The impact of strategic behaviours on hotel performance

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Abstract

Purpose – This study has a twofold purpose: to identify the competitive strategies and advantages of hotels located in the province of Alicante (Spain); and to inform hotel managers about how some key strategic variables (size, type of hotel management, category and competitive advantage) impact on hotel performance.

Design/methodology/approach – A study of the population was carried out using a questionnaire addressed to hotel managers. A principal components factor analysis was performed to identify business strategies. In addition, hotels were grouped together according to the key strategic variables and the degree of development of the different business strategies implemented.

Findings – A comparative study of the performance levels achieved by each strategic group was carried out for the purpose of checking whether any of them produced significantly higher performance levels. In the light of the results, if hotels are to achieve higher performance levels, they should preferably be medium or large sized, belong to a chain, increase their category and base their competitive strategy on improvement and dimension.

Practical implications – Strategic groups simplify the complex strategic reality in which hotel managers develop their professional activity. Thanks to the creation of these groups, managers acquire an aggregate knowledge of the business strategies and advantages of the hotels operating around their establishments and can equally be aware of the performance levels reached in each group analysed. This information also allows hotel managers to identify the strategic variables which must be developed to avoid being left behind inside their group in competitive terms or to join a different group which they may eventually consider more interesting in terms of strategy or performance.

Originality/value – This study provides a method to identify strategies and competitive advantages within the hotel industry and additionally suggests strategic actions for hotel managers to improve firm performance.

Keywords Strategic groups, Management strategy, Business performance, Hotels, Spain

Paper type Research paper

Introduction

One of the issues about which managers are most concerned is why differences in performance levels exist between different firms and what possible factors may justify those differences. Whereas the industrial organisation approach points at industry structure as the main determining factor for firm performance (Bain, 1959; Scherer, 1980), according to the resource-based view (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984), firm resources are the most relevant factor. However, another level of analysis located between the industry and the firm, the strategic group – a set of firms within an industry which are similar in terms of key strategic dimensions (Hunt, 1972) – can influence firm performance as well.

One of the most relevant functions of strategic groups is to analyse whether significant differences in performance exist between them, i.e. whether some strategic

behaviour produces significantly higher performance levels than the rest (Cool and Schendel, 1987). From this performance differences between groups arises their predictive validity, which can be defined as the capacity to predict the performance of a firm depending on the group it belongs to.

This study has as its aim to analyse the predictive validity of strategic groups and to determine which strategic behaviours have the most positive impact on hotel performance. With that aim in mind, hotels have been grouped together according to three key strategic variables (size, type of hotel management and category) and to the degree of development of the different business strategies implemented. The relevance of the study lies in the fact that it simplifies the complex reality of the hotel industry identifying the way in which hotels can improve their management seeking to increase their performance levels from the key strategic variables and the business strategies used to classify them.

This paper is organised in several sections. It starts with a brief review about the predictive validity of strategic groups. A description of the research design follows. The next two sections offer the findings obtained along with their discussion and a number of suggestions and implications for hotel managers. Finally, a summary of the main conclusions closes the paper.

The predictive validity of strategic groups

One of the features of strategic groups is their predictive validity, which consists of determining *a priori* the performance level achieved by a firm belonging to a specific strategic group (McGee and Thomas, 1986; Cool and Schendel, 1987; Hatten and Hatten, 1987; Thomas and Venkatraman, 1988). This validity has often been questioned. In fact, there are arguments for and against it (Barney and Hoskisson, 1990; McGee and Thomas, 1992; McNamara *et al.*, 2003).

The existence of predictive validity firstly depends on firm collusion. On the one hand, it is believed that firms belonging to the same group collude with one another so as to isolate themselves in terms of competitiveness from firms located outside their group (Caves and Porter, 1977; Fiegenbaum and Thomas, 1990). As a result of this, a favourable competitive environment originates among the members of certain groups (McNamara *et al.*, 2003). This collusive behaviour favoured by the mobility barriers arising between the different groups makes it difficult for firms belonging to a group with worse performance levels to join another with better performance levels due to the uncertainty about the resources needed to build a specific strategy (Veliyath and Ferris, 1997). Collusion thus increases the chances of significant performance differences existing across strategic groups.

