

# การวิเคราะห์สถานการณ์ของการประกอบธุรกิจโรงแรมขนาดเล็กยุคเศรษฐกิจดิจิทัล ในประเทศไทย

## Situation Analysis for the Business of Small Hotels in Digital Economy Age in Thailand

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### บทคัดย่อ

การวิจัยครั้งนี้ มีวัตถุประสงค์เพื่อศึกษาสถานการณ์ปัจจุบันของการประกอบธุรกิจโรงแรมขนาดเล็กในยุคเศรษฐกิจดิจิทัล แนวทางการดำเนินการวิจัยเชิงคุณภาพเก็บข้อมูลด้วยวิธีการสัมภาษณ์เจาะลึกแบบมีโครงสร้างและการสังเกตกับผู้ประกอบการหรือผู้บริหารโรงแรมขนาดเล็กที่เป็นโรงแรมตัวอย่างจำนวน 50 คน ในจังหวัดท่องเที่ยว 10 อันดับที่มีการจัดโดยการท่องเที่ยวแห่งประเทศไทย (ททท.) วิเคราะห์ข้อมูลตามแนวการวิเคราะห์สถานการณ์ (SWOT Analysis) ตามแนวคิดด้านปัจจัยการบริหาร (คน เงิน วัสดุ การจัดการ: 4M) จากนั้นสังเคราะห์สภาพแวดล้อมทางการแข่งขัน (Competitive Environment) ด้วยการทำ TOWS matrix ตามแนว Five Forces Model

ผลการวิจัยพบว่าสถานการณ์ปัจจุบันของการประกอบธุรกิจโรงแรมขนาดเล็ก พบว่า จุดแข็งคือเจ้าของธุรกิจดูแลบริหารด้วยความตั้งใจ ไม่แพ้เมื่อเทียบกับวัสดุอุปกรณ์ที่ใช้ต่ำแต่งกายในห้องพัก การออกแบบโรงแรมและห้องพักสวยงามมีเอกลักษณ์และมีคุณภาพ ด้านการบริหารจัดการเป็นรูปแบบธุรกิจครอบครัว จุดอ่อนคือเจ้าของธุรกิจไม่มีประสบการณ์ด้านบริหารจัดการโรงแรม ขาดความรู้ด้านเทคโนโลยีสารสนเทศ การบริหารจัดการใช้ชีวิชแก้ปัญหาเฉพาะหน้า โอกาสจากภายนอกที่เอื้ออำนวยการประกอบธุรกิจคือนโยบายรัฐบาลสนับสนุนการใช้เทคโนโลยีสารสนเทศสำหรับการประกอบธุรกิจ การเข้ามาของนักธุรกิจต่างชาติทำให้เกิดการรวมกลุ่มกันระหว่างโรงแรม ต้นทุนการเดินทางท่องเที่ยวลดลง (สายการบินต้นทุนต่ำ) ตัวแทนที่เกี่ยวกับการท่องเที่ยวมีเพิ่มมากขึ้นทำให้แข่งขันลดลง ราคา มีโอกาสสร้างแบรนด์เนื่องจากเป็นธุรกิจใหม่ ส่วนอุปสรรคจากภายนอกที่ขัดขวางคือ กฎหมาย ระเบียบของโรงแรมขนาดเล็กไม่ชัดเจน มีที่พักให้เลือกหลากหลายประเภท การซื้อห้องพักผ่านตัวแทนได้ในราคาที่ถูกกว่า ตัวแทนที่เกี่ยวกับการท่องเที่ยวเป็นกลุ่มเดียวกัน มีคู่แข่งจำนวนมาก

คำสำคัญ: วิเคราะห์สถานการณ์ โรงแรมขนาดเล็ก ยุคเศรษฐกิจดิจิทัล

### Abstract

This research aimed to study the current situations of small hotel business in the digital economy. A qualitative research approach was used to collect data by in-depth interview with structured and observation from 50 small hotel entrepreneurs or hotel executives in the top 10 tourist provinces rated by Tourism Authority of Thailand (TAT). An analysis



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through SWOT analysis based on the concept of management factors (4M: Man, Money, Materials and Management). Then synthesize a competitive environment by making a TOWS matrix based on the Five Forces Model.

