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Maintaining a Competitive Advantage in Season-Oriented Tourist Destinations

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Abstract

Maintaining competitive advantage in an industry as competitive as the restaurant industry is a challenge itself. In addition, restaurants located in highly seasonal tourist destinations face a unique set of challenges that make maintaining competitive advantage even harder. This paper investigates the impact that new entrants, technology and innovation have on maintaining competitive advantage. A questionnaire was distributed to 30 restaurant owners and managers from Bar, Montenegro. The questionnaire measured the level of aggressiveness, implementation of market leadership strategies as well as factors such as the experience of managers, location and capacity of a restaurant in order to find correlations between these factors and success in maintaining competitive advantage.

Keywords: Market Leadership, Competitive Advantage, High Seasonality, Restaurants, Montenegro.

Maintaining a Competitive Advantage in Season-Oriented Tourist Destinations

Despite the fact that in many industries the highest goal is to be a pioneer and the first one to enter the market, history has proven that many pioneers are not as successful as early leaders (Tellis and Golder, 2006). A possible reason for this phenomenon is that often a smaller company, by spotting the weaknesses and providing customers with more functional and often cheaper products, is able to gain advantage over well-established businesses with more resources (Subramani, Bala and Rajagopalan, 2020). These authors continue to argue that innovations from smaller companies tend to have a significant impact on the market and very often create whole new markets filled with products that are more accessible, simpler and more affordable. Consequently, this results in a change of their positions on the market.

The relationships among the players on the market are significantly affected by the arrival of *disruptive innovators* to the market. Disruptive innovators are described as new entrants to the market that do not try to offer a better product but rather disrupt the existing balance on the market by introducing more accessible, practical and cheaper products that appeal to a broader audience. (Christensen and Raynor, 2003). There are several characteristics of so-called disruptive innovators. In the beginning, the disruptive innovators serve smaller and not so sophisticated market needs before they expand to vast markets. According to (Freear, Sohl and Watzel, 1995) bootstrapping is a process of obtaining funds through creative ways of transforming human capital to financial capital, whether it is obtaining cash through family or

friends, it aims to maximize efficiency in the usage of capital with a goal to secure highest possible return on investment. It is bootstrapping that allows disruptive innovators to have higher gross margins than the pioneers and well-established companies resulting in more room for profit they use to foster growth.

The surprise factor, velocity and amount of impact that disruptive innovators have often are underestimated by market leaders, and eventually, it results in a direct decrease in market share, revenue and profit for market leaders. The velocity, in this case, refers to the speed and accuracy of actions that disruptive innovators take in order to spot weaknesses of market leaders and eliminate them from the market. (Kalayani, 2016).

In order for companies to successfully cope with disruptions, senior management of companies needs to take a specific approach where they firstly analyze the market, identify possible opportunities and threats, create adequate responses that will make things difficult for disruptors and, secondly, make sure that the strategy is executed in planned manner (Subramani, Bala and Rajagopalan, 2020).

The core of this strategy lies in the ability of managers to identify changes happening on the market caused by new entrants and management's ability to leverage their well-established assets with a goal to throw the new entrants out of the game. The authors (Subramani, Bala and Rajagopalan, 2020) recommend three simple starting points:

- 1) Creating a new department within the firm that is solely focused on competition and position of the firm on the market.
- 2) Making sure that the firm is aware of new technological improvements and new technologies emerging.

3) Creating a growth-oriented team that is searching and scanning for possible growth opportunities

In order to maintain its position, a market leader must constantly be prompt and ready to act when it comes to competition. By implementing various strategies and using new technologies while at the same time being innovative a market leader is able to hold its position (Subramani, Bala and Rajagopalan, 2020). Price reduction, introduction of new innovative offers (Red ocean strategies) or fulfillment of an existing gap that has been underestimated or overlooked by other market players (Blue ocean strategy) can be dangerous for the firm if they are not changed and implemented at the right moment. In order to avoid losing its competitive edge, a firm must frequently change its strategies and more importantly be aware that it might be trapped by its own success (Subramani, Bala and Rajagopalan, 2020).

Hospitality and more specifically the restaurant industry is exposed to higher risks and increased competitiveness which suggests that effective approaches to maintaining positional advantage are crucial for the survival of businesses (Singal, 2015).

Due to low entrance barriers as well as imitation and substitution, positional advantage, which refers to the gap between the market leader and follower, is of great significance for restaurant owners and managers (Barney 1991). As positional advantage can provide a better view on underlying opportunities and access to better resources, restaurants can't afford not to be a part of the race for a better position on the market.

