

# The Influence of Market Orientation and Competitive Strategy on the Hotel Image

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Hotel occupancy rates in West Java have increased to quite high levels. However, there are problem phenomena related to the images of one, two, and three star hotels. The background of the problem reveals a phenomena related to market orientation and competitive strategy carried out by the hotel which allegedly affects the image of the hotel. This study uses an explanatory survey method to test the hypothesis that states the causal relationship between the variables tested. The observations in this study are carried out in the cross sectional / one shot time horizon, that is in 2019. The analysis unit is the one, two and three star hotel industry in West Java, with the observation unit as the management of the hotel companies. The sample is taken from as many as 50 respondents. Due to the small sample size, the analysis approach that will be used is Partial Least Square (PLS). The results of hypothesis testing reveal that market orientation and competitive strategy affect the images of one, two and three star hotels in West Java. The competitive strategy has a greater contribution than the market orientation in building the image of the hotel. The competitive strategy is built by three dimensions, namely: cost leadership, differentiation strategy, and speed-based strategy. Cost leadership has the greatest role in driving the growth of hotel image, compared to differentiation strategy, and speed-based strategy. Meanwhile, market orientation is built by three dimensions, namely: customer orientation, competitor orientation, and inter-functional coordination. Customer orientation plays the greatest role in enhancing the hotel image. This finding has implications for the management of one, two and three star hotels in West Java, that improving the image of hotels can be pursued by improving competitive strategies that are supported by the development of market orientation. This research is only conducted on 50 respondents of hotel management related to market orientation, competitive strategy and hotel image. Future studies can examine other variables such as the business environment, company capability, or collaborations that allegedly can affect the

hotel image. The research in the analysis unit of the hotel industry of one, two, and three, star hotels in West Java, makes this research useful as input for hotel management and related stakeholders in developing the hospitality industry.

**Key words:** *Market orientation, Competitive strategy, Hotel image.*

## Introduction

The tourism business in Indonesia has much potential considering that Indonesia naturally has a lot of natural beauty, diversity and cultural uniqueness. All of these potentials become capital in the tourism industry and their sustainability is maintained. Seeing the positive trends in tourism, the hospitality industry will continue to be a fertile field for investment. Hospitality and Tourism are like two currencies that cannot be separated. The growth of the hotel industry cannot be separated from the development of the tourism sector. Conversely, tourism will not be able to develop properly without the support of the hotel industry.

Based on the number of guests at star hotels, DKI Jakarta, West Java, and Bali are still the strongest magnets for investors. Java and Bali have always been the main destination for tourists for leisure or business. Meanwhile, hotel mushrooming, especially in certain areas with a high level of tourist visits, results in increasingly fierce hotel business competition. From the first, hotels were built to meet tourist accommodation needs.

Overall, the number of foreign or international tourists and domestic or domestic tourists, has increased significantly from year to year. But overall the number of tourists from both foreign and domestic or domestic tourists has increased significantly. This is one of the indicators that the hotel occupancy rate in West Java is much increased.

In 2018, the number of local tourist visits to accommodation in West Java reached 16,188,779 visits, while tourist attractions reached 47,109,829 visits. The foreign tourist visits to accommodation reached 2,597,445, an increase from the previous year of 2,038,139 visits. This shows the existence of growth. Therefore it is interesting to conduct research about star hotels in West Java.

In a company, image is very important; it can affect marketing activities positively or negatively, where the image plays a role in influencing customer behaviour and decisions. Kandampully and Hu (2007), revealed that hotel image is believed to play an important role in the decision-making process of customers to stay at a hotel. This opinion shows that the image as a cognitive aspect has become a consideration of customers in assessing a product or service. Differences in the perception of the company's image in the minds of each

customer will bring the impact of different customer perceptions of what the company offers. Ogunnaike's research, Akinbode, Onochie (2014) found that “market orientation has a positive effect on perceived corporate image.” Similarly, Seo-Yoon Jung, Kyeong-Hyo Jung, Jae-Ik Shin (2016), revealed that market orientation positively influences company image and organisational performance. Based on that, the image can be built by market orientation. In addition, the hotel’s competitive strategy must be implemented well in order to be able to obtain a good image. Hubbard and Beamish (2011), state that business strategy is related to how organisations position their business to be more competitive than other organisations in similar industries.

