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Dear Dr Nikolaos Stylos,  
Editor for Special Issue on *Marketing via Industry 4.0 smart technologies in hospitality and tourism* in Journal of Hospitality and Tourism Insight (JHTI)

We wish to submit an article entitled "**Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'**" for consideration in the upcoming call for special issues *Marketing via Industry 4.0 smart technologies in hospitality and tourism* for the Journal of Hospitality and Tourism Insight (JHTI). We confirm that this work is original and has not been published elsewhere, nor is it currently under consideration for publication elsewhere.

In this paper, we report on Virtual Hotel Operator (VHO) as one type of hospitality management company that takes advantage of technological developments to maximise sales and empower small- and medium-sized hotels (SMSHs). The central question in this paper asks what the critical factors contributing to the success of the VHO partnership with SMSHs are. This study used a qualitative approach; data were acquired from 25 semi-structured interviews. This study used thematic analysis; data analysis was conducted inductively to elicit themes within the marketing, technology, partnership, financial, strategic management, technical and human factors.

This study contributes to the literature on CSFs in the context of VHOs as part of the hospitality sector. The findings reveal that the existence of VHO in the hotel industry will have a symbolic impact on mutualism for SMSHs by improving service, product standards, and marketing capabilities to increase SMSHs competitiveness and ease transactions for customers. Moreover, the implications of this study will be helpful for VHO management in determining the most significant CSFs for such companies to measure their business performance and increase resilience in the accommodation sector.

We believe this manuscript is appropriate for consideration in current special issues. Our study focuses on incorporating and assessing the impact of new smart applications on tourism and hospitality organisations' business performance and how small and medium-sized organisations in the tourism sector can leverage smart technologies for increased competitiveness. We have no conflicts of interest to disclose. We would be happy to receive comments and suggestions for improving this manuscript.

We want to thank you for the editors' consideration of this manuscript.

Sincerely,  
Fajar Kusnadi Kusumah Putra  
(Corresponding author)



POLITEKNIK PARIWISATA NHTI BANDUNG

Fajar Putra &lt;fap@stp-bandung.ac.id&gt;

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4 messages

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**Journal of Hospitality and Tourism Insights** <onbehalf@manuscriptcentral.com>15 June 2022 at  
10:55

Reply-To: fevzi.okumus@ucf.edu

To: fap@stp-bandung.ac.id

15-Jun-2022

Dear Dr. Fajar Putra

Your manuscript entitled "Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators" has been successfully submitted online and is presently being given full consideration for publication in the Journal of Hospitality and Tourism Insights.

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Thank you for submitting your manuscript to the Journal of Hospitality and Tourism Insights.

Yours sincerely,  
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Journal of Hospitality and Tourism Insights Editorial Office

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**Fajar Putra** <fap@stp-bandung.ac.id>

15 June 2022 at 10:59

To: roblaw &lt;roblaw@um.edu.mo&gt;

Dear Professor Rob Law,

Pleased to inform you that our article title: "Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators" has been successfully submitted online to Journal of Hospitality and Tourism Insights. Will keep you updated for the future status of this manuscript.

Kind regards,



**Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'**

Journal:	<i>Journal of Hospitality and Tourism Insights</i>
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## Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'

### ABSTRACT

**Purpose** – This paper aims to identify the critical factors contributing to the success of virtual hotel operators (VHO) in using smart technologies and hotel management system partnerships with small and medium-size hotels (SMSHs).

**Design/methodology/approach** – This study uses the Qualitative method. The data was collected from 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis was used to elicit themes to evaluate hotel owners' and operators' perceptions.

**Findings** – Critical success factors for VHO partnership with SMSHs are including marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategy, capital expenditures, and property management system. VHO will have a symbolic impact on mutualism for SMSHs by increasing service and product to become more competitive and profitable.

**Research limitations/implications** – The implications of this study will be helpful for VHO in finding the most significant CSFs, measuring their business performance and increasing resilience in the accommodation sector. Further study can measure the technology factors from VHO, such as property management systems and mobile applications.

**Originality/value** – This paper is the first to identify the CSFs for VHO companies from the perspectives of hotel owners and management. This study's contribution adds to the literature on CSFs in the context of VHOs as part of the hospitality sector. Moreover, the implications of this study will be helpful for VHO management in finding the most significant CSFs for such companies to measure their business performance and increase resilience in the accommodation sector.

**Keywords:** Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

**Paper Type:** Research paper

### 1 Introduction

The growth of technology in the travel and tourism sector has affected how hotel business connect to the customer effectively and marketing their products and services (Buhalis et al. 2019). In a more competitive business era, traditional companies such as small and medium-sized hotels (SMSHs) should adopt technology and engage in networking and competitive coalitions; hotel management should adopt digital technology strategies (Dieguez et al. 2022). Hotel management should allocate a budget for the information systems to update their technology use with their daily operations and maintain the data management process (Buhalis and Leung 2018; Yadegaridehkordi et al. 2018). A hotel that does not adapt to new market conditions and form alliances will face operational shortcomings. Single properties have limited opportunities to benefit from more extensive referral programs and international marketing campaigns for chain and affiliated hotels (Ivanova and Rahimi 2016; Mohammad 2016).

A new technology-based hospitality management business called Virtual hotel operator (VHO) has arisen. The idea is to transform SMSHs and ensure customers' safety and comfort by unifying under their brand name. VHO create more value for hotel owners and help them develop and transform their businesses, including technology adoption, staff training, standard operation, interior design, marketing strategies, promotional materials, and customer service.

The solutions ensure that hotel property owner provides quality-assured and standardised accommodation at a competitive price (Arreza 2022). This form of relationship is referred to a co-evolutionary business system in which there are relationships between technologies, institutions and actors, including the end-users or customers and communities throughout the entire network (Aarikka-Stenroos and Ritala 2017). Although VHO offers various advantages in terms of technology and the standardisation of hotel management, VHO is still in the development stage. The partnership between VHO and SMSHs has experienced specific challenges. Most of the SMSHs involved do not have any experience in using technology for hotel management systems, have a low budget for innovation, and lack strategic vision, management expertise, and ability to utilise technology for their presence on online distribution channels (Smithson et al. 2011; Mohammad 2016; Huang Yin et al. 2019; Fjellström et al. 2020).

The most prominent issue is identifying and measuring the critical factors for VHO and SMSHs partnership success. As the VHO expands in the SMSHs market, it is also important to ask the VHO management how they operate, measure their performance, and maintain their partnership with hotels. However, empirical research on virtual hotel operators remains scarce, with very few discussions revealing the success factors for benefiting the whole network and transforming the SMSHs business. Interestingly, previous studies have failed to consider the critical role played by VHO stakeholders (i.e., management and hotel partners). Therefore, this study aims to fill the research gap.

This study aims to identify the critical factors contributing to the success of virtual hotel operators in partnership with small and medium-size hotels. This study contributes to the literature on technology use in hospitality management, especially in the context of adoption by SMSHs. This study will add perspectives to the literature and research on hotel management agreements, partnerships between owners and operators, brand affiliations, and hotel operators. Hotel owners need to understand their perspectives towards partnership with VHO. Collaboration between VHO and SMSHs will create new competition and consolidation in the future. The following paper will discuss the theoretical background on VHO, and critical success factors, followed by methodology, results and discussion. The last part consists of the conclusion, theoretical and managerial implications, and recommendations for future research.

## 2 Literature review

### 2.1 Virtual Hotel Operator (VHO)

Since its first appearance in 2013, VHO has been evolving as a new entrant in the hotel group sector as an asset-light type of business. VHO focus on developing business-to-business (B2B) partnerships with SMSHs hotel, and VHO companies continue to expand and attract new investors (Wiastuti and Susilowardhani 2017; The Economic Times 2018; Russel 2019). VHO represent one of the most rapidly expanding types of hospitality management company in Asia region, where enormous numbers of SMSHs operate. VHO can accelerated the region's online travel ecosystem as well as a solution for hotel owners and customers who are looking for the assurance of quality standardized budget accommodation (Anandan et al. 2016).

Hotel owners who join with a VHO will adopt a management and franchise model. There are two categories of VHO business model, namely leases and franchises. The first involves property owners buying the brand franchise which is managed directly by the VHO with a royalty fee. The second involves the owner cooperating with the rental scheme or revenue-sharing for rooms booked via a VHO platform. VHO management system includes various hotel management developments such as technology adoption, staff training, standard operation, interior design, room decoration, standardize furniture, marketing strategies, promotional materials, and customer service. Most VHO provides hotel standards and

1  
2  
3 guidelines that help the management teams transform a property while calculating the  
4 estimated cost and monitoring the renovation process (Oravel Stays 2018).