Another theory covering this topic is Resource-based theory (RBT). RBT is one of the most frequently used and widespread theories that revolves around internal resources and capabilities of the firm being recognized as the most important tools available to gain

competitive advantage (Kellermans 2016, Nyberg 2014). Management theorists have argued that properly organized human resources, physical resources and organizational resources can lead to sustainable competitive advantage and more importantly better overall performance of the firm (Lonial and Carter, 2015). An emphasis is put on intangible organizational resources such as entrepreneurial organization (EO), market orientation (MO) and human capital (HC) which, when combined and effectively used can develop a competitive advantage (Lonial and Carter, 2015).

In RBT, Entrepreneurial orientation (EO) refers to a distinct form of entrepreneurship that reflects firms practices, activities and processes creating so-called firm`s „Strategic posture“ (Wales 2013, Lumpkin and Dess, 1996). EO is more focused on how a firm operates daily rather than what it does on the long terms (Lumpkin and Dess, 2001, Miller 2011).

The Concept of Market orientation (MO) is derived from the heart of marketing theory (Levitt, 1960). It consists of three dimensions: customer orientation, competitive orientation and inter-functional orientation that are all put in the function of creating a closer customer-provider relationship (Deshpande and Farley, 1998).

Human capital (HC) is considered to be the most valuable intangible asset a firm can have and could be leveraged to gain a competitive advantage on the market (Nyberg 2014, Barney, 1991). Human capital is a result of education, experience as well as on-job learning (Unger, 2011, Davidsson and Honig, 2003). Human capital theory suggests that the skills, task-related knowledge and experience of a restaurant entrepreneur are prime and critical resources in the small restaurants industry (Unger, 2011, Nyberg, 2014)

RBT suggests that market leadership is obtained and maintained with effective exploitation of resources that are of great value, rare, authentic, unique and hard to copy (Barney,

1991). Some examples of these resources are new technologies implemented in service development or new product lines that are difficult to understand and be copied by competitors due to the fact that they come from tacit knowledge and create casual ambiguity that is considered to be a solid protection shield against the competition (Smith, 1991). Translated into the restaurant language, tacit knowledge would be recipes inherited from grandmothers that can hardly be written down and are even harder to imitate.

Restaurants cannot maintain their competitive advantage solely because of access to better resources, combination and effective exploitation of these resources are crucial to securing a leadership position for the business (Kraaijenbrink, 2011).

Seasonality is a phenomenon that creates additional challenges for market leaders in the restaurant industry that want to maintain their position. Furthermore, seasonality is one of the main characteristics of the tourism industry (Andriotis, 2005) and is a result of inequality in supply and demand in the travel industry (Butler, 2004). As a consequence, we have restaurants that are open only for a short period of the year but are trying to generate full-year revenues (Butler, 1994).

Due to a lack of research about market leaders in the restaurant industry, patterns of behavior and actions they take in highly seasonal tourist destinations this paper will based on research, reveal some main traits, patterns of behavior and actions that allow market leaders in the restaurant industry to maintain their competitive edge in highly seasonal tourist destinations.

Bar, a city on the south of Montenegro with high seasonality and a tourist season lasting for only four months (June, July, August, September) is a perfect place to conduct research about maintaining a competitive edge in highly seasonal tourist destination

Method

Purpose

This quantitative data collection was conducted with a goal to examine how restaurants in highly seasonal tourist destinations maintain their competitive advantage as well as what specific behaviors and actions that they take allow them to stay leaders in the industry.

Participants

In this primary research, 33 restaurant owners/managers were asked to fill out the survey and the response rate was 90% resulting in a total of 30 responses. Their gender, as well as age, were not relevant for this study. The only prerequisite for this survey aside from either owning or managing a restaurant was the knowledge of the English language.

Survey participants were selected based on their overall performance in the restaurant industry as indicated by Trip Advisor rating as well as generally accepted success level in the Bar community determined by revenue, table turnover and brand value. The most successful restaurateurs in the city of Bar were selected and contacted directly via telephone. From RIT Alumni, entrepreneurs ranging from those with rich experience in restaurant industry to those who recently entered the restaurants market, participants were chosen based on their knowledge and experience in restaurant industry.

