Comparative Analysis for Strategy Implementation in Indonesia's Hotel Business Sector During Covid-19

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Abstract. This paper examines the performance of differentiation strategies employed by two prominent holding hotel companies, Intercontinental Group, and ACCOR Group, within different hotel categories. This research objective is to compare the revenue performance of 3-star and 4-star hotels, specifically Holiday Inn and Holiday Inn Express (from Intercontinental Group) also Ibis and Novotel (from ACCOR Group). The data analysis involves the calculation of revenue percentages for each hotel category over seven years, from 2016 to 2022. This research adopts descriptive and comparative approaches by contrasting the performance metrics of RevPAR, Occupancy Rate, and Average Room Rate (ARR). In conclusion, in 2016-2019, both the 4-star hotels of ACCOR Group and InterContinental Group tended to experience a downward trend in performance on all metrics. However, on the metrics of ARR and RevPAR, Novotel looks to dominate Holiday Inns. Even though the Occupancy Rate (OCC) metrics, the two hotel brands are balanced. In the 3-star hotels, both hotels also experienced a downward trend in 2016-2019. Both Holiday Inn Express and Ibis were unable to withstand in 2020, so the decline in their performance plummeted. On the positive side in 2021-2022, both hotels seemed to be back on their feet with significant increases and Ibis from ACCOR Group tends to excel in all three metrics. In terms of revenue percentage, it can be concluded that the 3-star hotel strategy is successful even in uncertain conditions. Meanwhile, the 4-star hotel strategy needs to be evaluated whether it is resilient enough to deal with unexpected situations.

1 INTRODUCTION

Worldwide, people have been impacted by the COVID-19 pandemic [1]. In addition to affecting people's health, it has limited people's access to travel, athletic events, and even education [2]. The restrictions on travel thus resulted in low hotel occupancy rates and a substantial decline in revenue per available room (RevPAR) [3]. In facing these challenges, business strategy becomes very important [4]. One of the business strategy concepts put forward by Michael Porter's Generic Strategies includes three strategic options: Cost Leadership, Differentiation, and Focus [5].

The tourism industry has a strong connection to customer feedback [6]. In the tourism industry, hotels have a role as a performer. Hotels provide several services to their guests, including room service and food and beverage (F&B). Hotel earnings can be generated primarily through room service and food and beverage (F&B) [7]. In most Asian countries, the majority of a hotel's total revenue comes from food and beverage services [8]. Unlike Western consumers, who usually book hotels for lodging, Asian consumers often use them to host both formal and informal social events, such as weddings, get-togethers, and family reunions [9].

Selecting 3-star and 4-star hotels for comparison provides practicality, relevance, wider appeal, and a comprehensive understanding of the mid-range hotel market segment because it can represent low and high segments hence having a correlation with a differentiation strategy, catering to the needs and interests of a broader audience. It is vital for the organization to effectively implement knowledge management that can satisfy customer expectations [10] because it can connect the organization's unique knowledge resources with the requirements of the
transforming market [11]. It leads to increased service quality, which is the primary foundation for dealing with market competition and improves business performance.

In this paper, we will focus on implementing the differentiation strategy at the InterContinental Hotels Group and ACCOR Group, where Holiday Inn represents a 4-star hotel and Holiday Inn Express represents a 3-star hotel from the InterContinental Hotels Group. For the ACCOR Group, Novotel represents 4-star hotels and Ibis represents 3-star hotels. In this case, Porter's Differentiation Strategy aims to create a competitive advantage by offering distinct products or services that make the brand enter all segments from low, middle, to high class.

1.1 Objectives

The objectives of this paper are:
1. Analyze the implementation of the differentiation strategy between InterContinental Hotels Group and ACCOR
2. Analyze the comparison of metrics performance between InterContinental Hotels Group and ACCOR Group in each different brand segment