The research result of current small hotel business situations by using SWOT analysis as follows: The strength was the business owners themselves managed as their family business model. The room rate is not expensive compared with decorate and the materials high quality. The weakness is the business owner lacked of information technology knowledge and lacked of professional experience in the hotel management. External opportunities were backed by state policies. The travel cost decrease (low cost airline) and travel agency are increasing so competition to reduce prices. The outside barriers as threats were the unclear small hotel criteria and many competitors.

**Keywords:** SWOT Analysis, small hotel, digital economy age

**Paper Type:** Research

## 1. Introduction

National Social and Economic Development Plan Number 11 (2012-2016) and Draft Plan Number 12 (2017- 2021) focus on development and support tourism. And Ministry of Tourism and Sport determined the year 2015 was Discover Thainess Year (Ministry of Tourism and Sports, 2015). Making business related to tourism is increasing as well. This includes investment in small hotels as an important drive in tourism of Thailand. The survey of National Statistical Office found that of number of hotels, resorts and guesthouses in the year 2014 are 457,029 and in the year 2016 the number increased to 481,529.

Situational analysis (SWOT Analysis) is used as a guideline to determine vision and strategies for organizations to develop in an appropriate approach with the current situation. In the digital economy age, a small hotel entrepreneur in Thailand should prepared to bring new technologies for add value to the services sector and enhance the competitiveness such as the Internet of Things (IoT) that connects the internet to devices for the convenience.

Still, the businesses are on small hotels there are many problems. The review of research on small hotels found that the entrepreneurs have lack of knowledge and experience of hotel management (Institute for Small and Medium Enterprises Development, 2010). And now in digital economy age to accelerate the development and implementation of marketing activities from the new digital economy (Anon & Suree, 2012). So the competency of entrepreneurs need to strengthen knowledge, strategic abilities to manage the hotel through an online business to reduce costs and increase profit

sustainably. As well as the services standard and accelerate the development of strategic and operational marketing activities of the digital economy age.

And encourage entrepreneurs can to give value oriented to tourists. There is a wide range of shared experiences to affect the development of small hotel business in Thailand to sustainability.

## 2. Objective and Research question

The objective is to find out the current situation of small hotels in digital economy age. And research questions are 1) what is the situation of the business of small hotels in digital economy age in Thailand? And 2) what are the issues of strengths, weaknesses, opportunities and threats of the business of small hotels in digital economy age and how can they improve?

## 3. Literature review

In order to understand SWOT analysis for the business of small hotels in digital economy age, this paper has studies documents literatures textbooks, and related researches. It is determined into three parts which are 1) the small hotel, 2) SWOT analysis and TOWS analysis, and 3) digital economy

3.1 The small hotel: Hotel business is an important element of the tourism industry. The government has a policy to promote tourism by setting a tourism strategy as a province in the spatial integration of tourism (Tourism Department, 2015). The classification and grouping of the hotel did not provide any clear definition of



a small hotel. But there is a lot of research about small hotels. The research has considered in several dimensions to obtain the number of rooms, both regulatory requirements and requirements concerning the business of hotel. So let's define the definition of a small hotel. Small hotel there are no more than 79 rooms in the hotel, unique style, affordable price, ideal for customers with privacy and focus on new experiences (Morrison, 1992; Keith & Molcolm, 1997; Soipech, 2007; Moriarty, Jones, Rowley, & Teahan, 2008; Dallen & Victor, 2009; Thailand Hotel Associate, 2010; Zupan & Milfelner, 2014).

**3.2 SWOT analysis and TOWS analysis:** The purpose of SWOT analysis is to provide the organization with the opportunity to prepare for factors respond. Also find a protecting or strategizing to change limitation to business advantage (Chumpol, 2004) SWOT analysis is a tool for auditing an organization and commonly used for analyzing internal and external situations in order to attain a systematic approach and support for decision making. If it is used correctly, it can provide a good basis for successful strategy formulation (Hsu-His & Wen-Chih, 2006). An analyze the situation within the organization regarding the analysis and consideration of resources and capabilities within the organization. To identify the strengths and weaknesses of the organization. The primary information for internal situation is comprehensive information in terms of structure, system, rule, operation and administrative resources. The concept of management (man, money, materials, management: 4 M) (Wittaya-Udom, 2008) is the personnel or people (Man) who perform the mission and activities. Money or budget is the budget used for operations and expenses. Materials, Equipment or Materials mean tools or appliances used for production and services including buildings facilities. Management refers to the knowledge of management such as leadership. Job Description, job morale and timing to work toward the goal. Strengths are capability and situation within a positive organization, useful in management to achieve the objectives or the internal operations that the organization does well. Weaknesses are situation within the organization is negative and inferior. The organization can't be used as a management to achieve its objectives or the internal operations that didn't well. Opportunities are factors and external