5 As illustrated by Sharma et al. (2017) in their case study, eight stages are involved in the  
6 hotel property listing process by VHO. First, the transformation process begins with the  
7 identification of potential properties by the business development manager. The second step  
8 involves a detailed audit and negotiation with the hotel owners. VHO will share specific  
9 characteristics such as quality assurance inspection. Third, before a partnership agreement, the  
10 hotel partners must meet the quality specifications set by VHO management. Fourth,  
11 orientation and integration with VHO standardised facilities (i.e., hot showers, clean linen and  
12 towel, air conditioners, Wi-Fi, and in-room amenities). Fifth, the VHO business development  
13 manager prepares the transformation process; sixth, VHO will provide capital expenditure to  
14 improve the facilities and hotel buildings. Seventh, the final process involves hotel properties  
15 going live on VHO websites, mobile applications, and other distribution channel. After the  
16 transformation, the operational team maintains the standard and trains the hotel employees in  
17 using the property management system and daily hotel operations.  
18  
19  
20

## 21 *2.2 Critical Success Factors (CSFs) for hotels*

22 CSFs have become an essential concept concerning hotel goals and objectives in the hotel and  
23 accommodation sector. Brotherton and Shaw (1996) have described as activities and processes  
24 to support organisational goals. They should be actionable, controllable, and measurable. CSFs  
25 are sector-specific; the implication is that focused research in a sector on CSFs should provide  
26 specific recommendations for both businesses and entrepreneurs (Engelbrecht et al. 2014).  
27 CSFs have become an essential concept in the hotel and accommodation sector, in relation to  
28 hotel goals and objectives. With increasingly fierce competition and the increasingly inevitable  
29 use of technology, companies need an innovation strategy to achieve their goals (Avcikurt et  
30 al. 2011). According to Brotherton and Shaw (1996) CSFs in hospitality services can be  
31 categorised based on technical and human aspects. Technical aspects are primarily concerned  
32 with the efficiency and economic aspect of hotel operations. Human aspects can be defined as  
33 the effectiveness of the direct provision of the hospitality experience associated with staff  
34 attitudes, skills, morale and training/development. From the earlier literature on hotel business,  
35 CSFs can be considered to be integral to corporate culture, cooperation, management style,  
36 company performance, productivity, measurements to achieve company goals (Politis et al.  
37 2009; Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014; Spencer and Van Zyl 2015;  
38 Yadegaridehkordi et al. 2018).  
39

40 Morrison and Thomas (1999) explained that SMSHs have a small business scope. They are  
41 self-managed by the owner and financed by individuals or a small group, with most properties  
42 owned and managed by people with no previous hotel management background. SMSHs still  
43 struggle to maintain quality service standards; they face challenges such as level of  
44 competition, operational costs, technical and management skills, appropriate e-business  
45 solutions and ownership of ICT equipment (Pine et al. 2000; Buhalis and Kaldis 2008).  
46

47 There are progress and opportunities when looking into CSFs in SMSHs. One of the studies  
48 by Avcikurt et al. (2011) described hotel managers' and owners' perceptions of hotel operations'  
49 success related to Internet use, service quality, financial performance, and marketing. The  
50 technical aspects related to Internet usage were among the main factors related to CSFs in small  
51 hotels in this study. Yadegaridehkordi et al. (2018) proposed four aspects that influence the  
52 performance and growth of small hotels:  
53

- 54 1. The organisational aspect includes top management support and financial  
55 performance.
- 56 2. Human resources include employee preparation, education, service standardisation,  
57 quality, and customer satisfaction.  
58  
59  
60

3. The atmosphere, including benchmarking, interior and exterior architecture, and location.
4. Information and technology.

Previous studies on CSFs in SMSHs have revealed three factors. The first is human and technical aspects, level of service quality, financial performance and marketing. The second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organisational readiness. The third is that the physical environment of SMSHs, including the hotel's interior and exterior, can lead to customer satisfaction. Diversification of the hotel business has rapidly changed; the literature's insufficiency highlights the paucity of knowledge on CSFs related to the VHO and partnership with SMSHs. Second, some scholars have studied CSFs in hotel operations, and some studied explicitly in the context of SMEs. However, limited literature still discusses the concept of CSFs for VHO. Third, most research uses a quantitative method (Avcikurt et al. 2011; Wang and Hung 2015; Ahmad and Arif 2016). This approach makes it possible to obtain respondents, but the drawback is not being able to do a more in-depth exploration of the respondent's views.

### 3 Methodology

#### 3.1. Research Design

Exploratory research is needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO. In this study qualitative method was employed to the fact that "Qualitative research is a well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312). This research used semi-structured interviews with open-ended questions to meet the research objectives. Altinay et al. (2015) explained that a semi-structured interview enables the participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research.

The interview focused on the participants' experiences, VHO goals and characteristics, and the critical factors for VHO success from both management and hotel owners. The interview was conducted from June to August 2020. Due to the COVID-19 pandemic, most interviews were conducted using various online meeting platforms (i.e., Zoom meetings, Google meet). The participant sample comprised purposefully selected individuals from VHO companies and hotel owners. One hundred fifty-six research invitations were sent to potential participants in first-tier cities in Indonesia where most of the VHO properties are located, such as Jakarta, Bandung, Medan, Semarang, Surabaya, Bali, Makassar, and Yogyakarta. In total there are only 25 (16%) participants were willing to be interviewed. The interviewees agreed and signed the interview protocol and consent form, and all the participants' identities in this study remain anonymous. The diversity of the participants in this study helped the comprehensiveness and diversity of information from the participants' perspectives.

Sixteen participants represented VHO companies, and nine represented hotel owners (Table 1). VHO Participants' experience ranged from four to 18 years of working experience in various fields (i.e., hotel, resort, cruise ships or restaurants). Their specialties varied from hospitality backgrounds such as hotel operations, e-commerce, customer services, revenue management, sales and marketing, event management, pre-opening, and procurement. In contrast, another six managers come from non-hospitality backgrounds such as banking, insurance, consumer goods, retail sales, and human capital. Respondents' job descriptions in VHO relate to hotel operations, business development, transformation, marketing, and human resources. In total, nine hotel owners have been interviewed, and the partnership agreement between hotel owners



with VHO has been ongoing for one to five years. The accommodation types range from homestay, guest houses, and one to three-star hotels.

**Table 1.**  
Profile of participants

VHO Management			
ID	Position	Years of Experience	
M1	Assistant general manager	12 years	
M2	Ecommerce executives	4 years	
M3	Hotel operation manager	7 years	
M4	Region head	14 years	
M5	Human Resources Business partner	11 years	
M6	Senior hotel operation manager	18 years	
M7	Country manager hotel operation	15 years	
M8	Hotel consultant	13 years	
M9	Business development manager	10 years	
M10	Operations manager	4 years	
M11	Head of Business Development	9 years	
M12	Head of Business Development	11 years	
M13	Head of Operation Excellence	6 years	
M14	Senior business development manager	8 years	
M15	Assistant general manager	13 years	
M16	Regional corporate sales manager	10 Years	
Hotel Owner			
ID	Occupation	Type of accommodation	Years of partnership with VHO
O1	Bankers	Guest House	One year
O2	Information technology	Homestay	Five years
O3	Hotel business	one-star hotel	Four years
O4	Social entrepreneur	two-star hotel	Four years
		three-star hotel	One year
O5	Human resource management	three-star hotel	One year
O6	Contractor	two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	two-star hotel	Two years
O9	Catering business	one-star hotel	Three years

Most hotel owners were not experienced in the hospitality business (e.g., wedding organisers, professional food caterers, social entrepreneurs, worked in retail and as building contractors); only one participant had experience in managing a family hotel business.

### 3.3 Data analysis

Data triangulation method, a script and interview guidelines were used for each interview session, and finally, participant member checking was undertaken. The interviewer asked the participants for permission to audio-record the conversation. Thus, this promoted effectiveness in terms of communication both during and after the interviews. These recorded data were translated and copied out (transcribing) and summarised. Each participant was given a copy of their interview transcript to review the data's accuracy. Researchers invited the respondents to verify the findings to improve their credibility. After that, all the participants signed and returned the member checking consent form to the researcher.

