

## Self-Positioning of International Tourist Hotels in Taiwan

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Received: May 20, 2013

Accepted: June 13, 2013

Online Published: August 10, 2013

doi:10.5539/ijbm.v8n17p71

URL: <http://dx.doi.org/10.5539/ijbm.v8n17p71>

### Abstract

This paper analyzes the self-positioning of international tourist hotels (ITHs) in Taiwan at the corporate strategy level and posits two types of positioning strategy-room revenue-oriented and food and beverage (F & B) revenue-oriented - to examine which one is suitable for ITHs. Hotels located in Hualien and in scenic areas have a significantly negative effect on the ratio of F & B revenue to total revenue, implying that hotels in these areas should be room revenue-oriented. Local tourists have a significant positive impact on the ratio of F&B revenue to total revenue, whereas Asian tourists have a significant negative impact on the ratio. Moreover, the operation-year and room price have significantly negative effects on the ratio of F & B revenue to total revenue, suggesting that historic hotels should adopt room revenue-oriented positioning and improve their service quality so as to be able to increase the room price. The number of restaurants has a positive effect on the ratio of food and beverage revenue to total revenue. Therefore, the hotels adopting F&B revenue-oriented positioning should offer diversified types of restaurants for various tourists.

**Keywords:** self-positioning, F & B revenue-oriented positioning, room revenue-oriented positioning, international tourist hotels, panel data

### 1. Introduction

According to the long-run forecast in the Tourism 2020 Vision by the World Tourism Organization (UNWTO, 2008), the number of total international tourists globally is expected to reach nearly 1.6 billion by 2020. This demonstrates an average annual growth rate of 4.1% over the period 1995-2020, with 1995 as the base year, and a 6.5% growth rate in East Asia, which owns the second highest growth rate in the world. The Asia-Pacific market is forecasted to grow from 195 million person-visits in 2010 to 397 million in 2020.

Because of unique traits in its geographic environment, Taiwan possesses plentiful and diverse cultural and natural resources. The Taiwan Tourism Bureau (TTB) Yearbook (2010) indicates that the top three main purposes of visiting Taiwan are natural landscape, festivals, and gourmet. According to TTB Statistics, there were 5,567,277 international visitors in 2010, which is a 26.67% growth rate compared to 2009. In Taiwan the number of international visitors has been increasing continuously, implying great potential for the country's development of tourism. Therefore, the tourism industry has been one of the most important sources of foreign exchange earnings for Taiwan.

The tourism industry is considered as one of the star industries of the 21st century since it brings along such great benefits as creating jobs and increasing foreign exchange earnings. Tourism authorities understand that the industry plays an important and key role in Taiwan's economic development. Therefore, they are proactively stepping up investment and construction at domestic scenic spots that possess international potential so as to create an excellent and competitive travel environment. In order to promote the tourism industry and attract more international tourists, the government is implementing a 'Doubling Tourist Arrivals Plan (DTAP)' in an effort to achieve the goal of increasing annual tourists. Over the past six years, total tourism receipts have risen rather quickly and the industry has become a major source of foreign exchange earnings for Taiwan. The government not only wants to attract more foreign tourists, but also wants local Taiwanese to enjoy their holidays in Taiwan.

Based on the Operating Report of International Tourist Hotels in Taiwan published by the TTB, there are 89 tourist hotels in Taiwan with a total of 21,095 suites and rooms. They can be classified into two groups:

international-class tourist hotels and domestic, regular hotels. Of the total number of tourist hotels, 60 are international-class tourist hotels with a total of 17,830 rooms and 29 are regular hotels with 3,265 rooms. In recent years, Taiwan's government has proactively promoted the tourism industry in order to stimulate demand for international tourist hotels (ITHs). In fact, the number of ITHs in Taiwan increased from 47 in 1992 to 89 in 2011. This has intensified competition in hospitality industries, particularly the hotel industry. The fiercely competitive environment has brought about changes in organizations and forced executives target for best positioning strategies that will enable their organizations to gain or sustain a competitive advantage in the marketplace. This principle can apply to most industries and the hotel industry is no exception.

The hotel industry, especially the ITHs, has gradually approached a saturation point in Taiwan. It is important for an organization's survival and prosperity to adopt a proper strategy that best fits its rapidly changing business environment (Pechlaner & Sauerwein, 2002). In order to take on large business opportunities and enlarge profit margins as much as possible, ITHs' managers have to develop and choose the adequate competitive positioning strategy. Today, hotels offer various services for customers, such as swimming pool, conference room, night club, etc. In his classic book, *Gaining and sustaining competitive advantage*, Barney (2002) points out these kinds of resources will make hotels choose the right positioning they fit.

