APacCHRIE & Youth Conference 2017

PROCEEDINGS

May 31st to JUNE 3rd, 2017

15th APacCHRIE CONFERENCE.
The Future of Hospitality and Tourism: Opportunities & Challenges

8th Youth Conference
Hospitality and Tourism Opportunity and Challenges among the Youth: a highlight on the cultural heritage tourism
15th APacCHRIE PROCEEDING BOOK

15th APacCHRIE PROCEEDING BOOK (ASIA – PACIFIC COUNCIL ON HOTEL RESTAURANT, AND INSTITUTIONAL EDUCATION) THE FUTURE OF HOSPITALITY AND TOURISM : OPPORTUNITY AND CHALLENGES

NUSA DUA - BALI
May 31st to June 3rd, 2017

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YAYASAN DHARMA WIDYA ULANGUN
SEKOLAH TINGGI PARIWISATA BALI INTERNASIONAL
( International Bali Institute of Tourism)
THE FUTURE OF HOSPITALITY AND TOURISM OPPORTUNITY AND CHALLENGES

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ABOUT APACCHRIE

Asia Pacific CHRIE or better known as APacCHRIE is a Federation of the I-CHRIE. Members of APacCHRIE constitute all countries at the Pacific Rim who must also be a registered member of I-CHRIE. The Geographical boundary of APacCHRIE can be segmentised to 4 areas as following:

1. Area I: East Asia (PRC, Taiwan, Korea & Japan)
2. Area II: Southeast Asia (ASEAN member countries & Indo-China)
3. Area III: Oceania (Australia, New Zealand & the Pacific Islands)
4. Area IV: Indian Sub-continent (India, Pakistan, Bangladesh & Sri Lanka)

APacCHRIE chapter was formed in 2002 to promote academic and research exchanges among hospitality, food service and tourism educators and industry practitioners in Asia Pacific. It became a Federation at I-CHRIE's 60th annual conference in July 2006.

APacCHRIE board members meet twice a year, once in January and the other during the annual conference, to discuss issues related to education within the Asia Pacific region.
ABOUT HOST

STPBI is a higher institution on hotel and tourism located in Bali, Indonesia. It’s is our prime concern” leads STPBI to initiate variety of activities concerning the elevation of the institution quality. Further, STPBI intensively develops local and international institutions network. To ensure its quality STPBI is qualified with ISO 9001: 2008, national certification by the national accreditation board (BAN PT), and also works with AHLEI (American Hotel and Logging Institute) in certifying the educators. STPBI offers graduate program on Hotel, Tourism, and training certification on Hotel, Cruise Line, Maritime, Airline and SPA.

To support the value of local genius tourism, STPBI also actively engage in Tri Hita Karana Certification, a certification that adopts the Balinese Hindu philosophy of the balance relationship among GOD, Human, and Nature.

The basic values of the tri hita karana should always be present in all aspects of Balinese life. Basically, the tri hita karana implies a balanced relationship between human and God, human and fellow humans, as well as human and nature.

The basic idea implicitly contained in the tri hita karana is the principle of restriction. Everything created by God has a restriction, which has to be followed by the concept of control. Therefore, in order to achieve equilibrium, society must be able to exercise an effective system of control. This control has to be focused on the greed and desire of humans. Without the restriction of greed and desire, the balance of relationships in life will not be achieved. Bali’s development has to be based on the restriction of human greed and desire.

STPBI- International Bali Institute of Tourism.
Jalan Kecak No. 12, Denpasar, Bali. Indonesia
WELCOME NOTE

It is our great pleasure to welcome you to 15 APacCHRIE and 8 Youth Conference 2017. This proceedings is produced based on this first APacCHRIE conference was firstly hosted by Indonesia.

We learn that hospitality and tourism are very dynamic. Learning from the past and Projecting the Future phenomena will assist us in anticipating its dynamics. This is the reason behind the selection of this 15th APacCHRIE theme “Future of Hospitality and Tourism: Opportunities and Challenges”.

