SWOT Analysis of Hotel Service Quality in Medan in the Mice Industry

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Abstract: Medan is one of the MICE cities (Meetings, Incentives, Conferences, Exhibition) in Indonesia because it has a fairly rapid growth in the number of hotels and has increase in organizing MICE activities. The hotel is a temporary accommodation facility for guests who come from various places. At this time hotel is not only as a place to stay but also a place for conducting business meetings, wedding parties, workshops, deliberations, and other activities. The hotel is used as a place to do various activities because it has complete facilities and infrastructure. This study aims to study strengths, weaknesses, opportunities, and threats (SWOT analysis) of the quality of hotel services in the city of Medan in the MICE industry. The research method used is a qualitative method using an internal factor evaluation (IFE) matrix and an external factor evaluation (EFE) matrix with decision making using the Quantitative Strategic Planning Matrix (QSPM) matrix. The results of this study indicate that the high competition in the hospitality industry is the most dominant. Analysis of external and internal factors using the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices indicate that external influences are greater than those of internal factors.

1 INTRODUCTION

One of the determinants of progress in the tourism industry in an area is the growth of the opening of the area to tourist visits from both national and international levels. One of the increases in tourist visits is the growth of MICE business on the development of tourism in that area. The impact of MICE business development can be observed from the numerous national and international events held by the government and private sector with various objectives such as seminars, promotions, exhibitions and international conventions to develop the tourism industry. The progress of the tourism industry has a strong relationship with the development of the creative economy because MICE events can certainly be able to push the economic chain and other related industries.

The government has an important role in developing the national tourism industry, especially for MICE business. However, the MICE business can only be enjoyed by a region that has supported its tourism infrastructure such as Bali, Lombok, Jakarta, and Surabaya. Whereas in some other regions in Indonesia, the geographical structure is not different, but due to the lack of management, so that region has

not yet become a destination area in organizing MICE events. Sumatera Utara with abundance natural conditions as well as a highly developed creative industry should have become a MICE tourist destination on an international scale because it has attractions such as Lake Toba and other beautiful beaches. The tourism industry and hotel business should concern with quality of service (Brown, Bowen, & Swartz, 1992; Tsaur & Lin, 2004).

Table 1.1 The Travel & Tourism Competitiveness

Country Economy	Rank
Spain	1
France	2
Germany	3
Japan	4
United Kingdom	5
United States	6
Australia	7
Italy	8
Canada	9
Switzerland	10
Hong Kong SAR	11
Austria	12
Singapore	13

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Portugal	14
China	15
New Zealand	16
Netherlands	17
Norway	18
Korea. Rep	19
Sweden	20
Belgium	21
Mexico	22
Ireland	23
Greece	24
Iceland	25
Malaysia	26
Brazil	27
Luxembourg	28
United Arab Emirates	29
Taiwan, China	30
Denmark	31
Croatia	32
Finland	33
Thailand	34
Panama	35
Malta	36
Estonia	37
Costa Rica	38
Czech Republic	39
India	40
Slovenia	41
Indonesia	42

Source: World Economic Forum (2019)

Based on Table 1.1, Indonesia was ranked 42nd in The Travel & Tourism Competitiveness. Sumatera Utara, particularly in Medan, MICE business supports infrastructures such as star hotels, ports, airports, shopping centers, culinary centers, cultural heritage. The basis for organizing MICE events such as seminars, conventions, exhibitions, and other meetings. The facilities that are owned, apparently not yet an attraction for organizers to organize MICE events both national and international in Medan. It becomes a problem because the hotel industry will be very dependent on the level of occupancy and the growth rate of the activities held at the hotel, especially for the MICE event. It would be very ironic if the number of star-rated hotels experience fairly low occupancy rate and minimal MICE activities conducted at the hotel. According to Bozac and Tiporic (2006) to change the structure of accommodation capacities is one of the priorities along with the governmental directives to increase the quality level of the existing basic facilities for accommodation to reach three-stars and five-star.

Table 1.2 Hotel Room Occupancy Rate in North Sumatra and Other Accommodation by month and classification (%) in 2016.