This paper aims to analyze the corporate level strategy and to find out which factors affect a hotel's positioning strategy. In general, the hotel industry's main revenues are composed of two types, including food and beverage (F&B) revenue and room revenue, and so we posit two types of positioning strategy exist within the ITHs: one is F&B revenue-oriented positioning; the other is room revenue-oriented positioning. In the traditional view, most of us think a hotel's major revenue should come from room revenue, but according to the Operating Report of ITHs in Taiwan, the average room revenue occupied 41.72%, while the average F&B revenue occupied 43.82% of total operational revenue in 2007. In fact, the average F&B revenue has always been higher than the average room revenue for ten consecutive years over the period 1998 to 2007 in Taiwan (see Figure 1).

Such official statistics change our deep-rooted stereotype that ITHs' major revenues should be from rooms. We are deeply interested in the phenomenon that F&B revenue is larger than room revenue, and hence we further want to understand which factors affect ITHs' positioning strategy. In this study we do not prejudge whether the F&B revenue-oriented positioning strategy or room revenue-oriented positioning strategy is better for ITHs, because every positioning strategy has its own merit.

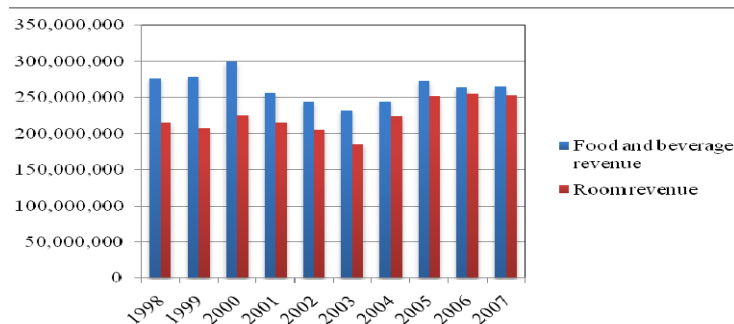


Figure 1. The F & B revenue and room revenue contrast

Data sources: Operating Report of International Tourist Hotels in Taiwan (1998~2007).

## 2. Literature Review

### 2.1 Positioning

Christensen & Cheney (1994) acknowledged that 'positioning strategies' are often necessary to gain visibility in a crowded marketplace. A basic goal of the strategy is to deal with severe competition (Porter, 1980). A corporation can succeed, maybe because of having a structure or strategy that fits well with the challenged market (Scott, 1975; Venkatraman & Prescott, 1990). Palia & Lichenberg (1999) indicated that the central idea of strategic management for a properly articulated strategic fit between organizational competence and various environmental situations is critical for good performance. These findings have important strategic implications in that strategy planning could lead a firm to get past the dynamic competitive environment and achieve a positive performance.

In their famous book, *Positioning: The Battle for Your Mind*, Ries & Trout (1981) noted that the concept of positioning is not only applicable to a brand, but also to a company, service, person, or place, which is consistent with the broad concept of the product that can be defined as a physical good, service, place, person, or idea (Kotler, 2011). One of the most effective tools in tourism marketing is positioning, as it is a form of market communication that plays a vital role in enhancing the attractiveness of a hotel (Chacko, 1997). The objective of positioning is to create a distinctive place in the minds of potential customers. Positioning can evoke images of a hotel in the customer's mind, differentiate the hotel from the competition, and also be a place that can satisfy customers' needs and wants.

Since market segmentation is based on the notion that different hotels appeal to different types of tourists, a positioning strategy must be selected to entice these potential customers. An effective positioning strategy provides a competitive edge to a hotel that is trying to convey its attractiveness to the target market. Positioning is more than just image creation, because it helps to distinguish hotels from similar hotels so that customers can choose the one that is the most attractive. The concept of positioning goes beyond image creation, which merely identifies the attributes that are strengths, to provide guidance on which attributes to use in the positioning/repositioning and promotion of a product (Essam & Jacqueline, 2005). Thus, proper positioning can effectively differentiate a hotel from its competitors on attributes that are meaningful to customers and give it a competitive edge.

