

# **STRATEGY DEVELOPMENT FOR PURI ARTHA HOTEL USING COMPREHENSIVE STRATEGY-FORMULATION FRAMEWORK**

## **(A Study on Puri Artha Hotel in Yogyakarta City)**

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### **ABSTRACT**

Strategy development for a company is the initial stage of the strategic management process, which consist of vision and mission development, identifying the company's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term goals, formulating alternative strategies, and choosing specific strategies which will be implemented. This study uses the Comprehensive Strategy-Formulation Framework which consists of three stages; input stage, matching stage, and decision stage. The tools used in this study are the IFE Matrix, EFE Matrix, CPM, IE Matrix, SWOT Matrix, and QSPM. The samples were collected from Puri Artha Hotel's employees, specifically the Head of Departments and Top Level Managers. The results of this is a developed strategy for Puri Artha Hotel to gain a competitive advantage against their competitors. The last strategy developed for Puri Artha Hotel is Market Penetration in order to strengthen Puri Artha's position in the market, to keep up with its competitors. Maintaining strong relationships with OTA, giving special loyalty treatments for frequent and loyal guests, increase advertisements and held more events to promote Puri Artha's brand, improving services and repairing broken or old facilities, and increase social media presence are the suggested actions.

**K ywords: Strategy Development, Comprehensive Strategy-Formulation Framework, IFE, EFE, CPM, IE, SWOT, and QSPM**

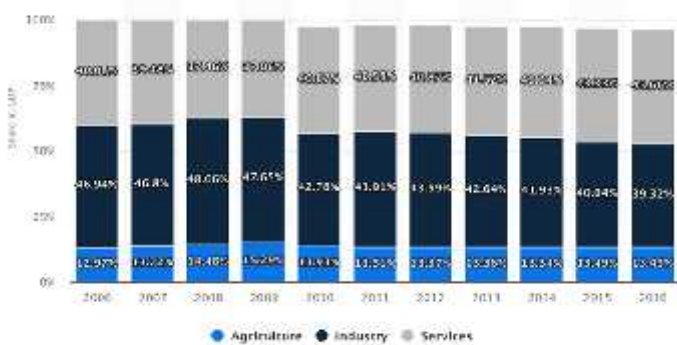
### **BSTR K**

Perumusan strategi untuk perusahaan adalah tahap awal dari proses manajemen strategis yang terdiri dari tahap pengembangan visi dan misi, mengidentifikasi peluang dan ancaman eksternal perusahaan, menentukan kekuatan dan kelemahan internal, menetapkan tujuan jangka panjang, merumuskan strategi alternatif, dan memilih strategi spesifik yang akan dilaksanakan. Studi ini akan menggunakan Kerangka Kerja Perumusan Strategi Komprehensif yang terdiri dari tiga tahap; tahap input, tahap pencocokan, dan tahap keputusan. Alat yang akan digunakan dalam penelitian ini adalah Matriks IFE, Matriks EFE, CPM, Matriks IE, Matriks SWOT, dan QSPM. Sampel diambil dari karyawan Puri Artha Hotel, khususnya Kepala Departemen dan Manajer Tingkat Top. Hasil penelitian ini akan menjadi strategi yang dikembangkan untuk Puri Artha Hotel untuk mendapatkan keunggulan kompetitif terhadap pesaing mereka. Strategi yang dikembangkan terakhir yang dipilih untuk Puri Artha Hotel adalah Penetrasi Pasar untuk memperkuat posisi Puri Artha di pasar untuk bersaing dengan para pesaingnya. Mempertahankan hubungan yang kuat dengan OTA, memberikan perlakuan kesetiaan khusus untuk tamu yang sering dan setia, meningkatkan iklan dan mengadakan lebih banyak acara untuk mempromosikan merek Puri Artha, meningkatkan layanan dan memperbaiki fasilitas yang rusak atau lama, dan meningkatkan kehadiran media sosial adalah tindakan yang disarankan

**K t Kunci: Pengembangan Strategi, Kerangka Kerja Perumusan Strategi Komprehensif, IFE, EFE, CPM, IE, SWOT, dan QSPM**

## INTRODUCTION

According to GBG (Global Business Guide) Indonesia, the service industry in Indonesia is constantly growing in the past three years, and the GDP composition mostly consists of services between services, agriculture, and the service industry contributes to Indonesia's GDP compared to agriculture and industrial industries. This statistic shows the share of economic sectors in the gross domestic product (GDP) in Indonesia from 2007 to 2017. In 2017, the agriculture share in Indonesia's gross domestic product was around 13.14 percent, the industry contributed approximately 39.37 percent, and the services sector contributed about 43.63 percent.



**Figure 1 Service Industry Contribution to GDP**  
Source: Statista (2017)

The above chart proves that since July 2015 the service industry's contribution to Indonesia's GDP has been steadily increasing. It means that the service industry is continuously growing in Indonesia. With its continuously increasing contribution, the service industry has been a big part of Indonesia's economy. Figure 2 below shows the growth of the service industry in the GDP. (Trading Economics)



**Figure 2. Indonesia GDP from Service Industry**  
Source: Trading Economics (2018)

One of the service industry sectors that would be discussed is the hospitality sector. While many business branches are composed of only a handful of different businesses, the hospitality industry implements to nearly any company that deals with customer satisfaction and is focused on meeting leisurely needs rather than basic ones.

With the broadness of this industry, some defining aspects are important to understand. The hospitality industry is a broad category of fields within the service industry that includes lodging, event planning, theme parks, transportation, cruise line, and additional fields within the tourism industry. A hospitality unit such as a restaurant, hotel, or an amusement park consist of units such as facility maintenance and direct operations (servers, housekeepers, porters, kitchen workers, bartenders, management, marketing, and human resources, and so on).