The recorded interviews totalled 1221 minutes in length or, on average, 49 minutes per participant. The recorded interviews were immediately transcribed, and the coding process was then analysed using qualitative data analysis software ATLAS.ti (ver.8). The interview transcript was analysed thematically and systematically to search for commonalities and themes to describe the data (Clarke and Braun 2017). A theme can be interpreted as an affirmation that creates meaning or a statement of meaning. Meanings were obtained from the interviews and formulated by the researcher. This study's validity and dependability were based on data sources and data triangulation methods from two participants, namely VHO managers and hotel owners.

## 4 Results and Discussion

### 4.1 Partnership factors

The client relationship received the highest weight among the partnership factors. VHO, as light assets companies, have to maintain their property partner to sustain and expand the business. VHO partnerships with hotel owners are based on three aspects. First is the visibility of the contract agreements. Second, VHO offered a support centre for day-to-day operation problems and related issues for the hotel owners, customers and vendors. Third, VHO manages the owner's expectations for the long-lasting benefits of the partnerships (i.e. increased revenues, occupancy rate, and average room rates). One of the VHO head of business development conveyed this view by saying:

We are not selling goods but building partnerships; therefore, we keep interpersonal relationships with hotel owners. We meet distinctive characteristics; we speak of culture, which means that everyone has a different outlook on how the business works. (M11)

As one of the VHO characteristics, the contract agreement between a VHO and hotel owner includes how they manage the hotel operations and standards to reach the VHO goals and hotel owners' revenue target. As a technology-based hotel operator, VHO relies on partnerships with hotel owners. Therefore, VHO offers three contract agreements: first, full revenue sharing, meaning that VHO shares the revenue at an agreed percentage. The second is the use of a minimum monthly guarantee. Third, a self-operating business, more identical to a lease type management. The Agreements with VHO are designed to reduce the risk factors and the hotel owners' value of investments. For instance, one of the interviewees highlighted mutually beneficial agreements and commitments:

We invest funds or transformational capital expenditure to the property partner if they do not have enough capital to meet our facilities' standards. Hence, we will give them in the form of investment without return within the contract period. (M11)

One of the advantages of having a partnership with VHO is that they provide a fixed monthly deposit according to the initial agreement, which helps us. If we are looking at the capacity of our hotel right now below fifty per cent, with the security deposit, we can cover operational costs. (O1)

Interviewees mentioned that the expansion process should be in line to increase revenue and profits for both the company and its partners. Ultimately the objective of the partnership with the hotel owners is to maintain sustainability and commitment together:

We want our property partners can achieve targeted revenue and business sustainability. Sustain here in terms of financial, products, services consistency, and long-lasting partnership. (M6)

One of the emerging factors from this study is the adaptation to local culture. This was mentioned by both VHO management and hotel owners, as they were concerned that the condition of SMSHs operation varies. Most participants asserted that the educational background of the employees and owners and technological adaptation in hotels are still low.

Therefore, VHO should adapt to the condition, as mentioned by one of the hotel owner:

As VHO typically have standard operating procedures that are globally acceptable, this start-up company should adapt to the condition of our people and our culture. (O1)

Business development is part of VHO's way of expanding its business. The findings showed that the responsibility of the business development division is to acquire hotel properties and their performance indicators on increasing the number of rooms and properties and maintaining relationships with hotel owners.

Business development is the one that initially acquired the property. For example, suppose the hotel property owners want to join. In that case, business development will explain the terms and conditions, and they will acquire the property through an agreement that has been agreed to by the hotel property owner. (M5)

As a hotel management company, VHO should adapt and adjust its approach regarding maintaining communication and agreement with the hotel property owners. They should keep a mutually beneficial agreement and commitment. Moreover, continuous improvement is part of excellent business in the field of hospitality; VHO looks for ways to improve any aspect of their customer's needs. These results are in line with those previous studies on the understanding of customer orientation relationships (Padilla-Meléndez and Garrido-Moreno 2014).

#### 4.2 Marketing factors

The most mentioned factors by VHO management and hotel owners are marketing, and promotion strategies, followed by the market segment, pricing strategy, branding and distribution channel. In segmenting the market, a comprehensive market survey assessment process is conducted by VHO management. The findings revealed that the weak position of small hotels in the market could be overcome through VHO marketing and promotion strategies.

The VHO creates the marketing and promotion strategy for us. Previously, we had limited marketing channels; we only sold our rooms on several property listing platforms. After the partnership agreement, the VHO improves our online and offline presence. (O7)

We inform the owners of essential data about market intelligence, market surveys, and pricing strategy. We can decide the price level following market needs. (M7)

Consistent with prior research, the importance of strategic marketing planning in a joint venture hotel is related to joint advertising activities, pricing strategy, promotion activities, and market research activities (Li et al. 2006). Another finding is about sales and pricing strategy. VHO management and the hotel owner also conveyed the importance of branding. Property owners will automatically join their branding when they agree to partner with VHO. From the perspective of management, brand image is currently an essential aspect of VHO's success; interviewees further explained this:

Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with the VHO logo and property name are helpful for branding. (M12)

This finding was supported by Hua et al. (2009) on how brand equity increased customer intention to purchase hotel products (Castañeda García et al. 2018). VHO has undertaken several strategies to display and promote its properties through a responsive platform, reach a broader audience, increase distribution, and build branding and operational efficiency. One of the most impactful ways is by maximising online media marketing channels. In the current digitalisation era, mobile applications are one of the strategies to bring customers closer to the hotel chain.

**Table 2.**  
Critical Success Factors for VHO partnerships with SMSHs

Salient Themes	Sub Themes	Key Insight
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract Agreement</li> <li>● Continuous improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies regarding the business expansion of VHO in the SMSHs sector. The partnership between the VHO and hotel owners aims to maintain the sustainability of the VHO business model and commitment to the contract agreement.
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution Channel</li> </ul>	Marketing is part of functional CSFs where several categories are being assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence.
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing the hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets.
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important to measure increasing revenue and profitability.
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Size and coverage of the hotel networks</li> <li>● Quality Audit</li> </ul>	In a previous study, strategic management is related to innovation strategy and is perceived as the most critical factor for a small hotel business.
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Rewards for the employee</li> </ul>	Both VHO management and hotel owner participants agreed that the human factor is crucial to improving the standard and service of VHO, primarily related to training.
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Accuracy and efficiency of the central reservation system</li> </ul>	The VHO relies on technology-based solutions and features. Using property management systems and centralised booking and reservation systems that are efficient, accurate, and consistent.

1  
2  
3 The introduction of mobile apps such as the VHO application allows customers to book  
4 rooms with just three taps on their smartphone. Strategic partnerships with online travel agents  
5 (OTAs) also enable hotel owners to reach a broader consumer market (Huang Yin et al. 2019).  
6

7 The difference is in terms of operation. For example, in conventional hotels, the booking process  
8 until the check-in process requires an exhausting process. However, at VHO, the booking process  
9 is much simpler; using a mobile application makes everything much easier and more comfortable.  
10 (M8)  
11

12 We have various sales channels, one of the most important is the online sales channel. (M11)  
13

14 The previous study also mentioned the importance of online and digital distribution  
15 channels for hotels, factors that distinguish budget hotels are the ability to market their  
16 properties via a multi-channel strategy (Law et al. 2015; Lei et al. 2019). Selecting the suitable  
17 online distribution and managing it will benefit for SMSHs strategy and will through dynamic  
18 marketing capabilities, plays a critical role on developing competitive advantage (Beritelli and  
19 Schegg 2016; Elsharnouby and Elbanna 2021).  
20

#### 21 *4.3 Technical factors*

22 VHO management and hotel owners talked about technical aspects such as hotel operation  
23 management, the importance of accessing and monitoring customer satisfaction,  
24 standardisation, property transformation, and staff professionalism. Before joining a VHO, a  
25 hotel partner must undergo a transformation process. This process ensures that the hotel  
26 services, the system, and the people will meet the VHO standard:  
27  
28

29 We have to transform owner property; it is very crucial to transforming. Everyone engages in the  
30 process and convinces owners to share the same perspective. (M7)  
31

32 From the interviews with hotel property owners, hotel operation management factors and  
33 assessing and monitoring customer satisfaction are two factors considered crucial in terms of  
34 technical CSFs. Participants are concerned about the continuity of the day-to-day hotel  
35 operations, and they describe that:  
36