In the words of Doyle (1983), positioning strategy refers to the choice of target market segment, which describes the customers whom the business will seek to serve, and the choice of differential advantage that defines how it will compete with rivals in the segment. Balmer & Greyser (2006) suggested that a firm or business should have its own identity, and the ideal identity is the optimum positioning of the organization in its market in a given time frame. Several studies show that a value-added strategy with its own resource to build up the unique corporate position can create a more sustainable differentiation (Tokarczyk & Hansen, 2006).

## 2.2 Strategic Management

There traditionally has been little explicit acknowledgement in strategic management theories of the importance and role of communications in firm-environment interactions. One reason for this is the consideration of communications as a largely tactical or functionary activity supporting other business functions within the firm, rather than as a strategic boundary-spanning function operating at the interface between the organization and its environment. Communications can help gather, relay, and interpret information from the environment as well as represent the organization to the outside world (White & Dozier, 1992; Vercic & Grunig, 2000).

Considering strategy as a process of positioning-i.e., positioning the firm vis-à-vis its competitors in the marketplace-has become an increased concern among concepts such as corporate branding as it articulates the strategic process of linking corporate strategy to communication processes that express the firm in relation to groups in its environment (Balmer & Greyser, 2003; Fombrun, 1996; Hatch & Schultz, 2000; van Riel & Balmer, 1997). To emphasize the relation to this positioning process, it is strategically important for firms to achieve an alignment with the corporate branding that they consider to be as an ideal situation (Balmer & Greyser, 2003; Fombrun & Rindova, 2000). In the resource-based view of strategic management, for instance, corporate branding is an intangible resource or asset of a firm that, when adequately exploited, leads to sustained competitive advantage and superior financial performance as stakeholders value associations and transactions with high-reputation firms (Barney, 1991; Deephouse, 2000; Rindova & Fombrun, 1999; Roberts & Dowling, 2002; Lähtinen, 2007).

Holfer & Schendel (1979) defined strategy as 'the basic characteristics of the match an organization achieves with its environment' and this content is considered as the common theme underlying most definitions of strategy. They divided strategy into three levels as follows.

## 2.3 Corporate Level Strategy

It can also be called business portfolio strategy. Corporate level strategy determines how the whole firm operates and decides that strategic business units (SBUs) should play what kind of position. In the classic book, *Resources, firms and strategies: a reader in a resource-based perspective*, edited by Foss (1997), Andrews described that corporate strategy is the pattern of decisions in a company that determines and reveals objectives, purposes, or goals, produces the principal policies and plans for achieving these goals, and defines the range of business the company is to pursue, the economic and human organizations it is or intends to be, and the nature of economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. Hill & Jones (2010) pointed out that corporate strategy determines what kind of business can maximize long-run profits. Barnett et al. (1996) presented that the corporate level context set by top

management has strong selective effects on the strategic actions of middle and operational managers at the business level. From a corporate strategy perspective, the question of how to finance the firm represents a fundamental functional decision which should support and be consistent with the long-term strategy of the business (Andrews, 1980). Andrews (1980) also believed corporate strategy defines the businesses in which a company competes, preferably in a way that focuses resources to convert distinctive competence into a competitive advantage.

#### *2.4 Business Level Strategy*

Business level strategy decides how the SBUs of a firm will compete with other firms. For only one SBU of a small corporate or non-diversification corporate, its business strategy is similar to the corporate strategy. For multi-SBUs of a corporate, every single SBU has its strategy to define what kind of product or service it can offer customers. Compared to a corporate strategy which is usually applied to the whole enterprise, a business strategy is less comprehensive and defines the choice of product or service and market of individual businesses within the firm (Andrews, 1980). Traditionally, cost leadership, differentiation, and focus have been recognized as the three primary forms of this strategy (Porter, 1980). Dess et al. (1995) believed the heart of a business-level strategy is the concept of competitive advantage, which can be applied in a multiple forms. Abell (1980) defined three decisions of a business strategy: customer groups, customer needs, and distinctive competencies. A corporate can find its own competitive advantage in the selected market segment through these decisions. Business strategy, in other words, is the determination of how a company will compete in a given business and position itself among its competitors (Andrews, 1980).

#### *2.5 Functional Level Strategy*

Functional level strategy emphasizes on daily operations. It is mainly designed to support corporate and business strategies. Mintzberg (1981) stated there are five basic functional parts of a corporate: operational core, strategic apex, middle line, techno structure, and support staff. In general, a corporate is made up of research and development, production, marketing, finance, and human resource functional departments.