We hope that you find this proceedings fruitful and thought-provoking.

I Made Sudjana, SE., MM., CHT., CHA

Director of STPBI
ACKNOWLEDGEMENT

This proceeding is compiled based on the result of the 15th APacCHRIE (Asia-Pacific CHRIE (Council on Hotel, Restaurant, and Institutional Education) 2017 conference held from 31 May to 3 June 2017 at Softel Hotel Nusa Dua Bali.

Since firstly hosted by Indonesia, this prestigious academic event provides us a room to widen networking, elevate the quality of research and at the end create collaboration for a better future of hospitality and tourism industry. 15th APacCHRIE theme of “Future of Hospitality and Tourism” invites academician to project the shape of future of Hospitality and Tourism from many different perspectives, including Economic Tourism, Event/Convention Tourism, Food and Beverage, Human Resource, Tourism Destination, Tourism Marketing, and other related issues.

We thank you for the contribution of all authors for enabling this proceeding to be produced.

Denpasar, 26 May 2017

Ni Made Ayu Sulasmini, S.Pd., M.Pd., CHE
Conference Chair

**The Keynote Speakers:**

**I GDE PITANA.** Deputy Minister for international marketing, Ministry of Tourism, Republic of Indonesia. I Gde Pitana is a Professor in Tourism, Postgraduate/doctorate Study Program, University of Udayana, Denpasar, Bali.

**PROF. THEODORE BENETATOS.** CEO & Academic Dean at the International Management Institute, IMI in Luzern Switzerland. Prof. benetatos has been with IMI for the past 8 years and was directly responsible for all postgraduate programmes. His working experience has a strong hospitality and tourism focus.

**The Speakers:**

**DR QU XIAO.** Associate Professor School of Hotel and Tourism Management The Hong Kong Polytechnic University. Dr. Qu Xiao specializes in teaching and researching in the fields of strategic management and hotel real estate.

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The Formulation of Alternative Competitive Strategy for Budget Hotel in Surabaya: Blue Ocean Strategy Approach

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ABSTRACT

The unbalanced number of hotel growth and visitor growth in Surabaya created a pressure between hotels which targeting the same market segments. The highest growth of hotel numbers was found in budget hotels level, which means that the properties need to have a winning competitive strategy. This study aimed to analyze the existing competitive strategy that is generally used by budget hotel, and to find an alternative strategy to help budget hotels to compete using blue ocean strategy approach. The research method was a qualitative exploratory and descriptive, employing semi-structured interviews with hotel managers of three budget hotels in Surabaya. The results showed that in general, budget hotels still used red ocean strategy to compete. The techno-sustainable hotel concept was eventually proposed as a result of alternative competitive strategy that could be implemented but hotel industries.

Keywords: Budget Hotel, Blue Ocean Strategy, Competitive Strategy, Techno-sustainable hotel, Surabaya.

Introduction

During the past five years, the accommodation industry in Indonesia has been growing significantly. East Java has become one of the provinces whose the accommodation industry’s growth rate was the highest, ranging from 12% to 15% in 2013 and 2014, respectively (BPS, 2014). Surabaya, as the capital city of East Java province has experienced the highest growth of its two and three-star hotels. In 2015, there were about 30 three-star hotels and 20 two star hotels in Surabaya, compared to only 11 three-star hotels and 3 two-star hotels in 2012. Unfortunately the increased supply capacity is not supported with the growing number of travelers visiting Surabaya,
resulting more fierce competition to win the market. Cachon and Terwiesch (2011) stated that excessive demand would lead to the increased price, while on the contrary; excessive supply would make the price drops. Such a condition will create unhealthy price wars amongst the players in the industry.