37 VHO helps owners manage hotels regarding administration, services, and product standardisation.  
38 We will implement an operational standard for all accommodations that do not have a star category.  
39 For this purpose, we need people with diverse backgrounds who are specialists, such as the front  
40 office, housekeeping, food, and beverages, including the banquet. We also need people who are  
41 strong in accounting. (M7)  
42

43 Operational managers in each active region will manage and monitor hotel properties. From  
44 personal experience, the owner feels comfortable with the operational manager. They can ask about  
45 hotel operations; we also often discuss and share knowledge about hotel management. It will help  
46 in the future relationship with owners, and there is an exchange of ideas. (M15)  
47

48 As a digital hospitality company and hotel aggregator, we offer economical and more affordable  
49 accommodation and concerned about the quality of our services. Therefore, we should offer a  
50 balance between the two aspects (affordable and quality services). (M12)  
51

52 The physical product and service quality of SMSHs operation are crucial (Hua et al. 2009;  
53 Zhang et al. 2013). Other literature also mentions that Customer orientation is a crucial factor  
54 for hotel business (Padilla-Meléndez and Garrido-Moreno 2014), to enhance service quality,  
55 superior customer service and total quality management (Wang et al. 2012; Ahmad and Arif  
56 2016).  
57

58 The hotel industry is a service sector that highly depends on human aspects; as stated by  
59 Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects  
60 will determine the efficiency and economy scale for the successful delivery of hospitality goods  
and operations. In order to ensure uniform quality in a multiunit hotel company like the hotel

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2  
3 chain, standardisation of the services system should be adopted to predict and control output  
4 activities (Ivanova and Rahimi 2016). The higher the hotel network's intangible assets, such as  
5 their standard, facilities, and services, the better their presence in the customer's mind (Andreu  
6 et al. 2017). VHO conducts an evaluation process on how a hotel is to have a satisfactory level  
7 of guest assessment:  
8

9 We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to  
10 measure guest satisfaction. (M7)  
11

12 CSI developed from the customer's ratings of their likelihood to recommend VHO products  
13 and services to others on a scale of 0 to 10. The hotel owner also explained that these factors  
14 are significant for their hotel business. VHO management ensures that guests are satisfied and  
15 evaluates what happened to maintain the quality standard. Moreover, customer satisfaction  
16 tends to lead to a positive financial performance where the financial figures are essential for  
17 further adjustment and corrective action (Zhang et al. 2013; Augustyn et al. 2021).  
18  
19

#### 20 21 *4.4 Financial factors*

22 The owner said that currently, it is difficult to get bank loans for hotel business needs. With the  
23 cooperation of VHO, hotel owners now have finance in the form of capital expenditure and a  
24 monthly income guarantee. Capital expenditure becomes an attractive factor for hotel owners.  
25 VHO invests in its partners by supplying capital investment assistance and a monthly income  
26 guarantee. According to property owners, capital expenditure has become a significant factor  
27 in the development process:  
28

29 What is significant is the contract agreement, that they provide business capital and the other  
30 investment facilities. (M5)  
31

32 Financial support is crucial for hotel joint venture collaborations (Li et al. 2006; Ge et al.  
33 2018). The financial performance factor in hotel can be measure by the rate of return on  
34 investment, income, costs incurred for operational activities, and the company's profitability  
35 (Avcikurt et al. 2011; Padilla-Meléndez and Garrido-Moreno 2014).  
36  
37

#### 38 39 *4.5 Strategic management factors*

40 The main goals for the innovation and technology adaptation by VHO are to help the property  
41 owners check daily operation performances. One of the interviewees also mentioned the  
42 increasing number of users in the VHO application as an opportunity to receive more value  
43 from the customers and increase the chance of getting more investment from the investor. The  
44 VHO management also highlights this:  
45

46 From one to the next two years, we are constantly creating innovations. We must continue to  
47 demand innovative ideas every day, out of the box and all kinds; it has become one of our corporate  
48 cultures. (M16)  
49

50 Innovative technology should be based on market research to respond to market needs and  
51 demands, as mentioned by the management of a VHO:  
52

53 We do marketing based on research to the standards that we set. The products we offer should meet  
54 the category of value for money. (M6)  
55

56 The second factor is related to the size and coverage of the hotel network. As the previous  
57 study discovered, geographical coverage is vital for hotels; this factor will help the success of  
58 hotel operations and development (Brotherton 2004; Hua et al. 2009). A bigger hotel scale size  
59 and coverage of hotel networks are also critical. For VHO, the number of existing properties  
60 and personnel in one country helps the selling process and monitoring process effectively:  
61

Of course, we have one competitive advantage in the network compared with competitors. We have the most expansive network; the advantage is that we can choose to sell the properties in every city, even in other countries abroad, in terms of networking, standardisation, and the number of personnel. We have all the support needed in every region or hub for our operations. (M11)

The third factor is related to how VHO enhances the quality of services. It is a crucial strategy employed by hotel owners or managers in SMSHs to face the business challenge (Ahmad and Arif 2016). Implementing the quality audit by VHO management, by placing its personnel to monitor the operations of property hotel partners, has increased customer confidence in using accommodation provided by VHO. Conducting a quality audit guarantees that the products and services they provide meet a minimum standard despite having differentiated properties managed by the VHO. In the process, the strategy to ensure quality assurance is closely related to how hotel operational management is carried out with standard operating procedures, the use of regulations, and most importantly, the human factor and organisation (Fredrick and Authority 2019; Elsharnouby and Elbanna 2021). Strategy in this context means that the operational management level will have more precise guidance to solve problems and measure operational success, demonstrating the importance of establishing shared values to increase customer satisfaction (Arasli 2012).

#### 4.6 Human factors

Training is part of the CSFs for VHO mentioned by most of the participants. The goals are to provide standard operational management and increase customer satisfaction with VHO products and services. The lack of skilled employees handling customers becomes a challenging issue for SMSHs. Standard hotel operation management for all VHO properties can be improved by conducting training and coaching. Two interviewees said:

First is an improvement, then we also build educational training for hospitality. (M3)

VHO thinks about the employee's development and the hotel owners as well. (M11)

The owners agree that VHO could develop hotel operation human resources. The VHO makes changes in terms of product knowledge and the ability to upgrade the technology used by the hotel staff to help operations. The owners feel that there is a change in knowledge transfer during the in-house training process. Most owners agree that the VHO is continually active with innovative technologies related to property management systems, hardware, and mobile application, from the aspect of technology development. The training is not only for employees but also for the owner. It was stated by one of the owners that:

Our company is successful because we think about our employees' development. However, the training is not only for employees but also for the owners. We conduct meetings with the owners and provide them with mentoring on managing the hotel. (M7)

This finding supports existing studies by Ahmad and Arif (2016) on how training increases business growth and success in the SMSH sector and standards training for employees will improve the customer services offered (Hua et al. 2009). From the characteristics of company owners, top-level management is needed to overcome the challenges in such a dynamic business climate. The need for innovative and sound strategy needs to be supported by a quality leadership team commitment. Increasing team commitment is important to achieve organisational goals. Organisations' process management is essential to teamwork and strategic plans (Yadegaridehkordi et al. 2018). VHO also considered the employee welfare aspects due to work-life balance and rewards for the employees emerged as one of the CSFs for VHO; this was mentioned by the VHO management participants, as one of them stated that:

Company performance and targets are balanced with our reasonable compensation and rewards. (M14)

#### 4.7 Technology factors

The VHO is a hospitality management company that utilises technological developments to maximise and empower local accommodation offerings. Interestingly, only two CSFs in technology factors were found in this study: the property management system (PMS) and the accuracy and efficiency of the central reservation system.

We are a start-up company that relies on technology. Our system keeps improving by getting insights from our hotel operation team, although we already have a software engineer team. The improvement comes in more user-friendly PMS for the employee and owners. This technology was beneficial, as it meant that Hotels did not have to have large folio books, dealing with a large margin of errors and time-consuming paperwork. With this PMS, business processes for the hotel property have run more efficiently. (M7)

Moreover, data science and analytics to enhance guest experiences become crucial. The systems can be accessed in real-time and present information transparently to improve efficiency in both time and funding. The use of technology creates a more comfortable booking experience for the guests, where consumers go online and make travel-related purchases using an online platform.

