International Journal of Hospitality Management 39 (2014) 29–40

Contents lists available at ScienceDirect

International Journal of Hospitality Management

journal homepage: www.elsevier.com/locate/ijhosman

Competitor set identification in the hotel industry: A case study of a full-service hotel in Hong Kong

Ibrahim Mohammed, Basak Denizci Guillet*, Rob Law

School of Hotel and Tourism Management, Hong Kong Polytechnic University, Hong Kong Special Administrative Region

ARTICLE INFO

Keywords:
Competitor identification
Competitive set
Corporate identity
Hong Kong

ABSTRACT

Despite the importance of competitor identification in the hotel industry, the process of identifying competitors remains unclear to industry practitioners. This study aimed to provide further insights on the frameworks that can be used by industry practitioners to identify competitors. The objectives of this study were to describe the managerial procedure for competitor identification adopted by a full-service hotel in Hong Kong and to evaluate the outcome of this procedure by comparing the competitor set identified by the managers with those independently identified by the hotel's guests. Applying a descriptive research design involving interviews with the top management of the hotel and a survey with the hotel's guests, the findings revealed that the managers followed a three-step process to identify their competitors, namely: (a) defining the corporate identity of the hotel; (b) scanning the market for potential competitors, and (c) matching and choosing hotels with similar corporate identities. Furthermore, a close match was found between the competitors identified by both the managers and the hotel's guests, indicating that the managerial approach to the competitor identification was reflective of the customers' perspectives. A significant contribution of this study is that it has unveiled an additional framework for competitor identification which suggests the need for corporate marketers and industry practitioners to pay critical attention to corporate identity management.

1. Introduction

Virtually every industry in today's business world is characterized by a degree of competition, and the hotel industry is no exception. Like many other industries, competition in the hotel industry arises mainly from the existence of a large number of hotels offering substitutable products (Matovic, 2002). Scarce data available on the global supply of hotels and hotel rooms show that, the number of rooms supplied by hotels and similar establishments has been growing. According to a report by Mintel (as cited by hotelanalyst.co.uk), the global supply of guestrooms by hotels and similar establishments was estimated to be around 20.1 million in 2008 with an estimated annual growth of 2.2% over the last five years. A similar report by Smith Travel Research (STR) Global (cited by hotelanalyst.co.uk) also revealed that the estimated size of the global hotel industry (excluding similar establishments) was in the region of 11 million rooms as at 2009. Consistent with the global growth trends, there has been a rapid growth in the size of the Hong Kong hotel industry in the recent decade. Within thirteen years, the number of hotels increased more than 100%, from 95 hotels in 2000 to about 211 in 2012 while the supply of hotel rooms expanded by almost 82%, from 36,749 to 67,394 (Information Services Department of HKSAR, 2000, 2012). During the same period, the absolute numbers of rooms sold per day generally rose (except for 2001, 2003 and 2009, the years for 9/11 terrorist attack, SARS disaster and global financial crisis respectively) with occupancy rates hovering between 70% and 89% and averaging around 85%. Given these flurry growth rates, the Hong Kong hotel industry has been characterized by a problem of overcapacity (Tsai and Gu, 2012) with the attendant result being a more competitive market structure.

As the Hong Kong hotel industry continues to battle with competition, hotel managers have become more interested in competition issues, particularly, how to identify competitors for effective and meaningful analysis. Economics and business literature have emphasized the importance of competitor identification in a competitive business environment and the adverse consequences of identifying wrong competitors have also been well-documented (see Clark and Montgomery, 1999; Baum and Lant, 2003). Yet, little is known about managerial process of competitor identification (Clark and Montgomery, 1999). To highlight this gap, hospitality researchers (e.g. Kim and Canina,

* Corresponding author. Tel.: +852 34002173.
E-mail addresses: ibrahim.mohammed@connect.polyu.edu.hk (I. Mohammed), basak.denizci@polyu.edu.hk, hmbasakd@polyu.edu.hk (B.D. Guillet), rob.law@polyu.edu.hk (R. Law).

http://dx.doi.org/10.1016/j.ijhm.2014.02.002
0278-4319/

2009; Li and Netessine, 2012) have noted that, hotel managers or owners continue to face difficulty in agreeing on a single set of hotels that constitutes their primary competitors. Judging from the previous studies on competitor identification, the persistence of the problem could be ascribed to the paucity of studies to provide deeper insights on the process of competitor identification. At present, competitor identification studies in the literature have centered on either identifying the factors or attributes commonly used to select competitors (Baum and Haveman, 1997; Canina and Enz, 2006; Clark and Montgomery, 1999) or examining the practical problems associated with the application of the attributes (Duhaime and Schwenk, 1985; Mathews, 2000; Schwenk, 1984; Yesawich, 1987) without specifically addressing the core issue of the procedure by which hotel managers may follow to identify their competitors in practice. Furthermore, the limited studies on competitor identification in the hotel industry have approached the problem of competitor identification from a macro perspective using quantitative models to address the issue of competitor identification accuracy (Baum and Lant, 2003; Kim and Canina, 2011) without involving customers' perspectives as suggested in marketing literature (de Chernatony et al., 1993; Deshpandé et al., 1993) nor capturing the possible heterogeneity among firms (Day, 1981; Hatten and Hatten, 1987) and the unique ways by which each firm may conceptualize its competitors (Porac and Thomas, 1990).

