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# Assessing the Economic Effectiveness of Competitiveness Strategies in the Hotel Business

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**Abstract:** This article develops a methodological framework for assessing the economic effectiveness of competitiveness strategies in the hotel business. The study synthesizes research on competitive priorities, pricing, service quality, customer relationships, digital technologies and hotel performance. A comparative and analytical approach is used to specify indicators of market position, room utilization, financial performance and guest loyalty. The proposed framework combines a normalized composite competitiveness index with revenue per available room, the SERVQUAL service-quality instrument, the Net Promoter Score and investment appraisal measures. It also distinguishes the return generated by a strategy from changes arising from seasonality and market conditions. The analysis identifies consistent measurement rules, proposes a sequence for evaluating strategic alternatives and outlines an econometric specification for subsequent empirical testing. Since no hotel-level dataset is analysed, the contribution is a reproducible evaluation method rather than an estimated causal effect. The recommendations address flexible pricing, service improvement, digital booking channels and evidence-based investment decisions.

**Keywords:** hotel competitiveness; economic efficiency; composite index; service quality; investment appraisal.

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## 1. Introduction

The hotel business contributes to destination competitiveness by converting visitor demand into accommodation services, employment and related expenditure. However, the expansion of tourism does not automatically improve the performance of every hotel. Differences in room capacity, location, service standards, distribution channels and operating costs influence how effectively demand is translated into revenue and profit. For this reason, competitiveness should be evaluated as a multidimensional economic outcome rather than equated with occupancy or room prices alone [1].

In Uzbekistan, tourism-sector development measures create a relevant setting for this assessment. Presidential Decree No. PF-87 of 15 May 2025 addresses tourism flows and the expansion of services, while Presidential Resolution No. PQ-348 of 19 November 2025 concerns the organisation of the Tourism Committee and further development of the sector. These instruments provide policy context; they do not, by themselves, demonstrate improvements in hotel profitability or service quality [2].

A hotel may attain a high occupancy rate through heavy price reductions while generating limited profit. Conversely, a hotel operating with fewer occupied rooms may obtain higher revenue per available room through an appropriate price-quality

positioning. Managerial decisions therefore require a coordinated measurement system covering market share, room utilization, income, cost efficiency, guest satisfaction and repeat patronage. Any claimed economic effect of a strategy must also be separated from seasonal demand, inflation and conditions affecting comparable hotels [3].

The objective of this study is to develop a transparent framework for assessing hotel competitiveness strategies and their incremental economic effectiveness. Specifically, it systematizes the relevant indicators, defines calculation and normalization rules, combines service-quality measures with investment appraisal, and proposes an empirical testing approach that can be applied when comparable hotel-level observations become available [4].

Espino-Rodríguez shows that hotels organize competitive priorities around costs, flexibility, quality and service, and that these priorities are related to structural and infrastructural decisions. This perspective suggests that hotel competitiveness cannot be captured by a single revenue indicator. Köseoglu et al. emphasize that the formulation of hotel strategy involves assessing competition and external conditions, whereas implementation depends heavily on employee participation and strategic consensus [5].

Pajrok examines cost, differentiation and service-quality dimensions of competitive strategies in Hungarian hotels. Lewis and Nightingale argue that service positioning should reflect the needs and expectations of a target customer group and the price paid. The implication is that a strategy must specify not only an intended market segment but also a service package and a value proposition that can be delivered consistently [6].

Enz et al. using observations from the US hotel industry, find that hotels charging higher rates than direct competitors tended to report lower relative occupancy but higher relative revenue per available room. The study indicates why average daily rate and occupancy should be examined jointly rather than treated as interchangeable measures of market success. Sigala links customer relationship management to the coordination of digital systems, internal and external relationships and organisational knowledge [7].

Ottenbacher and Gnoth identify employee training, empowerment and fit with the intended market as relevant factors in successful hotel service innovation. Anderson and Lawrence report a positive association between online reputation and revenue per available room; their findings also suggest that the importance of online ratings varies across hotel categories. These studies reinforce the need to connect qualitative service outcomes with financial and operational indicators [8].

More recent work expands the scope of evaluation. Song et al. analyse the competitive strengths and weaknesses of smart hotels using online reviews, while Zaragoza-Sáez et al. examine the mediating role of digitalization in hotel competitiveness. Together, the studies imply that digital tools should be assessed through their measurable effects on customer experience, operating efficiency and strategic outcomes, rather than through adoption alone [9].

The literature provides substantial evidence on individual components of competitiveness, but a recurring managerial difficulty lies in joining measures with different units, time horizons and interpretations. This article addresses that difficulty by offering a coherent assessment sequence linking operational indicators, customer assessments, a composite index and the net economic value of specific strategic actions. The framework is a methodological proposal; its empirical performance remains to be tested [10].

## 2. Materials and Methods

This methodological study uses comparative review, analytical classification and indicator-based modelling. The unit of analysis for the proposed future application is the individual hotel observed over a defined time period. A consistent comparison would include hotels in comparable segments and markets, with information collected from property-management systems, accounting records, guest surveys and online distribution

channels. The present manuscript does not report a primary survey, a hotel-level panel or estimated econometric coefficients.