circumstances that facilitate the functioning of the organization to attain objectives or external environments that are beneficial to the operation of the organization. And Threats are factors and external circumstance that hinder organizational performance don't meet objectives. Or the external environment is a problem to the organization. Sometimes the classification of opportunities and obstacles is difficult. This research focuses on the situation in the part of competitive environment only because of it is a direct impact situation. Using the concept of Michael Porter is the Five Forces Model consists of five elements (Chompoonkham, 2009) is 1) New Entrant because the industry is the one who is scrambling to market shares more. 2) Substitutes are different products but have comparable. If a replacement product is available it is easy to find and cheaper to making less attractive. 3) Supplier Bargaining Power is the number of suppliers of raw materials, the level of integration of raw material suppliers, and the difference or similarity of raw materials. 4) Customer Bargaining Power is volume, customers receive information about products and vendors, brand loyalty, backward integration and switching cost. And 5) Rivalry means a very serious competition between organizations that sell the same product or service. The profits of the industry will also decrease. The factors that will be used to determine the severity of the competition are the number of competitors, industry growth rate, product differences, brand engagement, excess capacity, fixed cost, storage costs and barriers to exit.

TOWS analysis is an effective way of combining a) internal strengths with external opportunities and threats, and b) internal weaknesses with external opportunities and threats to develop a strategy (Shangzed Training and Consulting International, 2010).

**Aggressive Strategy (SO)** Consider all strengths one by one listed in the SWOT Analysis with each opportunity to determine how each internal strength can help you capitalize on each external opportunity.

**Turnaround Oriented Strategy (WO)** Consider all weaknesses one by one listed in the SWOT Analysis with each opportunity to determine how each internal weakness can be eliminated by using each external opportunity.

**Diversification Strategy (ST)** Consider all strengths one by one listed in the SWOT Analysis with

each threat to determine how each internal strength can help you avoid every external threat.

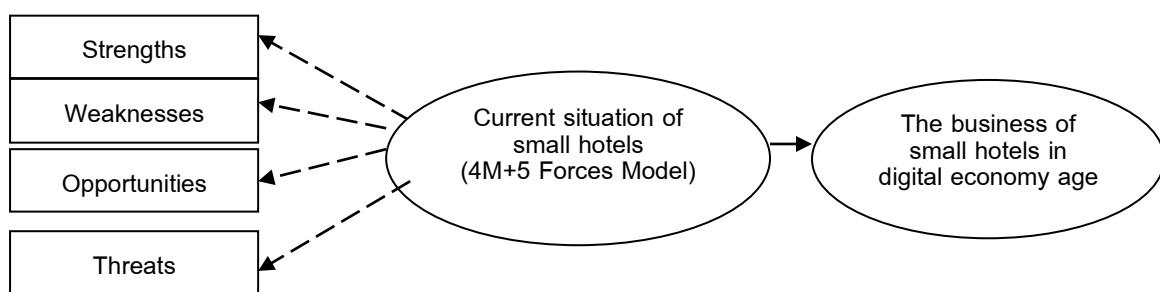
Defensive Strategy (WT) Consider all weaknesses one by one listed in the SWOT Analysis with each threat to determine both can be avoided.

3.3 Digital Economy: Digital Economy is an economy that relies on information technology or the internet to create a career or economic activities. Including the use of communications and telecommunications technology to develop businesses or industry widely is a key factor. Digital economy is driving the economy of the

country by digital technology to increase efficiency and add value to gross domestic product. (The secretariat of the House of Representatives, 2015)

#### 4. Conceptual Framework

The situation analysis for the business of small hotels in digital economy age in Thailand is a qualitative method based on situational analysis as an analytical approach to the concepts of management and 5 Forces Model. The conceptual framework is as follows.



