



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

Editor

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(International Bali Institute of Tourism)

APacCHRIE (ASIA – PACIFIC COUNCIL ON HOTEL RESTAURANT, AND INSTITUTIONAL
EDUCATION

STPBI – 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 segmented 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 Sofitel 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 academicians 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

15th APacCHRIE Conference: **Reflection on Future of Hospitality and Tourism: Opportunities and Challenges**. Held at Sofitel Nusa Dua, Bali, Indonesia from
MAY 31st - JUNE 3rd, 2017.

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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TABLE OF CONTENT

ABOUT APACCHRIE

ABOUT HOST

WELCOME NOTE

ACKNOWLEDGMENTS

THEME 1: ECONOMICS AND TOURISM

1. Around the World in 100 Days: Global Citizenship and Worldview in Semester at Sea, Soo Kang (Paper no.85)
2. The Investigation of the impact of the CSR on the Sin Stocks' Financial Performance, Mong-Mei Lin^a, Jui-Chang Cheng^b, Chien-Yun Chang^{c*}, Yen-Ju Chiang^d and Chun-Chieh Tseng (Paper no.209)
3. Rethinking the Theory of Tourism: What is Tourism System in Theoretical and Empirical Perspective?, Kadek Wiweka and Komang Trisna Pratiwi Arcana (Paper no.338)

THEME 2 : EVENT/CONVENTION

1. Exploring Socio Cultural Impacts Of A Heritage Festival Dunedin New Zealand, Sharleen Howison and Hamish Marchant (Paper no.2)
2. Factors That Influence The Sustainability Of A Charity Event, Rachel Byars and Mallory Gerken (Paper no.7)
3. Impacts of Eat Pray Love (EPL) Film Tourism and Local Communities in Ubud, Bali, Sean Kim, Eerang Park and Gregorius Suri (Paper no.112)
4. MicroMasters and Specializations: Comparing New Forms of Hospitality and Tourism MOOCs, Jamie Murphy, Peter O'Connor and Hanqin Zhang Qiu (Paper no.115)
5. Sustainability in Meeting and Events Education, Michelle Millar and Sun-Young Park (Paper no.203)
6. Information and Communication Technology in MICE: Implications For Philippine Tourism, Maria Arlene Fernali Disimulacion (Paper no.205)
7. Mapping the potential market segment bali as mice destination, christina lipuringtyasrudatin and fauzi Mubarak (Paper no.329)

THEME 3 : FOOD AND BAVERAGE

1. The Development Strategy Of Garut Coffee As Culinary Tourism Potential In Garut Regency, West Java Province, Indonesia, Ayu Nurwitasari, Nur Komariah and Hanna Daniati (Paper no.80)
2. Food Tourism as a Pathway to Decolonisation and Alternative Futures, Freya Higgins-Desbiolles (Paper no.107)
3. Building an E-learning System for Green Food and Beverage Curriculum, Yao-Fen Wang and Chu-Min Tuv(Paper no.108)
4. Meal Patterns of Chinese-Filipinos in Binondo Manila on Food Acculturation, Marichu Liwanag (Paper no.195)
5. Analysis of the dining space from TV drama “Gaksital” with the era of the Japanese occupation as its backdrop, Hyojeong Lee and Kyungsoo Han (Paper no.199)
6. Typology of Gastronome’s Food Hunting Behavior, Roozbeh Babolian Hendijani and Boo Huey Chern (Paper no.221)
7. Exploring the relationship between value orientation and eating attitude and behavior of young travelers, Prantik Bordoloi and Sandy Loup (Paper no.229)
8. Identification of the attributes of healthful employee foodservices: Application to Kano Model, oungmin Parka, Sunny Hama (Paper no.238)
9. Foodways of the Bicol Region in the Philippines, Ma. Lourdes Catral(239)
10. Quality of Yoghurt with Dragon Fruit Peel Mixture, Putu Eka Wirawan and I Nyoman Sudiarta (Paper no.306)
11. The Nutrition and Bioactive Substances of Ocimum Sanctum Linn. (Tulasi) Tea, can be Healthy, Refreshing, and soothing, support culinary tourism, I Gusti Ayu Ari Agung (Paper no.346)

THEME 4 : HOTEL / RESTAURANT

1. To Evaluate The Benefits Of Need And Satisfaction For Hotel Employees (Paper no.25)
2. A Comparison Of Asian Hotel And European-American Hotel On Organizational Culture : A Case Study Of Shangri-La Hotel And Intercontinental Hotel, Hong Zhang and Hanqin Qiu (Paper no. 34)

3. Human Capital In The Dubai Four And Five-Star Hotel Industry – Challenges For The Industry As It Heads Toward World Expo In 2020, Anthony Brien and Angela Anthonisz (Paper no.41)
4. A Study of Leisure Motivation for Casual/Theme Restaurants’ Consumers — The Case of T.G.I. Friday’s, Lou-Hon Sun and Chia-Chun Chung (Paper no.114)
5. The Relationship of Employee Perceived Business Ethics, Job Satisfaction and Service Ethics Behavior in the International Tourist Hotels , Chien-Wen Zoe Tsai, Hui-Ying Chung and Fang- Yu Chang (Paper no.244)
6. Does Lean Management Really Matter: Case of a Holiday Resort in Turkey, Osman Nuri Ozdogan, Murat Hancer and Aytekin Kalkan (Paper no.261)
7. Quality of Supplies Variables as Basis for Customer Patronage in Selected 5-Star Hotels: a Supply chain model, ma. Erlinda s. Zacarias (Paper no.262)
8. Mid-scale Hotels Brand Peronality: Culture Effects along China Border Cities, Dorothy Fung and Qu Xiao (Paper no.312)
9. Theoretical model of hotel website service quality, Thịnh Nguyễn and Huy Lê (Paper no.324)

