measuring Competition in the Macro and Micro Environment

	SWOT Analysis	PEST Analysis	PORTER Analysis	Ansoff Matrix	7-Ss McKinsey Model	BCG Matrix	BSC	None	Other
Frequency	53	25	13	0	1	1	4	55	2
- Rate (%)	(40.5%)	(19.1%)	(9.9%)	(0%)	(0.8%)	(0.8%)	(3.1%)	(42%)	(1.5%)

More generally, 88.9% of the participants consider that strategic management will help them differentiate their business from the competition. The descriptive analysis first of all helped explain the critical role of competition intensity as the most critical factor that affects hotel businesses as well as its inclusion as part of the strategic management of the business itself.

4.1 Factor Analysis

Finally, in the context of the multi-dimensional research approach that was followed in this paper, the technique of factor analysis was used as a statistical procedure, that seeks to identify patterns in larger sets and numbers of data. The aim of the factor analysis was to seek the interpretative power of those factors that will interpret a significant part of the correlation of the group of variables according to the survey's results. Factor analysis essentially aims to identify the existence of common factors among a group of primary variables, expressing those primary variables on a linear combination of new, non-observed quality factors, thus revealing the structure of a set of variables. The right choice of the factors with the interpretation of the variables, at the right position for each factor, requires to a great extent critical thinking and the assessment of the researcher himself. In the framework of the research at the hotel businesses that participated in the survey for identifying the parameters of Strategic Management, competition emerged as one of the key indicators.

Specifically, the three factors with statistical significance, explain nearly 65.43% of the total covariance of the 24 variables of the survey. By analyzing the Loadings of the statistically significant factors at the initial variables, and then presenting the rotated loadings of the statistically significant factors, competition data emerge as statistically significant, and this is the reason we refer to it. The factor which we named "Strategy determination based on competition" for the needs of the survey, emerged by the businesses themselves, and consists of: competition intensity, competitive environment, the general economic environment.

After that followed the examination of the factors that emerged, as regards their correlation to each other, with competition in the center. Having added up the load of each question, the following six factors/variables have emerged, which we will then correlate to each other (Correlations Table). After that we recorded only the correlations related to the field of our survey being studied, competition, with regard to the participating businesses.

Table 3: Correlations with Regard to Competition

		Determination of strategies on the basis of the market and the clients	Determination of strategies on the basis of internal and external environment	Performance increase indicator from the use of Strategic Management	Indicator of the positive impact of strategy on the business financial performance	Efficiency measurement
Determination of strategies on the basis of competition	Pearson Correlation	,486**	,588**	,542**	,531**	,503**
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	114	120	108	113	114

As emerges from the results, the "determination of strategies on the basis of competition" indicator is positively correlated with significant indicators, such as the increase of financial performances of businesses, the measurement of the efficiency of businesses, and the use of strategic management. The results are statistically significant, where it is proven that as the "determination of strategies on the basis of competition" increases, the financial performances of the business and the use of strategic management also increase. The effect of the various characteristics of the participants and the hotel units on the competition factor was also investigated in the framework of the survey carried out.

According to the Table, which presents the results of the Mann-Whitney test, we see that gender has an impact on the "determination of strategies on the basis of competition" factor ($p=0.013$). By combining the results of the Tables, we conclude that the men have a higher, statistically significant, score at these two factors.

Table 4: Descriptive statistics of factors per gender

Group Statistics						
	Gender	N	Mean	Std. Deviation	Std. Error Mean	
Determination of strategies on the basis of competition	Male	82	19.99	3.184	.352	
	Female	38	18.05	4.106	.666	

4.2 Comparison of Competition Factor on The Basis of the Individual Participants in the Survey

Table 5 presents the Kruskal-Wallis test results; we can see that education level has a statistically significant impact on the factor of competition. The capacity of a business also affects the Determination of strategies on the basis of competition factor ($p=0.015$). We therefore conclude that businesses with 51 to 100 beds have the highest score. Businesses with more than 100 beds follow, then businesses with 21 to 50 beds, while the lowest score is that of small businesses (1 to 20 beds). The classification of the business also has a significant impact on the Determination of strategies on the basis of competition factor ($p=0.005$)

Table 5: Presentation of Correlations with Separate Characteristics

	Correlation of Competition with education level of participants	Correlation of Competition with capacity of business	Correlation of competition with classification of business
Chi-square	14.597	10.441	14.788
Df	5	3	4
Asymp.Sig.	0.012	0.015	0.005

According to the results that were presented, businesses that participated in the survey highlight competition in the industry as a critical factor that affects performance indicators and their effectiveness, as well as the measures taken to address the volatile economic environment in which the businesses operate. Individual characteristics that have a positive impact on the factor of competition are gender and the level of participants in the survey, as well as the capacity and classification of the hotel business.

