

Understanding of Competitiveness Crucial to Hotel and Tourism Sectors

Tourism industry stakeholders, including government agencies, are in need of more refined measures of destination and hotel industry competitiveness, argue the SHTM's Dr Henry Tsai, Professor Haiyan Song and Dr Kevin Wong in a review of related investigations published recently. Covering a broad spectrum of competitiveness research and specific studies of tourism and the hotel industry, the researchers show that existing models should be more practical for use in helping destinations to enhance their competitive advantages.

National Competitiveness

Beginning with the proposition that competitive advantage is crucial in the hospitality and tourism industry as it expands around the world, the researchers first focus on definitions of national competitiveness. These move from notions of countries jostling for position in the international marketplace to perspectives that incorporate both “the short- and long-run competitiveness of nations”.

The researchers also note a more recent school of thought that attributes economic competitiveness to firms alone, with international competitiveness depending on “firms in the country competing both in domestic and international markets”. In this sense, a nation's competitiveness is determined by the accumulated competitiveness of the firms operating within its boundaries.

Also often considered significant in determining national competitiveness is “everything from national government policies and citizens' attitudes to investments in infrastructure and manufacturing capability”. Some observers, the researchers note, have added consumer choice and industry productivity to this mix, but others warn of the inherent limits of considering competitiveness at all.

Destination Competitiveness

Given that “competitiveness remains a difficult concept”, the researchers narrow their focus to the level of tourist destinations, which can be seen as competitive simply if they can “attract and satisfy potential tourists”. Another important factor is sustainability. From this perspective, competitiveness is not an end but a means to the end of enhancing “the standard of living of the people in the destination under free and fair market conditions”.

A key concern amongst those who have taken this sort of people perspective also lies at the personal level – that customer satisfaction is an integral element of destination competitiveness. For this very reason it is difficult to benchmark destinations because “there are so many factors that influence the satisfaction levels of tourists”. However, the researchers point out that a broad set of determinants can be considered.

From the spectrum of previously considered factors the researchers narrow down the major determinants of destination competitiveness to a set of factors that will be of great interest to industry stakeholders. These include technology and infrastructure, human capital, price, the surroundings, openness, social development, human tourism, government, history and culture, the micro and macro environments, destination management in terms of marketing, demand conditions, customer satisfaction itself and social and psychological factors.

Hotel Industry Competitiveness

To isolate how these factors might be at work in a specific area of tourism, the researchers consider hotel industry competitiveness. Their first concern is the how the strategic decisions of each firm affect its competitiveness within the industry. They point to the perceived importance of resources, including human capital, technology and investment, flexibility

with a “diversified competitive action portfolio” and productivity broadly defined to include such indicators as efficiency, effectiveness, quality and predictability, amongst others.

The level of promotion undertaken by a hotel has also been considered a measure of competitiveness, note the researchers, because “hotels typically spend considerable amounts of their budgets on marketing activities”. They also point out that marketing oriented firms tend to “create value through providing goods and services geared towards consumers”.

In the hotel industry, this focus is very important given the tendency for customers to “stay loyal to a brand when they are satisfied with the quality of service that has been provided. Pricing also plays a crucial role in generating that loyalty, with services often similar between hotels of the same rating level.

A final set of considerations that should be of significance to the industry includes the effective use of information technology and central reservations systems, which can “create a competitive advantage”. Also significant are “environmental and energy related” costs, given that “after staffing costs, energy is one of the largest elements of expenditure” in most hotels. The researchers further mention the importance of strategic alliances, which can speed up access to “new markets, technology, knowledge and customers”.

Overall, hoteliers focused on their competitiveness should consider the importance they place on human capital, including staff education levels and training, and on technology, strategy, productivity, investment, service quality, brand image, strategic alliances, environmental operating costs, demand conditions, pricing, the physical characteristics of their properties and process management.

Coping with Change

Having considered the broad range of factors previously investigated, the researchers highlight the need for existing models of both destination and hotel competitiveness to

be honed for use in different stages of development. In other words, industry stakeholders need tools that they can use to judge the effectiveness of their actions as the hospitality and tourism industry changes and grows.

At the highest level, there is a need to determine whether usual prescriptions to improve competitiveness, such as privatisation, are relevant. The researchers argue that in “large, emerging economies like China, scant evidence and reliable findings exist on the economic merits of the privatisation of the hotel sector”. They also point to resource concerns for hospitality firms, and the need for modified productivity measures as hotels move from a “rooms-only” to a “full-service” orientation.

Another possible change of focus would be to create more practical productivity measures by focusing on “the actual purchasing habits of the customer over time” rather than only accounting for “the physical assets of the hotel and its employees”.

Ultimately, advances in benchmarking are needed for a more practical understanding of “the ever-changing parameters, policies and institutional elements” in the hospitality and tourism industry. The goal should be to know, predict and enhance the competitiveness of all stakeholders in a destination.

Points to Note

- National competitiveness is a difficult concept to measure.
- Destination competitiveness hinges on customer satisfaction.
- Resource use, strategy, brand loyalty and cost reduction determine hotel competitiveness.
- The existing models of competitiveness should be refined for practical use within the industry.

Tsai, Henry, Song, Haiyan and Wong, Kevin K.F. (2009). Tourism and hotel competitiveness research. *Journal of Travel and Tourism Marketing*, Vol. 26, pp. 522-546.