

THE EMERGENCE OF SERVICE QUALITY AND BRAND AWARENESS TOWARD STRATEGIC COMPETITIVENESS AND ITS IMPACT ON HOTEL PERFORMANCE

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Abstract

Five-star hotels are known by their immense competitiveness, first-class portrayal and are superior in level of extravagance, eccentricity, representation, sophistication and amenities. Slow growth of five-star hotels aggravates strong competition, thus forcing hotel businesses to be competitive. This study attempts to analyze service quality and brand awareness toward strategic competitiveness and its impact on the performance of XYZ Hotel. The study applies both quantitative and qualitative research, which were obtained from questionnaire distribution to 100 respondents who have stayed at the hotel, in-depth interview with the PR and Front Office managers, and Focus Group Discussion with managers and hotel experts from Jakarta and Tangerang. The finding suggests that service quality has no correlation with strategic competitiveness and no significant impact on performance. Thus, brand awareness was found to be the most influential factor on strategic competitiveness. However, it is necessitated that five-star hotel continuously improve the quality of its service and the factors associated with service quality.

Keywords: Service Quality, Brand Awareness, Strategic Competitiveness, Performance, Competitive Advantage, Competitive Strategy, Hotel.

Introduction

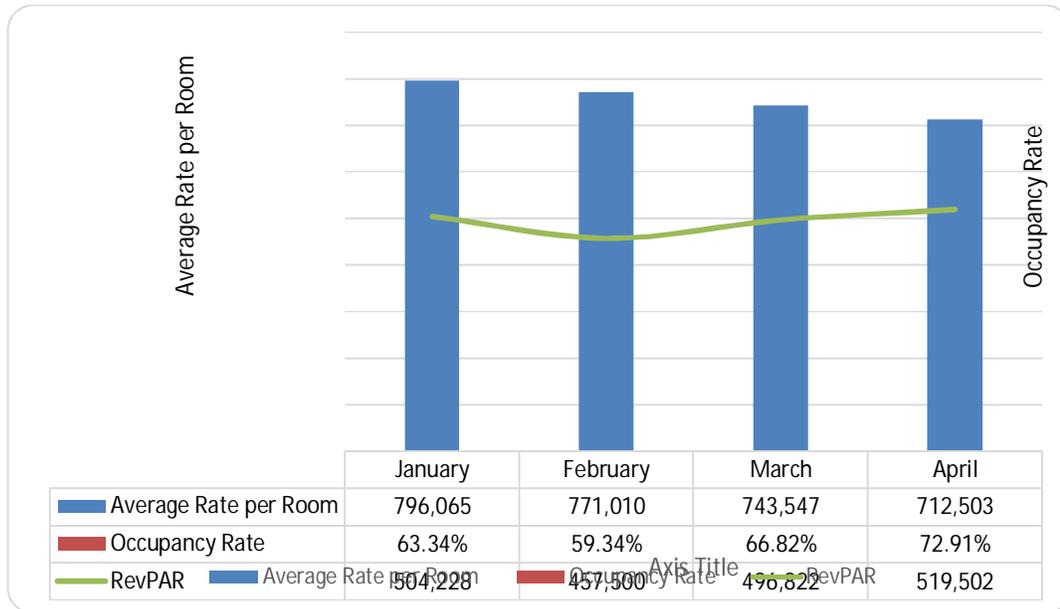
The intense degree of oversupply and gradual downturn of hotel performance leads to the importance of hotel businesses to remain competitive in securing an equalized growth (HVS Global Hospitality Services, 2015; Heise, 2011). Substantial competitiveness has brought hotel associations to become progressively knowledgeable about the significance of quality as a fundamental part of competitive advantage (Kapiki, 2012). Additionally, in terms of strategic approach a firm's strategy could likely be a central base of competitive advantage (Jonsson, 2009). To accomplish business goals, boost competitiveness and enhance quality of experience, organizations are urged to attain a degree of operational excellence through the affiliation of notoriety or control, mutual effort, and solution findings in each area of the business functions. (Blachier & Jadoul, 2010). As a consequence, a solid management commitment will incline the successful possibility of the service quality to be achieved (He, Murmann, & Perdue, 2012).