On the other hand, the collusion between the members of each strategic group could be affected by some problems which hinder it, e.g. the potential strong negotiation power of customers or the intense competition between enterprises belonging to the same group (Schmalensee, 1987; Cool and Dierickx, 1993). In this situation, the chances of collusion diminish and so do the chances of existence of predictive validity.

Secondly, apart from collusion, the existence of predictive validity depends on the difficulties faced by firms when they try to change strategic group. The greater the difficulties, the more likely the existence of predictive validity will be. Specific internal factors such as the combination of tangible and intangible resources are the ones which prevent firms from changing their strategy and therefore from joining a different strategic

group (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). Furthermore, the cognitive models designed by strategy-makers represent a hindrance to mobility due to which a firm finds it difficult to decide to change group, as that would force the said strategy makers to adopt a new mental model (Hodgkinson, 1997; McNamara *et al.*, 2003).

The effort made by a firm when a decision to change group or follow a new strategy is adopted might be a reaction to its low performance levels or survival chances compared to those of firms belonging to other groups (Zúñiga *et al.*, 2004). This situation has to do with external and internal changes of the enterprises. Additionally, the role of the strategy-maker turns out to be essential in the process of adaptation to changes, as he/she must make decisions based on the information available and adapt the enterprise to the changing environment. Strategy-makers can change strategies easily and quickly in response to changes in the environment when the need to obtain higher performance levels or ensure the survival of the firm exists. Therefore, if changes across firms belonging to different groups are frequent, rapid and simple, the performance levels of the different groups will presumably be similar (Andrews, 1971; Ansoff, 1965; Chandler, 1962; Child, 1997; Miles and Snow, 1978). In addition to that, organisations adapt to their environment easily and this could help to reduce differences in performance and, consequently, predictive validity (Meyer and Rowan, 1977).

Because there are situations in the business reality which can increase or reduce the predictive validity of strategic groups, the present paper has set as its main objective to analyse the potential existence of significant performance differences between strategic groups in the hotel industry and to identify the causes due to which those differences can become more or less significant. In this way, strategic actions will be recommended for hotel managers to improve performance at their establishments.

Methods
Sample and data collection
This study was conducted in the Spanish province of Alicante, a very important sun and sand mass tourist destination in the context of international tourism. Spain ranks second in the world in this industry both by the number of travellers (behind France) and by income from tourism (behind the USA) (World Tourism Organization, 2005) and Alicante has consolidated itself as the fifth most important tourist Spanish destination in terms of the number of hotel beds (Spanish Statistics Institute, 2003) – 308 hotels and 61,334 beds were available in this province in 2003 (Valencian Community Tourist Board, 2005).

The population for the study was formed by three- to five-star hotels. These legal categories were seen as being the most dynamic and innovative. There are 153 three- to five-star hotels in Alicante. A study of the whole population was carried out using a structured questionnaire with closed questions administered to hotel managers in person. Finally, 114 out of 153 hotels under study filled in the questionnaire (i.e. 74.51 percent of the total).

Dimensions, variables and analytical methods
Two kinds of strategic groups have been obtained in this study:

(1) univariant or based on one of the three key strategic variables analysed; and

(2) multivariant or based on the different degrees of implementation of the business strategies.

Regarding univariant groups, three key strategic variables likely to exert an influence on hotel performance were selected (Brown and Dev, 1999). These key strategic variables were:

(1) *Size* – Various studies have classified hotels according to their size (Baum and Mezias, 1992; Lant and Baum, 1995; Ingram, 1996; Chung and Kalnins, 2001). Furthermore, this variable has been compared to hotel performance. Pine and Phillips (2005) argue that the bigger the size of hotels, the bigger their RevPAR and their occupancy rates. Brown and Dev (1999) show that there is no significant relationship between the size of hotels and their capital productivity, though that relationship does exist for some labour productivity indicators. This paper follows the number-of-beds criterion proposed by Camisón (2000), according to which hotels are classified as family hotels (1-100 beds), small hotels (101-150 beds), medium-sized hotels (151-beds), and large hotels (more than 300 beds).