THEME 5 : HUMAN RESOURCES

1. The Formulation of Alternative Competitive Strategy for Budget Hotel in Surabaya: Blue Ocean Strategy Approach, Sellyna Wardhani, Serli Wijaya (Paper no.201)
2. How Does Taking A Vacation Help Relieve Your Work Stress?, Chun-Chu Chen, Ying-Hsiao Lai and Yueh-Hsiu Lin (Paper no.14)
3. The Influence Of Students’ Loyalty, Commitment And Trust In Private University, Malaysia, Siew Har Ong and Ravindran Ramasamy (Paper no.27)
4. The Association between Emotional Intelligence (EI) and Job Outcomes among Tour Guides, Jennifer Min (Paper no.57)
5. Teamwork Skills of University Hospitality Management Students, Belinda Lopez and Sandra Kapoor (Paper no.89)
6. How Far Can Your Master's Degree Take You?, Reuben Yong Soon Chen and Christian Kahl (Paper no.101)

7. The difference in first time event attendee and repeat attendee experiences: A study of the relationships between motivation, satisfaction, and loyalty , Tian Lin and Catherine Curtis (Paper no.101)
8. Implementing Green Literacy in Hospitality Education , Rohan Wills, Sally Micallef and Jamie Murphy (Paper no.118)
9. The Role of Organizational Attachment between Gender Discrimination and Organizational Justice and Workplace Deviant Behaviours: Case of Chinese Hotel Employees, Yanjing Qu, Woo Mi Jo and H.S. Chris Choi (Paper no.121)
10. Tour Leaders' Job Crafting: A Scale Development, Chang-Hua Yen, Hsiu-Yu Teng, Yen-Ju Chiang and Pei-Chi Sun (Paper no.126)
11. Will Travelling Influence Life Quality Of Generation Y In Uk?, Xinyu Jiang and Gang Li (Paper no.129)
12. Core self-evaluations and social loafing: Mediating role of leader-member exchange, You-De Dai, Chiung-Fen Chang and Wen-Long Zhuang (Paper no.131)
13. Regulatory foci and social loafing: Moderating role of role overload, You-De Dai, Ching-Hua Wang and Wen-Long Zhuang (Paper no.133)
14. Student attrition and completion : what is it that we are actually trying to measure?, Peter Ryan and Gary Greig (Paper no.134)
15. To engage or not to engage in travel agency? The roles of mentoring functions and employees' emotional exhaustion, Hsin-Mei Lin, Wen-Long Zhuang and You-De Dai (Paper no.135)
16. Resilience and work engagement in travel agency: Mediating role of leader-member exchange, You-De Dai, Ying-Chan Liu and Wen-Ling Liu (Paper no.136)
17. Faculty Internship Program For Hospitality Educators – What Benefits Can We Get?, Io Kei Leong, Chang Liu and Yu Fai Chan (Paper no.143)
18. Enhancing students' sustainable innovation through collaborative course development, Jeou-Shyan Horng, Han-Liang Hsiao, Chih-Hsing Liu, Sheng-Fang Chou, Chang-Yen Tsai and Yu-Chun Chung (Paper no.178)
19. Institutionalizing Policies in Education, Training, Health and Safety in ISO OHSAS 18001 Certified Medical Tourism Hospitals, Janice Alejo Abellana, Ph.D.a, and Ephraimuel Jose L.

- Abellana, Ph.D. (Paper no.186)
20. Creative Hospitality Education: Using Realty TV as a Medium for Classroom Case Studies, Bharath Josiam and Bailey Moody (Paper no.189)
 21. Service Robots in Hospitality and Tourism: Investigating Anthropomorphism, Jamie Murphy, Ulrike Gretzel and Charles Hofacker (Paper no.200)
 22. Factors affecting Students Perceptions of Online Instruction, Preferences and Performance, Comparing Asian Hospitality & Tourism Students living in Asia with American Students in the USA, David Baker (Paper no.211)
 23. How can Tourism and Hospitality Educators Produce the Preferred Graduates? A Taxonomic Approach, Delores Lau, Nicole Bian, Sookyup Chong and Chaiyakorn Srisuwan (Paper no.212)
 24. Study on Students' Intent to Stay in the Hotel Industry, Chien-Wen Zoe Tsai and Wen-Yun Tseng (Paper no.224)
 25. "Will hotel employees' knowledge sharing enhance their innovation performance? Effects of knowledge share, innovation performance and personality trait of employees in five-star international tourist hotels.", Shun-Wang Hsu, Wen-Shen Yen and Yu-Chi Lin (Paper no.277)
 26. Hotel Employees' Work-Life Balance: A Comparative Study between Filipinos and Koreans, Lilibeth Baylosis, Si-Joong Kim Kim, Hyunyoung Chung and Soo Kyung Kim (Paper no.135)
 27. Students Well-being: The Impact of Hotel Apprenticeship Training of the BSHRM Students at the Far Eastern University, Manila, Philippines (Paper no.242)
 28. Exploring the Influence of Psychological Distance on Ethical Judgment of Hospitality Workers, Yen-Yu Lin, Pearl Yueh-Hsiu Lin and Shu-Ying Lin (Paper no. 251)
 29. Hospitality as a Career Choice for New Canadians: An Exploration into Hospitality Students' Motivations and Expectations, Zhen Lu, Tom Griffin and Kary Jiang (Paper no.298)