To survive and improve their competitive ability, businesses need an effective strategy that can be adjusted to keep pace with changes in the business world (Walker, 2010). Blue Ocean Strategy concept that was initially introduced by Kim and Mauborgne (2005) focuses on the principle that rather than being head-to-head with the competitors in the existing market, companies should choose to create an uncontested market space that makes the competitors irrelevant and thus, offers new consumer value while staying focus on low cost strategy.

Adopting the blue ocean strategy concept, this study had two objectives. First, to portray the current strategies implemented by budget hotels in Surabaya to compete in the industry. Second, to formulate alternative competitive strategies of which the budget hotels can select to employ. Given the facts described above, the level of competition amongst two and three-star hotels in Surabaya is pretty much intense, these star levels were selected as the unit of analysis of this study.

**Literature Review**
Wheelen and Hunger (2008) explained that strategy plays a role for improving a company’s competitive advantage within an industry. This is achieved by formulating a comprehensive plan and state how the company will achieve its mission and objectives. According to Pearce and Robinson (2013, p.231), “business that create competitive advantage from one or both of these sources (differentiate and low cost structure) usually experience above-average profitability within their industry”. From the above statement, it can be concluded that the integration of differentiation and low cost, can be a way to excel in competition, which leads to higher profit levels. Kim and Mauborgne (2005) used the term ‘blue ocean’ strategy as a goal and strategy of the company that aim to create new value for customers as well as to offer to the market without competition. Good value for a product or innovation, have the same influence on the value or excellence of a company. In addition, both value of product and value innovation become an
important component of blue ocean strategy, which would extend the boundaries of an existing industry. Value innovation is seen as a new way to think and doing strategy leading to the creation of blue oceans and leaving the competition.

Kim and Mauborgne (2005) further described that the value innovation is a strategy that encompasses the entire system of company’s activities. Value innovation can change the cost structure and value proposition for buyers in positive. Cost saving could be achieved by eliminating or reducing the unnecessary or irrelevant factors in the industry competition. Buyer value is improved by adding and creating elements that are currently not offered by the company. Buyer value is obtained from the benefits a buyer would get that equals to the price charged by the company to their buyers. Value innovation is achieved when the overall system utility factor buyer, price, and support each company charges the right direction.

There are six principles in performing blue ocean strategy, namely: 1) reconstruct market boundaries; 2) focus on the big picture and not on numbers; 3) reach beyond existing demand; 4) conduct a series of strategic properly; 5) overcome major obstacles in the organization; and 6) integrate execution into strategy. The first four principles is considered as the principles of strategy formulation, whilst the remaining two principles are treated as the implementation of the strategy (Kim and Mauborgne, 2005).
Methodology
This study employed a qualitative approach and the primary data was gathered by conducting in-depth interviews with five informants who were the managers of three participating budget hotels in Surabaya. The interview data obtained was subsequently analyzed following two main required steps of blue ocean strategy analysis. First, canvas strategy and value curves analysis were prepared to portray the current performance of each hotel. The hotel performance was assessed based on the thirteen competitive factors of both hotel products and services namely: physical building, food and beverage outlets, guestrooms, and hotel business management (Figure 2). These thirteen factors were adopted from the Ministerial Decree of Tourism and Creative Economy of the Republic of Indonesia Number Pm.53/Hm.001/Mpek/2013 about the standard components of hotel business in Indonesia. Once the canvas strategy of each hotel was set up, the value curve analysis was then used as tools to formulate alternative strategies of four actions framework.