2 LITERATURE REVIEW

Sometimes, people who want to stay at a hotel use “Hotel’s Star” to distinguish the price, service, and facility levels. The United Nations World Tourism Organization (UNWTO) has classified the criteria into five classifications namely 1-star, 2-star, 3-star, 4-star, and 5-star. This study focuses on hotels that are classified as a 3-star and 4-star category. The requirements for this category include: should have bilingual staff, standard cleanliness, 10-hour reception staff, a buffet service on their resto, a suite bath and shower, and a laundry service. Hotels with 4-star categories have a few different points with 3-star, including reception staff staying 16 hours, providing room service for food and beverages, a higher level of cleanliness than 3-star hotels, and higher prices [12]. From the classification of the hotel, we can say hospitality is an industry who affordable to everyone, they need to develop their strategy for making hotels have something special that makes them more attractive. Porter claims that fundamental competitive elements determine the type of competition in a given industry [13]. Porter goes on to present three general strategies for competing, which are overall cost leadership, differentiation, and focus [5]. Porter (1980) noted that there are various ways to achieve a generic differentiation strategy, and non-exclusive common criteria also play a role in success. These requirements could pertain to either signal or use. Price, brand perception, packaging quality, and length of operation are a few examples of signal criteria [14]. Differentiation is a suitable strategy to make the competitive advantage more sustainable and its imitation is very costly and difficult [15]. Banker et al., (2014) research found that a “differentiation strategy” builds sustainable higher financial performance [16].

Due to the need for operational effectiveness in a competitive and changing environment, organizations in the service sector are under pressure to provide high-quality services, more flexibility, and the reconfiguration and transformation of their processes while simultaneously cutting costs [17]. The literature on operational effectiveness stated that companies must continuously improve their paradigms, practices, processes, and services in order to adapt to changing market conditions [18]. Three fundamental metrics—Revenue per Available Room (RevPAR), Occupancy Rate (OCC), and Average Room Rate (ARR)—have an impact on a hotel's performance [19].

3 METHODOLOGY AND DATA COLLECTION

By examining secondary data from the Accor Group's annual reports from 2016 to 2022 [20] and the Intercontinental Group's annual reports from 2016 to 2022 [21], this study employs both descriptive and comparative methodologies. The data collected encompass the relevant metrics (RevPAR, OCC, ARR) for the specified hotel categories during the selected period of analysis which is 2016 to 2022.

4 RESULTS AND DISCUSSION

4.1 Companies Differentiation Strategies

InterContinental Hotels Group and ACCOR Group have adopted the blue ocean strategy to create differentiation in the hospitality industry. Rather than squabbling over and infringing on already-competitive space, they have generated new demand by investigating uncontested market spaces. The business has benefited from both enhanced profitability and quick growth. The goal of the blue ocean strategy is to create demand in the uncontested market sector, rendering the rivals irrelevant and unrelated [22].

By developing a range of products that cater to distinct markets and are exclusive to each, the InterContinental Hotels Group is implementing market differentiation and niche marketing strategies. The quality and cost of hotel service packages continue to be the primary factors that influence customers' decisions to choose a product (service), as many consumers want value for their money. To gain a competitive position in the market, the InterContinental Hotels Group has developed hotel brands, such as Crown Plaza, which serves the luxury customer segment, Holiday Inn, which serves the mid-price segment, Holiday Inn Express, which serves the economy segment, and Holiday Inn Select, which serves the business travel segment [23].

Accor, one of the biggest hotel management companies in the world, is, in charge of properties in Africa, the Middle East, Asia-Pacific, Europe, and the
Mediterranean. In 1967, Gilles de Courtivron and Paul Dubrule founded the Accor Hotel Company [24]. From luxury hotels to low-cost lodging, Accor Hotel has operated in a variety of market segments. Pullman is the brand that operates in the upscale market, and Sofitel is the brand that operates in the luxury market. The midscale segment may include Novotel, Mercure, Grand Mercure, Adagio, MGallery, and Thalassa Sea & Spa. The chains HotelF1 and Ibis Budget, formerly known as Etap Hotel, are listed in the budget category. Accor was able to service multiple market segments and increase revenue thanks to these brands [25]. Managed hotel subsidiaries accounted for 39% of Accor Hotel's supply, followed by management contracts at 33% and franchise contracts at 28%. In addition, 48% of all hotels were economy and low-cost hotels, 37% were mid-scale hotels, and 15% were luxury and upscale hotels [26].

Both InterContinental Hotels Group and ACCOR have used various frameworks to accomplish their blue ocean strategy. The organization has been able to more thoroughly investigate and hone buyer value thanks to the four-action framework. Additionally, it has identified, contained, and minimized the search risk that many businesses encounter when planning to expand using the six paths framework. To access untapped markets and generate new demand, every company has made significant investments in market research and the understanding of consumer trends and behavioral patterns. The buyer utility map has also been utilized to investigate unexplored market areas for development and expansion. They have been able to consistently and concurrently pursue a strategy of differentiation and low cost to create enhanced and increased value for themselves and their customers by implementing the value innovation model or framework.