	Three-star	Four-star
2016	71,46	54,07
January	63,81	52,1
February	58	51,85
March	61,36	51,82
April	58,95	47,76
May	54,4	51,44
June	80,73	59,64
July	62,6	49,93
August	80,49	59,38
September	69,32	53,71
October	83,14	59,31
November	113,53	61,14
December	90,58	53,09

Source: BPS of Sumatera Utara Province (2019)

Based on data on occupancy rates and growth of MICE activities in five-star hotels in Sumatera Utara, especially in Medan, data obtained that tourists visit and MICE events in Medan city have not reached average occupancy rates and MICE events compared to other large cities such as Bali, Jakarta, and Surabaya. Realizing this, business strategy is needed, especially strategy that must be implemented, especially for the hotel industry to create the appropriate strategy to boost tourism growth, especially the MICE industry. The tourism industry and hotel business are not exempt from service quality concerns (Brown, Bowen, & Swartz, 1992; Tsaur & Lin, 2004). Measurements of some quality of the hospitality industry such as prices, quality of services, cooperation with the government, and supporting infrastructure namely roads, sanitation, bureaucracy must be a guideline in determining strategies and steps in promoting tourism growth in the city of Medan. Thus to determine the strategy, an approach and analysis should be created to determine the strengths, weaknesses, opportunities, and threats from both external and internal owned by the hotel industry, especially in the city of Medan, which are summarized in the SWOT analysis strategy and approach.

2 RESEARCH AIM

This research is to find out and determine the strategy with the SWOT analysis approach in the hotel industry in Medan city.

3 LITERATURE REVIEW

3.1 Mice Industry

Service quality is considered a highly reliable source of market information for current business organizations. Service quality will influence purchase intention since it is regarded considered as the main aspect of customer satisfaction (Spreng and Mckoy, 1996; De Ruyter et al., 1997). The significance of service quality evaluation through the measurement of customer satisfaction is strengthened by the necessity of adopting a "sustainable improvement" philosophy and comprehend customer perceptions (e.g. needs, expectations). Moreover, the direct benefits not merely received by tourist, it contributes to economic positively through the increasing new investigates and job creation. (Bosworth &Farrell,2011). It can be stated that the quality of entrepreneurship, as well as entrepreneurial leadership, have demonstrated a positive effect on the business performance of a tourism enterprise. It is critical to identify the particular factors which affect success in small tourism businesses as well (Taskovetal.,2011).

Buhalis (2000) also propose that a destination consists of a central for the following elements namely the six as framework including attraction, accessibility, amenities, available package, activities and ancillary.

Indeed, the most important part of the hospitality industry is the hotel sector because most of the tourists' time is spent in the hotel during a trip. Hotel is the place to complete the purpose of traveling namely for conferences and business meetings. (Page, 2009)

3.2 Service Quality

Cai (2010) states that Parasuraman, Berry, and Zeithaml (1985,1988) are the founder of The Gaps model of Service Quality and SERVQUAL as its measurement scale. The Gaps Model of Service Quality and SERVQUAL are the basis for service quality studies in numerous areas such as hospitality and tourism that or adapted the scale for restaurants, hotels, and services at retail travel.

In order to provide hotel service, there are two key components are needed: material base and service, because of these different components the owners of hotels experience an uncertain problem of quality, which are two different quality aspects: technical quality, which represent a material basis, and functional or process quality (service) (Vitkienė, 2004Vitkienė, E. (2004).

According to Anderson, Fornell & Lehmann, (1994), the important key success of organization in dynamic market competition is quality improvement.

3.3 Swot Analysis

Athiyaman (1995) posited because of the globalization, fierce competition and rapid technological change are some prominent factors affecting the organization, both effective and efficient management reaction toward internal and external threats lead to the long term survival of organization

The profile of Environmental threat and opportunity (ETOP) is used by some authors, while others prefer to use the Strength, Weakness, and Opportunities (SWOT) as a tool to diagnose the environment. .Barney (1991) later develops the resource-based view and redesign SWOT as the foundation for connecting the resources of the company, hence it will lead to the sustained competitive (Grigor-oudis and Siskos, 2010).

The generally used tool to analyze the environment systematically and assist in situation decisions is SWOT analysis (Wheelen&Hunger, 1995). The objective of conducting SWOT analysis is to make in identification both internal and external factors, as well as to design achievable alternative strategies (Baker, 2000; Helms & Nixon, 2010). According to David (1986), The Quantitative Strategic Planning (QSPM) is beneficial to decide the relative attractiveness of various strategies for the prospective implementation

4 METHODOLOGY

The Methods of this research are doing the data collection with the literature study, observation study in region and comparison, and depth interview.