What makes VHO different is promotions on the website and online travel agents, and this will impact small hotel property partners. When they join us, we will help their property become more saleable by improving their online platform appearance. (M15)

VHO platform continues to update its ability to use technology in the room booking process and online distribution system. VHO can use various strategies to display and promote hotel partner properties through their websites and mobile platform applications. The application has reached out to a broader audience, increased distribution, and improved branding and operational efficiency. Mobile applications allow customers to book rooms with just three taps of their smartphone. The concept is simple by providing three steps for booking: go to their website/mobile application, choose a location, and find the hotel that fits the traveller's requirements. This outcome supports the theories that note the importance of a central reservation system in SMSHs and budget hotel sectors (Brotherton 2004; Hua et al. 2009; Avcikurt et al. 2011).

SMSHs partners will also get hotel management system applications that are beneficial to the owner in the process of checking and performance of their properties every day through a device they have. (M11)

From the result of this study, it can be concluded that the most CSF for VHO is creating marketing and promotional strategies through several media, for example, by using online, offline and micro marketing media. The strategies should be an inexpensive and effective platform for marketing and advertising, increasing the hotel's competitiveness level in the marketplace (Paprocki 2017; Stylos et al. 2021). For the partnership factor, maintaining good client relationships with hotel partners is also crucial to increase their brand value and achieve their goals of increased property portfolios and the number of rooms to become a market leader (Castañeda García et al. 2018; Wang et al. 2019). In the context of cooperation and networking, Li et al. (2006) examined the primary motivation in selecting joint venture partners from local and expatriate managers' perspectives. Factors relevant for joint venture hotels include strategic planning, a willingness to share information and knowledge with local partners, being backed up by strong financial performance, and experience in marketing, planning, and conducting market research.

Furthermore, Spencer and Van Zyl (2015) also identified that executing a project in the hotel and forming task force teams will significantly assist in delegating tasks and control processes. The hotel organisation needs to have a good relationship with business stakeholders



internally and externally. Resende et al. (2018) also explained that an inter-relationship among companies should be based on cooperative relationships to overcome limitations. Affiliation with a chain hotel brand and creating associations in the customer's mind with several strategies such as assessing customer reviews, contacting the target market, offering benefits to members, and offering a corporate contract/rate for groups or companies.

Ahmad and Arif (2016) mentioned that the business strategy conducted by SMSHs owners is an essential part of facing the business challenges related to competitive pricing, better marketing and promotion methods, improved quality of the facilities, improved service delivery, customer service by maintaining good customer relationships, improving the quality and variety of the products offered (i.e., cleanliness, technology, facilities) and finally the loyalty schemes used to retain customers. Apart from the brand, comparable products, service technology, and themes also contribute to the image of a small hotel business. Strengthening the market position of small hotel businesses should be undertaken through various strategies such as branding, factors associated with the design of hotels, the philosophy of management, commitment to quality and consistency in service delivery, and the use of smart technology innovation for increased competitiveness and business performance (Fredrick and Authority 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022)

## 5 Conclusions

This study has revealed seven themes of CSFs for VHO and SMSHs collaboration including partnership factors; marketing factors; technical factors; financial factors; strategic management; human factors and technology factors. The emergent themes have strengthened and reinforced the CSFs for VHO from the perspectives of VHO management and hotel owners. The research analysis also showed seven major CSFs for VHO that were highly noticeable in the number mentioned by all participants in each theme, namely: marketing and promotion strategies (CSF1); client relationship (CSF2); training (CSF3); hotel operation management (CF4); innovation strategy (CSF5); capital expenditures (CSF6); and property management system (CSF7). From the findings, it is clear that marketing and promotion strategies are found very crucial from the perspectives of VHO and SMSHs owners. Moreover, innovations and financial factors are found to be very critical, especially from the perspective of hotel owners. Although VHO offers various advantages in terms of technology and the standardisation of hotel management, VHO operates in a highly competitive environment due to several factors:

1. They compete with existing conventional hotels, with more experience managing hotels nationally and internationally.
2. Competition with other conventional hotels forces SMSHs owners into actively managing their hotel properties; hence professional hotel management and online distribution become more crucial.
3. The advance in technology has attracted digitally and mobile-savvy millennial travellers, who have become the leading market segment for VHO; they have a high expectation of value for money in accommodation.

The findings can be used as a comparison for hotel operators to determine their CSFs and balance owners' and operators' interests (i.e., providing expertise in the marketing process and promotion strategy, implementing standards and training for hotel operations by prioritising aspects of digital technology).

### 5.1 Theoretical implications

The theoretical implications of this study are triplicate. First, this study can add to the literature on the use of technology in the field of hospitality management, especially the application of technology for small and medium-scale hotels in collaboration with emerging hotel

management companies such as VHO that highly depend on technology. Second, this study contributes to the body of literature on hospitality management by providing an overview of the role of a hotel operator in cooperating with SMSHs owners. This study also provides perspectives from hotel owners regarding the aspects of contract agreements and the financial benefits obtained from the cooperation process, as well as hotel management operations that utilise smart technology. This study can add perspectives to the literature and research on hotel management agreements (HMAs), partnerships between owners and hotel operators, and brand affiliations with hotel industry 4.0 smart technology implementation.

Third, studies have addressed the question of VHO evaluation by finding their CSFs. The CSFs for the hotel consists of human and technical aspects as the main factor contributing to organisational success (Geller 1985; Brotherton and Shaw 1996). Technological, marketing, financial, hotel management performance, and strategic management (Avcikurt et al. 2011; Arasli 2012; Zhang et al. 2013; Yadegaridehkordi et al. 2018; Hua et al. 2020). Hotel owners and VHO management has enabled the confirmation and the refinement of the new CSFs framework for VHO and serve as a foundation for the concepts and characteristics of VHO. The findings further show that there is elucidating theory from interview results and proposes a model for the CSFs of VHO, which consists of seven themes: partnership, marketing, technical, financial, human, strategic management, and technology.

### 5.2 Practical implications

The practical implication of this study will be helpful for VHO management in determining the most significant CSFs for such companies to help them achieve their goals, measure their performance, and expand their network. For hotel owners, the presence of virtual hotel business can be used as a solution to their product and services quality, marketing and promotion strategy in the era of digitalisation. Hotel management should allocate a budget for the information system and to update their technology use concerning their daily operations and maintain the data management process. In addition, this study will help inform the government, especially in developing countries such as Indonesia, India, The Philippines, and Vietnam, where most of the accommodations are in SMSHs categories, on how SMSHs can be transformed to become standardised accommodation facilities that support local tourism. Meanwhile, for investors, VHO has become a prospect for future development and investment in the accommodation sectors.

### 5.3 Limitations and Future research

In terms of the number of participants, this study's sample size (nine properties) is still small compared to the total number of VHO operating Globally. The second limitation of this study was that sample interview participants were from VHO properties in Indonesia. With the limitation on domestic travelling during the COVID-19, the researcher cannot directly observe the conditions of hotels included in this study. Where VHO has expanded globally, thus, future research can be conducted with a variety of samples taken from other cities, regions or countries such as China, India, Singapore, Thailand, The Philippines, USA, and Vietnam, where VHO operate. A future study may also include participants who are hotel owners who have not joined or who have ended their contract agreements with the VHO. It is beneficial to compare their perspective regarding VHO and hotel management agreements.

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POLITEKNIK PARIWISATA ANH BANDUNG

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**Journal of Hospitality and Tourism Insights - Decision on Manuscript ID  
JHTI-06-2022-0244.R1**6 messages

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**Journal of Hospitality and Tourism Insights** <onbehalf@manuscriptcentral.com>17 October 2022 at  
14:21

Reply-To: n.stylos@bristol.ac.uk

To: fap@stp-bandung.ac.id

17-Oct-2022

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R1 entitled "Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

I invite you to respond to the reviewer(s)' comments and revise your manuscript.

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Once again, thank you for submitting your manuscript to the Journal of Hospitality and Tourism Insights and I look forward to receiving your revision.

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
[n.stylos@bristol.ac.uk](mailto:n.stylos@bristol.ac.uk)

Reviewer(s)' Comments to Author:

Reviewer: 1

Comments:

Please see the attached review comments.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: I failed to see how the authors addressed my comments from last round: "As the authors keep arguing, hotels using virtual hotel operators is a joint venture. And the authors cites references related to joint ventures multiple times. I'd like to see some literature review about CSFs influencing joint adventures, and how these CSFs differs from the factors identified in this paper".
3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: In this round of revision, the authors addressed the issues I raised in last round. But the writing of the revision needs to be improved. Please see my review comments in the attached file.
4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The authors indeed tried to revise the connection between the results and the conclusion and discussion part. They are on the right track. However, the writing of the discussion part need significant revision. Please see my review comments in the attached file.
5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Yes
6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: It seems like that the authors did not take my suggestion of using professional editing service to improve the readability of the paper. The writing quality of the added sections is very poor in terms of the organizations, logic, wording and so on. In my previous comments, I pointed out some parts needs clarification, grammar check, or rewording. However, such issues and problems are not just limited to those I pointed out, and they are everywhere.