To fill these gaps, the present study investigates how a full-service hotel in a competitive business environment of Hong Kong identifies its competitor set and compares this set to the one independently identified by the hotel's guests. The purpose is to provide further insight into the frameworks that hotel managers can use to identify their competitors and to highlight the point that by following this novel procedure, hotel managers may be able to approximate their guests' perspectives regarding which hotels they consider to be their competitors. To achieve this purpose, this study adopts a single case study approach and applies a mixed strategy of qualitative and quantitative techniques to provide in-depth analysis toward a better understanding of the process of managerial competitor identification without overlooking the perspectives of the customers as underscored by the marketing literature (de Chernatony et al., 1993; Deshpandé et al., 1993).

Overall, the main contribution of this study is that it has provided an additional framework for competitor identification based on the notion of corporate identity, a concept which encompasses the distinctive and defining traits of a corporate entity (Melewar and Saunders, 1999; Melewar, 2003; Balmer, 1998). Prior to this study, the term corporate identity is typically invoked when it comes to strategic decisions such as mergers, acquisitions, deregulation and misperceptions about corporations (Balmer and Greyser, 2002). Scarcely is the concept linked to competitor identification. However, the findings of this study indicate that managers may use the concept to identify competitors by: (a) defining the corporate identity of their hotel; (b) scanning the market for potential competitors; and (c) matching and choosing hotels with similar corporate identities as their own hotel.

The rest of this paper proceeds as follows. Section 2 presents the literature review. Section 3 presents the methodology, and Section 4 presents the findings and discussion. Section 5 presents the study's conclusions and implications. Finally, Section 6 presents the limitations of study and suggestions for further studies.

2. Literature review

2.1. Competition, competitor analysis and competitor identification

Competition and competitor analysis are two important concepts that give meaning and value to competitor identification, and as such they merit some explanations in this section. In general, competition is associated with the free enterprise system, and where it exists, it is usually coterminous with competitor analysis or at least gives rise to the need for competitor analysis. Competitor analysis can be described as an activity undertaken by a firm to gather and analyze information on its actual and potential competitors with a view to identify weaknesses, threats and opportunities (Porter, 1980). The primary purpose of competitor analysis is to understand and predict competitive behavior among firms seeking to gain a competitive advantage or stay ahead of competition (Caves, 1984; Porter, 1980; Scherer and Ross, 1990; Clark and Montgomery, 1999). With this description, it stands to reason that before a firm can undertake any meaningful competitor analysis, it must first define and identify its competitors (Clark and Montgomery, 1999).

2.2. Theoretical perspectives on competitor identification

A variety of theoretical perspectives have been developed in industrial organization (IO) economics, marketing, strategy and organizational theory to address the issue of competitor identification. These include the economic, organizational identity (OI) and cognitive categorization perspectives (Few, 2007).

2.2.1. Economic perspective

At a broader level, IO economics considers firms to be competitors in so far as they are in the same industry or operate in the same market (Barney, 1986; Chen, 1996; Porter, 1981). Underlying this perspective is the notion that, products in the same market or industry usually serve the same need or purpose and can therefore be regarded as close substitutes or competing products. By extension, this means that the economic perspective of competitor identification revolves around the extent of market commonality, i.e., how similar products are in terms of characteristics and functionality (Besanko et al., 1996) and the common customers they serve (Brooks, 1995). In applying this perspective, the degrees of market and customer commonalities are usually determined by calculating price correlations and cross price elasticities of demand. Higher positive price correlations or cross price elasticities of demand indicate higher degree of commonality and therefore signify higher degree of competition. In addition to using the market commonality criteria, the economic perspective utilizes the resource-based view (Barney, 1991), which identifies firms with similar technologies (or resources) and capabilities as competitors (Peteraf and Bergen, 2003). Thus, the economic perspective of identifying competitors can be considered as a managerial process of using market- and resource-based similarities to identify competitors. In order words, the economic perspective of identifying competitors may be regarded as encompassing the demand- and supply-based approaches to competitor identification presented by Clark and Montgomery (1999).

2.2.2. Cognitive categorization perspective

Porac et al. (1989) and other authors (Porac and Thomas, 1990, 1994; Clark and Montgomery, 1999) argue that the process of managerial competitor identification can be conceived as a cognitive process in which managers define their competitors not as individuals but as a category or set with which they identify. In applying the cognitive categorization perspective, managers develop mental models of their competitors and apply these models to classify firms as either competitors or non-competitors. To illustrate how managers may apply the cognitive categorization process to identify competitors, Clark and Montgomery (1999) developed a five-step process to guide managers' thought. In the first step of the process, managers form a mental picture of a target firm for competitor evaluation. In the second step, managers retrieve competitor category