As shown in Figure 2, canvas strategy analysis was performed by plotting scores of hotel’s competitive factors on the X and Y axes. The X shows the list of hotel competitive factors while Y-axis (ranged from scores 0 to 10) illustrates the score or rating that is used to determine hotel’s competitiveness upon each factor. Value curves show the linkages of the given scores. Once all informants completed the canvas strategy analysis, they were required to formulate four possible strategies that can support the provision of hotel’s value innovation. This process was accomplished by employing the Four Action Framework (see Figure 3).
Figure 2. Canvas Strategy as an Analysis Tool

Besides semi-structured interviews to the five informants, field observation was also conducted to support the primary information related to hotel strategies from the informants. Observation was completed in all three participating budget hotels by documenting hotel facilities such as the hotel exterior, front office, guestroom, and food beverage facilities. To check the validity of the data, second in-depth interview was undertaken to all informants. The interviews functioned both as triangulation and iteration process. The triangulation process was employed to get agreement or disagreement statements, and the reasons for the informants to the advice given by the other informants.
Figure 3. Four Action Framework

Source: Kim & Mauborgne (2005, p.53)
Results

Figure 4 illustrates the results of canvas strategies and value curves analysis of the three hotels perceived by the managers. It shows the positions of each hotel in the industry from the viewpoint of the informants. Overall, all informants gave a relatively high score for their respective hotel, in which the score fell between 7 and 9. Compared to the other two hotels, Ibis, however, had the highest scores in almost all hotel competitiveness factors. This could be seen as the strength point of being part of one of the largest hotel company which is Accor. Hence, the business management and operational standard have been relatively well established. On the contrary, Best Zodiak Hotel was found to be having a relatively lower score particularly in business management factors (human resources and organization factors, score 6 out of 10), and operational aspects of food and beverage and waste management factors (score 6 out of 10).

Overall, it was also revealed that the hotels mostly relied on their low-pricing strategies in order to attract as many customers as they could. Meanwhile, the services offered were also relatively similar amongst the three participating hotels. As revealed in the interviews, all informants' perceptions about budget hotel concept is merely related to physical aspect of the hotel, which is, minimalist building, where the design of the building exterior and interior are simple. Designed furnishings accentuate its function optimally without much ornamentation. Existing facilities at the hotel is also limited. The services provided were relatively similar and limited amongst the hotels. Budget hotels not only focus on the sales room, but also the use of meeting room. In terms of hotel target market, all informants stated that the target market of budget hotels are businessmen, company, travel agents and the distribution channel business guests of the hotel. The interview results revealed from all five informants showed that three hotels analysed adopted red ocean strategy to compete in the industry. Most of hotel efforts and energy were spent on becoming the winner in the price competition by offering discount either for the rooms or the hotel services.
Notes: Ibis has 8 point score for Building (product), Front Office (Product), and Food & Beverage (Product)

Figure 7. Canvas Strategy and Value Curves by Informants
Table 1 shows the results of the application of the four actions framework in the first interview process. The reduction process was taken to see the results of the first interviews became more obvious, and adding the results of the analysis the authors, coming from observations and opinions of informants. The framework focuses on four main questions containing questions related to what factor in the hotel that could be: 1) eliminated; 2) reduced; 3) raised; and 4) created.

The first factor is a factor to be eliminated. By studying six ideas submitted to each informant, 4 out of 5 informant selected food and beverage as a factor that was eliminated. The second factor is those could be reduced. Three out of the five informants chose the reduction of electrical energy consumption to be applied in budget hotels. Although the iteration process was taken place at different times, almost all informants had the same opinion relating to the factors that must be improved. Four of five informants agreed to improve the services to the guests. The last factor was factor that should be new products or services that were not previously offered by other budget hotels. To these factors, the opinion delivered by the informant was more diverse than the previous factors. Two out of five informants chose to create an online check-in system. The other two picked to create something new in the area of food and beverage. Meanwhile, one informant chose the creation of the aspect of the service in budget hotels.