(2) *Type of hotel management* – Some studies have shown that when a hotel belongs to a chain, its chances of survival improve (Ingram, 1996; Ingram and Baum, 1997; Chung and Kalnins, 2001). Nevertheless, others have proved that no clear differences in performance exist between chain hotels and independent hotels (Giráldez and Martín, 2004). In this paper, hotels will be classified according to their status as chain-affiliated or independent establishments.

(3) *Category* – Different studies have showed that the higher the category, the higher the hotel performance levels (Brown and Dev, 1999; Pine and Phillips, 2005). The relationship between these two variables is analysed here. Hotels were divided into three-, four- and five-star groups for this purpose.

As for *multivariant grouping*, it consists of classifying hotels according to the degree of implementation of the different business strategies identified within the industry. The business strategies implemented by the hotels are identified before creating these groups and, with this aim, an exploratory factor analysis has been applied on the variables included in the following strategic dimensions (Cool and Schendel, 1987):

- *the commitment of the resources* that hotels have at their disposal to implement their strategy (resources which become critical to obtain and maintain a competitive advantage in a target product-market segment); and

- *the scope of their activities* (the range of market segments targeted and the type of products and/or services offered).

Table I specifies the variables measured in each dimension. Once the strategies have been identified, a cluster analysis is applied on them. Hotels are thus grouped together according to their different strategy implementation levels.

Hotel performance was measured to test predictive validity. This study measures performance in terms of financial results and indicators specific to the hotel industry. Performance variables are collected in Table II.

The variables contained in the different dimensions have been measured using both the 2003 Guide of Valencian Community Hotels and a questionnaire administered to hotel managers in person. To determine the variables appearing in Tables I and II, as well as the ways in which they could be measured, ten in-depth interviews were held with experts in the hotel sector (five hotel managers, the president of a hoteliers'

	Variables	Research works which have used similar measures
Resources commitment		
Hotel category	Number of stars: variable drawn from the 2003 Guide of Valencian Community Hotels	Álvarez *et al.* (2001), Chung and Kalnins (2001), Pine and Phillips (2005)
Hotel size	Number of rooms: variable drawn from the 2003 Guide of Valencian Community Hotels Number beds: variable drawn from the 2003 Guide of Valencian Community Hotels	Baum and Mezias (1992), Lant and Baum (1995), Brown and Dev (1999), Camisón (2000), Chung and Kalnins (2001), Pine and Phillips (2005)
Room equipment and number of services delivered	Sum of 61 items related to these variables drawn from the 2003 Guide of Valencian Community Hotels. If the hotel has the item, it scores 1; if it does not have that item, it scores 0	García *et al.* (2002)
Number of employees per room	Employees in year 2003 (part- and full time workers)/number of rooms	Brown and Dev (1999)
Human resource training	Summative scale of the general and specific training level of all hotel employees. General training was tabulated in 1 (without primary studies), 2 (with primary studies), 3 (secondary education), 4 (diploma) and 5 (graduates, engineers or higher levels) for the manager, the middle management and the rest of the staff. Specific training was tabulated in 1 (none), 2 (courses in occupational training) and 3 (master's training) for the manager, the middle management and the rest of the staff	Tihanyi *et al.* (2000), Boudreau *et al.* (2001)
Commitment to quality	Number of quality certificates	García *et al.* (2002)
Commitment to the environment	Number of environmental certificates	García *et al.* (2002)
Computerisation level	We made a count of the number of computerised areas in the hotel. The areas considered were: customer management, general accounting, deposit management, cost accounting, store management (food products), store management (wine cellar), store/warehouse management (non-food products), staff management, bar, restaurant, floors, maintenance	Camisón (1995), Buick (2003)

Table I.
Variables measured in strategic dimensions

(*continued*)