Tourism is an important component of their economies and significant sources of foreign exchange income and contributes 9.3% of the country's GDP. Good travel and tourism policies have potential to bring 10 million international visitors annually. Indonesia's tourism sector accounts for approximately 4% of the total economy and plans to double the figure by 2019 by improving infrastructure, accessibility, health & hygiene, as well as enhancing online promotional marketing strategy, leading to opportunities in upcoming markets (Mordor Intelligence, 2019).

The government has also revised its visa-free access policy in 2015 to attract more foreign tourists. Famous tourist destinations like Bali and Jakarta have already seen a large invasion of investment in recent years, especially, in the upper end of the market, leading to excessive supply, promoting the establishment of the hotel industry. (Hotelier-Indonesia, 2018)

Indonesia's hotel industry is growing rapidly. In fact, Indonesia is the hotel industry's next "China". Including tourist arrivals rising more than 15% in 2016 and ambitious sector development plans underway. Hence, Indonesia's hotel segment is widely expected to see expansion in the coming years. It was followed by a strong performance across the hospitality industry over the past half decades.

Hotels in Indonesia have experienced visitor entrance arrivals in recent years. It is not only in the national tourism industry which is concentrated in Bali and Jakarta, small cities including Medan, Lombok, Surabaya, Bandung, Yogyakarta, and Palembang also experienced the

same increase. Even though Yogyakarta is a destination for tourists, its rate of hotel occupancy is still low below 60%. However, in 2018 the percentage is at 50.38%, which means a decrease of 10% in the previous year. (HVS Research, 2018)

Yogyakarta is one of Indonesia's most favorite tourism destinations. It became a favorite for tourism due to its rich culture and destination spots. Yogyakarta is also famous for its culinary. The main tourist attractions are Borobudur Temple, Prambanan Temple, Kraton, Malioboro street, traditional dances and festivals, food such as *gudeg*, *bakpia*, Parangtritis beach, and so on (Travel Kompas).

Yogyakarta being a tourist destination is also expected to provide accommodation for tourists such as inns, motels, or hotels. Hotels usually are the main accommodation for tourists when they come to visit Yogyakarta (CNN Indonesia). According to PHRI, there are around 1.160 Hotels in Yogyakarta. Among those hotels, this paper will focus on a three-star hotel called Puri Artha Hotel.

Puri Artha Hotel is a hotel in Yogyakarta that is managed by a family since 1972. The name of the owner was a husband and wife Mr. Soemadi and Mrs. Ida Ayu. It is a three-star hotel with a unique ambiance of Javanese and Balinese tradition, Puri Artha Hotel is fully decorated with both Javanese and Balinese cultural blends. Each room has verandah facing a beautiful garden creating atmosphere, guest has never experienced before in their journey. Puri Artha Hotel is located in the heart of Yogyakarta. It is only 7 kms from the airport, 3 kms from the railway station, 4 kms from the bus station and 3.5 kms from the famous Malioboro shopping center. Puri Artha Hotel also provides Yogyakarta tour such as Borobudur tour, Prambanan tour and other Yogyakarta travel program. Puri Artha Hotel offers various hotel facilities: Pasiraman Swimming Pool, Chandra Restaurant and Chandri Bar, Artshop, Parking area, Banquet and Conference facilities, Laundry, and Room Services.

The hotel also has its travel agency called Dewatha Sakti Tour, which is located in the same building and provides the standard travel accommodation such as car rental, tour, plane and train tickets, and so on. However, these days many new three-star hotels have emerged in Yogyakarta which could pose as a threat to Puri Artha, such as Ibis Style, Ibis Malioboro, and Victoria Hotel.

These newer hotels pose as a threat to Puri Artha because these hotels are newer, with modern

design, and some are from a well-known franchise while Puri Artha is an old, traditional design, and family-owned rather than a franchise. Other factors that differentiate Puri Artha and other three-star hotel competitors is that Puri Artha is a heritage building hotel while the others are a high rise building hotel.

Puri Artha managed to compete until now because they depend on loyal or frequent guests but struggles to attract and gain new guests. Puri Artha has stood for 48 years, which is considered as a long-run for a family-owned hotel. Even though it is old, they can still compete with newer hotels. However, they do not prosper as much as they did back then during their prime era. Puri Artha struggles to attract new customers and strengthen their brand due to the emergence of newer hotels with newer and different styles. Newer hotels have modern, minimalistic, and high-rise building style. On the other hand, Puri Artha has a traditional, heritage building style. People these days prefer the more modern design rather than the heritage design. Puri Artha also lacks in the marketing are because even though they have strong brand identity, their brand image is fading due to lack of promotion. Puri Artha already has a strategy to compete with its competitors, but by developing the strategy to adapt and match with the current internal and external factors that they are facing could help Puri Artha able to compete against other competitors or even gain competitive advantage against its competitors and gain new customers, therefore the Comprehensive Strategy Formulation Framework will be used in this study.

## LITERATURE REVIEW

### Strategic Management

According to Fred R. David (2011:3), strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. In addition, David Hunger and Thomas Wheelen (2012:5) explained strategic management is a chain of the decision-making process and managerial activities that can determine a company's performance in the long run. As these definitions imply, strategic management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and information systems to achieve organizational success. In this study, the term strategic management uses synonyms, which is strategic planning.

The primary goal of strategic management is to learn why many companies are successful and why many other companies fail (Hubeis and Najib, 2008: 17). How companies manage success in the midst of competitive situations and how companies face failure and rise from their failure to become advanced companies are the main points of strategic management.