This study herein emphasizes ITHs' corporate level strategy, because the concept of corporate strategy is phrased in terms of the strategic position based on a firm's resources (Andrews, 1980; Birger, 1984), and it is the main topic that we want to discuss. We employ corporate level strategy to explain ITHs' positioning strategy in order to find out the affecting factors, to analyze the important factors of their positioning strategy, and to make some suggestions for hoteliers.

#### *2.6 Empirical Industry Study*

Adee (1995) wrote that a hotel's strategy process is concerned with understanding how an administrative system and the decision process influence its strategic positioning. Papadopoulos (1989) indicated that a tourist organization must define the target customer segment that is seeking a service, or else it cannot check whether its offer matches customers' needs or not. Kim (2008) employed the Mann-Whitney U test, stepwise logistic regression, and multivariate analysis of variance statistical analyses to compare the performance of a hotel that whether using strategic management or not using strategic management, and found that management contract is positively related to the performance of the hotels and a strategy could strengthen the hotel's competitiveness during tourism recessions.

The recent study by Vecchiato & Roveda (2010) uses corporate level strategy to explain environmental uncertainty and offer strategy foresight. They investigated four leading firms including Kodak, Nokia, Starbucks, and Luxottica, and took micro-(operational), meso-(business), and macro-(corporate) level insights to explain their respective strategic positioning. Essam & Jacqueline (2005) investigated tourism in Barbados, trying to find the positioning strategy based on an analysis of customers' perceptions and satisfactions. They then used factor analysis and multiple regression to find out four repositioning strategies (recreational, sports, culture, and eco-tourism) they can choose. Jayawardena (2002) presented that the future of tourism markets depends on the abilities of tourism countries to deliver 'a high quality product that corresponds to the changing tastes, needs, wants and demands of the international tourists', and further pointed out that using well-developed niche-based marketing strategies can lead to total market growth. The development of such marketing strategies requires hoteliers to measure the image customers have of the hotels' tourism products and identify how satisfied they are with the delivery of such products.

### **3. Methodology and Data**

#### *3.1 Panel Data and Panel Regression*

Hsiao (2003) and Klevmarken (1989) listed several benefits to implementing the panel data method. First, if the

firms have heterogeneity when we use the ordinary least squares (OLS) method, then the estimator will show bias. The panel data can resolve this problem by controlling an individual firm's heterogeneity. Second, the panel data method gives the researcher larger numbers and more informative data, less collinearity among the variables, and more degrees of freedom and efficiency. Third, it can study the dynamics of adjustment much better. Fourth, the panel data method allows researchers to analyze the questions that cannot be addressed by using pure cross-sectional or time-series datasets.

The estimation of panel data regression tests is based on three methods, including pooled OLS, the fixed-effects model, and the random-effects model. The main difference between these three models is the estimation about the cross-section (hotels) constants. The OLS method estimates a common constant for all cross-sections - that is, there are no differences between the estimated cross-sections. In the fixed-effects model, it can also be called the least squares as dummy variables estimator, because it uses a dummy variable for each hotel to allow for different constants for each hotel. The fixed-effects model can be expressed as:

$$Y_{it} = \lambda_i D_i + \beta X_{it} + u_{it}$$

where  $D_i = \begin{cases} 1 & \text{for } i \\ 0 & \text{otherwise} \end{cases}$ ,  $\lambda_i$  is the constant term for  $i$ ,  $\beta$  is a vector of slopes, and  $u_{it}$  is a random variable.

In the random-effects model, the constant term for each section is a random variable. The random-effects model can be expressed as follows:

$$Y_{it} = \alpha_i + \beta X_{it} + u_{it}$$

where  $\alpha_i = \theta + \varepsilon_i$  and  $\varepsilon_i \sim N(0, \sigma_i^2)$ . Therefore, we can rewrite the equation as:

$$Y_{it} = (\theta + \varepsilon_i) + \beta X_{it} + u_{it} = \theta + \beta X_{it} + (u_{it} + \varepsilon_i)$$

where  $u_{it} + \varepsilon_i$  is the error component, implying that the intercepts of different hotels are random and independently drawn from the population.