THEME 6 : TOURISM DESTINATION

1. Filipino Tour Guides As Promoters And Developers Percieved By Local TOURISTS, Wendell Galapate And Jennefer Yap (Paper no.264)

2. Investigating Chinese Tourists' Positive Emotion Towards Korean Destination Sites: Cognitive Appraisal Theory, Hyeyoon Rebecca Choi and H S Chris Choi (Paper no.127)
3. The effercts of film nostalgia, Sam Kim and Sean Kim (Paper no.173)
4. Is it safe to travel anywhere in the world? Terrorism-related travel warnings issued by U.S. and U.K, Burçin Kırlar Can (Paper no.217)
5. An Analysis of Workplace Friendships Among Women Academicians in Tourism: A Perspective on Organizational Climate, Gokce Yasemin Kozan and Ebru Gunlu Kucukaltan (Paper no.223)
6. Promoting religious tolerance through tourism industry, made handijaya dewantara (Paper no.341)
7. Navigating The High Seas: Can Security Perceptions Be Influenced By Demographic Factors?, (Cyril Peter Paper no. 8)
8. Sustainability Meets Philippine Walled City: The Case Of Intramuros, Lizette Vicente and Benigno Glenn Ricaforte (Paper no.11)
9. Indicators of Resilience in Indigenous Community Development in Taiwan, Mei-Syuan Li and Yung-Ping Tseng Paper no.98)
10. Development of Bedulu Village towards Future Tourism, Ni Komang Nariani and Ida Bagus Gde Sena Baskara (Paper no.99)
11. Analysis of Management Model Using Structural Equation Modeling at Taman Pintar, Yogyakarta, Ani Wijayanti, Janianton Damanik, Chafid Fandeli and Sudarmadji (paper no 113)
12. From Qualitative to Quantitative: Generating Multisensory Image Scales for Touristic Ancient Towns, Jia Xiong, Noor Hazarina Hashim and Jamie Murphy (Paper no 120).
13. The impacts of sharing economy on the lodging industry: A case study of Airbnb in Taiwan, Yen Kang, Henry Tsai and Ivan Wen (paper no.128)
14. Tourism and foreign direct investment in small tourism economies: Case of Macao, Joey Pek U Sou (Paper no 132)
15. How to develop a special interest tourism destination? The case of a coffee destination., Chun Li Huang, Hsi Peng Tseng and Yuxia Hou Paper no 138)...
16. An Exploratory Study On The Operation Of The Volunteer Tourism Site: A Case Study Of The Elephant Nature Park In Chiang Mai, Thailand, Asadabhorn Boonruang (Paper no. 139)

17. A Longitudinal Analysis of Film Tourism Impact on Bali, Eerang Park (Paper no.144)
18. Related or unrelated diversification? A study on the relationship between diversification strategy and tourism firm performance in China, Chen Zheng, Henry Tsai and Jialin Wu (Paper no 145)
19. Identifying the Relationships among Tourism Destinations Using Social Network Analysis: A Case of Seoul destinations, South Korea, Gyehee Lee, Deukhee Park and Taegoo Kim (Paper no 149)
20. The Current Opportunities and Challenges Faced by Traditional Shopping Destinations – A case study of Hong Kong, Qiushi Gu, Hanqin Zhang Qiu and Kam Hung (Paper no. 150)
21. The Augmented Reality Applications in Museums, Handan Aytekin and Nilufer Kocak (Paper no. 154)
22. The Relationship Among Trekking As A Serious Leisure Activity In Tourism, Environmental Identity, And Life Satisfaction, Soner Soyler (Paper no. 157)
23. Do We Really Need Transportation Network Companies (TNCs) Services Like Uber? – A Comparative Study between Local Taxi and TNCs Services in Macau, Lu Tang, Sok I Lei, Pou I Sun, Teng Fong Ho, Sheng Yang Xu and Siu Ian So (Paper no. 158)
24. It is all about harmony-Blogging Australia by the Chinese senior tourists, Tingzhen Chen (Paper no.161)
25. User Perspective on Smart Tourist Attractions System, Feifei Xu and Lei Huang (Paper no. 164).
26. Looking At Movie Induced Chinese Tourists through the Lens of Involvement Construct, Bharath Josiam, Yi Yang, Han Wen, Daniel Spears and Nathaniel Saul (Paper no.139)
27. The Investigation of Arbitrage in Casino Gaming Stocks Cross-Listed between the Hong Kong and US Markets, Yung-Sheng Chang, Jui-Chang Cheng, Chien-Yun Chang, Yi O-Yang, Chi-Chen Li and Yu-Kao Chang (Paper no.214)
28. Fans at Home and Away: Supporters Traveling with Their Soccer Teams, Mehmet Ertaş, Soner Söyler and Zehra Gökçe Sel (Paper no.215)
29. Tourism Destination Development: Sitio Pungayan, Benguet, Philippines Before & After Forevermore, Nina Victoria B. Cimat, Christiana Jade N. Jueves and Miguela M. Mena (Paper no.219)
30. Typological Nature of Farm-to-table Tourism: Reconnoitering its Identity and Complexity,