According to David (2011: 23), strategic management provides the main benefit to help organizations formulate better strategies through the use of approaches to more systematic, logical and rational choice of strategies. However, in accordance with current developments, the process, instead of decisions or documents, is a more important contribution from strategic management.

According to Wheelen and Hunger (2012:17) mission is the purpose or reason for the organization's existence. It tells what the company is providing to society, either through service or product. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope or domain of the company's operations in terms of products (including services) offered and markets served. While mission describes what the organization is now, vision describes what the organization would like to become.

Objectives are the end results of planned activity. They should be stated as action verbs and tell what is to be accomplished by when and quantified if possible. The achievement of corporate objectives should result in the fulfillment of a corporation's mission. In effect, this is what society gives back to the corporation when the corporation does a good job of fulfilling its mission.

According to Fred R. David (2011:122) there are four strategies:

1. Integration Strategy
  - a. Forward Integration
  - b. Backward Integration
  - c. Horizontal Integration
2. Intensive Strategy
  - a. Market Penetration
  - b. Market Development
  - c. Product Development
3. Diversification Strategy
  - a. Related Diversification
  - b. Unrelated Diversification
4. Defensive Strategy
  - a. Retrenchment

- b. Divestiture
- c. Liquidation

Strategy analysis and choice seek to determine alternative courses of action that could best enable the firm to achieve its mission and objectives. The firm's present strategies, objectives, and mission, coupled with the external and internal audit information, provide a basis for generating and evaluating feasible alternative strategies.

Unless a desperate situation confronts the firm, alternative strategies will likely represent incremental steps that move the firm from its present position to a desired future position. Alternative strategies do not come out of the wild blue yonder; they are derived from the firm's vision, mission, objectives, external audit, and internal audit; they are consistent with, or build on, past strategies that have worked well.

The scope of this research is at the stage of strategy formulation. The strategy formulation stage or the strategy planning stage for a company is the initial stage of the strategic management process consisting of the development stage of the vision and mission, identifying the company's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term goals, formulating alternative strategies, and choosing specific strategies which will be implemented. However, this stage will be meaningless if it is not continued at the stage of strategy implementation.

### **Comprehensive Strategy – Formulation Framework**

Important strategy-formulation techniques can be integrated into a three-stage decision-making framework. The tools presented in this framework are applicable to all sizes and types of organizations and can help strategists identify, evaluate, and select strategies. Figure 3 shows the framework according to Fred R David (2011:177)

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix (CPM). Called the Input Stage, Stage 1 summarizes the basic input information needed to formulate strategies.

Stage 2, called the Matching Stage, focuses upon generating feasible alternative strategies by aligning key external and internal factors. Stage 2 techniques include the Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix, the Strategic Position and Action Evaluation (SPACE)

Matrix, the Boston Consulting Group (BCG) Matrix, the Internal-External (IE) Matrix, and the Grand Strategy Matrix.

Stage 3, called the Decision Stage, involves a single technique, the Quantitative Strategic Planning Matrix (QSPM). A QSPM uses input information from Stage 1 to objectively evaluate feasible alternative strategies identified in Stage 2. A QSPM reveals the relative attractiveness of alternative strategies and thus provides objective basis for selecting specific strategies

<b>1<sup>st</sup> STAGE: THE INPUT STAGE</b>		
External Factor Evaluation Matrix (EFE)	Internal Factor Evaluation matrix (IFE)	Competitive Profile Matrix (CPM)
<b>2<sup>nd</sup> STAGE: THE MATCHING STAGE</b>		
Internal-External Matrix (IE)		Strength Weakness Opportunities Threat Matrix (SWOT)
<b>3<sup>rd</sup> STAGE: THE DECISION STAGE</b>		
Quantitative Strategic Planning Matrix (QSPM)		

**Figure 3 – Comprehensive Strategy-Formulation Framework**

*Source: Fred R. David (2011)*

All nine techniques included in the strategy-formulation framework require the integration of intuition and analysis. Autonomous divisions in an organization commonly use strategy-formulation techniques to develop strategies and objectives. Divisional analyses provide a basis for identifying, evaluating, and selecting among alternative corporate-level strategies.

Strategists themselves, not analytic tools, are always responsible and accountable for strategic decisions. Lenz emphasized that the shift from a words-oriented to a numbers-oriented planning process can give rise to a false sense of certainty; it can reduce dialogue, discussion, and argument as a means for exploring understandings, testing assumptions, and fostering organizational learning.

Strategists, therefore, must be wary of this possibility and use analytical tools to facilitate, rather than to diminish, communication. Without objective information and analysis, personal biases, politics, emotions, personalities, and halo error (the tendency to put too much weight on a single factor) unfortunately may play a dominant role in the strategy-formulation process.

## RESEARCH METHOD

The type of the research is qualitative method. this research aims to develop the existing strategy of Puri Artha hotel based on their internal and external factors. The location and period for this research is a three-star hotel named Puri Artha Hotel located in Cendrawasih Street 36, Demangan Baru Yogyakarta. The consideration for this location is because Puri Artha is the only heritage building style three-star hotel in the vicinity, surrounded by several three-star hotels with high-rise building style. This research is conducted in November 2018 until January 2019. The tools that will be used to analyze the obtained data are IFE & EFE Matrix, CPM, IE Matrix, SWOT Matrix, and QSPM

## RESEARCH RESULTS AND DISCUSSION

### Internal Environment Analysis

#### IFE Matrix Analysis

IFE Matrix is an environmental analysis tool that can be used to find out the internal position of a company, specifically a company's strengths and weaknesses. In general, the result of Puri Artha's internal environment analysis are as follows:

#### 1. Strengths

##### a. Strong brand identity

Puri Artha has been operating for 48 years, and their brand is clearly seen just by their design and promotion. With years of experience, they are still able to maintain the hotel unique ambiance of Javanese and Balinese culture to ensure their brand image is still well-known by the loyal guests or potential guests.