Another source of competitiveness is branding. Brands are important and considered as the primary aspect of competitiveness as they raise the tendency of customers to buy a certain product or utilize a certain service of a specific firm as opposed to that of other firms (Miloslava, 2011). Although brands are significantly determined by the competitive advantage that they deliver in the current market, brands are also driven by the forthcoming circumstances in a new unexploited market (Ranjbarian, Fathi, & Mohammadi, 2013). Additionally, international brands in specifically emerging countries are adjudged to have better brand image associated with prestige and high standard than local brands (Suhartanto, 2011). As brand image is positively interrelated with brand awareness, the significance of brand image is required in the formation of brand awareness (Cho, 2011; Laiho & Inha, 2012; Management Study Guide, 2013). Strong awareness implies that the brand is well acknowledged and strong image implies a positive prominence (Cho, 2011).

In Indonesia, increasing sector of hotel and restaurant is fuelling investments, particularly within the industry of tourism (Indonesia Investments, 2014). Substantially, two, three, and four star hotels account for most of the growth with three-star hotels hold 33.47 per cent of the total number of hotels, while two and four star hotels hold 21.89 per cent and 18.83 per cent correspondingly (CEIC Data, 2015). However, the gradual increase of one and five-star hotel is followed by the decreasing number of both hotels from 24.24 per cent to 17.79 per cent and from 8.66 per cent to 8.02 per cent respectively (CEIC Data, 2015). Consequently, slow growth of five-star hotels aggravates strong competition, thus forcing businesses to be competitive (Porter, 2008; Wilkinson, 2013).

Although there has been a gradual increase in the development of five-star hotels, but due to the rapid development in the city's property sector, hotel rooms in Tangerang were swiftly expanding (Amna, 2014). In 2014, the number of existing hotels in the city had reached 1.569 units approximately, comprising of distinctive classifications and ratings (Amna, 2014). Non-classified hotels had the highest development with 694 units followed by three-star hotels with 467 units. Whereas two-star hotels development had been one of the lowest with 35 units. However, the five star hotels development in particular were moderate, with only 233 units. (Amna, 2014).

The moderate growth of five-star hotel rooms does not affect the overall performance of these luxurious hotels in Tangerang. As shown in Figure 1.2, the hotels' occupancy rate and revenue per available room in XYZ Hotel, the only five-star hotel located in the business district of Lippo Karawaci, show an increase of 66.82% to 72.91% and 504 million to 519 million respectively. Although the hotel has successfully managed to pull off its occupancy level and revenue per available room, however, the hotel's average daily rate decreased throughout the first quarter of 2015.



Source: XYZ Hotel Internal Data (2015)

Figure 1
Performance of XYZ Hotel 2015

Thus, five-star business hotel in Tangerang with meetings, incentives, conferences or conventions and exhibition rooms, known as MICE is the main object of this research study. Business hotel itself in general is termed as a hotel with facilities related to business interests aimed at business people, such as large convention rooms and ballrooms (Samboh, 2007; Trieha, 2014). Moreover, five-star hotels are selected due to their immense competitiveness, first-class portrayal and are superior in level of extravagance, eccentricity, representation, sophistication and amenities (Chu, 2014). In terms of work force, five-star hotel personnel are purportedly affective, responsive, and enthusiastic in delivering exceeding service (The Five Star Travel Cooperation, 2015).

Hence, the moderate growth of five-star hotel development leads to the further analysis of this research study in evaluating hotel business toward obtaining strategic competitiveness and obtaining competitive through service quality and brand awareness.

Research Problem

In a practical manner, as a domestic hotel brand, XYZ has been maximizing its ability in delivering exceptional service to its guests. However, service quality and the existence of brand awareness have not yet been measured as factors affecting strategic competitiveness. However, it is suspected that both service quality and brand awareness are essential factors in determining the hotel’s competitiveness level, which may significantly influence the hotel’s level of performance.

Research Objectives

The purpose of this research has been summarized into three systematical aspects:

1. To analyze the significant influence of service quality on strategic competitiveness
2. To analyze the significant influence of service quality on brand awareness
3. To analyze the significant influence of brand awareness on strategic competitiveness
4. To analyze the significant influence of strategic competitiveness on the performance of XYZ Hotel