5 RESULT AND DISCUSSION

Table 5.1: SWOT Analysis of Hotel Service Quality in Medan Matriks Ife and Efe Swot Analysis

		STRENGTH (S)	WEIGHT	RATING	SCORE
1		Good name and reputation	0,15	4	0,6
2		Strong Management Team	0,10	3	0,3
3		Efficient Asset and Financial Management	0,10	2	0,2
4		Ease of Access	0,08	2	0,16
5		Security and Safety Guarantee	0,07	2	0,14
		WEAKNESS (W)			
1		Limited space for MICE activities	0,15	4	0,6
2		Human Resources are less professional	0,10	3	0,3
3		Infrastructure condition that is below standard	0,05	3	0,15
4		The high cost of management hotel	0,10	2	0,2
5		Lack of hotel management innovation	0,10	2	0,2
		TOTAL	1,00		2,85
		OPPORTUNITY (O)	WEIGHT	RATING	SCORE
1		Increased tourism industry growth	0,12	4	0,48
2		Cooperation with the government and the private sector	0,12	3	0,36
3		Ease of licensing and investment from the government	0,10	2	0,2
4		Increased purchasing power of the people	0,08	4	0,32
5		Improved technology and social media	0,08	2	0,16
		THREAT (T)			
1		The high competition of the hospitality industry	0,15	4	0,6
2		Unstable political and security situation	0,10	3	0,3
3		Global economic recession and inflation	0,05	3	0,15
4		Natural disasters and terrorism	0,10	2	0,2
5		Environmental damage and pollution	0,10	2	0,2
		TOTAL	1,00		2,97

Based on table 5.1, it is obtained that the internal factors which are strength owned by 4 star and 5-star hotels in Medan are good names and reputations with the highest score of 0.6. Whereas the highest score of weaknesses is the limited space for MICE activities. Limited space with adequate capacity such as exhibitions, music concerts, and large-scale activities. The total score of the internal environmental strategy factor (IFE) is 2.85 obtained with the average category.

Table 5.1 shows the external factor which is opportunities owned by 4-star and 5-star hotels in Medan is the increasing growth of the tourism industry with a score of 0.48. While the highest score of threat is the high competition of the hospitality industry with a score of 0.6. Such as price competition, quality competition, and service competition. In the IFE-EFE on the S Axis the weighted average total of 1.0-1.99 is considered low; values from 2.0-2.99 are intermediate; and 3.0-4.0 values are high. In the IFE-EFE Matrix above the company's position is in the fifth awareness which shows (2.85) while the external factor (2.97) is in a moderate condition. This means that the service quality of hotels in Medan already has quite strategic internal factors but they have not been maximized in exploiting opportunities and threats.

Table 5.2: Matrix SWOT

STRENGTH (S)	WEAKNESS (W)
good name and reputation	Limited space for MICE activities
Strong Management Team	Human Resources are less professional
Efficient Asset and Financial Management	Infrastructure condition that is not good yet
Ease of Access	The high cost of managing a hotel
Security and Safety Guarantee	Lack of hotel management innovation

S-O STRATEGY	W-O STRATEGY
Improve service quality to customers	Improved hotel infrastructure that supports MICE
Improve management competence	Utilizing capital assistance from the government
Increase promotion through social media	Make an interesting promotional event
Provides efficient rates	Evaluating cost components to be efficient
MICE collaboration with the government and the private sector	
S-T STRATEGY	**W-T STRATEGY**
	Increase the capacity of special rooms for MICE events
Take part in cultural exhibitions at the embassy	
Security cooperation with related parties	Following the hospitality industry exhibition abroad
Participate in efforts to save the environment	Join the hospitality industry association
Participate in efforts to save the environment	Become a donor in environmental conservation organizations

Table 5.3 Table QSPM

QUANTITATIVE STRATEGIC PLANNING MATRIX (QSPM)