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**Fajar Putra** <fap@stp-bandung.ac.id>  
To: roblaw <roblaw@um.edu.mo>

9 November 2022 at 08:27

Dear Professor Rob Law,

I hope this email finds you well. I would like to inform you that our manuscript submission to Journal Hospitality Tourism Insight (JHTI) entitled "Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'" has been reviewed for the second round (deadline for resubmit is due 29 November 2022). I have tried to address the reviewer comments (revised file and authors comments are attached). However there are several issues that need to be highlighted from the reviewer comments such as: The writing of the discussion part needs significant revision in terms of the





**Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'**

Journal:	<i>Journal of Hospitality and Tourism Insights</i>
Manuscript ID	JHTI-06-2022-0244.R1
Manuscript Type:	Research Paper
Keywords:	Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

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## Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'

### ABSTRACT

**Purpose** – This paper aims to identify the critical factors contributing to the success of virtual hotel operators (VHO) in using smart technologies and hotel management system partnerships with small and medium-size hotels (SMSHs).

**Design/methodology/approach** – This study uses the Qualitative method. The data was collected from 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis was used to elicit themes to evaluate hotel owners' and operators' perceptions.

**Findings** – Critical success factors for VHO partnership with SMSHs are including marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategy, capital expenditures, and property management system. VHO will have a symbolic impact on mutualism for SMSHs by increasing service and product to become more competitive and profitable.

**Research limitations/implications** – The implications of this study will be helpful for VHO in finding the most significant CSFs, measuring their business performance and increasing resilience in the accommodation sector. Further study can measure the technology factors from VHO, such as property management systems and mobile applications.

**Originality/value** – This paper is the first to identify the CSFs for VHO companies from the perspectives of hotel owners and management. This study's contribution adds to the literature on CSFs in the context of VHOs as part of the hospitality sector. Moreover, the implications of this study will be helpful for VHO management in finding the most significant CSFs for such companies to measure their business performance and increase resilience in the accommodation sector.

**Keywords:** Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

**Paper Type:** Research paper

### 1 Introduction

The growth of technology in the travel and tourism sector has affected how hotel business connect to the customer effectively and marketing their products and services (Buhalis et al. 2019). In a more competitive business era, traditional companies such as small and medium-sized hotels (SMSHs) should adopt technology and engage in networking and competitive coalitions; hotel management should adopt digital technology strategies (Dieguez et al. 2022). Hotel management should allocate a budget for the information systems to update their technology use with their daily operations and maintain the data management process (Buhalis and Leung 2018; Yadegaridehkordi et al. 2018). A hotel that does not adapt to new market conditions and form alliances will face operational shortcomings. Single properties have limited opportunities to benefit from more extensive referral programs and international marketing campaigns for chain and affiliated hotels (Ivanova and Rahimi 2016; Mohammad 2016).

A new technology-based hospitality management business called Virtual hotel operator (VHO) has arisen. The idea is to transform SMSHs and ensure customers' safety and comfort by unifying under their brand name. [VHO create more value for hotel owners and help them develop and transform their businesses, including technology adoption, staff training, standard operation, interior design, marketing strategies, promotional materials, and customer service](#)

(Wiastuti and Susilowardhani 2017; Nugroho and Hati 2020; Prakarsa et al. 2020; Arreza 2022). The solutions ensure that hotel property owner provides quality-assured and standardised accommodation at a competitive price (Arreza 2022). This form of relationship is referred to a co-evolutionary business system in which there are relationships between technologies, institutions and actors, including the end-users or customers and communities throughout the entire network (Aarikka-Stenroos and Ritala 2017). Although VHO offers various advantages in terms of technology and the standardisation of hotel management, VHO is still in the development stage. The partnership between VHO and SMSHs has experienced specific challenges. Most of the SMSHs involved do not have any experience in using technology for hotel management systems, have a low budget for innovation, and lack strategic vision, management expertise, and ability to utilise technology for their presence on online distribution channels (Smithson et al. 2011; Mohammad 2016; Huang Yin et al. 2019; Fjellström et al. 2020).

The most prominent issue is identifying and measuring the critical factors for VHO and SMSHs partnership success. As the VHO expands in the SMSHs market, it is also important to ask the VHO management how they operate, measure their performance, and maintain their partnership with hotels. However, empirical research on virtual hotel operators remains scarce, previous study on VHO discussed about the nature of their business and innovation (Sharma et al. 2017; Wiastuti and Susilowardhani 2017), customer perceptions (Kurnia and Sulistiani 2019; Nugroho and Hati 2020), and technology application (Prakarsa et al. 2020), with very few discussions revealing the success factors for benefiting the whole network and transforming the SMSHs business (Arreza 2022). Interestingly, previous studies have failed to consider the critical role played by VHO stakeholders (i.e., management and hotel partners). Therefore, this study aims to fill the research gap.

This work aims to identify the critical factors contributing to the success of virtual hotel operators in partnership with small and medium-size hotels, it contributes to the literature on technology use in hospitality management, especially in the context of adoption by SMSHs. This work will add perspectives to the literature and research on hotel management agreements, partnerships between owners and operators, brand affiliations, and hotel operators. Hotel owners need to understand their perspectives towards partnership with VHO. Collaboration between VHO and SMSHs will create new competition and consolidation in the future. The following paper will discuss the theoretical background on VHO, and critical success factors, followed by methodology, results and discussion. The last part consists of the conclusion, theoretical and managerial implications, and recommendations for future research.

## 2 Literature review

### 2.1 Virtual Hotel Operator (VHO)

Since its first appearance in 2013, VHO has been evolving as a new entrant in the hotel group sector as an asset-light type of business. VHO focus on developing business-to-business (B2B) partnerships with SMSHs hotel, and VHO companies continue to expand and attract new investors (Wiastuti and Susilowardhani 2017; The Economic Times 2018; Russel 2019). VHO represent one of the most rapidly expanding types of hospitality management company in Asia region, where enormous numbers of SMSHs operate. VHO can accelerated the region's online travel ecosystem as well as a solution for hotel owners and customers who are looking for the assurance of quality standardized budget accommodation (Anandan et al. 2016).

Hotel owners who join with a VHO will adopt a management and franchise model. There are two categories of VHO business model, namely leases and franchises. The first involves property owners buying the brand franchise which is managed directly by the VHO with a royalty fee. The second involves the owner cooperating with the rental scheme or revenue-sharing for rooms booked via a VHO platform. VHO management system includes various

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3 hotel management developments such as technology adoption, staff training, standard  
4 operation, interior design, room decoration, standardize furniture, marketing strategies,  
5 promotional materials, and customer service. Most VHO provides hotel standards and  
6 guidelines that help the management teams transform a property while calculating the  
7 estimated cost and monitoring the renovation process (Oravel Stays 2018).  
8

9 As illustrated by Sharma et al. (2017) in their case study, eight stages are involved in the  
10 hotel property listing process by VHO. First, the transformation process begins with the  
11 identification of potential properties by the business development manager. The second step  
12 involves a detailed audit and negotiation with the hotel owners. VHO will share specific  
13 characteristics such as quality assurance inspection. Third, before a partnership agreement, the  
14 hotel partners must meet the quality specifications set by VHO management. Fourth,  
15 orientation and integration with VHO standardised facilities (i.e., hot showers, clean linen and  
16 towel, air conditioners, Wi-Fi, and in-room amenities). Fifth, the VHO business development  
17 manager prepares the transformation process; sixth, VHO will provide capital expenditure to  
18 improve the facilities and hotel buildings. Seventh, the final process involves hotel properties  
19 going live on VHO websites, mobile applications, and other distribution channel. After the  
20 transformation, the operational team maintains the standard and trains the hotel employees in  
21 using the property management system and daily hotel operations.  
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## 25 *2.2 Critical Success Factors (CSFs) for hotels*