All survey participants were informed that their participation is anonymous as well as confidential. Furthermore, they were ensured that the data collected will be used only for the purposes of this study and can't in any way harm them. The data for primary research was collected in four days; from April 9th until April 13th 2021 and the survey was distributed to participants electronically via google forms.

Instrument

The questionnaire created for this research consists of fifteen questions. In order to identify possible relationships between actions and behaviors that result in maintaining competitive advantage, this survey consists of five questions about literature established strategies, two questions about aggressiveness and competitiveness on the market, two questions about new entrants and their innovations as well as one questions about technology in restaurant industry. In addition, this questionnaire consists of five demographic questions that help to determine and identify specific groups such as leaders and followers on the market, level of experience that owners\managers have as well as location and capacity of their restaurants.

With a goal to collect data that is as relevant as possible, various types of questions were used in the survey. Eight questions were multiple-choice, six questions were five-point Likert scale ranging from strongly disagree to strongly agree and one question was open-ended.

Results

We begin by reporting results regarding the descriptive profile of our participants (See Figure 1). The overall results of demographic questions suggest that most of our participants are market leaders if we take Trip Advisor rating as a determinant of market position. 19 participants (70%) stated that their Trip Advisor rating is higher than 4.5 on a scale from one to five. (See table 1.1 – 1.5).

We now turn to the main part of our research where participants were questioned on the level of competitiveness, the importance of new entrants, innovation and technology.

Regarding competitiveness on the market in restaurant industry in the city of Bar, results show that 24 participants (80%) agree with the statement that they closely monitor the competition. On the other hand, 4 participants (13%) disagree with this statement and one participant was indifferent to this statement. (M: 4.0, SD: 1.3). (See figure 3).

Moving to the importance of new entrants, results show the agreement of 23 participants (76%) with the statement that new entrants are being monitored. There was only one participant that disagreed with the statement while 4 participants (13%) were indifferent to this statement. (M: 4.3, SD: 0.8). (See figure 5).

Furthermore, we have examined the importance of new entrants that introduce innovations. When asked if they monitor the market for new entrants with an emphasis on the innovations that new entrants bring to the market, 27 survey participants (90%) agreed with the statement while 3 participants (10%) were indifferent. It is interesting to mention that the standard deviation for this question was the lowest (SD: 0.6) out of all survey questions and none (0%) of the participants disagreed with the statement. (See figure 6).

Results also showed that 22 participants (73%) actively attempt to learn about new technologies in restaurant industry, 4 participants (13%) disagreed with this statement while 3 participants (10%) were indifferent to this statement. (M: 4.0, SD: 1, 3). (See figure 7).

Lastly, results showed that 26 participants (86%) agreed with the statement that they frequently introduce new competitive strategies in order to stay ahead of their competition while

2 participants (6%) were indifferent and 1 participant disagreed with the statement. (M: 4.5, SD: 0.78). (See figure 8).

Correlation Analysis

The correlation analysis of the demographic data and the data obtained from the answers to the survey questions gives an insight into how some of the categories of restaurants are linked with the particular activities researched with the survey.

It was found that that the distance of the restaurant from the nearest tourist attraction is slightly negatively correlated ($r = -.492$, $p = .007$) with the results to the question addressing the attempt of a restaurant to learn about new technologies in the restaurant industry.

In addition, it is significantly negatively correlated ($r = -.672$, $p = .000$) with the answers addressing the frequency of the change in competitive strategies of the restaurant. This means that the more a restaurant is distant from the nearest tourist attraction, the less they attempt to learn about new technologies in the restaurant industry and the less frequently they change their competitive strategies.

Another finding is identified in the analysis of the capacity categories. The larger the capacity of a firm, the less it will change its competitive strategies ($r = -.477$, $p = .009$).

In an open-ended question about specific behaviors, actions or strategies that participants find to be most efficient for maintaining competitive advantage, couple answers repeated. Two participants agreed that market monitoring is crucial for maintaining competitive advantage, two participants agreed that service quality is of importance while two participants have agreed that innovation is what allows them to stay ahead of their competition.

Discussion

The purpose of this research was to gain a better understanding of what are some of the actions, behaviors and patterns that help restaurants to maintain leader's position on the market.

The results of this study support literature (Subramani, Bala and Rajagopalan, 2020) which suggests that monitoring the competition is of great significance in highly seasonal destinations with an emphasis on new entrants and new entrants that introduce innovations.

