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## Key Success Factors to Increase Value Proposition in the Hospitality Industry

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### ABSTRACT

In this research, the two-fold role of customers and hotels leading to identification of key success factors in value propositions increases is analyzed. This article emphasizes the essential role of customers as contributors to value co-creation processes and hotels as contributors to the creation and delivery of value propositions. This research followed distinctive streams in literature on value co-creation and underlying thinking, including design thinking for delivering increased value propositions. In addition, a customer survey was conducted with a heterogeneous sample representative, consisting of 1121 participants who stayed at one of the hotels of the sample. Additionally, hotel executives such as hotel directors of 13 design hotels, which participated in the research, were interviewed. The responses from hotel executives were compared to the responses of the customer cluster. The outcome of research is that top management of opportunity coefficients is analyzed. The key success factors of value-for-creation coefficient are the increased value proposition that identifies the need of adjusting hospitality industry products and services to current and future needs and demands of customers. This will increase the overall lead to experience and satisfaction of customers.

**Keywords:** Design thinking, Hospitality industry, Value co-creation, Value proposition

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### INTRODUCTION

The importance of value proposition increase in order to better meet customer value preferences is continuously rising for companies operating in turbulent, dynamic, complex and competitive business environments.

Value co-creation as a management tool could be applied to improve value propositions in fast changing markets of the 21st century. Design thinking can be embedded in value creation and value co-creation processes aiming at serving customers needs and demands better by achieving an increased value proposition. Consequently, competitive and strategic advantages may arise.

Today's companies experience a strong need to develop new and innovative customer experience perspectives in order to gain competition advantage aiming to stay relevant in various fragmented markets in times of globalization, impermanency, hyper-competition and fluidity. Dynamic thinking modes such as Design thinking are required to create value for customers and companies by assuring an ongoing and continuous adaption of corporate value propositions to the value preferences of customers [1]. During the last decade, the application of Design as a strategic tool for business development has become an increasingly important topic among scientists and

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practitioners [2];[3]. This academic research article aims at an identification and analysis of key success factors for value co-creation as a management tool to increase value proposition based on the Design thinking logic.

## METHODS

The article aims at an identification and analysis of key success factors to increase value proposition in today's fast changing hospitality industry supported by the thinking logic of design thinking and an application of value co-creation as a management tool. The essential role of customers and business executives as contributors to value co-creation processes and systems, and as enablers of value leading to an increased value proposition, is highlighted.

The academic research includes quantitative, as well as qualitative research methods which are based on distinctive value proposition studies streams in scientific literature. For the research project, a twofold research approach, was applied which incorporates quantitative research in terms of a customer survey and qualitative research as structured interviews with business executives of the participating corporations.

The customer survey was conducted in order to evaluate by literature identified KSF of value co-creation as a management tool to increase value proposition. Structured interviews with 13 hotel directors were conducted to analyze the perception of management concerning the identified key success factors. An analysis of the responses of the hotel directors, which were interviewed based on a structured identical interview guideline during the primary research part, was conducted in order to identify the perception of hotel directors regarding the previously mentioned KSF. The results of each hotel director also varied as it was found out that hotel directors do not follow the same strategy.

For the research, the determination of a representative sample was conducted as follows: a representative sample (based on the opinion of experts of identified design hotel groups) 13 out of 24 hotels that represent the entire population (e.g. geographical segmentation such as hotels in the South, North, West and East of Germany), and hotels that have characteristics which fit to the market segment best were chosen. Some other hotels out of the 24 German design hotels such as e.g. wedding hotels etc. had to be excluded as they target other market segments. In 2016, these 13 design hotels accommodated 392.984 in-house guests which can be interpreted as the population size. Based on the population size, a confidence level of 95 percent, a confidence interval (margin of error) of 3 and a z-score of 1,96, a representative sample was calculated based on the following formula[4] :

$$\text{Sample Size} = \frac{\frac{z^2 \times p(1-p)}{e^2}}{1 + \left(\frac{z^2 \times p(1-p)}{e^2 N}\right)}$$

*Population Size = N | Margin of error = e | z-score = z*

*e is percentage, put into decimal form (for example, 3% = 0.03).*

The z-score is the number of standard deviations a given proportion is away from the mean. One can therefore say, that part one (quantitative research) was carried out with a representative sample which had to consist of at least 1065 participants. Part two (qualitative research) was carried out with 13 hotel directors of the hotels that participated in the research.

However, it has to be mentioned that the research also comprises some research limitations and bias. The research solely focuses on the German design hospitality industry. Consequently, for the quantitative research, the sample only consists of hotels which are operated in Germany. Moreover, the research contains a sampling error which occurs through the sampling frame bias as it has to be assumed that there are some differences between the sample of this research and the total population of the investigated segment. The hospitality industry in Germany consists of a huge number of hotels. The research concentrates on the design hospitality industry. One can say that customers of design hotel groups, which operate in the business and leisure segments, have a classification of 4-5 stars and an identical corporate identity in all hotels in Germany will form the representative sample of this research

project. The design hospitality industry in Germany was chosen as the industry suffers from its unclear and fast changing definitional bounds. This leads to diverse customers which have highly differing expectations to design hospitality services and products. As a consequence, the creation of products and services which fulfill customer needs and wants is one of the key challenges especially in the design hospitality industry. In addition, not all customers of the segment can take part in the survey for the quantitative research. Furthermore, the research focuses its object of research from a business management perspective only. It should be noted, that cost and time constraints additionally limited the research to a certain extend [5].