	Variables	Research works which have used similar measures
ICT and IS use level	Summative scale. If the hotel uses Global Distribution Systems (1 point) and the most advanced system that a customer can use to make a reservation – traditional (0 points), e-mail (1 point) or online (2 point)	Yeung and Law (2004)
Price (room rate)	Average between the maximum and minimum price of a double room in 2003. Data drawn from the 2003 Guide of Valencian Community Hotels	Israeli and Uriely (2002), Israeli (2002)
Activity scope		
Degree of segmentation	Sum of the number of tourism segments the hotel is oriented to: sun and sand, urban, rural/nature, business, congresses/conventions, golf, nautical, beauty/health/SPA, themed/thematic, cultural, cruises, others	Andereck and Caldweel (1994), Swarbrooke (1997)
Degree of intermediation	Percentage of customers received through intermediaries in 2003 (tour-operators and travel agencies)	Buhalis (2000), Bastakis *et al.* (2004)
Type of hotel management	Tabulation was made to check whether the hotel was independent (1), whether it belonged to a group of independent hotels (2) or to a chain managed on an ownership (3), rental (4), management contract (5) or franchising basis (6)	Ingram and Baum (1997), Chung and Kalnins (2001), Giráldez and Martín (2004)

Table I.

association and four university lecturers related to teaching and research in the field of tourism) prior to the study.

The business strategies adopted in the Alicante province hotel industry were identified afterwards, which led to the creation of a multivariable group. Finally, the link between firm performance and univariant and multivariant strategic groups was analysed.

Findings
Business strategies and multivariate strategic groups
As explained above, the business strategies implemented by the Alicante province hotel industry had to be identified as a step prior to the creation of groups. After applying a factor analysis, four business strategies were found:

(1) *category or tangible resource management strategy*, which includes category, equipment and services, number of employees per room and price;

(2) *intangible resource management strategy*, which achieves significant scores in the variables computerisation level, staff training level, information and

Performance dimension	Variables	Research works which have used similar measures
Average room occupancy rate in 2003	Occupied rooms/rooms available in 2003	Damonte *et al.* (1997), Johns *et al.* (1997), Álvarez *et al.* (2001)
Average beds occupancy rate in 2003	Occupied beds/beds available in 2003	
Gross operating profits (GOP) valuation	Robison and Pearce (1988)	Robinson and Pearce (1988), Miller and Cardinal (1994), Álvarez *et al.* (2001)
Gross operating profits per available room (GOPPAR) per day valuation	Valuation between 0 and 10 of the GOPPAR per day obtained in 2003 compared to known competitors	
GOP in 2003	Measured in 1 to 9 intervals in which each interval corresponds to a specific amount[a]	Brown and Dev (1997, 1999)
GOPPAR per day in 2003	Measured in 1 to 9 intervals in which each interval corresponds to a specific amount	

Table II.
Variables measured in performance dimensions

Notes: [a] These intervals correspond to the average GOP and GOPPAR percentiles per day between 1998 and 2002 of 53 out of a population of 153 hotels of which we had available accounting data from the SABI (Sistema de Análisis de Balances Ibéricos) database. This way of measuring the variables was proposed by the experts interviewed

communication technologies (ICT) and information systems (IS) use level and type of hotel management;

(3) *improvement and dimension strategy*, which contains the variables number of rooms and number of quality and environmental certificates; and

(4) *scope strategy*, which is related to the hotel's degree of segmentation and intermediation.

These strategies are not mutually exclusive at all. In other words, different hotels can formulate and implement a number of these strategies at the same time.

After identifying the business strategies, the hotels were classified according to them. Four strategic groups were found after performing a cluster analysis:

- *Group 1 – passive hotels.* This group is formed by 28 establishments (24.56 percent of the total) and they are systematically below average in all strategies. They are usually three-star hotels. Regarding the variables forming the intangible management resource strategy, these hotels have the lowest computerisation, staff training and ICT and IS use levels. The prevailing type of hotel management is illustrated by the independent hotels. These are the least intermediated hotels and their degree of segmentation ranks among the highest ones. They are the smallest hotels and also those that have the lowest number of quality and environmental certificates.