Furthermore, the results of this research provide evidence that the more distant location of a restaurant is from a certain tourist attraction the less attention is dedicated to new technologies and innovations as well as the implementation of competitive strategies. This finding is not in alliance with common sense because it is considered that restaurants with little or no human traffic going on in front of the location usually must work harder to attract customers. This finding may be explained by the idea that restaurants that are isolated from the crowds are part of a certain niche market in the restaurant industry for which the generally accepted marketing strategies do not apply. Due to disagreement of the results with the literature and common knowledge about restaurants, this aspect of the paper itself can be a foundation for future research.

Another interesting finding of this research is the correlation between the capacity and frequency by which the restaurants change their competitive strategies. The results imply that the greater the capacity of the restaurant is, the less often the restaurant changes its competitive strategies. One interpretation of this finding may simply be the fact that that it is harder for larger restaurants to be agile regarding competitive strategies due to the complexity of operations and high number of employees. Another interpretation of these results may be explained by

comparing restaurants with greater capacities to large firms and corporations. Namely, large firms tend to become very confident about their strategies and at the same time very ignorant to new trends happening on the market.

In terms of future research, it might be interesting to divide participants into two groups (Leaders and Followers) based on certain criteria that are predetermined and compare the two groups and their actions or behavior. Future research done in such a manner might polarize the results from this research and reveal additional actions and behaviors that allow leaders to maintain their competitive edge in season-oriented tourist destinations.

It is important that to understand that there are limitations to this study. The overall situation in the restaurant industry caused by the COVID-19 pandemic is certainly forcing restaurant owners and managers to adapt and change their actions and behaviors in order to maintain their competitive edge. Since this research was conducted in the circumstances of the pandemic, it is important to take into consideration that restaurant owners and managers might have somewhat forgotten how normal operational procedures functioned before the pandemic. Another limitation to this study might be the small sample size that was used for this research. In addition to previous limitations, there might be possible cases of insincerity in answers regarding competitive strategies. Since the research was conducted in a conservative environment where discussing about competition is still considered to be impolite it is expected that not all participants will give sincere answers.

Despite the limitations, this research has contributed to the existing pool of literature by reinforcing the importance of competition and new entrants monitoring. Furthermore, this study contributed to a growing body of literature about the importance of innovation and technology in

the restaurant industry and their role in maintaining competitive advantage. Most importantly, this research can serve as a foundation for future studies that will, such as this one, serve restaurant owners/managers that are either struggling to maintain their leader`s positions or new entrants that want to become leaders in the market.

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Appendix

Demographic/Descriptive Questions

Table 1.1

1. Years in Business

	N	%
Years in Business		
0 - 1 years	1	3%
2 - 4 years	7	24%
5 - 7 years	5	17%
8 - 10 years	0	0%
10+ years	16	55%

Table 1.2*2. Trip Advisor Rating*

Trip Advisor Rating	N	%
2.5 - 3.0	0	0%
3.0 - 3.5	0	0%
3.5 - 4.0	3	11%
4.0 - 4.5	5	19%
4.5 - 5.0	19	70%

Table 1.3*3. Restaurant Capacity*

Capacity	N	%
10 - 20 seats	0	0%
20 - 30 seats	3	10%
30 - 40 seats	3	10%
40 - 50 seats	2	7%
50+ seats	21	72%

Table 1.4*4. Managers Experience*

Manager's experience	N	%
0 - 5 years	7	24%
5 - 10 years	17	59%
10 - 15 years	3	10%
15 - 20 years	1	3%
20+ years	1	3%