Harold Bueno, Vikneswaran Nair and Melinda Torres

31. Culture Preservation: Delivering Local Wisdoms to Tourists through Mepantigan, I Gde Agus Jaya Sadguna and I Gusti Ayu Srinatih (Paper no.233)
32. Determining the Tourism Potentials as a Tourist Destination of the Municipality of Asturias, Cebu, Philippines, Ephraimuel Jose Abellana (Paper no. 236)
33. Influence of Modeling and Visual Information on Willingness to try Edible Insects, Seoyoung Kim and Sunny Ham (Paper no. 237)
34. Tourism and Society: The Value of Recreational Public Spaces Towards Inclusive and Sustainable Tourism Development, Rielle Christian Alcantara (Paper no. 240)
35. Sustainability of Bambike as a Green Tourist Transportation in Intramuros, Lilibeth Aragon (Paper no 241)
36. Exploring the tourism service quality for a new destination, Diena Mutiara Lemy (Paper no. 259)
37. Change Management as a tool to drive the adoption of new commercial strategy in Small Community (Alpine) Destinations, Kate Varini, Xiong Jia and Hazarini Hashim (Paper no. 265)
38. Community-based ecotourism of Co Tu Tribes: A case study in the Central Vietnam, Thi Phuong Dung Nguyen, Long Van Hoang and Thu Thi Trinh (Paper no. 279)
39. Biometric Technologies and Airline Security: Case Study of Flight MH370, Ahmad Albattat and Desmond Lobo
40. Tourism Stakeholders: Towards Sustainable Tourism Development, Yustisia Kristiana and Theodosia Nathalia
41. Development and Future Implications of MOOCs , Hanqin Qiu, Leana Yingyi Lian and Carson Lewis Jenkins
42. Sustainable Tourism and Community Satisfaction in Tanjung Kelayang Tourism Special Economic Zone, Reagan Brian and Yustisia Kristiana
43. Tumpek wariga as a local genius in supporting sustainable eco-tourism in bali case study: plaga village, badung, nararya narottama and ketut suarja(304)
44. The Pattern Of Power Relations In Management Of Nusa Dua Tourism Resort, Bali, I Gusti Ketut Purnaya And Francisca Titing Koerniawaty (Paper no.305)

45. Perspectives of golf tourism development in Croatia, Mato Bartoluci, Zvezdana Hendija and Petra Barišić (Paper no.313)
46. Tourists Perception About Tourist Attraction Of Waterfall In The Village Of Senaru District Of Bayan North Lombok, I Wayan Pantiyasa, I Putu David Adi Saputra And Original Bertuyes Nale (Paper no.319)
47. Environmental Policy Integration in Tourism Case Study: Destination Management Organizations in Raja Ampat, Indonesia, Muhammad Fidhzariyan Kusuma Utama (Paper no.334)
48. Harmonizing the Paradox Through Community Based Tourism to Accelerate Poverty Alleviation: A Case Study of Munduk Village, Putu Devi Rosalina and I Nengah Laba (Paper no.340)
49. Destination Management literature review including models and trends, Sharleen Howison, Zexuan Sun and Glenn Finger (Paper no.342)
50. Tourism As A Pathway To Well-Being: Examining The Role Of Novelty-Seeking, Chun-Chu Chen, Yueh-Hsiu Lin and Ying-Hsiao Lai (Paper no.15)
51. Resident's Perceptions On The Environmental Impacts Of Tourism In Penang, Malaysia, See Hui Lee and Siew Har Ong (Paper no.18)
52. Ayam Betutu Men Tempeh Mendunia is to Support Sustainable Culinary, Gede Ginaya (Paper no.344)
53. Perahu Cinta on Kelingking Beach in Nusa Penida is an Economic Tourism to Support Sustainable Tourism, Sri Widowati (Paper no.345)

THEME 7 : TOURISM MARKETING

1. The Relationships Among Innovation Adoption, Sustainable Innovation, Technology Application And Culinary Behavior For Early Adopter In Taiwan, Sheng-Fang Chou, Jeou-Shyan Horng, Chih-Hsing Liu, Ling-Chu Huang and Yung-Chuan Huang (Paper no 322)
2. Japanese views of perceived stress across the holiday timeline, Chiemi Yagi, Philip L. Pearce, John R. Pearce and Jing Li (Paper no 137)
3. Understanding Customer Perception of Restaurant Innovativeness and Customer Value Co-creation Behavior, Eojina Kim, Liang Tang and Robert Bosselman (Paper no 155)

4. Rebranding in Hotel Industry and Its Impact on Brand Equity, Denis Wang and Ervi Liusman (Paper no. 228)
5. Negative attitudes toward automated technology in travel and tourism, Iis Tussyadiah, Florian Zach and Jianxi Wang (Paper no. 248)
6. "What is beautiful we book": The effect of hotel visual appeal on expected service quality and online booking intention, Ksenia Kirillova and Janelle Chan (Paper no. 284)
7. Gambling passion and motivation: Investigating attitude formation of the recreational gamblers, Jiseon Ahn, Ki-Joon Back and Choong-Ki Lee (Paper no. 321)
8. The relationships among Tourist Involvement, Tourist Experience, and Environmentally Responsible Behavior in Wetland Ecotourism, Songjun Xu, Hyun Jeong Kim and Mingzhu Liang (Paper no. 322)
9. The impact of CSR on organizational trust and relationship outcomes: A perspective of hotel employees, Chang-Yen Tsai, Jeou-Shyan Horng, Fang-I Kuo and Yu-Chun Chung (Paper no. 177)
10. The Impact Of Service Quality Eco-Components In Eco-Friendly Accommodations On Tourist Satisfaction And Revisit Intention: Evidence From Sri Lanka, Menaka M. Kularathne and Hae Young Lee (Paper no.26).....
11. The Relationships Among Service Recovery Quality, Customer Satisfaction, And M-Loyalty In Mobile Travel Services In China, And The Moderating Effect Of Service Failure Type, Dong Seok Cho, Earl L. Reid and Hae Young Lee (Paper no.28)
12. Adapting The Is Success Model For The Evaluation Of Mobile Travel Services In China, Na Wei and Hae Young Lee
13. Determinants of Airbnb Users' Regret and Its Effects on Switching Intention and Negative WOM, Seunghwan Lee and Dae-Young Kim (Paper no.122)
14. Exploring motivations and tourist typology: the case of inbound tourism in batanes, philippines, Junn Poloyapoy, Hedrick Cervillon And Cecilia Uncad (Paper no.339)
15. What do they actually write about restaurants? A Content Analysis of Business Travelers' TripAdvisor Reviews, Seza Zerman and Yeasun Chung (Paper no. 330)
16. Caribbean cruise passengers' responsible tourism behavior and the moderating effect of trust toward responsible cruise claims, Laleesha Chamberlain, Woody Kim and Hae Young Lee (Paper no.96)