##### b. Room size and design

Compared to other three-star hotels, Puri Artha's room is much larger, especially for a three-star hotel, it could even be considered a room for a four-star hotel due to its size. The design of the room is also their strongest selling point because each room has a verandah with a garden view

##### c. Partnerships with OTA

Puri Artha has many partnerships with OTA such as Booking.com, TripAdvisor, Traveloka, and Trivago. The partnership OTAs are helpful in spreading Puri Artha's brand around the world, and the scores and feedback left by customers on the OTA are mostly positive, as Puri Artha has a score of

8.2 out of 10 at Booking.com, 8.6 out of 10 at Traveloka, and four stars out of five at TripAdvisor.

**d. Loyal guests**

Puri Artha has many loyal guests, especially European guests, due to the promotion that was done by the previous owners and because they focus on the targeted market, which is understandable as Europeans usually are attracted to cultural and traditional things. The family friendly environment has gained Puri Artha some staple families who prefer to stay there.

**e. Simple organizational structure**

With its line organizational structure, and the GM at the very top management level, it is easier to make decision on what kind of planning should Puri Artha do, and how to handle problems and complaints.

**2. Weaknesses**

**a. Parking lot space**

The parking lot space of the hotel is limited, especially during peak season the lack of space is apparent, forcing the security to redirect the vehicles to another parking lot outside of the hotel's area.

**b. Old age of the hotel**

Due to the hotel's old age, there have been many complaints from the guests regarding the physical condition of the hotel such as dilapidated walls/ceilings, broken AC, the hot water in the bathroom is not working, broken mini bar etc.

**c. Employees performance**

The employees of the hotel are already quite old thus affecting their work performance, reducing the efficiency and effectiveness, especially during a time when guests request for a fast service.

**d. Lack of food variety**

The food menu for the breakfast package have been criticized by some guests as being boring because of the same kind of food being served for three days straight such as fried rice, fried noodle etc. and the limited choice of food during breakfast as they only serve four types of food such as rice, chicken, vegetables, and eggs.

**e. Lack of promotion**

Puri Artha promotion is still quite lacking as they only promote via Twitter and Instagram, which still have not many followers and rarely

active, the website also doesn't provide enough detailed information regarding the prices, and the promotion mostly rely on word of mouth instead of putting an article on magazines or newspaper, television commercial, or putting up a billboard

Based on the analysis above, the IFE matrix can be arranged as follows:

**Table 1 Puri Artha Hotel IFE Matrix**

Key Internal Factors	Weight	Rating	Weighted Score
<b>Strengths</b>			
1. Strong brand identity	0,12	4	0,48
2. Room size and design	0,16	4	0,64
3. Partnerships with OTA	0,12	3	0,36
4. Loyal guests	0,08	3	0,24
5. Simple organizational structure	0,12	4	0,48
<b>Sub Total</b>	<b>0,60</b>		<b>2,20</b>
<b>Weaknesses</b>			
1. Parking lot space	0,06	1	0,06
2. Old age of the hotel	0,12	1	0,12
3. Employees performance	0,08	2	0,16
4. Lack of food variety	0,04	2	0,08
5. Lack of promotion	0,10	1	0,10
<b>Sub Total</b>	<b>0,40</b>		<b>0,52</b>
<b>Total</b>	<b>1,00</b>		<b>2,72</b>

*Source: Processed Primary Data (2019)*

Rating Explanation:

1 = Major Weakness                      3 = Minor Strength  
2 = Minor Weakness                      4 = Major Strength

**IFE Matrix Results Explanation:**

1. Key Internal Factors of Puri Artha Hotel is obtained from interview and observation of data issued by the company regarding its internal environmental condition.
2. Weight is given based on direct qualitative analysis towards Puri Artha according to the interview result with several employees and guests.
3. Weighted score is obtained by multiplying the rating with the weight.
4. Rating is given by analyzing data and observation towards Puri Artha directly.
5. Total Weighted Score of Puri Artha's IFE Matrix is 2,72. It means that Puri Artha's internal condition is strong as it is above 2,5 and also means Puri Artha has the ability to overcome and minimize shortcomings and weaknesses that they have.

## **External Environment Analysis**

### **Economic Factor**

The economic factors that could increase the growth of hotel services is the capita per income and prices in general. High capita per income tend to increase purchasing power which may include the ability to enjoy a hotel's services. On the contrary, general increase in pricing if not followed by a proportional income increase could lower the purchasing power.

According to Badan Pusat Statistik (BPS) the capita per income of Yogyakarta's citizen keeps on increasing from Rp 1.649.640, Rp 1.703.682 and Rp 1.760.670 throughout 2016-2018 or an increase around 3,08% throughout those years. And the PDRB (Gross Domestic Regional Bruto) of the service industry also increases from Rp 1.115.852, Rp 1.209.402 and 1.309.148 throughout 2016-2018. The economic growth of Yogyakarta reached 6,20% in 2018. This result surpasses the previous result in 2017, where it reached 5,26%

### **Political Factor**

The political factor that could affect the hotel is the government policy. A government policy's affects the processes and activities done by a company. On 18 November 2014, the government issued a policy that said civil servant will no longer be allowed to conduct a meeting at a hotel starting from 1 December 2014.