26 CSFs have become an essential concept concerning hotel goals and objectives in the hotel and  
27 accommodation sector. Brotherton and Shaw (1996) have described as activities and processes  
28 to support organisational goals. They should be actionable, controllable, and measurable. CSFs  
29 are sector-specific; the implication is that focused research in a sector on CSFs should provide  
30 specific recommendations for both businesses and entrepreneurs (Engelbrecht et al. 2014).  
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32 CSFs have become an essential concept in the hotel and accommodation sector, in relation  
33 to hotel goals and objectives. With increasingly fierce competition and the increasingly  
34 inevitable use of technology, companies need an innovation strategy to achieve their goals  
35 (Avcikurt et al. 2011). According to Brotherton and Shaw (1996) CSFs in hospitality services  
36 can be categorised based on technical and human aspects. Technical aspects are primarily  
37 concerned with the efficiency and economic aspect of hotel operations. Human aspects can be  
38 defined as the effectiveness of the direct provision of the hospitality experience associated with  
39 staff attitudes, skills, morale and training/development. From the earlier literature on hotel  
40 business, CSFs can be considered to be integral to corporate culture, cooperation, management  
41 style, company performance, productivity, measurements to achieve company goals (Politis et  
42 al. 2009; Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014; Spencer and Van Zyl 2015;  
43 Yadegaridehkordi et al. 2018).  
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46 Morrison and Thomas (1999) explained that SMSHs have a small business scope. They  
47 are self-managed by the owner and financed by individuals or a small group, with most  
48 properties owned and managed by people with no previous hotel management background.  
49 SMSHs still struggle to maintain quality service standards; they face challenges such as level  
50 of competition, operational costs, technical and management skills, appropriate e-business  
51 solutions and ownership of ICT equipment (Pine et al. 2000; Buhalis and Kaldis 2008).  
52

53 There are progress and opportunities when looking into CSFs in SMSHs. One of the studies  
54 by Avcikurt et al. (2011) described hotel managers' and owners' perceptions of hotel operations'  
55 success related to Internet use, service quality, financial performance, and marketing. The  
56 technical aspects related to Internet usage were among the main factors related to CSFs in small  
57 hotels in this study. Yadegaridehkordi et al. (2018) proposed four aspects that influence the  
58 performance and growth of small hotels, first is the organisational aspect includes top  
59 management support and financial performance. Second is human resources include employee  
60

preparation, education, service standardisation, quality, and customer satisfaction. Third, the environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology encompass the firms' external and internal technologies benchmarking with both process and equipment standardisation.

Inter-relationship among companies should be based on cooperative relationships to overcome limitations. Cooperation between hotel business and affiliation with a chain hotel brand will create associations in the customer's mind with several strategies such as assessing customer reviews, contacting the target market, offering benefits to members, and offering a corporate contract/rate for groups or companies (Resende et al. 2018). While in their study Spencer and Van Zyl (2015) also identified that executing a project in the hotel and forming task force teams will significantly assist in delegating tasks and control processes for the hotel operations.

The hotel business challenges related to competitive pricing, better marketing and promotion methods, improved quality of the facilities, improved service delivery, customer service by maintaining good customer relationships, improving the quality and variety of the products offered (i.e., cleanliness, technology, facilities) and finally the loyalty schemes used to retain customers. Therefore, the business strategy conducted by SMSHs owners is an essential part of facing (Ahmad and Arif 2016). Strengthening the market position of small hotel businesses should be undertaken through various strategies such as branding, apart from the brand, comparable products, service technology, and themes also contribute to the image of a small hotel business. Factors associated with the design of hotels, the philosophy of management, commitment to quality and consistency in service delivery, and the use of smart technology innovation for increased competitiveness and business performance (Fredrick and Authority 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).

Previous studies have revealed three CSFs for hotels, the first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). The second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organisational readiness (Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014). The third is that the physical environment including the hotel's interior and exterior, can lead to customer satisfaction (Yadegaridehkordi et al. 2018). Diversification of the hotel business has rapidly changed; However, the literature's insufficiency highlights the paucity of knowledge on CSFs related to the VHO and partnership with SMSHs. Second, some scholars have studied CSFs in hotel operations from the customer perspectives (Padilla-Meléndez and Garrido-Moreno 2014; Wang and Hung 2015; Fuentes-Medina et al. 2018; Lee et al. 2019), and some studied explicitly in the context of SMSHs (Avcikurt et al. 2011; Zhang et al. 2013; Wang and Hung 2015). However, limited literature still discusses the concept of CSFs for VHO. Third, most research uses a quantitative method (Avcikurt et al. 2011; Wang and Hung 2015; Ahmad and Arif 2016). This approach makes it possible to obtain respondents, but the drawback is not being able to do a more in-depth exploration of the respondent's views.

### **3 Methodology**

#### *3.1 Research Design*

Exploratory research is needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO. In this study qualitative method was employed to the fact that "Qualitative research is a well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312). This research used semi-structured interviews with open-ended questions to meet the research objectives. Altinay et al. (2015) explained that a semi-structured interview enables

the participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research. The purpose of sampling in this study is to select relevant participants to answer research questions in the context of this research. For the sample number “qualitative inquiry typically focuses in-depth on relatively small samples, even single cases (n = 1) and selected for quite a specific purpose” (Patton 2014, P.141). According to (Kwortnik 2003), the minimum number of research samples suitable for qualitative research projects is twelve.

This research focuses on the development of VHOs in Indonesia. Therefore, the sampling in this study focused on key participants from VHO management and hotel owners in Indonesia. Before the fieldwork process, participants were recruited via different procedure. First, for VHO management, they were invited based on the company affiliation accounts on the LinkedIn social network platform. The reason for the researcher to use LinkedIn to find potential management participants for interview was because “LinkedIn is a platform that connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network” (Dusek et al. 2015, P.282).

The recruitment process for hotel owners’ participants was conducted by using personal invitation based on the SMSHs category identified for this study. SMSHs are classified as non-star hotel and independent operated hotel, which are not affiliated with local or international hotel chain. Properties can be classified as one-, two- and three-star hotels and non-star accommodation such as guest houses and home stays. The properties chosen had no more than 100 rooms, 10 - 49 employees engaged in the operations and they were controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016). In total one hundred fifty-six research invitations were sent to potential participants in first-tier cities in Indonesia where most of the VHO properties are located, such as Jakarta, Bandung, Medan, Semarang, Surabaya, Bali, Makassar, and Yogyakarta. In total there are only 25 (16%) participants were willing to be interviewed. The interviewees agreed and signed the interview protocol and consent form, and all the participants' identities in this study remain anonymous. Sixteen participants represented VHO companies, and nine represented hotel owners (Table 1).

**Table 1.**  
Profile of participants

VHO Management		
ID	Position	Years of Experience
M1	Assistant general manager	12 years
M2	Ecommerce executives	4 years
M3	Hotel operation manager	7 years
M4	Region head	14 years
M5	Human Resources Business partner	11 years
M6	Senior hotel operation manager	18 years
M7	Country manager hotel operation	15 years
M8	Hotel consultant	13 years
M9	Business development manager	10 years
M10	Operations manager	4 years
M11	Head of Business Development	9 years
M12	Head of Business Development	11 years
M13	Head of Operation Excellence	6 years
M14	Senior business development manager	8 years
M15	Assistant general manager	13 years
M16	Regional corporate sales manager	10 Years

## Hotel Owner

ID	Occupation	Type of accommodation	Years of partnership with VHO
O1	Bankers	Guest House	One year
O2	Information technology	Homestay	Five years
O3	Hotel business	one-star hotel	Four years
O4	Social entrepreneur	two-star hotel	Four years
		three-star hotel	One year
O5	Human resource management	three-star hotel	One year
O6	Contractor	two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	two-star hotel	Two years
O9	Catering business	one-star hotel	Three years

The interview focused on the participants' experiences, VHO goals and characteristics, and the critical factors for VHO success from both management and hotel owners. The interview was conducted from June to August 2020. Due to the COVID-19 pandemic, most interviews were conducted using various online meeting platforms (i.e., Zoom meetings, Google meet). VHO Participants' experience ranged from four to 18 years of working experience in various fields (i.e., hotel, resort, cruise ships or restaurants). Their specialties varied from hospitality backgrounds such as hotel operations, e-commerce, customer services, revenue management, sales and marketing, event management, pre-opening, and procurement. In contrast, another six managers come from non-hospitality backgrounds such as banking, insurance, consumer goods, retail sales, and human capital. Respondents' job descriptions in VHO relate to hotel operations, business development, transformation, marketing, and human resources.