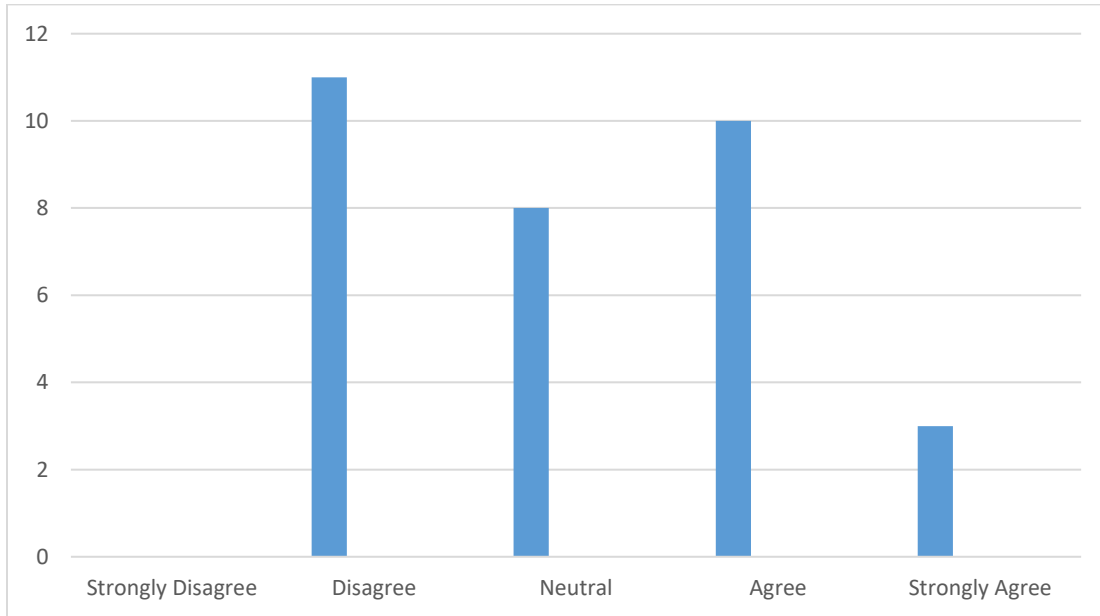
Table 1.5*5. Attraction Distance*

Attraction distance	N	%
Less than 50 meters	12	41%
50 - 250 meters	4	14%
250 - 500 meters	5	17%
500 - 1000 meters	1	3%
More than 1 kilometer	7	24%

Figure 1

Question Results

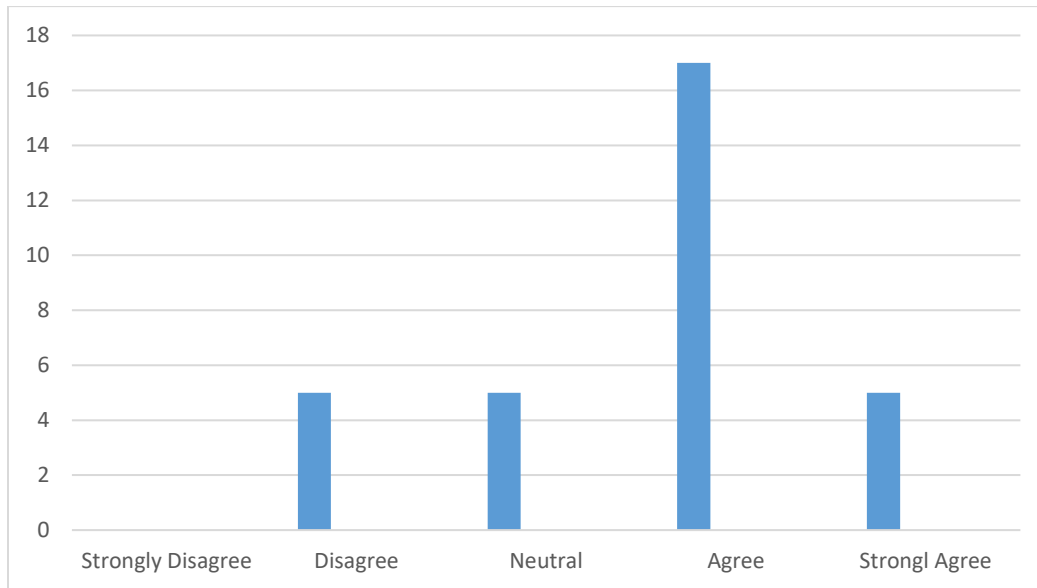
1. *My firm has a designated team or a person who is searching for new opportunities and innovation*