17. Hospitality Firm's Corporate Philanthropy Decision In A Competition Environment, Ming-Hsiang Chen and Chien-Pang Lin (Paper no.29)
18. Professional Development And Commercial Strategy, Kate Varini, Tania Thompson and Peter Ryan (Paper no.32)
19. The Relationship Between The Personal Use Of Facebook And Hospitality Students' Group Engagement In Malaysia, Jianyao Li and Dewi Wulandiah Pratomo (Paper no.35)
20. The Relationships Between Employee And Customers' Respectful Behaviors In Restaurants, Hsiang-Fei Luoh (Paper no 36).
21. Guests' Preferences For Technology Based Self-Services Versus Human Interaction Services In Business Hotels, Guy Llewellyn (Paper no.38)
22. The Influence Of Corporate Social Responsibility (CSR) Towards Millennial Generation Expectations Within Hospitality Industry In Malaysia, Jianyao Li and Haryati Binti Abu Husin (Paper no.39)
23. Online Booking Travelers Study: Segmenting Chinese Female Outbound Travelers Behaviors, Aihua Ye, Linying Dong and Zhen Lu (Paper no.43)
24. The Mediating Effect Of The Brand Attitude On The Relationship Between Brand Image And Non-Financial Brand Performance, Kuo-Ning Liu (Paper no.48)
25. Foreign tourists' museum service quality, satisfaction, and revisit intention: Evidence from the Bangkok National Museums in Thailand, Tattawan Duantrakoonsil and Hae Young Lee (Paper no.52)
26. Service Quality in Thai Domestic Airlines, Pongakorn Ngamsom and Allan Yen Lun Su (Paper no.53)
27. The effect of service quality, positive emotions, perceived value, and customer satisfaction on behavioral intentions at green restaurants in Thailand, Poramate Saggapunt and Allan Yen Lun Su (Paper no.54)
28. The Role Of Mobile Application For Eco Tourists : The Case Of Peucang Island, Indonesia, Iswi Sulistyoyo (Paper no.61)
29. Effectiveness Of Promotion Preference The Independent Hotel And Chain Hotel To Accommodation Choice For Foreign Tourist In Kuta Tourism Destination Bali, Dwi Yulianti and Ketut Arismayanti (Paper no.74)
30. The effect of perceived ethical climate and organizational identification on hospitality

- employee deviant behaviors, Chih-Ching Teng and Zhi-Yang Huang (Paper no.91)
31. The Effect Community and Organization Embeddedness among Hotel Expatriates, Ipkin Anthony Wong and Ka In Helena Lo(Paper no.93)
 32. Towards an Understanding of Time-Variant Travel Motivations: A Longitudinal Multilevel Study, Ipkin Anthony Wong and Rob Law (Paper no.94)
 33. Perception Of Career Development Of Hotel Managers In Hong Kong: A Qualitative Approach, Ching Man, Johnny Leung, Chak Keung Simon Wong, Adele Ladkin and Wing Yan Jackie Yu (Paper no.95)
 34. Play, shop, eat, drink, reward, play – repeat. An assessment of the importance of non-gaming in Macao’s casino integrated resorts (IR) for Mainland Chinese visitors, Glenn McCartney (Paper no. 111)
 35. The study of the relationship between employees charged behaviors and cooperation incentive practices in foodservice sector, Joseph Si-Shyun Lin and Ying-Yu Lin (Paper no. 119)
 36. Regulatory foci and voice behavior: Moderating role of leader-member exchange, You-De Dai, Po-Kai Yang, Ying-Chan Liu and Wen-Long Zhuang(Paper no.123)
 37. Chinese Interregional Expatriates as Tourism Communicators: Perceptions of Expatriates Contrasted with Information Recipients at Home, Suh-Hee Choi and Weibing Max Zhao (Paper no.125)
 38. A framework of Mining Taiwan destination image from Hong Kong representative forum, Wing Ki So and Ping Ho Ting (Paper no.151)
 39. Role of Context: Investigating the transformation of Tourists’ Pro-Environmental Intentions into Behaviors at Post-Visit Stage, Jialin Wu, Jingyan Liu, Rob Law, and Chen Zheng (Paper no.160)
 40. The impact of Ethical leadership on Corporate Social Responsibility: a perspective of hospitality, and tourism employees, Jeou-Shyan Horng, Ya-Ting Kuo, Chang-Yen Tsai and Yu-Chun Chung (Paper no.165)
 41. Why Chinese tourists shopping for others when travel overseas? From a cultural perspective, Xuxiangru Fan, Mao-Ying Wu and Tianyu Ying (Paper no.169)
 42. International Chinese self-drive tourists; components of satisfaction, Mao-Ying Wu, Philip Pearce, Qiucheng Li and Yanling Chen (Paper no.175)