### **Literature Review**

According to Kohli and Jaworski (1990: 6), the conceptual model of Market Orientation includes three dimensions, namely: 1) customer orientation; 2) competitor orientation; and 3) inter-functional coordination. Customer orientation and competitor orientation include all activities involved in obtaining information about buyers and competitors in the intended market and are spread through business. Inter-functional coordination is based on customer and competitor information consisting of coordinated business ventures. In this study, market orientation is measured by dimensions referred to by Narver and Slater (1990), namely, customer orientation; 2) competitor orientation; and 3) inter-functional coordination.

The dimensions used in measuring competitive strategy generally use the Porter concept, which is in the form of a cost leadership strategy, differentiation and focus strategy. As revealed in the research journal Hsieh & Chen (2011), the concept of competitive strategy is a derivative of the Porter Generic Classification (1980, 1985), which consists of an overall cost leadership, differentiation, or focus strategy undertaken to achieve superior performance. According to Kotler and Keller (2016), image is people's perception of the company or its products. An effective image will do three things: deliver a single message that establishes the character of the product and the proposed value, deliver this message in a different way so that it is not confused with similar messages from competitors, and send emotional strength to arouse the hearts and minds of buyers. Citra has several elements, as explained by Kotler and Keller (2016), which includes symbols, physical space, events and media. Meanwhile, according to Norouzi, Jafarizadeh, Karbalaei, Najafi (2013), the company's image is based on what people associate with a company, that includes perceptions, conclusions, and beliefs about the company. In this study, hotel image is measured by dimensions: employee attitude, physical space, events, and media.

The hypothesis proposed in this study is:

**H:** Market orientation and competitive strategy affect hotel image.

## Methodology

This study uses an explanatory survey method to test the hypothesis that states the causal relationship between the variables tested. The observations in this study are carried out in the cross sectional / one shot time horizon, that is in 2019. The analysis unit is the one, two and three star hotel industry in West Java, with the observation unit as the management of the hotel company. The sample taken contains as many as 50 respondents. Due to the small sample size, the analysis approach that will be used is Partial Least Square (PLS). PLS can be used to test the causality relationship between the independent variables and the dependent variable, wherein the intended variable includes latent variables. Furthermore, PLS can conduct a path analysis and display a path diagram that illustrates the relationship between latent variables to each of the measuring indicators, as well as the relationship between latent variables.

## Results and Discussion

### *Evaluation of Measurement Model (Outer Model)*

Composite reliability (sometimes called construct reliability) is a measure of internal consistency in scale items, much like Cronbach's alpha (Netemeyer, 2003). It can be thought of as being equal to the total amount of true score variance relative to the total scale score variance (Brunner & Süß, 2005). Composite reliability > 0.7 has high reliability.

**Table 1:** Evaluation of Measurement Model (Outer Model)

<b>Variables</b>	<b>AVE</b>	<b>Composite Reliability</b>	<b>Cronbach Alpha</b>
Market Orientation	0.597	0.819	0.757
Competitive Strategy	0.554	0.897	0.865
Image	0.534	0.901	0.874

Reliability based on AVE greater than 0.5, Cronbach Alph > 0.7 and composite reliability > 0.7. conclude that variables have good reliability.