	KEY FACTORS	ALTERNATIVE 1 HR Quality Improvement Hospitality			ALTERNATIVE 2 Hotel Infrastructure Improvement		
		WEIGHT	AS	TAS	WEIGHT	AS	TAS
	STRENGTH (S)						
1	Good name and reputation	0,25	4	1	0,13	4	0,52
2	Strong Management Team	0,20	3	0,6	0,10	4	0,4
3	Efficient Asset and Financial Management	0,10	4	0,4	0,04	2	0,08
4	Ease of Access	0,08	2	0,16	0,08	2	0,16
5	Security and Safety Guarantee	0,01	2	0,02	0,07	2	0,14
	WEAKNESS (W)						
1	Limited space for MICE activities	0,04	2	0,08	0,15	4	0,6
2	Human Resources are less professional	0,20	4	0,8	0,05	3	0,15
3	Infrastructure condition that is not good yet	0,05	3	0,15	0,25	4	1
4	The high cost of managing a hotel	0,03	3	0,09	0,05	2	0,1
5	Lack of hotel management innovation	0,04	3	0,12	0,08	2	0,16
	TOTAL	1,00		3,42	1,00		3,31
	OPPORTUNITY (O)						
1	Increased tourism industry growth	0,12	2	0,24	0,12	4	0,48
2	Cooperation with the government and the private sector	0,12	3	0,36	0,12	3	0,36
3	Ease of licensing and investment from the government	0,10	2	0,2	0,10	2	0,2
4	Increased purchasing power of the people	0,08	4	0,32	0,08	4	0,32
5	Improved technology and social media	0,08	3	0,24	0,08	2	0,16
	THREAT (T)						
1	The high competition of the hospitality industry	0,17	4	0,68	0,15	4	0,6
2	Unstable political and security situation	0,08	2	0,16	0,10	3	0,3
3	Global economic recession and inflation	0,05	3	0,15	0,05	3	0,15
4	Natural disasters and terrorism	0,10	2	0,2	0,10	2	0,2
5	Environmental damage and pollution	0,10	2	0,2	0,10	2	0,2
	TOTAL	1,00		6,17	1,00		6,28

It requires several alternative strategies to decide the appropriate alternative actions in the strategy formulation based on an assessment called the QSPM (Quantitative Strategic Planning Matrix) matrix. In this Matrix, the score of TAS (Total Attractiveness Score) which is a combination of alternative strategies and the weights given according to the strengths of those strategies. The weight of the Attractiveness Score (AS) is divided into 4, namely:

1 = not interesting
2 = rather interesting
3 = interesting enough

4 = very interesting

Alternative strategies were calculated based on the value of STAS (Sum of Total Attractiveness Score) because a higher value indicates a more attractive and more rational strategy to be implemented in improving the quality of hotel services in the city of Medan. Based on the results of the STAS from the two alternative strategies above, the best strategy chosen was the Improvement of Hotel Infrastructure with a score of 6.28. This strategy is more appealing because to face future competition in the hotel industry which will promote the development of the MICE industry, therefore the improvement of hotel infrastructure ought to be prioritized. Since there is limited space for large scale of MICE activities in Medan city particularly.

To achieve the strategy required several actions (actions) as follows:

1. Enlarging the hotel area for MICE facilities such as Ball Room, parking lot, business centers according to Barrows et al (2012), event with guest rooms equipped in many properties like mini office, business travelers expect and business centers, particularly in service hotels.

2. MICE infrastructure and design following the customer's needs. Barrow et al (2012) to differentiate its property to competitors, the hotel offers wide range services (other than food and beverage).

3. Improvement of road access, sanitation and flood-free area around the hotel. It is in line with Chidsey (2013), the overall events naturally are greatly resource-intensive, may possess environmental consequences for the host city and population. Specifically for conferences and conventions which can be categorized as large scale events, these type of events may cause pollution, waste and greenhouse gas emission. The environmental effect of events not simply to energy usage, it includes water consumption, carbon emission, and transport. Therefore, undertaking sustainable practices will be able to decrease the economic costs and environmental impact of all related activities at the convention center.

4. Cooperation with local government to accelerate infrastructure improvement in the area around the hotel. Refer to Buathong and Chun Lai (2017), the motor engine of development sustainable event in Thailand is collaboration between government agencies and private sectors. However, there is a lot of areas which could provide greater support consist of environmental education, event sustainability standard, and better know-how on

sustainable event development, budget management, and national policies.

5. Participate in national and international hotel association in terms of reward program such as frequent stay program, to escalate the brand loyalty and opportunities to receive important information from customers. (Ernst and Young,2001),

6 CONCLUSION

1. The greatest score of strength in the hospitality industry is a good name and reputation, hence both factors must be enhanced.

2. The biggest weakness in the hospitality industry is the limited space for MICE activities.

3. The biggest opportunity is the growth of the tourism industry

4. The biggest challenge is the high competition in the hospitality industry

5. The most fitted business strategy to improve the quality of hotel services in the MICE industry is through the upgrading of hotel infrastructure because based on conditions, especially in the city of Medan, which is still limited in providing space with a large capacity to support the MICE industry.

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