Literature Review

Service Quality

Service quality is a term obtained from the subject of marketing which highly regards the personal connection between an organization and its clients (Murasiranwa, Nield, & Ball, 2010). It is stated that service quality is “*the consumer’s overall impression of the relative inferiority or superiority of the organization and its services*” (Alsaqre O. Z., 2011). Inherently, the intangibility of service produces challenges in determining the acceptable criterion of service quality as the identification and counteraction of deficiencies during the course of service activity become strenuous (Dong, 2007). As a result, researchers moderately administer diverse descriptions of service quality, however united accept the importance of having customer focus in service quality (Dong, 2007). Service quality has been stated to having two elements: technical and functional service quality (Auka, Bosire, & Matern, 2013; Ladhari & Souiden, 2011). Functional quality encompasses ‘how’ a service is delivered and it is generally appraised to be the essential factor of quality based on customers’ perceptions, as the evaluation of technical quality in a realistic manner becomes complicated with regard to information deficiency (Narang, 2010; Njovo & Makacha, 2015). As functional quality substantially incorporates all facets of service encounter procedure, it is implied that service encounter toward customers is as crucial as the outcome of the service (Grubor, Salai, & Lekovic, 2009). Technical quality referred to as the end result elements of service quality that relates to something the customer acquires during a service encounter or ‘what’ service is given, as customers evaluate quality with regards to the advantages that they receive (Grubor, Salai, & Lekovic, 2009; Njovo & Makacha, 2015).

Brand Awareness

For organizations, building and sustaining powerful brands are a critical factor of their marketing procedure as strong brands generate significant portrayals in the memory of consumers (Kuhn & Alpert, 2010; Schmitt, Klarmann, & Homburg, 2010). In the service context, branding is considered to be more critical than tangible products (So & King, 2010). This is due to the essential attribute of service as being obscured or non-tangible and temporary (Ishaq, Hussain, Asim, & Cheema, 2013). The definition of a brand lies in the perceptions of service users or customers with regards to their knowledge, perceivedness, observation and apprehension (Homer, 2008). With a brand, customers are able to distinguish an organization’s product or service from its rivals (Wang & Yang, 2010). Thus,

to deliver value to a brand, businesses should initially create, in the thoughts of customers, the true meaning of the brand itself (Homer, 2008). Brand awareness is characterized as the longevity of a brand that is deeply settled in the memory of consumers (Severi & Ling, 2013). Therefore, strong brands generate significant portrayals in the memory of service users (Kuhn, Alpert, & Pope, 2010). Furthermore, brand awareness is formed through continuous perceivability, increased awareness and strong bond with associated services or products, as well as the preceding purchase encounter (Severi & Ling, 2013). As customers have a tendency to purchase a recognizable brand, brand awareness is a crucial element in the customers buying selection (Chi, Yeh, & Yang, 2009). Consequently, increasing brand awareness of a service requires the selection and combination of a firm's marketing mix components that will likely enhance its brand awareness (Conradie, Roberts-Lombard, & Klopper, 2014). Thus, it is stated that brand awareness is the critical initial phase in developing a brand (Romaniuk, Sharp, Paech, & Driesener, 2004).

Two primary forms of brand awareness are (Dhurup, Mafini, & Dumasi, 2014) are *Top of the Mind Awareness* and *Aided Awareness*. Aided awareness develops once a customer is presented with a series of brand names and the customer identifies the brand based on the presented selection. Top of the mind awareness takes place once the title of the brand is immediately remembered as the customer directly relates the brand with the service or product classification (Dhurup, Mafini, & Dumasi, 2014). Furthermore, Brand awareness is evaluated by assorted aspects (Moiescu, 2009) are Brand Recognition and Brand Recall. Brand recognition is the capability of customers to identify preceding information of a brand, which is done by making an inquiry regarding the brand or displaying the particular brand, hence customers are able to distinguish the brand as they have previously acknowledged or recognized it (Djakeli, 2012). Brand Recall is the extent to which customers are able to precisely retrieve a brand from their memory when provided a hint and type or classification of a product or service (Djakeli, 2012).

Strategic Competitiveness

Devising a strategy is fundamental to the prosperity of businesses running in a competitive market (Olubunmi, Timothy, Alabi, & Israel, 2014). The capability of an organization to obtain or build an orientation in the marketplace is the most important aspect of strategy improvement (Tsai, Song, & Wong, 2008). Therefore, competitive strategy or strategic competitiveness is the decision on what manner a firm is going to rival in its specific business sector and obtain competitive advantage through its uniqueness (Olubunmi, Timothy, Alabi, & Israel, 2014). Large businesses consisting of numerous divisions are not likely able to achieve success if lacking long-term strategy scheme in a competitive environment (Ongori, Iravo, & Munene, 2013). The function of competitive strategy is to outperform rival businesses or hotels through offering better benefits or services in the competitive environment (Al-Qudah, 2012). Competitiveness has a distinctive interpretation once exercised into various distinctive levels and the main objective is to gain a favorable orientation or outcome through the formation of competitive advantage (Tung, Cheng, & Wu, 2009)