Moreover, the process of iteration and triangulation samples was completed in the second interview. The process of iteration and triangulation samples was taken in order to gain a more objective, get a wider opinion related to the ideas offered, and to test the validity of the data. Most of the ideas were approved by other informants, however some opinions were getting less approval. There were three ideas which got less approval: 1) the elimination of manual information system; 2) the provision of hotel’s internal laundry facility; and 3) the creation on business center which has been overlooked by the hotel guests.
Table 1. Data Reduction of Four Steps Framework Development

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<td>Which of the factors that the hotel industry faces for growth should be eliminated?</td>
<td>Stiff Bar, because of the design was not attractive enough to attract people and do some consumption.</td>
<td>Initially, informants have no other task to execute because they have not come yet.</td>
<td>Initially, informants have nothing to eliminate because the minimum service provided. In the discussion, informants realize the possibility to eliminate their focus on human resource, by cut off the number of personal staff.</td>
<td>Initially informants find it difficult to answer because it seems nothing could be eliminated. In the discussion, informants realized that inefficient working time should be eliminated, by reducing the human resource.</td>
<td>Eliminate all manually information system process, such as paper usage, and move to digital technology.</td>
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<td>Which factors should be reduced well below the hotel industry's standard?</td>
<td>Breakfast menu and cut off restaurant space</td>
<td>All the services not provided due to, but guest will be given chance to choose the service needed.</td>
<td>Reducing the quantity served for every menu in breakfast time, without reducing the number of meal itself.</td>
<td>Informants suggest to reduce electricity and water usage. By shutting down some facilities in midnight or off hour.</td>
<td>Narrowing the front office counter until and use the space for information centre.</td>
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<td>Which factors should be raised well above the hotel industry's standard?</td>
<td>Hospitality services which can provide customer needs for 24 hours</td>
<td>Personalized service to create honey environment, by building a good communication within their stay period.</td>
<td>Providing wider car park, to anticipate the needs while having any MICE activities.</td>
<td>Focus on informal activities rather than outsourcing; i.e. laundry</td>
<td>Increasing service spread by doing all the preparation in advance.</td>
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<tr>
<td>Which factors should be created to create the hotel industry position as budget hotel?</td>
<td>Coffee shop or coffee corner</td>
<td>Business center or business corner which has been forgotten</td>
<td>Internal saving system, without disturbing customer's rights. The saving can be either water discharge and electrical activation automatically.</td>
<td>Costly atmosphere in every room, to upgrade the value of customers' stay better than a minimum and monotonous design</td>
<td>Live music entertainment as a refreshment show, and the way to increase food and beverage department revenue</td>
<td>Creating integrated online check-in system, completed with mobile application</td>
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Discussion

From the assessment given the informants in the canvas strategy, a lot of similar values and the information provided by the informants, and as a result, it gave a clearer picture of the three hotels’ position as budget hotel. After looking at the informants’ responses and novel ideas, similar opinions were merged. Based on the interviews, observation, and the strategic analysis based on blue ocean strategy, techno-sustainable hotel was therefore proposed as an adequate alternative competitive strategy that the hotels could apply.
Techno-sustainable hotel concept is taken from two words of technology and sustainable. Heinich, Molenda, and Russell (1985, p. 102) explained that the term ‘technology’ can be seen as one of these three points.

First, it is a systematic process on scientific applications or other knowledge to practical tasks, processes designed reliable and can be done repeatedly to resolve the problems. Second, it can be both hardware and software as a result of the application process on the technology itself. Last, technology is mix of products used or processed several incidents in which refers to the combination of technology and processes and products, as well as a separate process from the product. Meanwhile, Sheth, Sethia, and Srinivas (2011) wrote that the word ‘sustainability’ is frequently associated with various terms such as: corporate social

| Created | 1. The building design prioritizes natural light and good air circulation.  
2. Making its own energy supply system, using waste water as an energy source that is processed by the property  
3. Integrated online check-in system addressed to member of the hotel chain  
Service or food and beverage outlets are able to meet the needs of guests in the room, or to meet the needs of guests, a comfortable space which is acceptable by many circles at competitive prices |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Raised  | 1. Value intensified environmentally friendly  
2. Speed of service through the implementation of an online system  
3. Able to increase guest loyalty through room service to meet the needs of guests  
Revenue of food and beverage department can be improved |
| Reduce  | 1. Electricity usage, for example to light in the morning and afternoon  
2. Guests’ waiting time at counters to do check in  
The time required by staff to collect information related to guests staying  
3. The possibility of selecting a restaurant outside the hotel area |
| Eliminated | 1,3. Removal in room minibar, eliminating investment in freezer, cost electricity, the process of checking and inventory in room mini-bar |
responsibility, green reporting initiatives, responsibility to the environment, social responsibility, sustainable development, sustainability, corporate citizenship, green marketing, green economy and the triple bottom line.