Besides selling rooms, the hotel also sells convention halls for meetings. The convention halls are the second source of income when the low season comes as guests are not frequent to visit hotels during low season. This affects the income and revenue of the hotel. However, as of 11 February 2019, the president removed the policy, and civil servants are allowed to hold a meeting at hotels again, thus increasing the cash flow of the hotel once more.

### **Technology Factor**

Technological factor growth would help the hotel to grow and conduct business. With technological growth, Puri Artha is able to create social media accounts and connects with customer through the account, spread their brand around the world easier through the use of internet, and now with online travel agents partnerships it is much more efficient to book hotel rooms, finding suitable hotel for a guest's destination, and make travel easier. It is also helpful to maintain Puri Artha's brand with the OTA due to the guests leaving ratings, and feedback comments.

### **Socio Culture Factor**

Socio culture factors emerged from the habits of the local citizens and culture of the city/region. The company's activities must adapt with the local people cultures in order not to offend them such as following the local rules, respecting the beliefs and tradition etc. Because Yogyakarta still holds tradition, and beliefs strongly.

### **Demographic Factor**

According to BPS, Yogyakarta population in 2018 is 3.762.167 people with 49,46% male and 50,54% female. It increased by 1,18% from the previous year. The increase is mostly due to newcomers who moved to Yogyakarta, which are mostly college students.

### **Industrial Factor**

According to Michael Porter (2016:102), there are five factors that determine the competition in an industry environment. The five factors are:

#### **1) Threat of New Entrants**

Ever since its founding in 1971, Puri Artha Hotel has become one of the oldest hotels in Yogyakarta. During the course of these past few years, emerged new entrants whether it's three, four or five-star hotels that emerged such as Atrium Premium, Eastparc, Novotel, Santika, Hyatt, Grand Aston, Tentrem, Ibis Style, Amaris, Edelweiss, and De Laxston. Some are new hotels with modern and minimalistic design, while some come from big brands or companies, which may pose as threats to Puri Artha due to their larger market share and stronger, popular brand.

#### **2) Bargaining Power of Supplier**

Supplier can affect the hotel industry with their ability to increase or decrease the price for raw materials and products, and the quality of the materials that will be sold to the company. Puri Artha has partnerships with several suppliers. Puri Artha needs raw materials for the restaurant, such as fruits, vegetables, fresh milk, meat, drinks etc. and Puri Artha also needs products for guest supplies such as bottled water, alcoholic drinks, snacks and candy bars, towels, hotel slippers etc. The suppliers also compete with each other to gain customers, which is the hotel companies. They might offer better deal than other supplier such as cheaper price but better quality because as a consumer Puri Artha has bargaining power as well.

### 3) Bargaining Power of Buyer

Buyer or consumer bargaining power has effect to the company to give them discounts or promos, more product quantity, and better service. With new hotels emerging, Puri Artha will have to comply to consumers demand as they must compete with other hotels in order to secure the consumers into using their service rather than its competitors

### 4) Threat of Substitution

Puri Artha also faces threat from substitution services such as homestay, inn, and guesthouse. Although most of the time the facilities that these substitution offer are different than those of Puri Artha, these days there are several inns, guesthouses, and homestays that have cheaper price but also good facilities that can compete with hotels standard.

### 5) Competitive Rivalry

The rivalry of hotels in Yogyakarta is quite intense due to Yogyakarta being a tourist destination, and educational city. With many visitors whether they are travelers, families, domestic or foreign, the number of hotels available of varying star level with different products and prices give potential customers many alternative choices.

The main competitors of Puri Artha Hotel are De Laxston Hotel, and The Edelweiss Hotel due to them being three-star hotels and in near vicinity with each other. The facilities offered are mostly the same, meeting the standard for three-star hotels, but the thing that differentiate Puri Artha with its competitors is in its design. De Laxston and The Edelweiss are both high rise building while Puri Artha is a heritage style building.

### EFE Matrix Analysis

The External Factor Evaluation (EFE) matrix is used to analyze a company's external environmental factors. This matrix is based on an analysis of the company's external environment by giving weighted and weighted values to each of the factors that influence the company. This EFE matrix includes analysis of government, economic, technological, socio-cultural, demographic, and industrial factors. The result of this analysis will found which opportunities can be utilized and threats that should be anticipated by Puri Artha. The opportunities and threats that will appear based on Puri Artha's external analysis are:

## 1. Opportunities

### a. Yogyakarta as tourist destination

Yogyakarta is famous as a tourist destination with many visitors from around the world coming to see the tourism sites such as Borobudur Temple, Yogyakarta Palace, Malioboro Shopping Street etc. with many tourism site, this will ensure that Yogyakarta stays as one of the tourism destination in Indonesia, which will bring new or returning visitors that potentially can become a customer for Puri Artha

### b. Technology growth

As technology develops and grows, it will be easier to connect with people around the world in order to spread Puri Artha's brand to get potential customer, and newer technology can also be implemented in the hotel such as newer AC, Television, Computer at the business center etc.

### c. Beneficial location

Puri Artha is located in the heart of Yogyakarta, and surrounded by shopping districts, and culinary destinations. Puri Artha is also the only three-star heritage style hotel in the vicinity as the others are budgeted hotel or three-star minimalistic high rise style hotel.

### d. Foreigner interest in culture

Since the target market of Puri Artha is European, the company can also capitalize the uniqueness of Puri Artha's design to other foreign market by selling their heritage style brand, due to foreigners mostly visit Yogyakarta to see cultural and traditional destinations.