#### 5. Research Methodology

**Method:** Qualitative Research Method

**Population and Sampling:** 50 Entrepreneurs, Executives or General Managers of small hotels by purposive sampling in 10 provinces tourism of Thailand (5 hotels in 1 province)

**Table 1** Number of Hotels, Resorts and Guesthouses in tourism province Year 2016

Province	Number of hotels	Individual Registration	Meuang District (SMEs Registration)
Chiang Rai	392	352	31
Chiang Mai	647	396	57
Udon Thani	162	144	18
Ubon Ratchathani	219	199	9
Sukhothai	79	64	5
Kanchanaburi	307	208	13
Rayong	307	234	9
Prachuap Kiri Khan	481	355	5
Surat Thani	416	259	8
Krabi	1,302	896	39

**Remark:** National Statistical Office, 2016

Department of Business Development, 2017

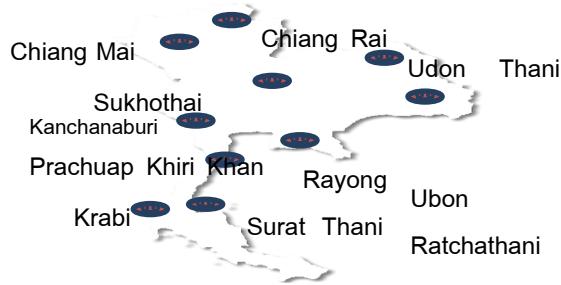
The selection criteria for hotels

1. In the city or comfortable travel
2. Provinces with airport or convenient transportation
3. Number of rooms up to 79 rooms and usable space of 4,000 m<sup>2</sup>
4. No star rating

5. Thai Owner

6. Business at the local level
7. No chain hotel
8. The general hotels and boutique & resort hotels
9. Provide information and Join the research project