Competitive advantage is a favored position obtained above rivals by providing customers a better benefit by offering affordable prices or supplementary advantages and services at similar or only slightly higher prices (Ehmke, 2008). Competitive advantage indicates the capability of a firm to represent a distinctive idea and deliver distinctive services (Al-Qudah, 2012). Two principles for developing and sustaining competitive advantage are as follows (Milohnic & Grzinic, 2010) are *Create unique products or deliver exceptional services that beneficial to customers* and *Create inimitability, so rival businesses are not able to imitate*.

Performance

Performance is defined as the procedure of turning strategy into action (Murasiranwa, Nield, & Ball, 2010). It is a term obtained from the subject of strategic management related to assessing the productiveness and efficacy of business activities with regards to the accomplishment of a firm's objective (Murasiranwa, Nield, & Ball, 2010). Additionally, performance is associated with the growth of “*profitability and customer service delivery*” (Ongori, Iravo, & Munene, 2013). The assessment of performance depends upon the tactical function of the business and must be collectively considerate and coherent with the mission, purpose and aims of the business (Melia & Robinson, 2010). The strength of a business is related to huge earnings and the ability to recognize factors of performance from the highest to the lowest management (Mutindi, Namusonge, & Obwogi, 2013). Performance assessment procedure serves as a crucial aspect toward the improvement of tactical strategy as it supports to generate business profit, reinforce responsibility, drive inspiration and enthusiasm and increase the effectiveness of exchanging information in an organization (Vinuesa, Maria, & Olalla, 2011; Mutindi, Namusonge, & Obwogi, 2013).

Methodology

Data collection is done in several ways. Firstly, Focus Groups Discussion was held. The discussion comprised of seven participants from different hotels located around Tangerang and Jakarta. Specifically, the participants were hotel general managers and expert from Sultan Hotel Jakarta, Parador Hotels & Resorts, Neo Hotel Melawai, Grand Zuri BSD, Atria Hotel Serpong and Ara Hotel Gading Serpong. A specific topic or issue related to the research study of service quality, brand awareness and competitiveness were chosen. Each participant is required to provide opinion and feedback. Secondly, a quantitative data is obtained through questionnaires. The questionnaires are in a form of closed ended and rating scale. The closed ended questions are used to find out the general information of the respondents, such as age, income, education, occupation, etc. Furthermore, the rating scale used is in the form of Likert Scale to analyze the respondents evaluation of the service quality and brand awareness toward the hotel. Likert Scale comprises of statements ranging from agreeable to disagreeable disposition regarding a specific topic or issue (Cooper & Schindler, 2014). In finding the number of sample, the researcher used PHStat in Excel. Thus, the minimum sample size needed with a population size of 6,400 hotel guests is 95 respondents.

However, as to ensure maximum accuracy result, therefore the sample size needed is 100 respondents.

Anakysis of Data

SEM or Structural Equation Modelling is used to measure or analyze the direct or indirect hypothetical causation correlations, expressed in terms of multiplex structure, with interrelated dependent or independent variables (Lamb, Mengersen, Stewart, Attanayake, & Siciliano, 2014; Martinez-Lopez, Gazquez-Abad, & Sousa, 2013). Specifically, to study the correlation between the variables, the researcher used Path Analysis in a form of Path Diagram. This diagram provides the evaluation between Endogeneous variables, termed as the X or observed variables and Exogeneous variables, termed as the Y or observed variables (Karadag, 2012). To see the appropriateness of the model, the researcher runs tests of Goodness-of-Fit, Root Mean Squared Error of Approximation and Comparative Fit Index.

Results and Discussion

Respondent Profile

The respondent profile is summarized based on the following:

- a) Based on the questionnaire result, the majority of respondents were male (55%), followed by female (45%).
- b) The majority of the respondents were between 25-39 years old. 33% were between the age of 40-49, 17% were more than 50 years old, whereas only 10% were less than 25 years old.
- c) 68% of the respondents had Bachelor degrees, followed by 20% of Magister degrees, 7% Doctoral degrees, 3% of Diploma degrees and 2% High School.
- d) Most of the respondents occupation were private employee, followed by 30% of civil servant, 17% self-employed, 5% of other and 2% students.
- e) Income between 16 million – 25 million dominated the respondent's monthly income. Followed by 27% of more than 50 million, 23% of 6 million to 15 million, 15% of 26 – 50 million and 5% of less than or equal to 5 million
- f) The majority of the respondents heard from friends and family with 73%, followed by other with 12%, 9% from social media, whereas 2% from magazine and newspaper.
- g) Based on the questionnaire result 65% of the respondents stayed for business purpose, followed by 25% for vacation, and 10% other.