- *Group 2 – hotels that base their competitive advantage on their resources and capabilities.* Eighteen hotels (15.79 percent of the total) belong to this second group, the one which assigns the most importance to the category strategy (they are the highest category hotels, with the best equipment and services, with the most expensive room rates and with more employees per room) and to the intangible resource management strategy (these hotels have maximum staff training and ICT and IS use levels; their degree of computerisation is above-average; and the type of management is the second closest to management on a chain-ownership basis). However, these are also the hotels that assign the least importance to the improvement and dimension strategy (they have obtained no environmental certificates and the number of quality certificates and rooms is also below the average). Regarding the scope strategy, they are located slightly above the average.

- *Group 3 – hotels which base their competitive advantage on specialisation.* This group is formed by 51 hotels (44.74 percent of the total) and is by far the largest. These are the hotels in which the main focus is on the scope strategy (they are the most specialised establishments and their degree of intermediation is above-average). Furthermore, they are the lowest-category hotels, with the worst equipment and services, with the lowest room rates and also with the lowest number of employees per room. They show a degree of computerisation above the average, although their staff training and ICT and IS use levels are below the average. Finally, their improvement and dimension strategy is below average because neither the number of rooms nor the number of quality and environmental certificates obtained reaches the average.

- *Group 4 – hotels which base their competitive advantage on improvement and dimension.* This group includes 17 hotels (14.91 percent of the total) and is the smallest. The establishments belonging to it are the ones that assign the most importance to the improvement and dimension strategy (these are the largest hotels and have the highest number of quality and environmental certificates in the four groups). Moreover, these hotels have a number of stars, equipment, services and room rates above the average, but are below average in terms of number of employees per room. Additionally, they are above the average in staff training, computerisation and ICT and IS use levels, and tend to be run on a chain-ownership management basis. Finally, their scope strategy is based on the highest degree of intermediation and an above-average degree of segmentation.

Strategic groups and performance
The predictive validity of strategic groups is verified in this section. The aim is to examine how the strategic variables analysed and the competitive advantages identified contribute to hotel performance. The results drawn from the comparison between the different groups can be seen in Table III.

Size. Significant differences in occupancy rates per room and beds and gross operative profit (GOP) emerged, to which must be added that these three performance variables were found to increase with the size of the hotel. In the case of GOP, it is well known that this variable increases with firm size, since the bigger the hotel, the bigger its chances to generate economies of scale and experience. As for occupancy rates, they grow with size. This is because its larger size forces the hotel to make a greater effort to

	Occupancy rate per room (%)	Occupancy rate per beds (%)	GOP valuation compared to known competitors	GOPPAR per day valuation compared to known competitors	GOP in 2003	GOPPAR per day in 2003
Univariant groups						
Size						
Family (*n* = 21)	55.84	49.85	5.29	5.24	1.95	3.86
Small (*n* = 16)	66.13	62.09	4.94	5.00	2.88	4.19
Medium (*n* = 34)	74.93	72.53	5.76	5.79	3.35	3.68
Large (*n* = 43)	79.99	82.29	5.76	5.50	5.26	3.88
Type of hotel management						
Independent (*n* = 63)	67.17	64.86	5.24	5.22	3.29	3.83
Chain (*n* = 51)	77.37	77.45	5.92	5.75	4.30	3.90
Category						
Three-star (*n* = 79)	73.95	71.69	5.84	5.71	3.44	3.67
Four-star (*n* = 30)	68.50	68.92	5.03	5.03	4.27	4.03
Five-star (*n* = 5)	60.13	58.00	4.00	4.00	5.50	6.25
Multivariant groups						
Group 1 (*n* = 28)	58.01	53.37	5.43	5.43	2.75	4.07
Group 2 (*n* = 18)	60.70	58.63	4.24	4.35	3.76	4.47
Group 3 (*n* = 51)	80.87	79.59	5.88	5.75	3.57	3.43
Group 4 (*n* = 17)	79.84	83.08	6.12	5.82	5.82	4.18

Table III.
Means and significance of performance variables for each group

commercialise its rooms and also because that larger size increases the proneness to chain affiliation to a large extent.