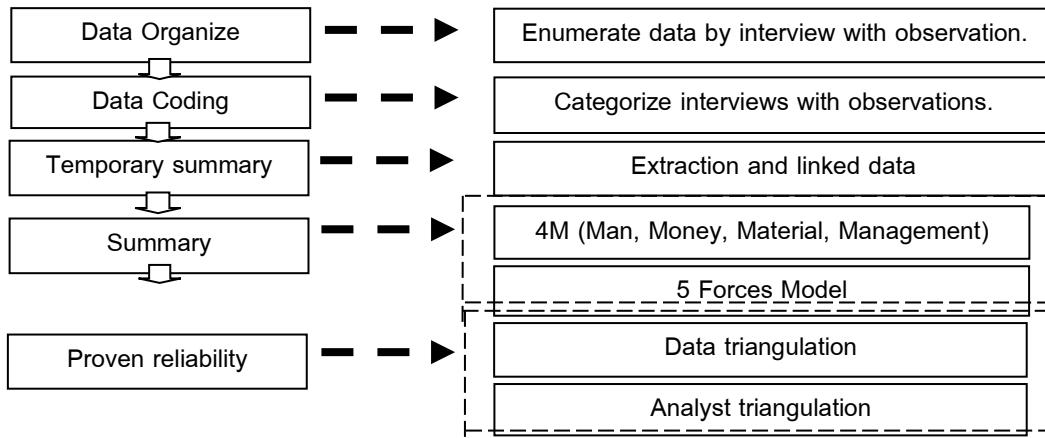


Picture 1 Tourism province

**Research Instruments:** In-depth interview (snow ball technique) and Observation

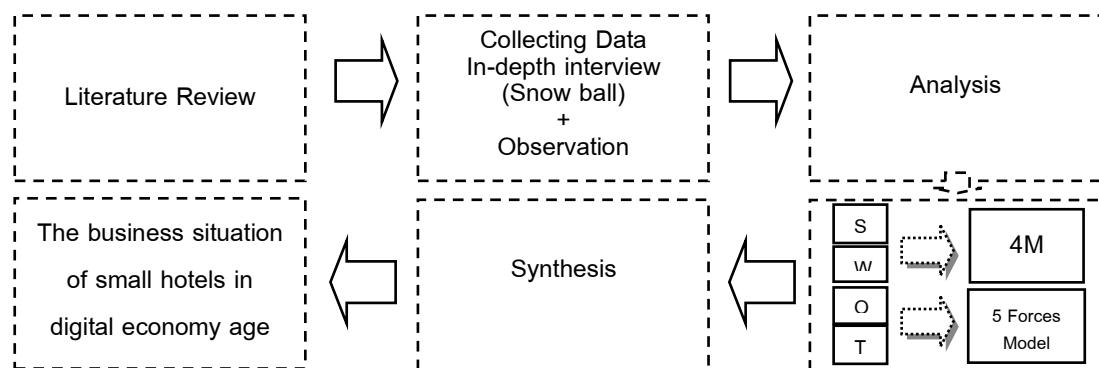
**Data Analysis:** Content Analysis (4M and 5 Forces Model) SWOT Analysis: Strengths and Weaknesses in 4M (Man, Money, Material and Management) Opportunities and Threats in 5 Forces Model (Threat of new entrants, Threat of substitutes, Bargaining power of buyers, Bargaining power of suppliers and Industry rivalry). TOWS Matrix

The data analysis process is as follows. 1) The data from the interviews as the primary data interviews each issue. 2) The data obtained from interviews to clarify issues for analysis (SWOT analysis) based on 4M (money, people, materials, management). And 3) Take the results from situational analysis and synthesize a competitive environment by TOWS matrix based on the concept of Five Forces Model. The data analysis process is as follows.



Picture 2 Data analysis process

## 6. Research Framework



## 7. Result Summary

Findings according to the objectives in this research are results from content analyzed by in-depth interviews and observation of current situation of the business of small hotels. According to the 4M and 5 forces model principle the results of the analysis are not different in 10 provinces 50 hotels as follow:

### SWOT Analysis

**Strengths:** Business owners take care of themselves, Room rates are affordable/better income, elegant design and good quality materials, Family culture management

**Weaknesses:** Business owners don't have knowledge of technology, not worth the investment, No hotel webpage (only facebook), No online or digital system

**Opportunities:** The government policy to support the use of technology in businesses, the entry of foreign investors caused a group business, travel costs for travel reduction (low cost airline), dealers or suppliers are increasingly offering competitive promotion to more small hotels, and Branding is more likely to be awarded to a new business.

**Threats:** Regulations of small hotels unclear, various choices of accommodation, purchased through authorized dealers at cheaper prices, the dealer is the same group, a lot of competitors.

**Table 2** TOWS Matrix:

Internal Factors	Strengths	Weaknesses
External Factors	<i>Business owners take care of themselves, Room rates are affordable, Elegant design and good quality materials, The family culture management</i>	<i>Business owners don't have knowledge of technology, not worth the investment, No hotel webpage (only facebook), No online or digital system</i>
Opportunities	SO Strategies (Aggressive Strategy)	WO Strategies (Turnaround Oriented Strategy)
<i>The government policy to support the use of technology in business, The entry of foreign investors caused a group business, travel costs for travel reduction (low cost airline), dealers or suppliers are increasingly offering competitive promotion to more small hotels, branding is more likely to be awarded to a new business.</i>	<ul style="list-style-type: none"> <li>- Small hotel operators association gets support from the government in digital system.</li> <li>- Business owners and related businesses work with government to do tourism activities through the digital media of government.</li> </ul>	<ul style="list-style-type: none"> <li>- Technological training from government.</li> <li>- Requested subsidies from the government for technology system used in hotel management.</li> <li>- Development of digital marketing.</li> </ul>
Threats	ST Strategies (Diversification Strategy)	WT Strategies (Defensive Strategy)
<i>Regulations of small hotels unclear, Various choices of accommodation, Purchased through authorized dealers at cheaper prices, the dealer is the same group, a lot of competitors.</i>	<ul style="list-style-type: none"> <li>- Elegant design and communication with the customer.</li> <li>- Marketing communications and marketing activities through digital media on their own.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop themselves in order to keep with technology changes all the time.</li> </ul>

Due to SWOT analysis of small hotel business in the digital economy age can be taken as a guideline to carry out the improvement and development the following issues:

Situation 1 Aggressive Strategy (Strengths-Opportunities): 1) Establish a small hotel operator association to obtain support about digital system (Information Technology) from the government. And 2) the business owners and related business (low cost airline) cooperates with the government to organize tourism activities through digital media.