Mean	3.17
Standard Deviation	1.04

Figure 2

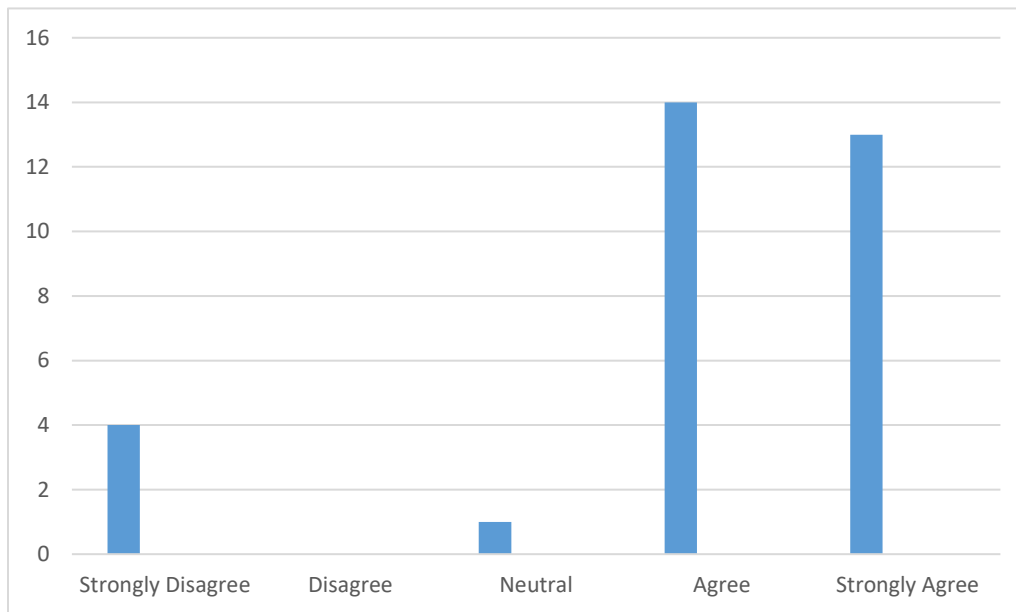
2. *My firm has a designated team or a person who is searching for new opportunities and innovations.*



Mean	3.66
Standard Deviation	0.94

Figure 3

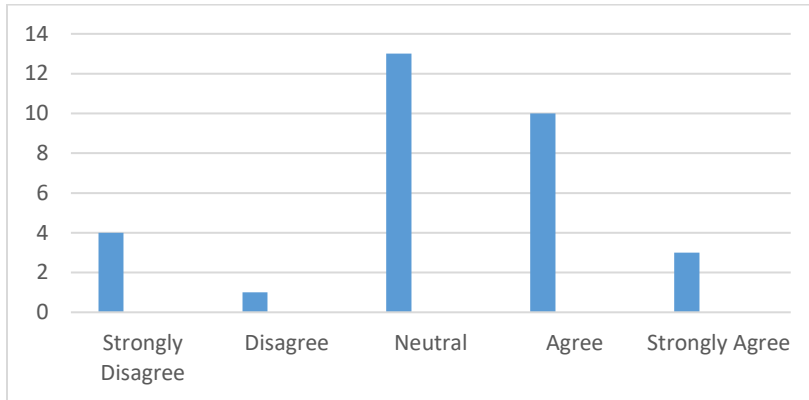
3. *We actively monitor our competition.*



Mean	4.00
Standard Deviation	1.34

Figure 4

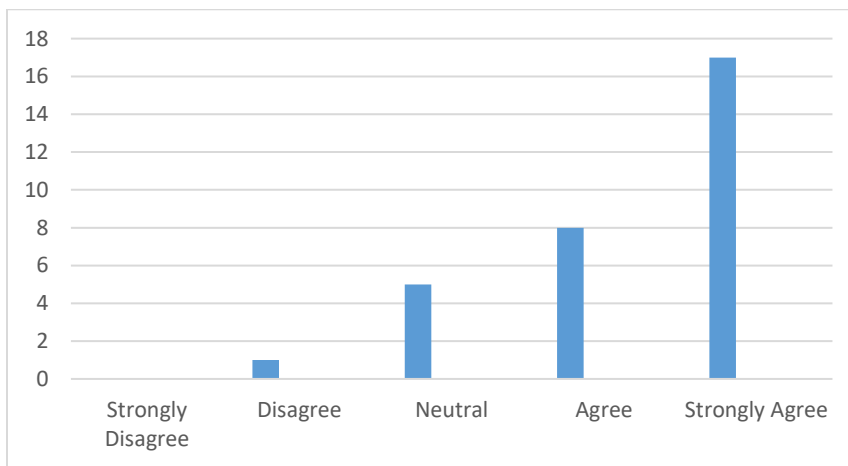
4. *We respond to competitor's actions within a timeframe of one tourist season.*