Type of hotel management. Significant differences exist in the occupancy rates per room and bed, in the valuation of GOP compared to that of the known competitors, and in GOP itself. These variables as well as the non-significant ones have higher scores when the hotel belongs to a chain. In the case of occupancy rates, they can be higher in hotels affiliated to chains because they have advantages in the commercialisation of their rooms (e.g. economies of scale, the capacity to generate a positive brand image and the access to a larger number of customers). GOP could be larger because chain-affiliated hotels are significantly larger. Regarding GOP valuation, hotels belonging to a chain see themselves above independent ones, perhaps due to the security that chain affiliation brings them and also because they are probably aware of their larger size.

Category. Significant differences exist in occupancy rates per room and gross profit per available room and day (GOPPAR per day). Occupancy rates decrease as the category increases. This may be due to the fact that, as the category increases, prices rise significantly and the number of potential customers diminishes. Furthermore, GOPPAR per day grows with the category because hotel price and best management increase with the category too. This happens in the case of GOP as well, though not in a significant way. As for GOP and GOPPAR per day valuation with respect to their known competitors, these two variables fall as the category increases. This is probably so because higher-category hotels are more self-demanding and therefore underrate themselves in comparison to other establishments.

Multivariate strategic groups. Significant differences exist in occupancy rates per room and day, in the valuation of GOP compared to that of their known competitors, and in GOP itself. As for occupancy rates, the highest levels are reached in Groups 3 and 4, as these groups include the largest, most intermediated hotels which, due to their size, are forced to make a greater effort to sell their rooms. Regarding GOP valuation, Group 4 obtains the highest scores. This happens because of the large number of hotels included in this group and their high degree of intermediation. Group 3 shows good levels in these variables for the same reasons as Group 4. The low score achieved by Group 2 is striking. The reason for this low score is probably that, because they are so very self-demanding, these hotels constantly try to improve, which can lead them to feel that they are underrated with respect to other establishments. As far as Group-1 hotels are concerned, they value themselves quite well, maybe due to the conformism and passivity that characterise their strategic situation. The same happens with GOPPAR per day valuation, despite being non-significant.

Furthermore, the GOP obtained by each group grows with the hotel's size and degree of intermediation. Greater size makes it possible to reduce costs through the appearance of economies of scale, and the higher degree of intermediation increases the hotel's incomes from sales and reduces its distribution costs, all of which generates an increased GOP. Regarding GOPPAR per day, although it is not significant, it does deserve some attention. Group 2 hotels reach a maximum in this variable. On this occasion, it is not the largest hotels that achieve the best results, but those with the highest category and the most highly developed intangible resources. As was pointed out above, the higher the category, the higher the GOPPAR per day.

Discussion
The results above do not allow us to clearly support the predictive validity of strategic groups. Nevertheless, these partial results in favour of that validity are the most likely ones because, as shown above, there are phenomena such as collusion or the possibility of a firm changing group or adopting a new strategy which can increase or reduce the chances of existence of predictive validity (Cool and Schendel, 1987; Barney and Hoskisson, 1990; McGee and Thomas, 1992; McNamara *et al.*, 2003).

Similarly, the results obtained probably reflect that a hotel's performance cannot be explained exclusively by the affiliation to the group in which it is located – the hotel's individual specificities as well as the characteristics of its environment must also be taken into account (Porter, 1980) – or they may simply reveal that hotels have a rapid response capacity compared to other industries, thanks to which they can change group more easily.

In addition to that, strategic groups may show a certain degree of internal heterogeneity which could in turn generate differences in terms of rivalry and performance between hotels belonging to the same group and make collusion more difficult (Cool and Schendel, 1988; Lawless *et al.*, 1989; McNamara *et al.*, 2003).

Seeing the results obtained, various actions can be suggested for hotel managers to undertake.

Action 1 – to increase size
It would be interesting for hotels to position themselves as medium-sized (151-300 beds) or large-sized (more than 300 beds), as these are the sizes that achieve the highest

scores in occupancy rates and GOP, particularly so large-sized ones. This is because a bigger hotel stands a better chance of generating economies of scale (as it has more rooms to sell) and economies of scope (as it can offer a wider variety of services in the same establishment). These economies are of paramount importance because they can help to reduce the costs incurred by the hotel, which has more rooms and therefore needs to make a greater commercial effort to sell them. In addition to that, as there are non-rented rooms, the hotel's fixed costs cannot be distributed between greater sales.