## 2. Threats

### a. New entrants to the market

With the ever-changing market, new entrants may emerge and it could pose as threats for Puri Artha, because there is still no policy on limitations of hotels in Yogyakarta.

### b. Product substitution

Product substitution can be inns, guesthouses, and homestays. They serve as a threat to Puri Artha because some consumer prefer budgeted and cheap lodging while traveling and these days several inns, and guesthouses have good facilities and cheaper price than Puri Artha



### c. Potential changes in government policy

Government policy can change whenever and wherever, and it could affect Puri Artha's business activities and source of income if a new policy is issued for the service industry.

### d. Existing competitors

Puri Artha's main competitors, De Laxston, and The Edelweiss, will continue to improve their service quality and facilities, Puri Artha will have to keep up in order to not lose customers.

Based on the analysis above, the EFE matrix can be arranged as follows:

**Table 2 - Puri Artha Hotel EFE Matrix**

Key External Factors	Weight	Rating	Weighted Score
<b>Opportunities</b>			
1. Yogyakarta as tourist destination	0,15	3	0,45
2. Technology growth in social media and OTA	0,14	3	0,42
3. Beneficial location	0,11	2	0,22
4. Foreigner interest in culture	0,11	4	0,44
<b>Sub Total</b>	<b>0,51</b>		<b>1,53</b>
<b>Threats</b>			
1. New entrants to the market	0,13	1	0,13
2. Product substitution	0,15	2	0,30
3. Government policy changes	0,08	2	0,16
4. Existing competitors	0,13	2	0,26
<b>Sub Total</b>	<b>0,49</b>		<b>0,85</b>
<b>Total</b>	<b>1,00</b>		<b>2,38</b>

Source: Processed Primary Data (2019)

Rating explanation:

- 1 = Company's response is poor
- 2 = Company's response is average
- 3 = Company's response is above average
- 4 = Company's response is superior

### EFE Matrix Results Explanation:

- Key External Factors of Puri Artha Hotel is obtained from interview and observation of data issued by the company regarding its external environmental condition.
- Weight is given based on direct qualitative analysis towards Puri Artha according to the interview result with several employees and guests.
- Weighted score is obtained by multiplying the rating with the weight.

4. Rating is given by analyzing data and observation towards Puri Artha directly.

5. Total Weighted Score of Puri Artha's EFE Matrix is 2,38. It means that Puri Artha's response towards its threat is still not good, Puri Artha still hasn't take advantage of the opportunities available maximally in order to avoid the threats. However, as the score is 2,38 which is near the average of 2,5 also means Puri Artha has the chance to use the opportunities and mitigate the threats.

### Competitive Profile Matrix

Competition in an industry will be determined through factors that influence a company's competitive advantage. Based on the results of interviews with several employees, Puri Artha Hotel as a company engaged in hospitality industry has two main competitors namely De Laxston Hotel and The Edelweiss Hotel. The competitors of Puri Artha are competitors engaged in similar industry and are also a three-star hotels located in a nearby vicinity.

Competition in the hospitality industry is influenced by several variables from the external environment and internal environment. Comparison of competitive advantages between hotels is done using the Competitive Profile Matrix (CPM). From the results of interviews with Puri Artha Hotel's employees, the variables that affect competition between hotels are related to the determinants of each hotel. Based on the competitor analysis, Puri Artha Hotel Competitive Profile Matrix (CPM) can be arranged as follows:

**Table 3 - Puri Artha Hotel CPM**

Critical Success Factors	Weight	Puri Artha		De Laxston		The Edelweiss	
		Rating	Score	Rating	Score	Rating	Score
Advertisement	0,09	2	0,18	2	0,18	2	0,18
Management	0,13	3	0,39	2	0,26	3	0,39
Product Quality	0,11	4	0,44	3	0,33	2	0,22
Competitive Price	0,09	2	0,18	2	0,18	4	0,36
Brand Image	0,14	4	0,56	2	0,28	2	0,28
Customer Loyalty	0,10	4	0,40	2	0,20	3	0,30
Service Quality	0,13	3	0,39	3	0,39	3	0,39
Global Reach	0,08	4	0,32	2	0,16	3	0,24
Facilities	0,13	3	0,39	2	0,26	2	0,26
<b>Total</b>	<b>1,00</b>		<b>3,25</b>		<b>2,24</b>		<b>2,62</b>

Source: Processed Primary Data (2019)

Rating explanation:

- 1 = Major weakness    3 = Minor strength
- 2 = Minor weakness    4 = Major strength

## CPM Result Explanation:

1. Critical success factors are arranged based on the result of interview and discussion with several Puri Artha Hotel's employees regarding what factors affect the competition between Puri Artha and its competitors.
2. Weight is given based on the importance of the factors that influenced the competitiveness of the hospitality industry. Weight is based on direct observation by comparing Puri Artha, De Laxston, and The Edelweiss. The observation's result is then compared with the opinions of Puri Artha's employees.
3. The rating is given by considering objectivity in the assessment. Rating is obtained by giving each company a score by doing observation and comparison.
4. Total score is obtained by summing all multiplication score between weight and rating. The lowest score shows the weakest company in the competition.
5. From the above CPM, sorted from the highest score is 1) Puri Artha (3,25), 2) The Edelweiss (2,62), and 3) De Laxston (2,24). This means that Puri Artha is on a strong competitive position compared to De Laxston and The Edelweiss. Puri Artha has competitive advantages in product quality, brand image, customer loyalty, global reach, and facilities.
6. From the above CPM's result, it can be concluded that service quality, and facilities are the main determinant factors due to guests' stay at hotels depending on what facilities they offer and whether the service is satisfactory or not. This is a conclusion from interview result and direct observation.
7. From CPM's result it is known the competitive advantages that Puri Artha has are product quality, brand image, customer loyalty, global reach, and facilities. While for The Edelweiss the competitive advantage is competitive price. For De Laxston they are still quite weak compared to Puri Artha and The Edelweiss