43. Importance-performance analysis of visitor's motivation and satisfaction: A case of Red Barn Factory in Kaohsiung City, Taiwan, Isabell Handler (Paper no.196)
44. Consumer Cynicism toward the Company Prosocial Recovery Strategy under Crisis, Donghee Kim and Soocheong Shawn Jang (Paper no.197)
45. The Evaluation of LGBT Tourism from the Perspectives of IGLTA, Sonay Kaygalak Çelebi and Ebru Günlü Küçükaltan (Paper no.207)
46. Impact of the Michelin Guide in Asia: An eWOM analysis of Michelin Starred Restaurants on TripAdvisor (Paper no.210)
47. The Influence of Experience Marketing and Consumption Value toward the Post-Visit Behavioral Intention: Perspectives from the Taiping Tou Bian Keng Indigo Dyeing, Jui-Chang Cheng, Chien-Yun Chang and Yen-Ju Chiang (Paper no.216)
48. Commercial presentation of digital detox holidays, Jing Li and Philip L. Pearce (Paper no.218)
49. Recovery Marketing Strategies of Hotels in Bangkok: A Study Relative to Human-Induced Crises, Hermae Aquines and Amita Inah Marie Bancoro (Paper no.222)
50. Patronage Buying Motives of Tourism Consumers in Visiting Meru Betiri National Park in Rajegwesi Ecotourism Village, Banyuwangi, East Java, Indra Perdana Wibisono (Paper no.230)
51. Understanding Motivation Towards Overseas Travel of Senior Indonesians, Serli Wijaya, Wahyuniwati Wahyudi, Claudia Benita Kusuma and Evelyn Sugianto (Paper no.234)
52. Who is a "good" management hire: perceptions of hospitality recruiters and managers, stacey wood, lynn Brandon and Bharath Josiam (Paper no.249)
53. Effects of Management Responses to Customer Complaints on Customer Satisfaction, Hyeryeon Lee, Shane Blum and Tun-Min Jai (Paper no.253)
54. Explicit and Implicit Image Cognitions toward Destinations and the Prediction of Behavioral Intention, Kwang-Ho Lee and Dae-Young Kim (Paper no.254)
55. The Influence of Emotional Intelligence and Entrepreneurial Behaviour of Frontline Hotel Employees in Complaint Handling Performance, Puji Rahayuningtyas and Michael Yadisaputra (Paper no.268)
56. Chinese tourists perception on service quality in hotel at nusa dua tourism resort of bali, I Gusti Ayu Dewi Hendriyani (Paper no.289)

57. The Tourists Perceptions Of Waitress Service Quality At The Restaurant Industry In Ubud, Bali, Indonesia, I Nyoman Sudiarta And Putu Eka Wirawan (Paper no. 307)
58. Community Benefitting Through Tourism DASTA Model (CBTT) An integrated approach, Jutamas Wisansing, Nalikatibhag Sangsnit, Thanakarn Vongvisitsin and Wanvipa Phanumat (Paper no.325)
59. City Branding by the Event Brand Ambassador, Petra Barisic, Darko Prebezac and Josip Mikulic (Paper no.333)
60. Social Media Marketing for Local Festivals in Bali, Komang Ratih Tunjungsari (Paper no.335)
61. Strategy For Improving The Competitiveness Of Bedulu Village As Tourism Village, Anak Agung Gede Wijaya, Agung Permana Budi And I Wayan Kiki Sanjaya (Paper no.336)
62. Exploring Motivations And Tourist Typology: The Case Of Inbound Tourism In Batanes, Philippines, Junn Poloyapoy (Paper no.339)
63. Identifying Craft Beer Brand Choice in Bonifacio Global City, Philippines: Determinants of Bar Image Positioning for Competitive Advantage, Jojo M. Villamin (Paper no.248)

YOUTH

1. An Evaluation of the Hospitality and Tourism Programs in Macau – Perspectives from Hospitality and Tourism Students, Wai Chi Cheang, Weng Lam Lei, Wa Meng Choi, Kin Hang Lai, Cheuk Sze Ma, Sio Ian So and Chi Hang Cheong (Paper no.277)
2. Factors Affecting Customer Loyalty Towards Airlines Industry in Malaysia : A case study of Malaysia Airlines, Deana Zafiera Ghazali, Ahmad Albattat, Maisarah Amzah and Nailah Norrizan (Paper no.267)
3. Experiential learning in tourism education: 12 principles of experiential learning study (case study management and science university, Mohammad Syahmi, Arfah Kassim, Noor Delina Abdullah, Nur Hidayah Abdul Rahim Abdul Rahim and Ahmad Albattat (Paper no.269)
4. International Tourist Satisfaction Towards Monorail Service In Kuala Lumpur, Sakoiya Sawir, Alaa Abukhalifeh, Shazleen Akmar Suhaimi, Danial Othman and Ahmad Albattat (Paper no.271)
5. The Expectation of hospitality industry regarding students of the school of hospitality and