5. Conclusion

Competition and its analysis will always be an integral part of the strategic management and strategic planning of a tourism business, which will lead to high performances and a competitive edge. Nevertheless, traditional strategies that focused on the business itself have now been replaced by network strategies, since competition now takes part between networks of businesses and organizations and not individual businesses. In order to get this competitive edge, it is necessary for modern tourism businesses to form a competitive network of businesses, which will guarantee the development of relations with customers and other groups of stakeholders. The managements of tourism businesses, through a well-formulated vision, mission, and specified values, must understand the tourism products which they, as well as their competition, offer, keep up-to-date at all times on the changes in their competitive environment that will have a decisive impact on them, and ensure that they become well-acquainted with their competitors' characteristics using modern methods.

References

- Andriotis, K. (2004). *Tourism business management*. Athens. Stamoulis Eds.
- Claver-Cortes, E., Molina-Azorin J.F. & Pereira-Moliner, J. (2006). Strategic groups in the hospitality industry: Intergroup and intragroup performance differences in Alicante, *Tourism Management*, 27, 1101 – 1116.
- Cool, K. & Schendel, D. (1987). Strategic group formation and performance. The case of the U.S. pharmaceutical industry, 1963-1982. *Management Science*. 33, 1102-24.
- Georgopoulos, N. (2013). *Strategic management*. (2nd ed.).Athens. Benou Eds.
- Kotler, P. (1994). *Marketing Management: Analysis, Planning, Implementation, and Control*, Prentice Hall.
- Hill, J. W., & Jones, G. (1995). *Strategic management theory: An integrated approach*. (3rd ed.). Houghton-Mifflin, Boston.
- Longenecker, J., Moore, C., & Petty, J. (1997). *Small Business management: An Entrepreneurial Emphasis*.(10th ed.). SWC Publishing.
- Luck,D.J., & Ferrell, O.C. (1985). *Marketing Strategy and plans*. (2nd ed.).Englewood Cliffs, New Jersey: Prentice- Hall.
- McNamara, G. M., Deephouse, D. L., & Luce, R.A. (2003). Competitive positioning within and across a strategic group structure: The performance of core, secondary and solitary firms. *Strategic Management Journal*, 24,161-81.

- Okumus, F. and Roper, A. (1999). A Review of Disparate Approaches to Strategy Implementation in Hospitality Firms, *Journal of Hospitality and Tourism Research*, 23 (1), 20–38.
- Okumus, F. (2002). Can hospitality researchers contribute to the strategic management literature?, *Hospitality Management*, 21, 105 – 110.
- Okumus, F. (2003). A Framework to Implement Strategies in Organizations, *Management Decision*, 41 (9), 871–883.
- Okumus, F. & Wong, K. (2005). In Pursuit of Contemporary Content for Courses on Strategic Management in Tourism and Hospitality Schools, *International Journal of Hospitality Management*.
- Okumus, F., Altinay, L. & Chathoth, P. (2010). *Strategic Management for Hospitality and Tourism*, Elsevier Ltd., Oxford, UK.
- Olsen, M.D. and DeNoble, A. (1981). Strategic Planning in Dynamic Times, *Cornell Hotel and Restaurant Administration Quarterly*, 21(4), 75–80.
- Olsen, M.D. (1993). International Growth Strategies of major US Hotel Companies. *Travel and Tourism Analyst*, 3, 51-64.
- Olsen, M. D., Tse, E. C. & West, J. J. (1998). *Strategic management in the hospitality industry*, 2nd ed, John Wiley and Sons, Inc, New York.
- Olsen, M.D. & Roper, A. (1998). Research in strategic management in the hospitality industry, *Hospitality Management*, 17, 111 – 124.
- Olsen, M. (2001). Hospitality Research and Theories: A Review. In A. Lockwood and S. Medlik, *Tourism and Hospitality in the 21st Century*. Oxford: Butterworth and Heinemann.
- Oosthuizen, H. (2002), Business strategy and marketing: the positioning versus resource-based dichotomy and the way forward, *South African Journal of Business Management*, 33(3), 1 – 16.
- Porter, M. (1980). *Competitive strategy*. New York: The Free Press.
- Wilson, R. M., Gillgan, C., & Pearson, D. J. (1994). *Strategic Marketing Management- Planning, Implementation and Control*, Butterworth-Heinemann.
- Porter, M. E. (1979). The structure within industries and companies performance. *Review of Economics and Statistics*, 61,214-27.
- Varelas, S., Georgopoulos, N. (2010). The strategic use of Travel 2.0 and its importance for the tourism sector. Presented at the 6th National & International HSSS Conference "Systemic Approaches in Social Structures", Mytilene.
- Varelas, S. & Georgopoulos, N. (2016), Measurement of Strategic Management Effectiveness in Tourism Enterprises, International Conference on "Business Economic, Social Science & Humanities" (BESSH), Tokyo, Japan.
- Varelas, S., Georgopoulos, N., & Katsanakis, I. (2011). Greek tourism under crisis-strategies, and the way out. Proceedings of the International Conference "Rethinking Business and Business Education in the Age of Crisis", Chios.
- Wheelen, T. L., & Hunger, D. J. (2014). *Strategic management and business policy: toward global sustainability*. Pearson.