In order to choose which the random-effects model or the fixed-effects model is appropriate, the Hausman test can be applied before the panel regression analysis. In the Hausman test, the null hypothesis is that  $u$  and  $X$  are uncorrelated and thus random effects are consistent and efficient (Dimitrios, 2005; Maddala, 2001). The test statistic is:

$$H = (\hat{\beta}_{FE} - \hat{\beta}_{RE})' [Var(\hat{\beta}_{FE}) - Var(\hat{\beta}_{RE})]^{-1} (\hat{\beta}_{FE} - \hat{\beta}_{RE}) \sim \chi^2(k)$$

where  $\hat{\beta}_{FE}$  is the estimator of the fixed-effects model and  $\hat{\beta}_{RE}$  is the estimator of the random-effects model. Therefore, if the result rejects the null hypothesis, we choose the fixed-effects model; otherwise, we select the random-effects model.

### 3.2 Data Sources and Variable Definitions

This study uses an unbalanced panel dataset over the period 1998-2007. We collect all the variables from the Annual Operating Report of ITHs in Taiwan published by the TTB. The cross-section number of observations in each year is as follows: 1998 (46 hotels), 1999 (47), 2000 (50), 2001 (51), 2002 (53), 2003 (56), 2004 (57), 2005 (57), 2006 (56), and 2007 (58), making 531 observations in total.

Chu & Choi (2000) examined business and leisure travelers' perceived importance and performance of six factors affecting their selection of hotels (service quality, business facilities, value, room and front desk, food and recreation, and security) in the Hong Kong hotel industry. Ananth et al. (1992) surveyed 510 travelers, asking them to rate the importance of 57 hotel attributes in the hotel choice decision. They found that the most important affecting factor is 'price and quality' and then 'security' and 'the location of hotel'. Barsky (1992) used guests' information to support hotel decision-making by conducting a survey from selecting guests randomly. He showed that the 'employee attitude' and 'location' are the first two factors customers emphasize, followed by 'rooms', 'price', 'hotel facilities', 'hotel service', 'parking facilities', and 'food and beverage'. Other studies in the literature suggest that factors including 'location', 'room rate', and 'reputation of the hotel' are also important in affecting customers' choice about ITHs (Barsky, 1992; Barsky & Labagh, 1992; LeBlanc & Nguyen, 1996; McCleary et al., 1993; Pizam & Ellis, 1999; Rivers et al., 1991; Wilensky & Buttle, 1988). Chen et al. (2010) investigated the effects of tourist nationalities on the efficiency of ITHs in Taiwan and found out tourists coming from North America, Japan, and Australia have a positive effect on the efficiency of ITHs in Taiwan.

Based on the previous studies, we can conclude that 'price', 'location', 'facilities', 'tourist nationalities', and

'reputation of the hotel' are all important variables that impact ITHs' revenue. Therefore, we employ these variables to examine how they affect hotels' positioning strategy. In addition, we add other variables, including 'number of restaurants', 'restaurant type', 'operation year', and 'tourist type', that might affect hotels' revenues. Here are the definitions of these variables.

### 3.3 Dependant Variable

- Percentage of food and beverage income accounting for total revenue (Y): It is computed as food and beverage revenue divided by total revenue.

### 3.4 Independent Variables

- Location (Location): Where the international tourist hotel is located. According to the Annual Operating Report of International Tourist Hotels, we divide the hotels into seven regions: Taipei, Taichung, Taoyuan (including Hsinchu and Miaoli), Hualien, Kaohsiung, scenic area, and other areas. We use a dummy variable to express these seven variable, '0' represents the hotel is located in Taipei and '1' means the hotel is not located in Taipei, and so on. We take other areas as a reference group and do not count it into our regression.
- Price (Price): The average room price of an international tourist hotel, measured in thousands of NT dollars per room.
- Facilities (Total\_Fac): The total number of a hotel's facilities.
- Number of restaurants (Num\_Res): The total number of restaurants in a hotel.
- Restaurant type (Res\_Type): We use a dummy variable to express this. '0' represents the hotel just has its own restaurants and '1' means there are one or more other brand restaurants operating in the hotel.
- Operation year (Built\_Year): How long the hotel has been in operation. We define 1996 as year 1 and 1997 as year 2, and so on.
- Tourists by nationality: The percentage of Locals (Per\_Domestic), overseas Chinese (Per\_Oversea), North American (Per\_North\_Am), European (Per\_Europe), Japanese (Per\_Japan), Australian (Per\_Australia), Asian (Per\_Asian), and other (Per\_other) tourists. We take others as a reference group and do not count it into our regression.
- Tourist type (Group): Tourists always reserve a hotel under a group or individual type. We select the group type (group tourists divided by total tourists) for examination and take individual group as the reference group.
- Reputation of the hotel (Chain): An international tourist hotel that has joined an international chain will have a better reputation. We use a dummy variable to express this, where '0' represents independent management and '1' represents hotels joining an international chain.