Action 2 – to belong to a chain
Regarding the type of hotel management, it would be highly advisable to belong to a chain, since performance levels in that situation are always above those achieved by independent establishments. In fact, the affiliation to a chain brings the hotel numerous advantages, for example a greater commercialisation capacity, better chances to deliver a higher service quality level, the possibility to offer the guest more services or a greater financial capacity to face investment projects (Ingram and Baum, 1997; Israeli, 2002; Israeli and Uriely, 2000; Mathews, 2000).

Action 3 – to increase category
Concerning category, it will depend on the objectives pursued by the establishment. If the objective consists of achieving high occupancy rates, it would be most convenient to position the hotel at a three-star level. However, if the hotel seeks to increase its GOP and GOPPAR per day levels, then it would be advisable to increase its category. The second option is recommended here, as it improves the chances of survival for the hotel. High occupancy rates do not necessarily guarantee high performance levels in the establishment. High occupancy rates may be caused by low prices in room sales and this can lead to a reduction of revenues per room and to increased hotel costs as a result of the excessive use of the facilities by customers.

Action 4 – to develop a competitive advantage based on improvement and dimension
The most advisable multivariable grouping policy would be the one adopted in Group 4, i.e. developing a competitive advantage based on improvement and dimension. Apart from showing good development levels in most of the strategic variables analysed, this group can combine very high levels of occupancy rates and GOPPAR per day with the highest GOP level. This also derives from the fact that these are the largest hotels, that they usually belong to chains, and that a large proportion of them (11 out of 17) are four-star establishments. Group 4 therefore combines the three actions previously suggested in this section.

Conclusions
This study has used the strategic group tool with the aim of identifying the business strategies implemented by the hotels located in Alicante (Spain) and also of relating the performance levels obtained by hotels to the different groups created. Two kinds of groups were used:

(1) univariant groups (in which hotels are classified according to size, type of hotel management and category); and

(2) multivariant groups (in which hotels are distributed taking into account the degree of implementation of the previously identified strategies).

The comparison of differences in performance across all the groups revealed that these differences are significant in some performance variables, usually in occupancy rates per room and bed and GOP. In the light of these results, the conclusion is that predictive validity depends on the performance variables used and the groups formed. This is probably so because a certain degree of heterogeneity exists within the strategic groups and also because rivalry between hotels belonging to the same group is stronger than that found between different groups.

This study has several managerial implications. Strategic groups simplify the complex strategic reality in which hotel managers develop their professional activity. Thanks to the creation of these groups, managers acquire an aggregate knowledge of the business strategies and advantages of the hotels operating around their establishments and can equally be aware of the performance levels reached in each group analysed. This information also allows hotel managers to identify the strategic variables which must be developed to avoid being left behind inside their group in competitive terms or to join a different group which they may eventually consider more interesting in terms of strategy or performance. In this sense, possible actions to improve hotel performance are suggested from the strategic groups obtained, as it has been checked that larger-sized and higher-category hotels, those belonging to a chain and those which base their competitive advantage on improvement and dimension achieve the best performance levels. Therefore, hotel managers should definitely focus their attention on improving these strategic variables. Nevertheless, carrying out a short-term modification of these variables is obviously no easy task.

However, this study obviously has limitations too. For example, the Alicante province is too homogeneous in terms of hotel supply profiles and hotel demand patterns. However, strategic groups focus on how firms compete and against whom. As is well known, competition in the hotel industry takes place locally, in the destination. Therefore, studying the hotels located in a specific destination can prove to be relevant, since they compete to achieve similar resources and customers. Regarding future lines of research, it would be interesting to measure differences in performance within groups, since a certain level of heterogeneity seems to exist inside them, and also to check whether the rivalry between hotels belonging to the same group is stronger than that existing between different groups. Finally, other univariant groups could be created, for example types of destination or hotel location or the corporate and brand infrastructure within hotels affiliated to chains.

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