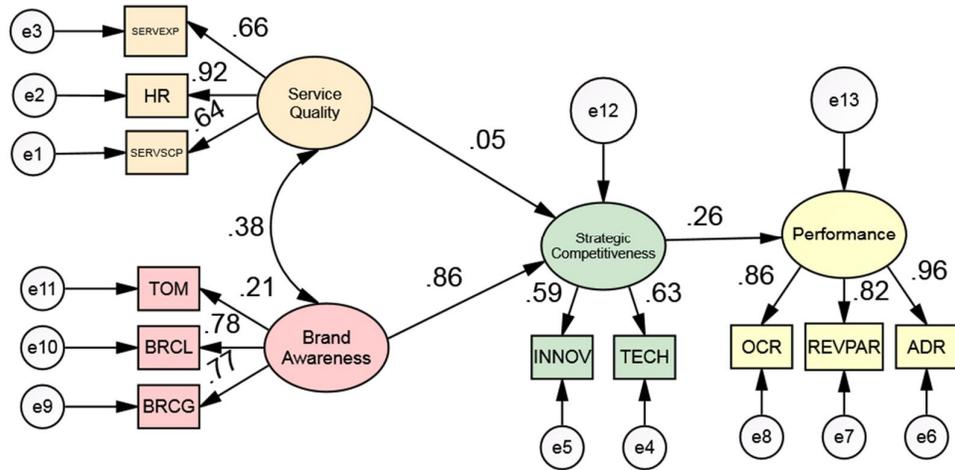


Figure 2
Path Diagram Output

Table 1
Model Fit

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	26	62.020	40	.014	1.551
Saturated model	66	.000	0		
Independence model	11	472.165	55	.000	8.585

RMR and GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.015	.901	.837	.546
Saturated model	.000	1.000		
Independence model	.057	.517	.420	.431

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.869	.819	.949	.927	.947
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.075	.034	.109	.135
Independence model	.277	.254	.300	.000

Based on Figure 2 above several hypotheses were analyzed:

1. Hypothesis H#1 is rejected, which states that “Service Quality does not have significant influence on Strategic Competitiveness in XYZ Hotel”.
2. Hypothesis H#2 is rejected, which states that “Service Quality does not have significant influence on Brand Awareness in XYZ Hotel”.
3. Hypothesis H#3 is accepted, which states that “Brand Awareness has significant influence on Strategic Competitiveness in XYZ Hotel”.
4. Hypothesis H#4 is rejected, which states that “Strategic Competitiveness does not have significant influence on the Performance of XYZ Hotel”.

Service Quality, followed by Service Experience and Service scape. For Brand Awareness indicators, Brand Recall has the highest influence, followed by Brand Recognition and Top of Mind. Furthermore, Technology has the highest influence on Strategic Competitiveness, followed by Innovation. As for Performance, ADR or Average Daily Rate has the most significant influence on Performance, followed by OCR or Occupancy Rate and RevPAR or Revenue Per Available Room OCR or Occupancy Rate and RevPAR or Revenue Per Available Room.

Conclusion

Based upon the conclusions, XYZ Hotel should utilize the use of social media. Fortunately, the hotel has been using social media, such as Instagram, Facebook, Google + and Pinterest, TripAdvisor, and Twitter. In the future, these online platforms should be persistently used as a way of raising the hotel’s brand awareness and allowing the guests to share opinions and knowledge about the hotel and its service. From this point it is determined that XYZ Hotel may increase its frequency-posting to raise its brand awareness. Hence, another method of measuring brand awareness through social media is evaluating the number of exposure, influence and engagement of the users toward the XYZ Hotel brand. This can be done by keeping track of the number of social conversations, followers, subscribers, retweets, shares and comments

Brand Recall has been indicated to have the highest significance influence on brand awareness, followed by brand recognition and top of mind. This result shows that guests are able to retrieve the hotel’s name from their memory without given attributes or clues. Hence, branding entails more than just higher market share, it also entails the guests state of emotion. Therefore, in developing brand recall, it is recommended that XYZ Hotel continues on ensuring that guests leave with memorable and satisfied experience as these positive enact will cling to the guests state of emotion and mind for the long-term. Furthermore, in developing brand recognition, XYZ Hotel should create memorable logos or symbols and

keeping the website and its information up-to-date. In addition, although top of mind awareness has the lowest influence on brand awareness, it is recommended that XYZ Hotel should aggressively shows its existence through the persistence use of various social media platforms and advertising. As the hotel has many guest repeaters, another approach is to develop top-of-mind awareness is by informing these guests repeaters or loyal guests about special discounts or promotions through email.