According to Jayawardena, Pollard, Chort, Choi, and Kibicho (2013), the concept of sustainability has become a new standard for the accommodation business for reducing the emissions produced, such as designing a sustainability support building. Techno-sustainable hotel leads to the hotel's ability to involve a technology-based system to support the operations of the hotel and nature conservation activities. It focuses on: building design that promotes natural lighting and good air circulation; procurement of energy sources from the property itself with utilize the waste generated; manufacture of systems, such as online check-in system as it is enabled to support the efficiency of the staff, so a process that used to take time to do site, can be performed earlier than wherever guests are; service or food and beverage outlets were able to attract buying interest guests staying, as well as guests who do not stay; removal in-room minibar assessed not support other goals, namely the high investment, the cost of electricity, disturb the work efficiency of staff, where the function in-room minibar can be transferred to in-room service; procurement and increased guest experience as a form of loyalty to the hotel guests.

Further, techno-sustainable hotel concept leads to the hotel's ability to involving technology-based systems built to support the operations of the hotel and nature conservation activities. The systems are intended to support and carry out the tasks that were once done by humans. Under this concept, the hotel increasingly focused on the assignment of human resources for the purpose of increasing guest experience in all aspects of the hotel. This can be done through the provision of essential tasks to be done by the direct interaction between guests and staff. Services that are personal and have not been able to be done by the system, analysis of the levels of guest satisfaction, and to build systems that work to support hotel operations will be intensified.

The concept of techno-sustainable hotel as an alternative to the competitive strategy requires hotel business to focus on: building design that promotes natural lighting and good air circulation; procurement of energy sources from the property itself with utilize the waste generated; manufacture of systems, such as online check-in system as it is enabled to support the efficiency of the staff, so a process that used to take time to do site, can be performed earlier than wherever
guests are; service or food and beverage outlets were able to attract buying interest guests staying, as well as guests who do not stay; removal in-room minibar assessed not support other goals, namely the high investment, the cost of electricity, disturb the work efficiency of staff, where the function in-room minibar can be transferred to in-room service; procurement and increased guest experience as a form of loyalty to the hotel guests.

The proposed concept of techno-sustainable hotel was an evident as to how an alternative strategy (i.e. blue ocean strategy) that could be executed by budget hotels in Surabaya. Through the use of canvas strategy and the value curve analysis, these two analytical tools provided assistance for hotel managers to know the level of the industry and how the hotel has presented its business to the market. However, to be effective, budget hotels should not focus on cost reduction only since such as strategy could lead to the reduction of the quality. Moreover, hotel should engage with its guests in keep cost that issued by the hotel by giving value such additional forms of environmental concern. The concept of techno-sustainable hotel expected to be adopted as an alternative strategy to compete for budget hotel, such as the use of solar panels and ancillary systems other efficiencies.

Blue ocean strategy will continue to evolve as an alternative strategy chosen by the hotels. Research in this area is still need to be developed. As a descriptive research, this study contained limitations specifically related to the difficulty to obtain the ideal informants who are capable in formulating hotel’s strategies. The results of this study can be categorized as an attempt to innovate, where the creation and impact of innovation can not only be seen from one point of view, such as angle of view the product provider. Further research therefore can be developed by adopting or adapting different viewpoint of the consumer or stakeholder in order to obtain more valid results.

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We believe

Pulling a good network together takes effort, sincerity and time.