- creative arts, Intan Ramzi, Ahmad Albattat, Shekin Mohamad and Faiz Faiz (Paper no.270)
6. Constraints Regarding Participation in Recreational Sports Activities: A Case Study of School of Hospitality and Creative Arts, Kaathik Sivaneswaran, Jane Anak Abi, Razali Ibrahim, Farah Iffah Abu Hasan, Najihah Zulkepli, Aliff Radzuan and Ahmad Albattat (Paper no.273)
 7. The Impact of ex-Camp Vietnam for Tourism in Galang, Anis Shofiatun and Gina Karmona Ginting (Paper no.278)
 8. The Packaging Initiatives of Caci Dance as Tourist Attraction in Supporting the Development of Ecotourism in Labuan Bajo, Yovita E. Hamsale, Windy Wijaya and Georgius R.Y. Gandur (Paper no.347)
 9. The Role of Experiential Learning in Hospitality and Tourism Courses: Perception from Students, Lecturers, and Industry Professionals Case Study of Management and Science University Khoo Wei Wen , Arfah Kassim, Toly Christine, Ahmad Albattat, Sharmini Gunaseelan (Paper no.272)
 10. SOLO Lessons from a Revenue Management Simulation Competition (Paper no.286)

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.

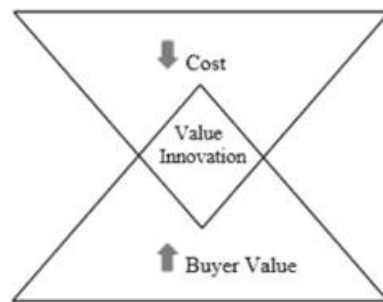


Figure 1. Value Innovation

Source : Kim & Mauborgnee (2005, p.36)

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).

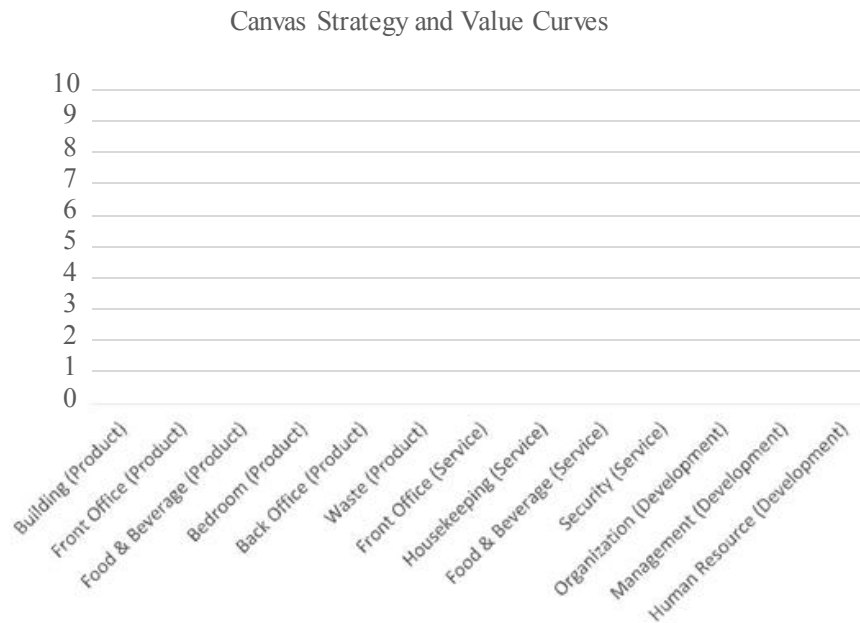


Figure 2. Canvas Strategy as an Analysis Tool

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.