**Table 2:** Convergent Validity Dimension-Indicator (1st order)

<b>Indicator-Dimension</b>	<b><math>\lambda</math></b>	<b>SE (<math>\square</math>)</b>	<b>t value</b>
MO1 <- Customer orientation	0.664	0.206	3.217
MO2 <- Customer orientation	0.845	0.114	7.415
MO3 <- Customer orientation	0.538	0.181	2.980
MO4 <- Competitor Orientation	0.721	0.126	5.736
MO5 <- Competitor Orientation	0.707	0.131	5.400
MO6 <- Competitor Orientation	0.546	0.145	3.755
MO7 <- Competitor Orientation	0.636	0.183	3.480
MO8 <- Inter-functional Coordination	0.493	0.178	2.771
MO9 <- Inter-functional Coordination	0.644	0.204	3.157
MO10 <- Inter-functional Coordination	0.614	0.239	2.566
MO11 <- Inter-functional Coordination	0.613	0.107	5.734
CS1 <- Cost Leadership strategy	0.887	0.017	50.800
CS2 <- Cost Leadership strategy	0.910	0.017	54.467
CS3 <- Differentiation strategy	0.914	0.017	53.085
CS4 <- Differentiation strategy	0.906	0.019	47.294
CS5 <- Speed-based strategy	0.773	0.045	17.093
CS6 <- Speed-based strategy	0.778	0.039	20.083
CS7 <- Speed-based strategy	0.700	0.064	10.986
Image1 <- Employee Attitude and Skills	0.753	0.048	15.780
Image2 <- Employee Attitude and Skills	0.831	0.037	22.750
Image3 <- Employee Attitude and Skills	0.749	0.067	11.132
Image4 <- Physical space	0.799	0.043	18.607
Image5 <- Physical space	0.830	0.032	26.266
Image6 <- Physical space	0.694	0.075	9.196
Image7 <- Event	1.000	-	-
Image8 <- Media	1.000	-	-

The loading factors of each indicator in the 1st order measurement model value  $> 0.5$  and t value  $> t$  table (2.01), means each indicator is a valid measuring tool in measuring latent variables in first order.

**Table 3:** Convergent Validity of Latent Variables – Dimensions (2nd order)

Variable-Dimension	$\lambda$	SE ( $\square$ )	t value
Market Orientation -> Competitor Orientation	0.820	0.043	19.289
Market Orientation -> Customer Orientation	0.801	0.080	9.959
Market Orientation -> Inter-functional Coordination	0.923	0.028	33.028
Competitive Strategy -> Cost Leadership Strategy	0.866	0.024	35.449
Competitive Strategy -> Differentiation Strategy	0.820	0.043	19.031
Competitive Strategy -> Speed Based Strategy	0.959	0.009	101.762
Image -> Employee Attitude And Skills	0.948	0.015	62.272
Image -> Event	0.660	0.054	12.272
Image -> Media	0.780	0.044	17.936
Image -> Physical Space	0.941	0.014	65.595

Inter-functional coordination is the highest contribution dimension in measuring Market Orientation (0.923), while the Competitive strategy variable is Speed-based strategy (0.959) and Employee Attitude and Skills (0.948) is the highest contribution dimension the for Image. The value of loading factor > 0.5 and t value > t table (2.01) means each dimension is a valid measuring tool in measuring latent variables in second order.

**Table 4:** Cross Loading

	Competitive Strategy	Image	Market Orientation
CS1	<b>0.735</b>	0.370	0.329
CS1	<b>0.735</b>	0.370	0.329
CS2	<b>0.818</b>	0.668	0.587
CS2	<b>0.818</b>	0.668	0.587
CS3	<b>0.760</b>	0.611	0.507
CS3	<b>0.760</b>	0.611	0.507
CS4	<b>0.732</b>	0.543	0.478
CS4	<b>0.732</b>	0.543	0.478
CS5	<b>0.727</b>	0.426	0.425
CS5	<b>0.727</b>	0.426	0.425
CS6	<b>0.719</b>	0.448	0.470
CS6	<b>0.719</b>	0.448	0.470
CS7	<b>0.713</b>	0.475	0.364
CS7	<b>0.713</b>	0.475	0.364
Image1	0.340	<b>0.690</b>	0.427
Image1	0.340	<b>0.690</b>	0.427
Image2	0.558	<b>0.816</b>	0.465
Image2	0.558	<b>0.816</b>	0.465