Mean	3.25
Standard Deviation	1.18

Figure 5

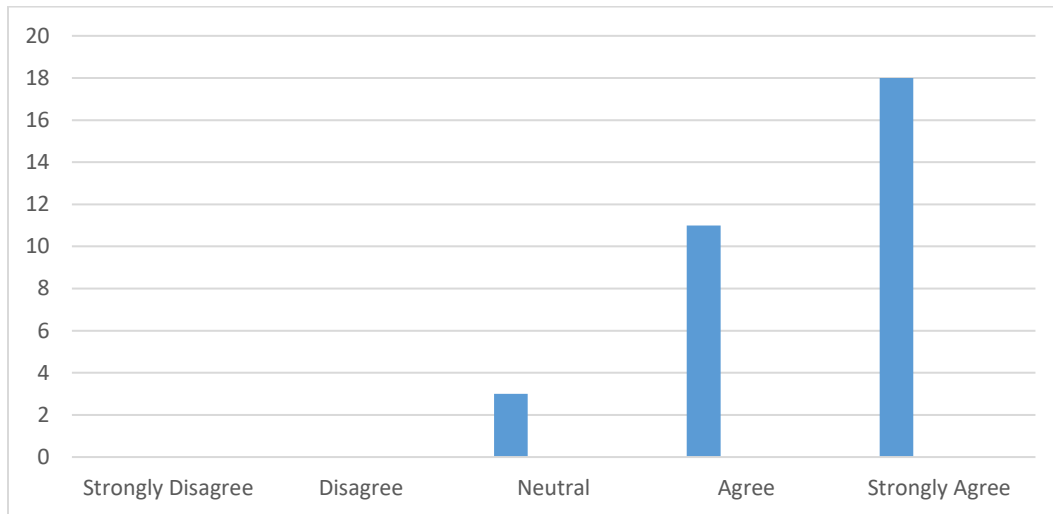
5. *We monitor the market for new entrants*



Mean	4.32
Standard Deviation	0.86

Figure 6

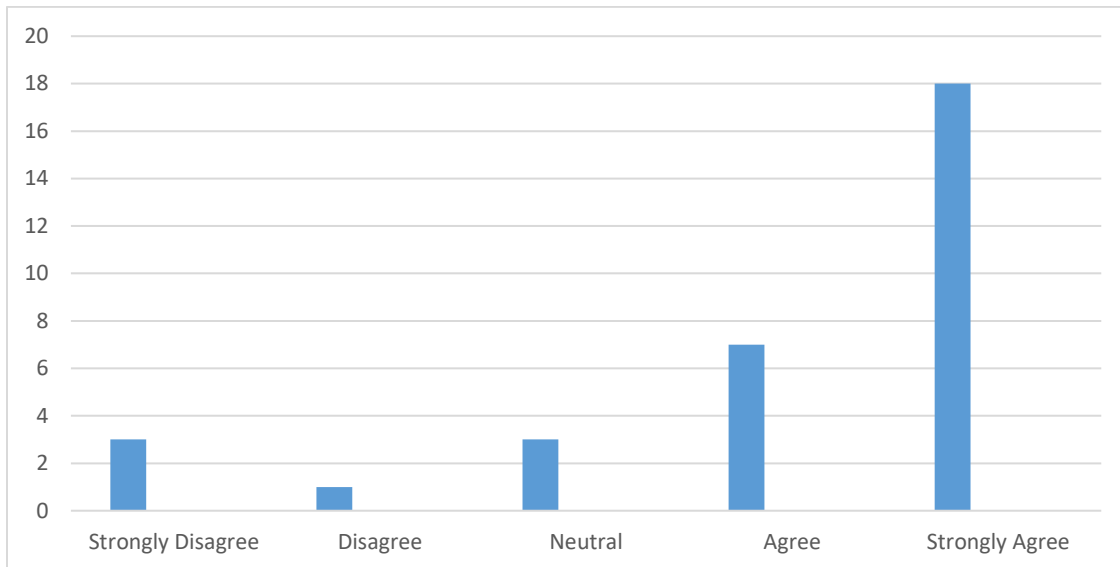
6. *We pay close attention to new entrants that introduce innovations*