Finally, we can obtain the panel regression equation:

$$Y = \beta_0 + \beta_1 Taipei + \beta_2 Taoyuan + \beta_3 Kaohsiung + \beta_4 Hualiang + \beta_5 Scenic + \beta_6 Taichung + \beta_7 Price + \beta_8 Total\_Fac + \beta_9 Num\_Res + \beta_{10} Res\_Type + \beta_{11} Built\_Year + \beta_{12} Per\_Domestic + \beta_{13} Per\_Oversea + \beta_{14} Per\_Australia + \beta_{15} Per\_Europe + \beta_{16} Per\_Asia + \beta_{17} Per\_Japan + \beta_{18} Per\_North\_Am + \beta_{19} Group + \beta_{20} Chain$$

## 4. Empirical Results and Discussion

### 4.1 Descriptive Statistics

Table 1 provides descriptive statistics for all the variables, including dependent and independent, in the model. The average percentage of F&B revenue occupying total revenue is 50.25%, which means on average F&B revenues are slightly larger than room revenues. We examine the correlation of the independent variables and find out the variables' correlation is smaller than 0.8. We then employ the variance inflation factor (VIF) to investigate the severity of multicollinearity in a regression analysis. If the VIF value is bigger than 10, it means the variable has collinearity with other variables. In our regression model, all VIF values of the variables are smaller than 10, allowing us to conclude that multicollinearity does not exist in this model.

Table 1. Descriptive statistics of dependent and independent variables

Independent Variables	Mean	Standard Deviation	Minimum	Maximum	VIF
Total_Fac	4.352166	0.893525	2	5	1.142955
View	5.099812	3.597093	0	13	2.769016
Price	2.938512	1.214557	1.25	8.759	1.190564
Gro_Tourist	0.346598	0.227202	0	0.9579	1.260395
Chain	0.576271	0.494614	0	1	1.082573
Built_Year	20.46704	12.29052	0	58	1.135909
Per_Domestic	0.438616	0.303014	0.026292	1	8.35121
Per_Oversea	0.04291	0.078086	0	0.489854	1.85238
Per_Japan	0.24333	0.215021	0	0.854001	4.37836
Per_Asian	0.102644	0.09385	0	0.389274	2.417245
Per_Europe	0.050437	0.052727	0	0.317971	2.604424
Per_Australia	0.009226	0.012244	0	0.102003	2.164844
Per_North_Am	0.076761	0.094309	0	0.491496	2.543183
Taipei	0.435028	0.496228	0	1	4.392129
Kaohsiung	0.131827	0.338621	0	1	2.274976
Hualien	0.082863	0.275934	0	1	2.120468
Scenic	0.13936	0.346648	0	1	2.494841
Taoyuan	0.067797	0.251634	0	1	2.001697
Taichung	0.092279	0.289692	0	1	1.938844
Num_Res	4.973635	2.412871	1	13	1.231668
Out	0.101695	0.302532	0	1	1.144215
Dependent Variable Per_Res_Revenue	0.502541	0.142451	0	0.787479	-

#### 4.2 Result of Panel Regression

The panel regression used in this study can be separated into two parts. First, we want to test the impact of locals and foreigners on the dependent variable. In the regression, we take the foreigner group as the reference group. We then apply the Hausman test to examine whether the random-effects or the fixed-effects model is more appropriate for regression.

The result of panel regression implies that the more local tourists that a hotel accommodates, the higher the ratio of F&B revenue to room revenue a hotel will have. We further put all independent variables into the panel regression to examine the total effect and also use the Hausman test to choose the adequate model. The result does not reject null the hypothesis that the random-effects model is better.