## Strategy Analysis

After doing the IFE and EFE Matrix as part of the Input Stage, the next stage is the Matching Stage which will focus upon generating feasible alternative strategies for Puri Artha. The data obtained from both the IFE and EFE matrix will be used to create the SWOT Matrix and IE Matrix. The SWOT matrix will provide an overview of the opportunities, threats, strengths and weaknesses of

Puri Artha Hotel which will provide a choice of strategies that must be used to compete with its competitors. The IE Matrix uses a total weighted score in the EFE Matrix and the IFE Matrix to provide a balance of values between the external and internal environments so as to establish the right strategy choice.

## SWOT Matrix Analysis

**Table 4 - Puri Artha SWOT Matrix**

<div>IFE</div> <div>EFE</div>	Strengths (S)	Weaknesses (W)
	1. Strong brand identity 2. Large room size and unique design 3. Partnerships with OTA 4. Loyal guests 5. Simple organizational structure makes quick decision making	1. Parking lot space 2. Hotel's old age 3. Employees performance 4. Lack of food variety 5. Lack of media promotion
Opportunities (O)	SO Strategy	WO Strategy
1. Yogyakarta as tourist destination 2. Vast technology growth 3. Beneficial location 4. Foreigner interest in culture	1. Secure more foreign guests by promoting the design and brand as the main selling point (S1, S2, O4) 2. Maintain guests' loyalty with special treatment or offer, and communication for frequent guests (S4, O2, O3) 3. Partner with tourism site agents for special price for Puri Artha's guests (S5, O1)	1. Partner with several land owners to rent parking lot for Puri Artha Hotel's guests by dividing the revenue (W1, O3) 2. Focus promotion on more OTAs, Social Media, Website, E-Magazines etc. and maintain them well in order for guests to be able to find information about the hotel easier. (W5, O2)
Threats (T)	ST Strategy	WT Strategy
1. New entrants to the market 2. Product substitution 3. Government policy changes 4. Existing competitors	Improve brand image, and service quality in order to be ahead of the competitors so that loyal guests will not choose other competitors (S1, S4, T1, T2, T4)	Renew or repair the condition of the hotel so the physical condition won't lose to newer hotel (W2, T1)

*Source: Processed Primary Data (2019)*

Explanation of SWOT Matrix:

1. **SO Strategy (Strength-Opportunity)** is a strategy to use the company's internal strength to take advantage of opportunities that exist in the company's external environment.
2. **WO Strategy (Weakness-Opportunity)** is a strategy that aims to reduce the company's internal weaknesses by exploiting opportunities from the external environment.
3. **ST Strategy (Strength-Threat)** is a corporate strategy that seeks to avoid or reduce the impact of external threats by utilizing the internal strength possessed by the company.
4. **WT Strategy (Weakness-Threat)** is a strategy to survive by reducing internal weaknesses and avoiding threats from the external environment.

### IE Matrix Analysis

Internal External Matrix (IE) is an analytical tool that can be used by companies to provide strategic choices for companies. The IE matrix is arranged based on the total weighted average score of the EFE matrix and the IFE matrix which is met in one point in the IE matrix. That point will bring up alternative strategies for the company according to the cell where the company is located.

Based on the total weighted average score of the EFE and IFE matrices, the IE matrix can be arranged as follows:

**Table 5 - Puri Artha IE Matrix**

		Total IFE Weighted Scores		
		Strong 10.00	Average 2.72	Weak 1.00
Total EFE Weighted Scores	High 4.0	I Grow and Build	II Grow and Build	III Hold and Maintain
	3.0	IV Grow and Build	V Hold and Maintain (2.72 : 2.38)	VI Harvest and Divest
	2.0	VII Hold and Maintain	VIII Harvest and Divest	IX Harvest and Divest
	Low 1.0			

Source: Processed Primary Data (2019)

IE Matrix result explanation:

1. The vertical axis is the total weighted score of the EFE Matrix which is 2,38
2. The horizontal axis is the total weighted score of the IFE Matrix which is 2,72
3. The meeting point of IFE and EFE Matrix total weighted score lands on the V cell. Division which is on the III, V, or VII can be handled well using the **Hold and Maintain** strategy. The

recommended strategy for companies who are in this cells are Market Penetration, and Product Development.

### Strategy Implementation

**Table 6 - Puri Artha QSPM**

Key Factors	Weight	Alternative Strategies			
		Market Penetration		Product Development	
		AS	TAS	AS	TAS
<b>Internal Key Factors</b>					
1. Strong brand identity	0,15	4	0,60	3	0,45
2. Large room size and unique design	0,16	3	0,48	2	0,32
3. Partnerships with OTA	0,13	3	0,39	2	0,26
4. Loyal guests	0,15	3	0,45	2	0,30
5. Limited parking space	0,14	2	0,28	4	0,56
6. Lack of promotion	0,13	4	0,52	2	0,26
7. Old age of the hotel	0,14	2	0,28	3	0,42
<b>Total Weight</b>	1,00				
<b>External Key Factors</b>					
1. Yogyakarta as tourist destination	0,14	4	0,56	2	0,28
2. Beneficial location	0,16	2	0,32	3	0,48
3. Vast technology growth	0,13	3	0,39	2	0,26
4. Product substitution	0,12	2	0,24	3	0,36
5. New entrants to the market	0,16	4	0,64	3	0,48
6. Existing competitors keep improving	0,15	3	0,45	4	0,60
7. Government policy changes	0,14	2	0,28	2	0,28
<b>Total Weight</b>	1,00				
<b>Total Sum of Attractiveness Score</b>			<b>5,88</b>		<b>5,31</b>
<b>Priority</b>			1		2