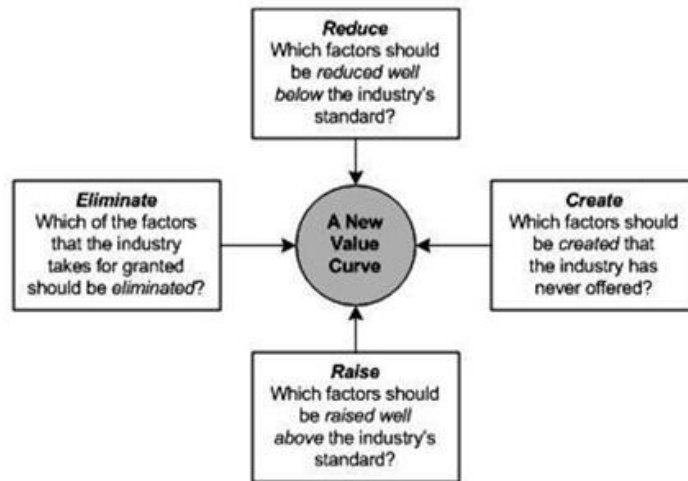


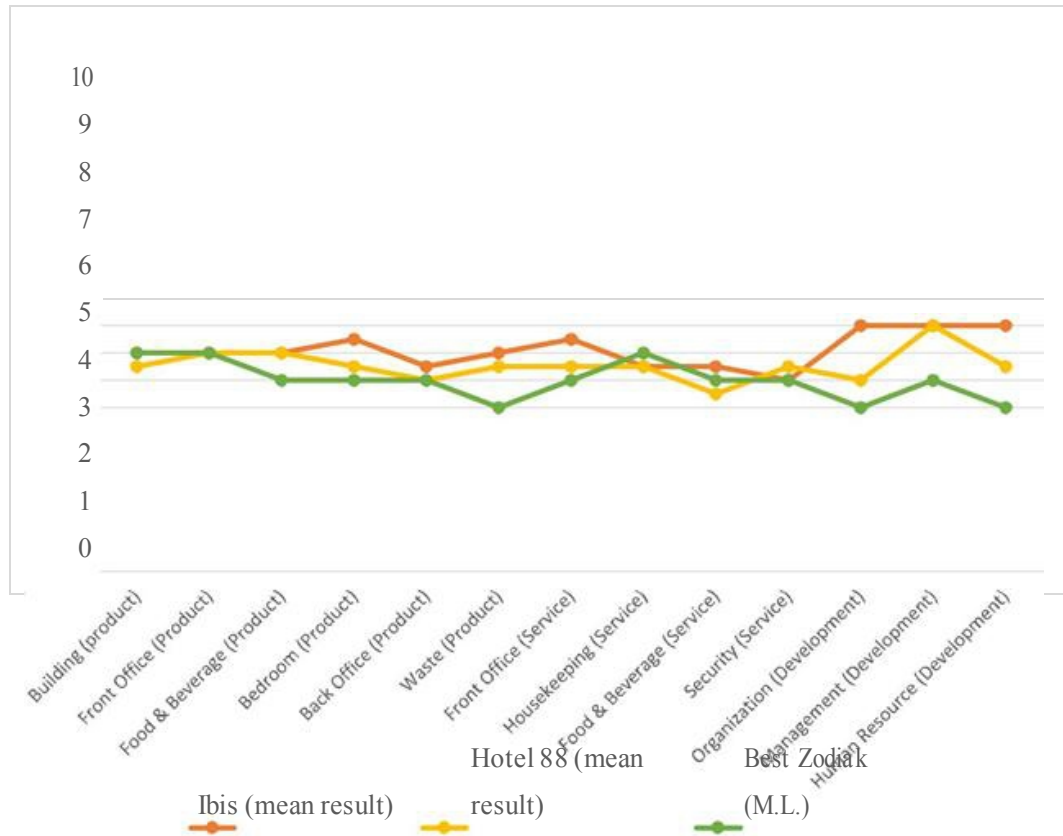
Figure 3. Four Action Framework

Source : Kim & Mauborgnee (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 a 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

If required a new strategy as a form blue ocean strategy, what informant answers on the following four questions when associated with each of the divisions within the company:							
	Questions	D.E.L.	L.P.	D.S.A.	F.A.	M.L.	Analysis Result of 1st Interview
a	Which of the factors that the hotel industry takes for granted should be eliminated?	Stall Bar, because of the design was not attractive enough to attract people come and do some consumption.	In room minibar, because most of the guests request to take out the in room minibar, even they have not come yet	Initially, informant get difficulties to answer. By having some discussion, informant stated to eliminate manual information system	Initially, informant have nothing to eliminate because the minimum service provided. In the discussion, informant realize the possibility to eliminate their focus on human resource, by cut off the number of permanent staffs	Initially, the informant difficult to answer because it seems nothing could be eliminated. In the discussion, informant realized that inefficient working time should be eliminated, by reducing the human resource.	Eliminate all manually information system process, such as paper usage, and move to digital technology
b	Which factors should be reduced well below the hotel industry's standard?	Reduce the number of breakfast menu and cut off restaurant space	Bellboy service, because most of the guests do not bring a lot of luggages, and prefer to bring it themselves	All the services not provided directly, but guest will be given chance to choose the service needed.	Reducing the quantity served for every menu in breakfast time, without reducing the number of menu itself	Informant suggest to reduce electricity and water usage. By shutting down some facilities in midnight or off hour	Narrowing the front office counter areal and use the space for information centre
c	Which factors should be raised well above the hotel industry's standard?	In room facilities	Hospitality services, which can provide customer needs for 24 hours	Personalize service to create homey environment, by building a good communication within their stay period	Providing wider car park, to anticipate the needs while having any MICE activities	Focus on internal activities rather than outsource, i.e. laundry	Increasing service speed by doing all the preparation in advance
d	Which factors should be created that the hotel industry has never offered?	Coffee shop or coffee corner	Business center or business corner which has been forgotten	Internal saving system, without disturbing customer's right. The saving can be either water discharge and electrical activation automatically	Comfy atmosphere in every room, to upgrade the value of customers' stay better than a minimalist and monotonous design	Live music entertainment as a refreshment show and the way to increase food and beverage department revenue	Creating integrated online check in system, completed with mobile application

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.

Table 2. The Creation of Techno-Sustainable Hotel Concept as Alternative Competitive Strategies for Budget Hotel: Applying Blue Ocean Strategy Approach

Techno-Sustainable Hotel	
Definition: The concept of the business in the provision of accommodation and service that puts hotel ability to involve technology-based systems to improve work efficiency and nature conservation, and increasing focus on the guest experience creation.	
Created	<ol style="list-style-type: none"> 1 <ul style="list-style-type: none"> • The building design prioritizes natural light and good air circulation. • Making its own energy supply system, using waste water as an energy source that is processed by the property 2 Integrated online check-in system addressed to member of the hotel chain 3 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	<ol style="list-style-type: none"> 1 Value intensified environmentally friendly 2 Speed of service through the implementation of an online system 3 <ul style="list-style-type: none"> • Able to increase guest loyalty through in room service to meet the needs of guests • Revenue of food and beverage department can be improved
Reduce	<ol style="list-style-type: none"> 1 Electricity usage, for example to light in the morning and afternoon 2 <ul style="list-style-type: none"> • 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	<ol style="list-style-type: none"> 1,3 Removal in room minibar, eliminating investment in freezer, cost electricity, the process of checking and inventory in room mini-bar

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

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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takes effort, sincerity and time.

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