	<b>Competitive Strategy</b>	<b>Image</b>	<b>Market Orientation</b>
<b>Image3</b>	0.498	<b>0.701</b>	0.568
<b>Image3</b>	0.498	<b>0.701</b>	0.568
<b>Image4</b>	0.604	<b>0.682</b>	0.215
<b>Image4</b>	0.604	<b>0.682</b>	0.215
<b>Image5</b>	0.547	<b>0.833</b>	0.635
<b>Image5</b>	0.547	<b>0.833</b>	0.635
<b>Image6</b>	0.395	<b>0.661</b>	0.389
<b>Image6</b>	0.395	<b>0.661</b>	0.389
<b>Image7</b>	0.451	<b>0.660</b>	0.396
<b>Image7</b>	0.451	<b>0.660</b>	0.396
<b>Image8</b>	0.590	<b>0.780</b>	0.486
<b>Image8</b>	0.590	<b>0.780</b>	0.486
<b>MO1</b>	0.475	0.476	<b>0.507</b>
<b>MO1</b>	0.475	0.476	<b>0.507</b>
<b>MO2</b>	0.482	0.291	<b>0.716</b>
<b>MO2</b>	0.482	0.291	<b>0.716</b>
<b>MO3</b>	0.304	0.276	<b>0.390</b>
<b>MO3</b>	0.304	0.276	<b>0.390</b>
<b>MO4</b>	0.299	0.332	<b>0.558</b>
<b>MO4</b>	0.299	0.332	<b>0.558</b>
<b>MO5</b>	0.226	0.277	<b>0.561</b>
<b>MO5</b>	0.226	0.277	<b>0.561</b>
<b>MO6</b>	0.108	0.211	<b>0.414</b>
<b>MO6</b>	0.108	0.211	<b>0.414</b>
<b>MO7</b>	0.256	0.414	<b>0.593</b>
<b>MO7</b>	0.256	0.414	<b>0.593</b>
<b>MO8</b>	0.387	0.300	<b>0.525</b>
<b>MO8</b>	0.387	0.300	<b>0.525</b>
<b>MO9</b>	0.348	0.436	<b>0.570</b>
<b>MO9</b>	0.348	0.436	<b>0.570</b>
<b>MO10</b>	0.406	0.409	<b>0.570</b>
<b>MO10</b>	0.406	0.409	<b>0.570</b>
<b>MO11</b>	0.300	0.265	<b>0.518</b>
<b>MO11</b>	0.300	0.265	<b>0.518</b>

The loadings of the construct have higher on itself and low on other constructs so that the indicator has discriminant validity.

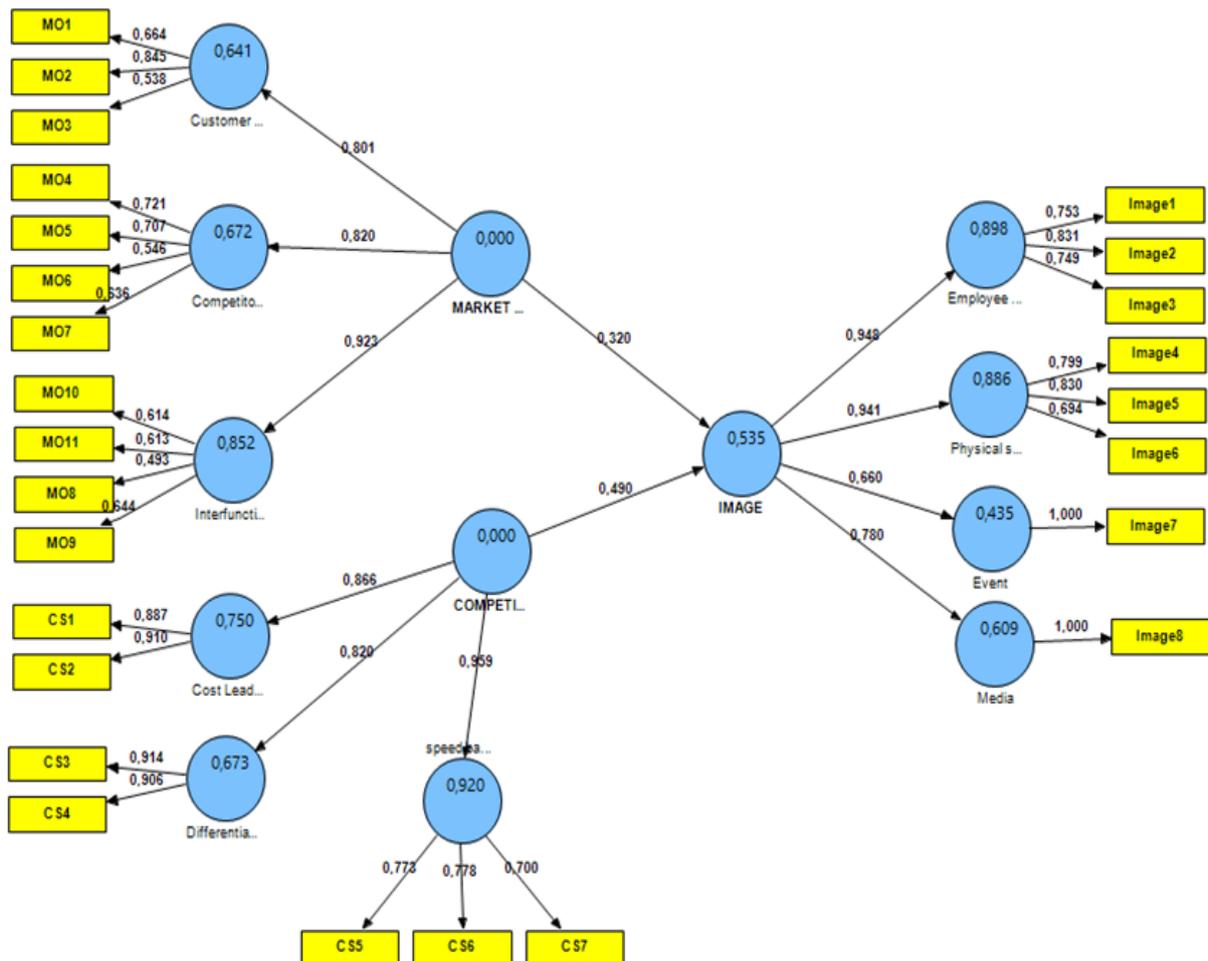
**Evaluation of Structural Model (Inner Model)**