### 2.1 Operational and financial indicators

Table 1 defines the core indicators. The denominators must refer to the same hotel, observation period and segment, and the underlying accounting definitions should remain stable across competitors. Available room nights exclude rooms unavailable for sale only where a consistent, documented inventory policy is applied. Revenue measures should be compared in a common currency and price basis.

**Table 1. Core indicators for assessing hotel competitiveness**

| Assessment dimension | Indicator | Calculation and unit |
|---|---|---|
| Market position | Market share | Hotel room nights sold / comparable market room nights sold × 100 (%) |
| Room utilization | Occupancy rate (OCC) | Room nights sold / room nights available × 100 (%) |
| Pricing | Average daily rate (ADR) | Room revenue / room nights sold (currency per sold room night) |
| Revenue efficiency | Revenue per available room (RevPAR) | Room revenue / room nights available = ADR × OCC / 100 |
| Operating efficiency | Operating profit margin (ROS) | Operating profit / operating revenue × 100 (%) |
| Customer loyalty | Repeat-guest rate | Returning guests / all guests × 100 (%) |
| Service outcomes | Complaint frequency | Recorded complaints / total guests × 100 (per 100 guests) |
| Guest advocacy | Net Promoter Score (NPS) | Share of promoters − share of detractors (percentage points) |

Note: Room nights and revenues refer to the same reporting period. RevPAR is based on available, not sold, room nights. NPS promoters give scores 9–10, and detractors 0–6 on a 0–10 recommendation scale. Source: Author's synthesis of measurement definitions and the cited literature.

Average daily rate measures achieved price for occupied rooms, whereas RevPAR incorporates both achieved price and the utilization of available capacity. These indicators can move in opposite directions. The complaint measure is reported as a frequency per 100 guests, not as a percentage of dissatisfied guests, because a single guest may register more than one complaint. Operating margin and service outcomes should be interpreted alongside capacity and market positioning.

### 2.2 Composite competitiveness index

To compare heterogeneous indicators, the following composite index is proposed for hotel i. The weights are non-negative and sum to unity; their selection requires expert assessment or a documented multicriteria method. No empirical weights are claimed in this article.

$$CI_i = \Sigma_j w_j z_{ij}, \qquad w_j \geq 0, \qquad \Sigma_j w_j = 1. \tag{1}$$

Here $z_{ij}$ is the normalized value of indicator j for hotel i. For beneficial indicators, min–max normalization is $z_{ij} = (x_{ij} - \min x_j)/(\max x_j - \min x_j)$; for adverse indicators such as complaint frequency, $z_{ij} = (\max x_j - x_{ij})/(\max x_j - \min x_j)$. The minimum and maximum are calculated within a transparent, relevant comparison group. Indicators without cross-hotel variation must be excluded or handled by a predefined rule to avoid a zero denominator.

The composite score must be accompanied by its component indicators because aggregation can obscure material differences. Weight sensitivity should be checked by varying the weighting scheme and reporting rank stability. Hotels with missing or non-comparable data should not be presented as if they had been measured on the same basis.

### 2.3 Service quality and customer advocacy

Service quality can be examined using the SERVQUAL approach, which compares perceived performance with customer expectations. The gap for a service dimension is calculated from the average difference between perceived and expected service scores. Data collection should cover reliability, responsiveness, assurance, empathy and tangibles, with the questionnaire adapted and validated for the hotel market being studied. Guest advocacy can be assessed through NPS, defined as the percentage of promoters minus the percentage of detractors. Sample sizes, response rates and collection channels should be reported to limit interpretation bias.

### 2.4 Economic effectiveness and possible econometric testing

The strategy-level investment assessment distinguishes additional operating profit before implementation costs ($\Delta\Pi$) from the implementation cost ($C_s$). For a strategy evaluated over a consistent horizon, a simple return indicator is:

$$ROI_s = (\Delta\Pi - C_s) / C_s \times 100\%, \qquad C_s > 0. \tag{2}$$

Revenue growth over the same period is calculated as $g^R = (R_1 - R_0)/R_0 \times 100\%$, where $R_0$ is revenue before implementation and $R_1$ is revenue afterwards. Net incremental economic benefit can be expressed as $\Delta\text{Revenue} - \Delta\text{OperatingCosts} - C_s$, taking care not to deduct a cost twice. For multi-year programmes, the time value of money is more appropriately incorporated through net present value (NPV):

$$NPV = -C_0 + \Sigma_{t=1}^{T} \Delta CF_t / (1 + r)^t. \tag{3}$$

In equation (3), $C_0$ denotes initial investment, $\Delta CF_t$ incremental net cash flow in period t and r the discount rate. A positive simple ROI is insufficient when significant long-term commitments, financing costs or timing differences exist. Future empirical research may estimate operating profitability as a function of service quality, digitalization, price positioning and seasonal demand, with hotel and period effects where panel data permit. Such an estimation requires a defined dataset, estimation method, diagnostic tests and reported uncertainty; none are supplied or fabricated here.