Source: Processed Primary Data (2019)

Attractiveness Score explanation:

- 1 = Not Attractive
- 2 = Somewhat Attractive
- 3 = Reasonably Attractive
- 4 = Highly Attractive

1. Key factors are distinguished from external and internal key factors from the EFE and IFE Matrix. The key factor in the QSPM matrix is derived from external and internal environmental factors that might influence the selection of competitive strategies. The selection of external and internal strategic key factors is carried out qualitatively by considering the EFE and IFE Matrices.
2. Weight score is obtained by qualitative analysis of key external and internal factors by making direct observations and analysis of existing primary data.
3. Attractiveness Score is obtained by considering the influence that will be given by external and internal key factors on the alternative strategies offered. Consideration conducted with qualitative analysis based on interviews and discussions with Puri Artha employees, and guests.
4. Alternative strategy with higher Total Attractiveness Score will be recommended as the main strategy that should be chosen. Based on the result, Puri Artha Hotel is recommended to implement **Market Penetration** in order to develop and compete with its competitors.

### Recommended Strategy Discussion

Based on the result from QSPM, market penetration is the recommended strategy for Puri Artha. Puri Artha Hotel has strong internal environment, proven that they are still able to operate for 48 years by having a strong brand identity, relying on loyal guests, and having a uniqueness than some of its competitors like the heritage design, and larger room size for a three-star hotel. However, Puri Artha's response towards the external environment is still weak. With new competitors emerging with a more modernized building, newer equipment and design, and some are off big brand's franchises poses as problem for Puri Artha.

Hence, this is why market penetration is suitable for Puri Artha, as market penetration strategy seeks to increase market share for present products or services in present markets through greater marketing efforts. The activities include increasing the number of salespersons to maintain and perhaps strengthen Puri Artha's brand image position, increasing advertising expenditures to spread Puri Artha's brand, offering extensive sales promotion items to attract potentially new guests or ensure the loyal guests to stay with loyalty program, or increasing publicity efforts such as

doing charity, sales call, and event gatherings.

Puri Artha can also utilize technology more in order to reach out to broader guests such as using social media to promote and uses e-payment system to ease payment for the guests, strengthen partnerships with OTA so guests and potential new guests know Puri Artha easily and can book room easily and faster as well.

Market Penetration for Puri Artha in this case is classified as a long-term strategy instead of a functional strategy. The reason is due to functional strategy is a strategy adopted only to each of functional area such as marketing, finance, human resources, public relations etc. While long-term strategy is applied to all of functional area and divisions of a company and to be implemented for five years or more.

## CONCLUSION & SUGGESTIONS

### Conclusions

1. Results of the IFE Matrix Analysis shows that Puri Artha is strong internally which means the company has been able to utilize their strength to overcome their weaknesses.
2. Results of EFE Matrix Analysis shows that the company's response towards its threats is still not good and hasn't take advantage of the opportunities available maximally. But, it also means that Puri Artha has the chance to mitigate threats by using opportunities to mitigate threats.
3. The result of CPM Analysis shows that Puri Artha is on a strong position and has competitive advantages in several key factors than The Edelweiss and De Laxston. This mean Puri Artha has a good chance to lead the market and win the competition.
4. The SWOT Matrix analysis the possible outcomes for Puri Artha to take advantage of its internal and external conditions so that they will be able to overcome the threats and weaknesses and also to utilize the strengths and opportunities to gain competitive advantage, and solve problems.
5. The IE Matrix analysis shows that Puri Artha is on the **V** cell division, which is **Hold and Maintain**, due to the meeting point between EFE and IFE total weighted score. The recommended strategy for this cell division is market penetration and product development.
6. Alternative strategies that have a higher total TAS will be recommended as the chosen strategy. Based on the QSPM analysis, it is known that the TAS in the Market Penetration is

higher than the TAS in Product Development. For this reason, Puri Artha was suggested to apply Alternative Strategy I, which is Market Penetration, in order to be able to compete in the market.

7. The consideration for choosing Market Penetration, is to maintain and increase Puri Artha's market share. Market penetration can also be used to ensure guests loyalty, improve services and product, spread and strengthen brand image, and reach out to new potential customers by utilizing advertisements, events or technology.

### Suggestions

The author's suggestion for Puri Artha so that they can develop and improve their performance are as follows:

1. Strengthen and spread their brand image by doing continuous promotion so as to not lose to its newer competitors.
2. Held events, promotions, or customer loyalty programs to ensure customer's loyalty and attract new customers.
3. Improve the services by giving attention to customers' suggestion or complaint, and benchmarking its competitors
4. As Puri Artha is an old hotel, do routine maintenance as some aspects or things need to be repaired or renovated such as the shower, AC, cracks on walls etc. Also to adapt with newer eras or trends like using cards to enter rooms instead of keys.
5. Partner with more OTAs as people these days tend to book hotel using OTA instead of walk-in because it's more convenient and OTA shows the feedback and rating of the hotel thus increasing the chances of customer booking Puri Artha if they can keep up with good reviews.
6. Increase social media activity because people usually get information via social media, do a website maintenance as the websites are outdated and not detailed information.
7. Find a way to widen the parking space lot either by constructing new lot or renting near lands or make a deal with near businesses to use their parking lot in case the one at Puri Artha is full.

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