After having described the methodology of this research, the following chapter elaborates on the analysis and evaluation of the key success factors of value co-creation as a management tool to increase value proposition.

## RESULT AND DISCUSSION

After having collected the data, it has to be analyzed if customers and business executives are aware of the thinking logic behind design thinking and of value co-creation approaches and especially if they are willing to participate and to apply these approaches.

Consequently, the research focused on the “Awareness of value co-creation among managers and customers”, measured as a binary variable. Only 11 percent of the customers are aware of value co-creation as a management tool for increasing customer satisfaction while 89 percent of the customers of the representative sample (N>1065) are not familiar with the concept of value co-creation (see figure 1). This means that there is a low level of awareness on value co-creation as a management tool among customers of design hotels.

When taking a look at the awareness of value co-creation as a management tool to increase value proposition among the group of hotel directors, it can be clearly seen that the awareness is with 46 percent much higher than the awareness among customers. However, one can also state that there is still potential for improvement as not even half of the hotel directors which were interviewed are aware of value co-creation as a management tool for increasing value proposition and hence also customer satisfaction (see figure 1).

Moreover, research about the awareness of Design thinking as a thinking logic which supports the adjusting of hospitality products and services to the needs and demands of customers to ensure an increased value proposition was conducted among management and customers. Figure 1 clearly indicates that the majority of customers are not aware of Design thinking even though the thinking logic was specifically explained in the survey. Only 13 percent stated to be familiar with Design thinking while 87 percent have not heard of the thinking logic before.

The data analysis further shows that also among hotel directors, only a minority of 31 percent is aware of Design thinking as a thinking logic which can be applied to support value co-creation as a management tool to increase value proposition (also see figure 1). Hence, it can be said that the potential positive impact of Design thinking is tremendous due to the fact that the concept is not well known or applied by managers at this stage.

At last, research was conducted on the willingness of involvement of customers and business executives in value co-creation processes to increase value proposition. This research step is of high importance as the willingness of both beneficiaries is essential for a successful application of value co-creation in real business life. Figure 1 clearly indicates that the majority (64 percent) of customers are willing to participate in value co-creation processes, stating that they are willing to increase value for both beneficiaries, companies and customers. Furthermore, it can be analyzed that all interviewed hotel directors (100 percent) are willing to participate in value co-creation processes, which provides a strong motivational basis for further action.



Figure 1 Analysis of Key Success Factors of Value Co-Creation, %  
Source: developed by author (2018)

## CONCLUSION

It can be stated that an identification and analysis of KSF of value co-creation helps hotel directors to increase value proposition in the hospitality industry. The potential of the previously pointed out KSF of value co-creation which are by name: awareness of value co-creation among customers and providers, willingness to be involved in value co-creation processes and awareness of new thinking logics which support the above presented approaches such as design thinking, was statistically tested and evaluated.

Starting with the awareness of value co-creation as a management tool, research indicates that the awareness among management is rather low as not even half of the hotel directors know the approach of value co-creation. Consequently, one can say that the impact potential of the KSF is rather high as the awareness of value co-creation as a management tool was rather low at the point in time, the research was conducted. It can therefore be interpreted that the application of value co-creation can be increased by rising the awareness of the management tool in the future.

When taking a closer look at the awareness of value co-creation as a management tool for increasing satisfaction of customers, research indicates that the awareness among customers is quite low as only 11 percent of the customers are aware of the approach. Therefore, it can be suggested that this KSF has a rather high potential for achieving future impact when taking actions to assure that the awareness of value co-creation as a management tool to increase value proposition will become a rather popular approach in the nearer future.

In addition, the question about the awareness of design thinking as a thinking logic for adjusting the hospitality product to the value preferences of customers among management and among customers has to be raised. Following the primary data analysis, it can be stated that the awareness of design thinking among management is rather low (31 percent) while at the same time, one can analyze that customers are not aware of design thinking as a management tool. Thus, it can be said that these key success factors have a rather high potential for achieving significant future impact as it has to be assured that hotel management executives need to be further educated and familiarized with the new thinking logic while in parallel, customers' awareness may be increased based on a step by step approach.

Lastly and especially important for the realization of the above described measures is the willingness of involvement of customers and business executives in value co-creation processes to increase value proposition. At first, one has to find out if customers are willing to participate in value co-creation which is described as another key success factor of this research. Secondly, it has to be clarified if also business executives are willing to participate in value co-creation processes. After the evaluation of the primary data, it can be clearly stated that with a positive response of 100 percent, all hotel directors are willing to participate in value co-creation processes while at the same

time, with a positive response of 64 percent, the majority of customers who participated in the research are also willing to participate in value co-creation.

Hence, there is a high potential for new thinking modes and concepts among both groups; business executives and customers. As both beneficiaries are willing to participate in value co-creation processes to increase value proposition, the concept can be interpreted as being realistic and transferable to business life.

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