Table 2. The random-effects panel data regression on the percentage of F &amp; B income

Variable	Estimate	Std. Error	t-value	P-value
C	0.512497	0.119987	4.271275	<0.0001***
View	-0.004905	0.007520	-0.652238	0.5145
Price	-0.020667	0.005806	-3.559520	0.0004***
Total_Fac	0.016181	0.019980	0.809852	0.4184
Num_Res	0.012799	0.007716	1.658852	0.0978*
Out	-0.039511	0.053191	-0.742802	0.4579
Built_Year	-0.001373	0.000407	-3.369272	0.0008***
Gro_Tourist	-0.005777	0.019711	-0.293101	0.7696
Chain	0.002046	0.013097	0.156242	0.8759
Per_Oversea	-0.088376	0.056500	-1.564185	0.1184
Per_Domestic	0.075218	0.042783	1.758131	0.0793*
Per_Asian	-0.142325	0.059748	-2.382102	0.0176**
Per_Australia	0.311922	0.356988	0.873761	0.3827
Per_Europe	0.078211	0.117997	0.662823	0.5077
Per_Japan	0.025544	0.044794	0.570252	0.5688
Per_North_Am	0.020340	0.087847	0.231535	0.8170
Taipei	-0.013785	0.069113	-0.199453	0.8420
Kaohsiung	-0.017955	0.073108	-0.245595	0.8061
Hualien	-0.221028	0.084526	-2.614898	0.0092***
Taoyuan	-0.087294	0.090802	-0.961370	0.3368
Scenic	-0.181907	0.072294	-2.516214	0.0122**
Taichung	0.003288	0.081785	0.040202	0.9679

Note: Notations \*\*\*, \*\*, and \* represent significance at the 1%, 5%, and 10% levels, respectively.

When the effect of location is considered, hotels located both in Hualien and in a scenic area have a significantly negative impact, implying that most of the hotels' revenues are mainly composed of room revenue in these two areas (see Figure 2). With respect to tourists' nationality (see Figure 3), Asian tourists have a significantly negative impact on the ratio of food and beverage revenue to room revenue. By contrast, local tourists have a significantly positive impact on the ratio of F&B revenue to room revenue, which means Asian tourists have high demand for room service, and local tourists have high demand on F&B service.

Because both operation-year and price have significantly negative impacts on the ratio of F&B revenue to room revenue, we posit that tourists who have high demand on room service will prefer hotels with a better reputation and a longer history. From the tourists' viewpoints, the higher price symbolizes higher quality service, or in other words, it causes higher room revenue from the hoteliers' viewpoints. The number of restaurants has a significantly positive impact on the ratio of F&B revenue to room revenue, and so we suggest that F&B revenue-oriented hotels should offer various types of restaurants to satisfy different customers' demand.

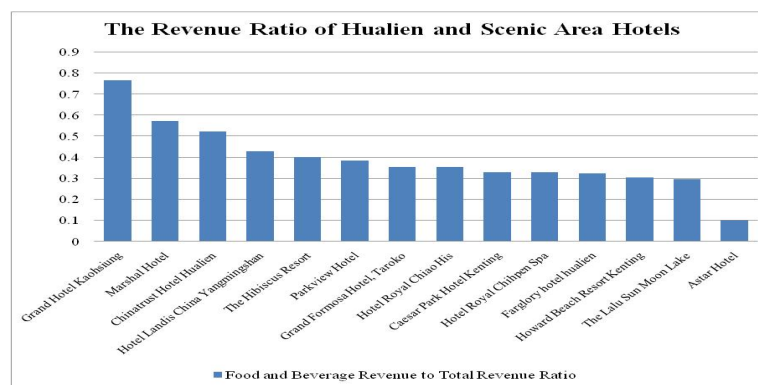


Figure 2. F & B revenue to total revenue ratio

Sources: Operating report of international tourist hotels in Taiwan (1998~2007).



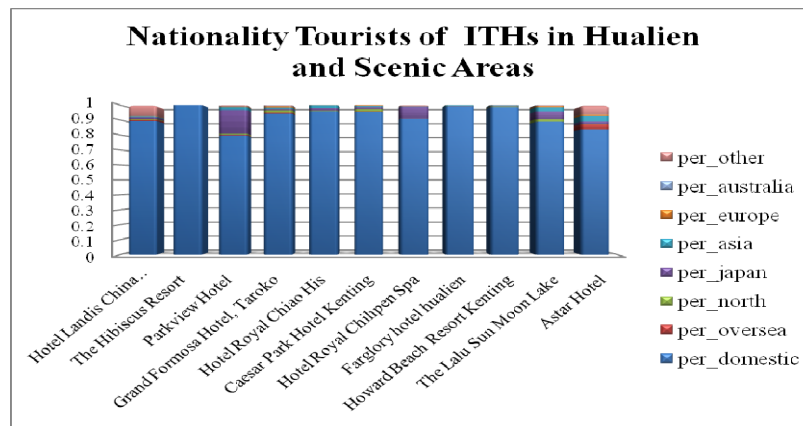


Figure 3. Numbers of tourists by nationality

Data sources: Operating report of international tourist hotels in Taiwan (1998–2007).