Mean	4.45
Standard Deviation	0.69

Figure 7

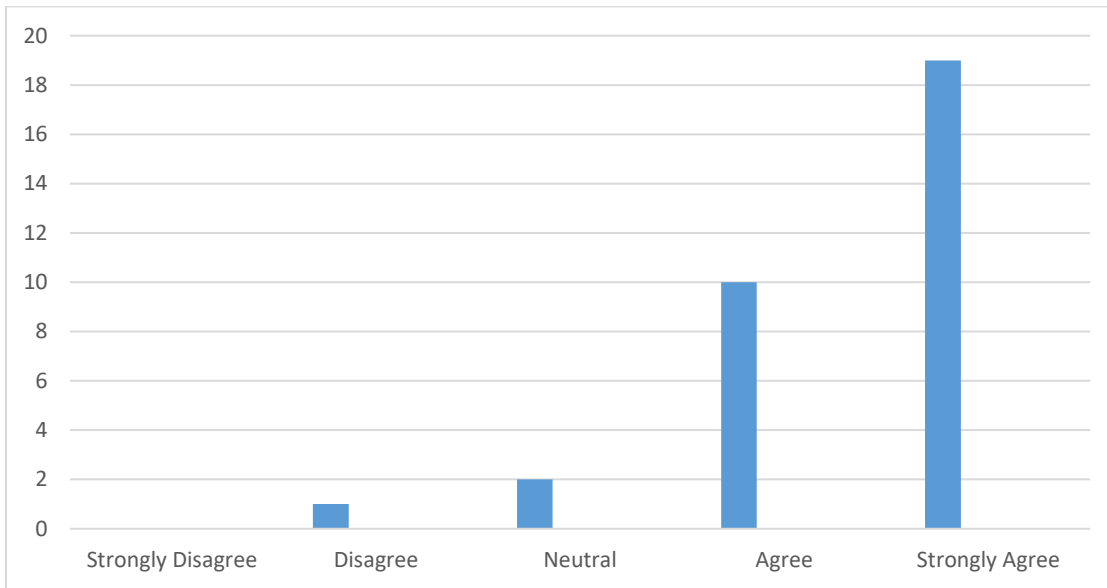
7. *We actively attempt to learn about new technologies in restaurant industry.*



Mean	4.07
Standard Deviation	1.33

Figure 8

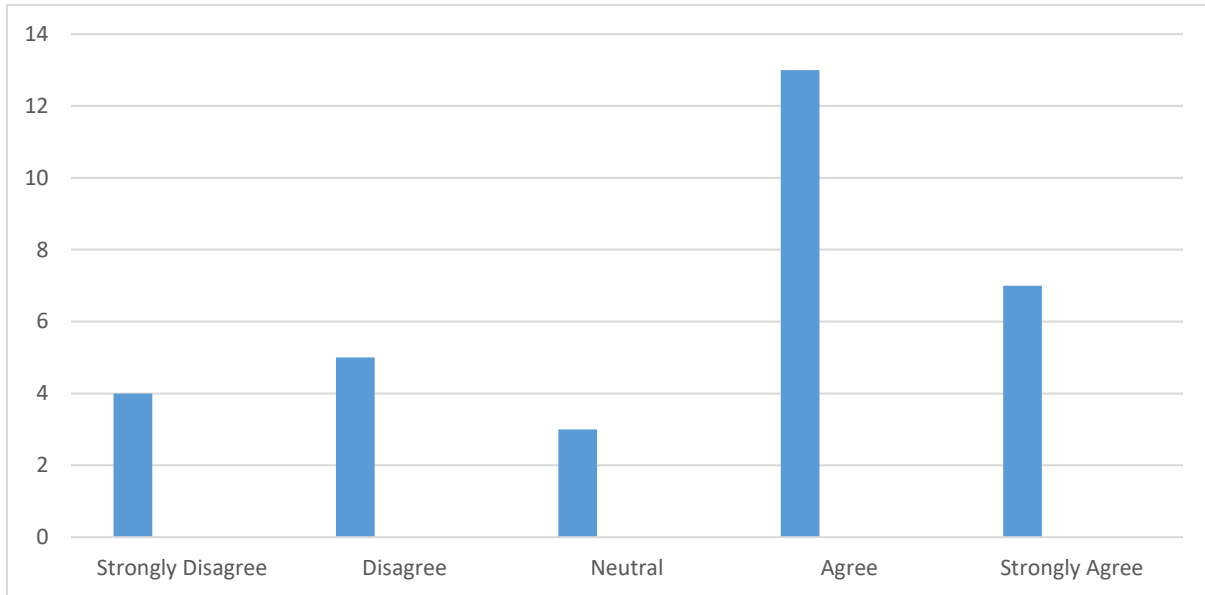
8. *My firm strives to continuously introduce and use new strategies in order to stay ahead of the competition.*



Mean	4.49
Standard Deviation	0.78

Figure 9

9. *My firm frequently changes competitive strategies.*



Mean	3.41
Standard Deviation	1.35