Situation 2 Defensive Strategy (Weaknesses-Threats): 1) Self development to keep up technology. And 2) follow up business news about accommodation, tourism for continuous improvement.

Situation 3 Turnaround Oriented Strategy (Weaknesses-Opportunities): 1) Get training in digital literacy, Information Technology System provide by the government. 2) Let the government support some investments for Digital System and Information Technology System adoption. And 3) Develop more communication channels online media.

Situation 4 Diversification Strategy (Strengths-Threats): 1) Design and build a distinctive hotel have identity and then communication to customers. And 2) Making marketing communication and marketing activities through digital media.

## 8. Discussion

The result of the research is that the strengths of a small hotel business are owned by the business owner. Rooms rates are not expensive compared to the materials decorate in the room. The design of the hotel and rooms are beautiful, unique and high quality. And managed as their family business model. Either may be because small hotel entrepreneur have come to take care of their own business closely nor it is a local business, which is not very large can be making it a very manageable include the hotel management structure is not complicated because there are not many staff. Which corresponds to the research of Wutthiwpongipat (2007) has studied Customers satisfactions towards small hotels in Muang district, Chiang Rai Province. Zupan, & Milfelner (2014) have studied Social responsibility, motivation and

satisfaction: small hotels guests' perspective. And Thai hotel association (2010) has mentioned a small hotel in the management is an independent administration by the owners some of them are family management model. Most independent management hotels can be found in local and urban communities. And in the same direction as Moriarty Moriarty, Jones, Rowley, & Teahan (2008) studied marketing for small hotel found that small hotel management is limited in terms of investment for marketing activities but it will focus on providing the highest level of services. The design of the room and hotel are beautiful, unique and the quality of the materials is also important to small hotels due to the size of the business are not very large to invest for construction. Choosing quality materials is one of the important factors. Because of most of the tourists are new generation and then focus on comfortable and self confidence. The design of the small hotel thus fulfills the needs of this traveler. This corresponds to the research of Tulwattana (2008) study the design of small hotels impress focusing on standard room design and finding the factors that affect the purchase decision. And Somsawat (2009) that said, a small hotel is a hotel that does not use much capital but invest in creativity in different designs and attention to services. For the weaknesses within the hotel business found that the business owner without experience in hotel management, lack of information technology knowledge and management uses an immediate solution. This may be because the small hotel entrepreneur did not graduate directly in hotel management and do not have the knowledge of information technology but have passionate traveler and have great family also, so they are interested to operate a small hotel business. Another possibility is that these entrepreneurs are new generations so prefer to work as themselves and run their own business. Which corresponds to the research of Sharma & Upneja (2005) has studied Factors in flouncing financial performance of small hotels in Tanzania its finding the operating factor in small hotels is inefficiencies due to lack of employee training. And in the same direction as Nitu & Bakucz (2014) has studied Strategy for small hotels case study of a hotel located in Harkany, Hungary.

## 9. Suggestions

Research results can provide policy recommendations as follows:

1. Local government should provide support for tourism activities, travel information and activities supporting tourism it contributes to the use of small hotel which are local business to create jobs for local people.

2. The government should subsidies some investments, educating for information technology system are use to manage small hotel to standards and have credibility for tourists.

3. The government relevant should consider the specific rules regarding small hotel in particular for the benefit of small hotel business to local development and sustainable.

Practical recommendation for small hotels: The research results can offer practical recommendation for small hotels have potential and sustainable should be prepare or implements as follows.

1. The small hotel entrepreneurs should be formed as small hotel association. In order to have a center or coordination, support each other to get government support such as support for digital literacy training, support for hotel management system with information technology etc.

2. The small hotel entrepreneurs should design a distinctive hotel have identity and communication to customers to be competitive.

The research results can indicate opportunities for future research as follow:

1. Study the critical success factor with best practice of small hotel through benchmarking.

2. Study other contexts of small hotel to develop small hotel business to support sustainable local tourism.

3. Study and create digital system, Information Technology System to support the small hotel business in the 21<sup>st</sup> century.

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