Furthermore, as the majority guests are staying for business purposes, XYZ Hotel should offer more service or promotional activities (other than special meeting packages) targeting the business guests, such as: corporate discount or business traveler discount, etc. This will attract them to stay again at the hotel.

Service Quality has been indicated to have no significant influence on strategic competitiveness with “none“ strength of association. Therefore, it is suggested that service quality may not be a key variable of strategic competitiveness. However, it is necessitated that in the future, XYZ Hotel should continue delivering exceptional service to its guests, as five-star hotel is famously known for its excellency in service delivery. Hence, this can be done by consistently monitor the quality of food served at all the restaurants in the hotel, the promptness level of staff in fulfilling the needs and wants of the guests and not only monitor the behavior and attitude of staff in the restaurant or front office, but also the housekeepers.

Furthermore, human resource has been indicated to be the most influential factor on Service Quality. This is especially true that in the service sector, human resource is a crucial asset. As hotel staff directly interacts and communicates with guests, therefore XYZ Hotel should consistently monitor the quality of its human resource through more extensive trainings and performance assessment.

Additionally, service experience is the second influential factor on Service Quality. In the future, XYZ Hotel needs to ensure that guests leave a satisfactory experience after their stay at the hotel. This can be done by handing out a mini survey at the reception area when guests chek-out to find out their satisfactory level during their stay. Additionally, servicescape is proven to be one of the influential factors on Service Quality. Therefore, it is important that XYZ Hotel pays attention on its facilities and ambience. This can be done by consistently maintaining its building or delivering good background music in the lobby.

Hence, technology is the most influential factor on Strategic Competitiveness, followed by Innovation. In the future, XYZ Hotel can innovate with the use of technology as it has become a part of every one’s live. It is contemplated that with the proper technology, innovation is forged. This can be done by providing free wifi in all the rooms, automated check-in through cellphones without going through the reception desk and keyless hotel rooms with fingerprint entry system to increase the security of the guests.

Moreover, Average Daily Rate is the most influential factor on performance, followed by Occupancy Rate and Revenue Per Available Room. Although Average Daily Rate has the most impact on performance, however it is not an

enough parameter. Therefore, it is crucial that XYZ Hotel consistently monitor these three factors to maximize its performance. In addition, apart of measuring its performance based on its competitors, XYZ Hotel may consider other external or internal factors, such as analyzing its strength and weaknesses, and identifying the opportunities that the hotel has and minimize threats.

Hence, XYZ Hotel has done extensive measurement of its performance. To increase the hotel's performance, all strategies related to maintaining service quality, raising brand awareness, providing service innovation and technology should be consistently implemented and monitored. Through good strategy and coordination, XYZ hotel will bear the result of favorable outcome.

Recommendation For Further Research

Further research may continue this research by adding other indicators to measure service quality and strategic competitiveness. Thus, future research may continue this research study to analyze service quality and brand awareness on strategic competitiveness and its impact to performance for different hotel ratings and classification.

Furthermore, it is recommended that not only future researcher identifies the influence of the variables through questionnaires and in-depth interview but also practical investigation through direct observation and further discussion with the hotel managers as to what other factors influence the variables mentioned in this research study and to what extend does those factors affect the variables.

Moreover, the hotel should use other attempts of marketing to raise its brand awareness. This can be done through billboard placement on the streetside and advertising placement on tv, as the hotel cooperates with First Media and Channel Berita Satu News.

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APPENDIX

MODEL FIT

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	26	62.020	40	.014	1.551
Saturated model	66	.000	0		
Independence model	11	472.165	55	.000	8.585

RMR and GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.015	.901	.837	.546
Saturated model	.000	1.000		
Independence model	.057	.517	.420	.431

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.869	.819	.949	.927	.947
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.075	.034	.109	.135
Independence model	.277	.254	.300	.000