4.2 Descriptive Analysis

The data analysis begins with a descriptive examination of the metrics for each hotel category. This analysis was conducted to discover the average distribution of RevPAR, OCC, and ARR for Holiday Inn and Novotel in the 4-star category, as well as for Holiday Inn Express and Ibis in the 3-star category. Those metrics are important for strategic planning. A strategic plan, which is a crucial component of the manufacturing process, can be viewed from a variety of angles, including resource- and market-based viewpoints [27].

From the descriptive analysis, we can see that Novotel is leading in ARR with $85.06 than Holiday Inn with $69.48 in the 4-star category. Meanwhile, Ibis is leading in ARR with $47.37 from Holiday Inn Express with $41.24 in the 3-star category. Those metrics are important for strategic planning. A strategic plan, which is a crucial component of the manufacturing process, can be viewed from a variety of angles, including resource- and market-based viewpoints [27].

Fig. 1. Occupancy Rate (OCC) comparison.

Meanwhile, in a comparative comparison in the three-star category as in FIGURE 1, Ibis excels in all three metrics. Both hotels also experienced a downward trend in 2016-2019. In 2020, it appeared that Holiday Inn Express and Ibis could not endure, and as a result, their performance appeared to have drastically declined.

4.3 Descriptive Analysis

Figure 1 shows that, prior to the pandemic, both Holiday Inn and Novotel tended to see a decline in performance across all three categories of metrics between 2016 and 2019. In the ARR comparison in FIGURE 2 and RevPAR comparison in FIGURE 3, Novotel tends to be higher than Holiday Inn, whereas in OCC both Hotels look similar in trend. From a more specific perspective, Novotel looks to dominate Holiday Inns on ARR Metrics. This advantage is also visible in the RevPAR metrics, although not as strong as in the ARR metrics. Meanwhile, on OCC Metrics, the two hotel brands appear to be balanced.
Positively, both hotels appeared to be getting back on their feet in 2021–2022, with notable increases. A special note can be seen in 2017-2018, that Holiday Inn Express experienced a very sharp increase in all performance metrics.

Revenue has been volatile every year for the 3-star hotels, especially at Holiday Inn Express. For Holiday Inn Express, the most significant increase in revenue occurred from 2017-2018 due to the development of 32 new hotel properties. Whereas in 2019-2020 there was a significant decrease in the percentage of revenue at both hotels due to the spread of the Covid-19 pandemic. Despite the volatility in the revenue of the two hotels, on average, there has been an increase in revenue from 2016 to 2022. This demonstrates that the three-star hotel business model works well under ambiguous circumstances.

There is also volatility in revenue every year for the 4-star hotels. From 2019 to 2020 there was a significant decrease in the percentage of revenue at the two hotels which was also caused by the Covid-19 pandemic. On average, there has been a decline in revenue percentage annually from 2016 to 2022 for Holiday Inn. For Novotel, there has been a very small average increase in revenue percentage annually. This demonstrates the need to assess the 4-star hotel strategy's resilience to deal with unforeseen circumstances. There are several suggestions put forward by previous researchers to improve the performance of the hospitality industry, especially in 3 and 4-star hotels, including:

1. Improving hotel accessibility by escalating the innovation in telecommunications by upgrading the information technology infrastructure, digital customer experience, and digitalization of the business processes [28]
2. Facilitating customers by increasing access to payments through digital wallets, so that customer satisfaction can increase [29]
3. By maximizing The variables include "human resource factors" along with "information management and computerized maintenance management systems (CMMS)," it is possible to take certain strategic steps that will ensure maintenance management.[30].

**Fig. 2.** Average Room Rate (ARR) comparison

**Fig. 3.** Revenue per Available Room (RevPAR) comparison

## 5 CONCLUSION

The differentiation strategy between InterContinental Hotels Group and ACCOR was implemented by targeting various segments, such as low, middle, and high-income consumers. Both have embraced the blue ocean strategy, which aims to make the competition irrelevant and unrelated by generating demand in the uncontested market space. It helps the business to raise prices, foster customer loyalty, attract less price-sensitive clients, and boost profit margins.

From 2016 to 2019, the performance of ACCOR Group and InterContinental Group's 4-star hotels
generally declined across all metrics. It appears that Novotel will outperform Holiday Inns in ARR and RevPAR. The two hotel brands seem to be evenly matched according to the OCC Metrics. When the three-star hotels were compared, they both saw a decline from 2016 to 2019. Positively, both hotels appeared to be getting back on their feet in 2021–2022, with notable increases. ACCOR Group's Ibis frequently performs well across all three dimensions. Additionally, it is evident that Holiday Inn Express saw a sharp rise in all performance metrics from 2017 to 2018. We can conclude that the 3-star hotel strategy is successful based on revenue percentage.

References