## 5. Conclusion

Strategic positioning is very vital for ITHs to face fierce competition and to satisfy different tourists' demands. This paper has employed the panel regression to examine how environmental factors will affect ITHs' self-positioning, and suggests that both tourist nationality and location are important factors in determining ITHs' self-positioning. We find that Asian tourists have a negative impact on F&B revenue. However, local tourists have a positive impact on F&B revenue. This interesting finding is consistent with the finding by Tsaor (2001), because increasing ratios of people in Taiwan who eat out as local consumers in Taiwan are used to dining outdoors (Hu et al., 2009; Hu et al. 2010). According to both the survey of *Global Views Monthly* (2007), one of the most famous magazines in Taiwan, and the report of The Chinese Federation of Dietitians' Association (2008), more than 70% of Taiwanese people eat out. Owing to the growth of the economy, Taiwanese people are now enjoying an increase in average income, rate of employment for women, as well as a better change in lifestyle (Hu et al., 2009; Hu et al. 2010).

In addition, based on location viewpoint, hotels located in Hualien and in scenic areas have a negative impact on F&B revenues. According to these results, we are interested in further examining whether all hotels located in Hualien and in scenic areas have selected suitable positioning strategies for themselves. TTB's Operating Report of ITHs shows only three hotels located in Hualien and in scenic areas, including Chinatrust Hotel Hualien, Marshal Hotel, and Grand Hotel Kaohsiung, and these three hotels' major revenues are from F&B. However, comparing with our empirical results, these three hotels may have inappropriate positioning strategies. To enhance a competitive advantage, these three hotels should focus on increasing room revenue instead of F&B revenue, because tourists always love to enjoy natural scenery during their vacation. According to our empirical results, local tourists have a significantly positive impact on the ratio of F&B revenue to room revenue, and the tourists that these three hotels in Hualien and in scenic areas accommodate are mainly composed of local tourists (see Figure 2). Based on this information, we suggest that these three hotels should reposition and adopt a room revenue-oriented positioning strategy and reallocate their resources to increase the ratio of room revenue to F&B revenue.

Next, taking the tourists' nationality into consideration, 24 ITHs mainly attract local tourists (i.e. the number of local tourists is larger than total foreign tourists) (see Figure 3). Based on this study's result, we could posit that all these 24 hotels should adopt the F&B revenue-oriented positioning strategy. But in fact, there are 13 ITHs adopt a room revenue-oriented positioning strategy, of which 11 are located in Hualien or in scenic areas. This result means that some ITHs located in Hualien or in scenic areas do not proactively emphasize or promote their beautiful scenic resources, or maybe foreign tourists also do not know these natural resources are nearby the ITHs. Trout and Rivkin (1996) pointed that a repositioning strategy becomes necessary when:

- (1) Customer attitudes have changed;
- (2) Technology has overtaken existing products; and/or
- (3) Products have strayed from the customers' long-standing perception of them.

To enhance ITHs' competitive advantages, we suggest the hoteliers should reposition and develop competitive

strategies to promote the unique local customs and practices to attract more foreign tourists.

Owing to factors such as price, number of restaurants, and operation-year that can be adjusted, we suggest that the hoteliers should firstly determine the positioning strategy and then adjust these factors' weights. According to the empirical results, operation-year and room price have significantly negative effects on the ratio of F&B revenue to total revenue. Therefore, we suggest that historic hotels should adopt room revenue-oriented positioning strategy and improve their service quality to increase the room price. For example, ITHs located in Hualien or in scenic areas can make more efforts to raise the room price by means of enhancing their room service quality. Historic ITHs should also adopt room revenue-oriented positioning strategies. Furthermore, the number of restaurants has a positive effect on the ratio of food and beverage revenue to total revenue. Besides, the hotels adopting F&B revenue-oriented positioning should offer diversified types of restaurants for various tourists.

Crompton et al. (1992) suggested that, for effective positioning of a destination, the strong attributes that are perceived as important by visitors should be first identified. Also to be identified are other relevant attributes that are unique to the destination and capable of differentiating it effectively from competitors in its ability to satisfy customers' needs. Consistent with this line of thought, this study would like to recommend ITHs' managers use strategy positioning on a corporate strategy level. The findings herein can provide a reference for new entrants in the hotel industry for when they are thinking how to formulate a proper and effective self-positioning strategy.

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