## 3. Results

### 3.1 Structure and interpretability of the proposed assessment

The analytical result of the study is a four-layer framework. The first layer records operating and market results, including share, occupancy, ADR and RevPAR. The second captures profitability and the costs required to deliver those results. The third measures the guest experience through complaints, service-quality gaps, repeat patronage and recommendation behaviour. The final layer evaluates whether the resources spent on the competitive strategy produce incremental economic value. The framework makes explicit that high performance in one dimension does not guarantee overall economic effectiveness [11].

For example, a hotel may increase its occupancy through price discounts but experience weaker RevPAR or operating margin. Another hotel may invest in a booking platform and report stronger direct bookings, while the cost of software, training and maintenance offsets the additional profit. These are illustrative decision situations, not observed findings from a hotel sample. A defensible comparison requires baseline figures, a consistent accounting period and, where possible, a group of similar hotels not implementing the same strategy [12].

The composite index is useful primarily for screening and benchmarking. Managers can use it to identify weaknesses, but investment decisions should be based on the disaggregated measures and their financial consequences. A hotel with excellent guest-review scores but a weak operating margin may need process redesign rather than simply higher marketing expenditure. A property with high occupancy and low repeat patronage may require service standardization and targeted retention initiatives [13].

### 3.2 Choice of strategy and evaluation criteria

Table 2 connects four frequently used hotel strategies with operational actions, outcome metrics and implementation risks. It offers a transparent structure for ex ante appraisal and post-implementation monitoring without presenting assumed results as empirical facts.

**Table 2. Strategy-to-performance assessment matrix**

| Strategic focus | Illustrative action | Primary assessment criteria |
|---|---|---|
| Price and capacity management | Seasonal price differentiation; segmentation of distribution channels | ADR; OCC; RevPAR; operating margin; booking-channel costs |
| Service differentiation | Employee training; faster problem resolution; segment-specific service packages | SERVQUAL gaps; complaint frequency; guest review ratings; repeat-guest rate |
| Digital transformation | Direct online booking; CRM integration; process automation | Direct-booking share; acquisition cost; cost per room night; incremental profit |
| Market development | Pilgrimage- or culture-oriented packages; local partnerships | Market share within the target segment; length of stay; yield per guest; ROI |

Note: These measures are proposed monitoring criteria, not estimates of realized treatment effects. Source: Author's synthesis based on.

The results of prior studies are consistent with this differentiated approach. Enz et al. demonstrate that relative price and occupancy must be evaluated together, while Anderson and Lawrence establish the importance of online reputation as a correlate of revenue performance. The emphasis placed by Ottenbacher and Gnoth on personnel and market fit supports the inclusion of operational readiness in strategy appraisal. The more recent studies of Song et al. and Zaragoza-Sáez et al. support close attention to digital service experiences and to whether digital investments contribute to competitiveness [14].

## 4. Discussion

### 4.1 Practical application, data needs and limitations

A practicable assessment cycle begins with defining a comparable set of hotels and a baseline reporting period. Management should validate room-inventory definitions, reconcile accounting data, and establish a small set of relevant guest measures. The indicators can then be calculated, documented and compared across properties or over time. Before choosing a strategy, managers should identify the operational constraint most likely to limit profitability and state a measurable target and budget [15].

Implementation should be followed by periodic measurement and a comparison of actual results against the baseline and market trends. Seasonality, destination-level visitor flows, inflation, hotel category, renovation downtime and distribution-channel changes may influence measured outcomes. Consequently, a simple before-and-after difference should not be described as a causal strategy effect. A matched comparison group, difference-in-differences design or well-specified panel model could strengthen later evaluation where suitable data become available.

The proposed framework has limitations. It does not estimate the weights in equation (1), validate the SERVQUAL instrument in a particular location, or test coefficients with hotel-level observations. Nor can it establish that a given strategy raises profitability in every hotel segment. Its contribution is a structured measurement and decision framework to support such analyses. Further empirical work should report sample coverage, observation periods, missing-data treatment, model specification and robustness tests before drawing quantitative conclusions.

## 5. Conclusion

This study proposes a methodological system for evaluating the competitiveness and economic effectiveness of strategies in the hotel business. Its central contribution is the integration of operating performance, financial efficiency, service quality, customer loyalty and investment evaluation into a single, transparent decision process. The corrected definitions of RevPAR and ADR ensure that room revenue is related to the appropriate capacity denominator, while the composite index provides a documented basis for benchmarking hotels with heterogeneous characteristics.

For hotel managers, the immediate priorities are to standardize indicator collection, connect guest feedback with operating outcomes, evaluate digital investments on incremental financial results, and monitor seasonal demand when setting prices and capacity plans. For researchers, the next step is to test the proposed framework on verified hotel-level data, evaluate alternative indicator weights, and estimate the incremental effects of strategy implementation with suitable controls. These recommendations are analytical proposals rather than conclusions from an unreported empirical experiment.

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