The Structural model represents the stable, theoretically and conceptually established between observed data. The evaluation of the inner model can be through the value of R2, Q2 and GoF. According to Tenenhaus (2004), the value of GoF small = 0.1, GoF medium = 0.25 and GoF large = 0.38. From the testing of R2, Q2 and GoF, it is seen that the model formed is fit, and hypothesis testing can be done.

**Table 5:** Evaluation of Structural Model (Inner Model)

	<b>R Square</b>	<b>Q<sup>2</sup></b>	<b>GOF</b>
Market Orientation		0.233	0,497
Competitive Strategy		0.323	
Image	0.535	0.309	

**Figure 1.** Complete Path Diagram of Research Model



Based on the research framework, a structural model:

$$Y = 0.320X_1 + 0.490X_2 + \zeta_1$$

Y = Image

X<sub>1</sub> = Market Orientation

X<sub>2</sub> = Competitive Strategy

ζ<sub>1</sub> = Residual

### Hypothesis Testing

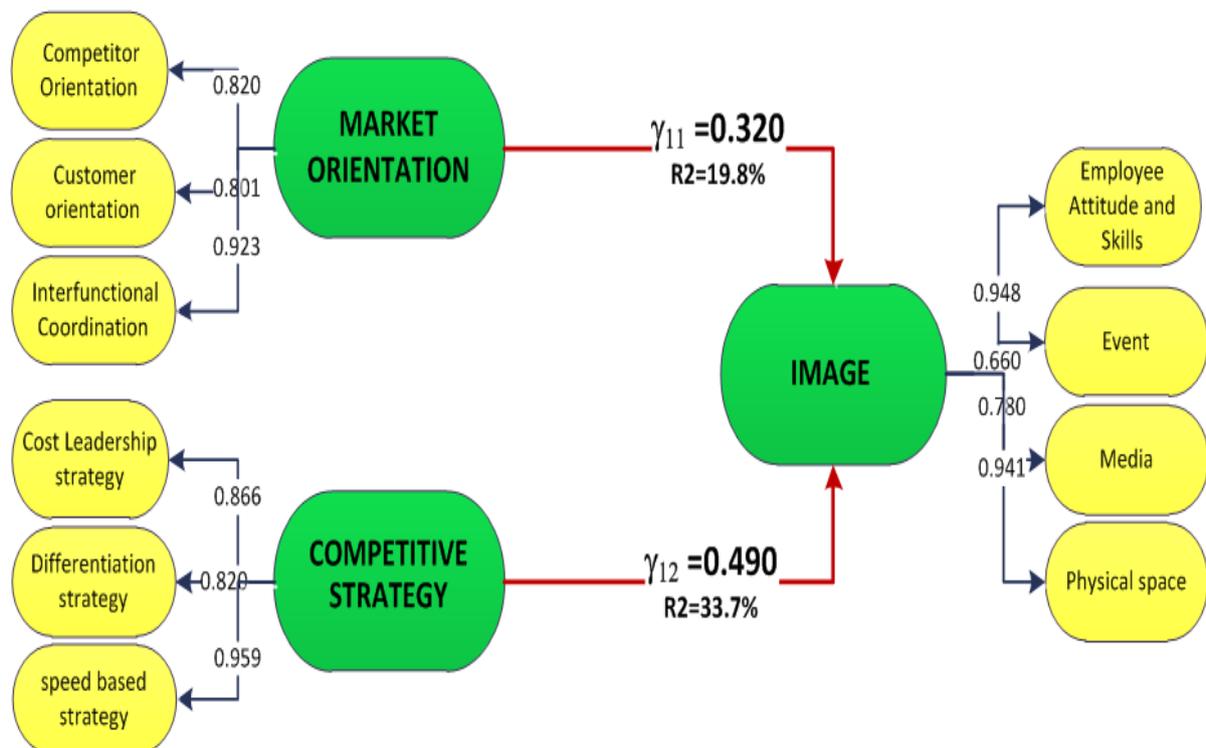
**Table 6:** Partial Testing of Hypothesis

	$\gamma$	SE( $\gamma$ )	t	R <sup>2</sup>	Conclusion
Market Orientation -> Image	0.320	0.119	2.693*	0.198	Hypothesis accepted
Competitive Strategy -> Image	0.490	0.098	4.990*	0.337	Hypothesis accepted

\* significant at  $\alpha=0.05$  (t table =2.01)

Market orientation and competitive strategy are influential significantly to Image of Hotel (t value > 2.01), which is Competitive Strategy has a greater influence (R<sup>2</sup>=33.7%).

**Figure 2.** Research Finding



Competitive strategy has the highest influence on hotel image. The hotel image is more dominantly built by competitive strategy compared to market orientation. The image of the

hotel shows the extent of the image of employee attitude and skills, events, media, and physical space. These aspects are dominantly built by competitive strategy, compared to market orientation.

Competitive strategy is built by three dimensions, namely cost leadership strategy, differentiation strategy, and speed-based strategy. The results of hypothesis testing indicate that the dominant competitive strategy is built by the dimension of speed-based strategy, followed by the cost leadership strategy and differentiation strategy. Therefore, in one, two and threestar hotels, strategies that can improve the image of the hotel are the provision of ease of service to customers, the speed of the company in anticipating changes in consumer behaviour and market demands, and the level of adaptation of technological trends by management.

Meanwhile, market orientation is built by three dimensions, namely customer orientation, competitor orientation, and coordination between functions. From these three dimensions, coordination between functions has a dominant influence in developing market orientation, which is followed by competitor orientation and customer orientation. Speed-based strategy relies on developing employee competencies and responsibilities, developing team work, internal meeting consistency, and employee flexibility.

## **Conclusion**

The image of one, two, and three star hotels in West Java is built by market orientation and competitive strategy. Competitive strategy has a more dominant role than market orientation in building hotel images.

This finding has implications for the management of one, two and three star hotels in West Java, that improving the image of hotels can be pursued by improving competitive strategies that are supported by the development of market orientation. The development of competitive strategy is mainly pursued by developing speed-based strategy. While in developing market orientation, hotel management should rely on developing employee competencies and responsibilities, developing team work, internal meeting consistency, and employee flexibility.

This research has the limitation that is only conducted on 50 respondents of hotel management related to market orientation, competitive strategy, and hotel image. The future studies can examine other variables such as the business environment, company capability, or collaboration that allegedly can affect the hotel image.



The research in the analysis unit of the hotel industry of one, two, and three star hotels in West Java makes this research useful as input for hotel management and related stakeholders in developing the hospitality industry.



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