Nine hotel owners have been interviewed. The hotel owners' educational backgrounds were not related to hospitality with backgrounds from management to economics, and IT to psychology. The majority of the hotel owners were not experienced in the hospitality business. Their experiences and specialisms were remarkably diverse; for example, they had been wedding organizers, caterers, social entrepreneurs, worked in retail, contractors, and only one participant had experience in managing family hotel business. The accommodation types range from homestay, guest houses, and one to three-star hotels and the partnership agreement between hotel owners with VHO has been ongoing for one to five years. The diversity of the participants in this study helped the comprehensiveness and diversity of information from the participants' perspectives.

### 3.2 Data analysis

Data triangulation method, a script and interview guidelines were used for each interview session, and finally, participant member checking was undertaken. The interviewer asked the participants for permission to audio-record the conversation. Thus, this promoted effectiveness in terms of communication both during and after the interviews. These recorded data were translated and copied out (transcribing) and summarised. Each participant was given a copy of their interview transcript to review the data's accuracy. Researchers invited the respondents to verify the findings to improve their credibility. After that, all the participants signed and returned the member checking consent form to the researcher.

The recorded interviews totalled 1221 minutes in length or, on average, 49 minutes per participant. The recorded interviews were immediately transcribed, and the coding process was then analysed using qualitative data analysis software ATLAS.ti (version 8). The interview transcript was analysed thematically and systematically to search for commonalities and themes to describe the data (Clarke and Braun 2017). A theme can be interpreted as an

1  
2  
3 affirmation that creates meaning or a statement of meaning. Meanings were obtained from the  
4 interviews and formulated by the researcher.

5 This study's validity and dependability were based on data sources and data triangulation  
6 methods from two participants, namely VHO managers and hotel owners). According to  
7 (Creswell and Creswell 2017) there are several aspects relating to the validity and reliability of  
8 a study, first is triangulation data from multiple sources of participants in the interviews. In this  
9 study, interviews were conducted with two groups of participants, namely hotel owners and  
10 VHO management.

11  
12 Second aspect is member checking. The informant serves as a check throughout the  
13 analysis process. An ongoing dialogue about interpretations based on the informant's reality  
14 and meanings ensure the data's actual value. Undertaking member checking is essential for the  
15 validity of the interview data to make sure that interpretations are accurate (Savin-Baden and  
16 Major 2010). Member checking involves the participant or information provider being  
17 confronted again with the interview data. During the interviews, the interviewer checked with  
18 participants to confirm their responses by asking clarifying questions, including paraphrasing  
19 their responses. After the interview process the clean transcripts and member checking consent  
20 form was sent to the participants by email and WhatsApp messages for faster responds.

21  
22 Third aspects are transferability, dependability, and confirmability are preserved through  
23 detailed records about the research process. The interviewer asked the participants for  
24 permission to audio-record the conversation. Thus, this promoted effectiveness in terms of  
25 communication both during and after the interviews. Each participant was given a copy of their  
26 interview transcript so that they could review the accuracy of the data. Researchers invited the  
27 respondents to verify the findings to improve the credibility. The participants were asked to  
28 read, correct, or strengthen the summary of the researcher's interview results. After that, all the  
29 participants signed and returned the member checking consent form to the researcher.

## 30 31 32 33 **4 Results and Discussion**

### 34 *4.1 Partnership factors*

35 The client relationship received the highest weight among the partnership factors. VHO, as  
36 light assets companies, have to maintain their property partner to sustain and expand the  
37 business. VHO partnerships with hotel owners are based on three aspects. First is the visibility  
38 of the contract agreements. Second, VHO offered a support centre for day-to-day operation  
39 problems and related issues for the hotel owners, customers and vendors. Third, VHO manages  
40 the owner's expectations for the long-lasting benefits of the partnerships (i.e. increased  
41 revenues, occupancy rate, and average room rates). One of the VHO head of business  
42 development conveyed this view by saying:

43  
44  
45 We are not selling goods but building partnerships; therefore, we keep interpersonal relationships  
46 with hotel owners. We meet distinctive characteristics; we speak of culture, which means that  
47 everyone has a different outlook on how the business works. (M11)

48  
49 As one of the VHO characteristics, the contract agreement between a VHO and hotel owner  
50 includes how they manage the hotel operations and standards to reach the VHO goals and hotel  
51 owners' revenue target. As a technology-based hotel operator, VHO relies on partnerships with  
52 hotel owners. Therefore, VHO offers three contract agreements: first, full revenue sharing,  
53 meaning that VHO shares the revenue at an agreed percentage. The second is the use of a  
54 minimum monthly guarantee. Third, a self-operating business, more identical to a lease type  
55 management. The Agreements with VHO are designed to reduce the risk factors and the hotel  
56 owners' value of investments. For instance, one of the interviewees highlighted mutually  
57 beneficial agreements and commitments:



We invest funds or transformational capital expenditure to the property partner if they do not have enough capital to meet our facilities' standards. Hence, we will give them in the form of investment without return within the contract period. (M11)

One of the advantages of having a partnership with VHO is that they provide a fixed monthly deposit according to the initial agreement, which helps us. If we are looking at the capacity of our hotel right now below fifty per cent, with the security deposit, we can cover operational costs. (O1)

Interviewees mentioned that the expansion process should be in line to increase revenue and profits for both the company and its partners. Ultimately the objective of the partnership with the hotel owners is to maintain sustainability and commitment together:

We want our property partners can achieve targeted revenue and business sustainability. Sustain here in terms of financial, products, services consistency, and long-lasting partnership. (M6)

One of the emerging factors from this study is the adaptation to local culture. This was mentioned by both VHO management and hotel owners, as they were concerned that the condition of SMSHs operation varies. Most participants asserted that the educational background of the employees and owners and technological adaptation in hotels are still low. Therefore, VHO should adapt to the condition, as mentioned by one of the hotel owners:

As VHO typically have standard operating procedures that are globally acceptable, this start-up company should adapt to the condition of our people and our culture. (O1)

Business development is part of VHO's way of expanding its business. The findings showed that the responsibility of the business development division is to acquire hotel properties and their performance indicators on increasing the number of rooms and properties and maintaining relationships with hotel owners.

Business development is the one that initially acquired the property. For example, suppose the hotel property owners want to join. In that case, business development will explain the terms and conditions, and they will acquire the property through an agreement that has been agreed to by the hotel property owner. (M5)

As a hotel management company, VHO should adapt and adjust its approach regarding maintaining communication and agreement with the hotel property owners. They should keep a mutually beneficial agreement and commitment. Moreover, continuous improvement is part of excellent business in the field of hospitality; VHO looks for ways to improve any aspect of their customer's needs. These results are in line with those previous studies on the understanding of customer orientation relationships (Padilla-Meléndez and Garrido-Moreno 2014).

#### *4.2 Marketing factors*

The most mentioned factors by VHO management and hotel owners are marketing, and promotion strategies, followed by the market segment, pricing strategy, branding and distribution channel. In segmenting the market, a comprehensive market survey assessment process is conducted by VHO management. The findings revealed that the weak position of small hotels in the market could be overcome through VHO marketing and promotion strategies.

The VHO creates the marketing and promotion strategy for us. Previously, we had limited marketing channels; we only sold our rooms on several property listing platforms. After the partnership agreement, the VHO improves our online and offline presence. (O7)

We inform the owners of essential data about market intelligence, market surveys, and pricing strategy. We can decide the price level following market needs. (M7)

Consistent with prior research, the importance of strategic marketing planning in a joint venture hotel is related to joint advertising activities, pricing strategy, promotion activities, and market research activities (Li et al. 2006). Another finding is about sales and pricing strategy. VHO management and the hotel owner also conveyed the importance of branding. Property owners will automatically join their branding when they agree to partner with VHO. From the perspective of management, brand image is currently an essential aspect of VHO's success; interviewees further explained this:

Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with the VHO logo and property name are helpful for branding. (M12)

This finding was supported by Hua et al. (2009) on how brand equity increased customer intention to purchase hotel products (Castañeda García et al. 2018). VHO has undertaken several strategies to display and promote its properties through a responsive platform, reach a broader audience, increase distribution, and build branding and operational efficiency. One of the most impactful ways is by maximising online media marketing channels. In the current digitalisation era, mobile applications are one of the strategies to bring customers closer to the hotel chain. The introduction of mobile apps such as the VHO application allows customers to book rooms with just three taps on their smartphone. Strategic partnerships with online travel agents (OTAs) also enable hotel owners to reach a broader consumer market (Huang Yin et al. 2019).

The difference is in terms of operation. For example, in conventional hotels, the booking process until the check-in process requires an exhausting process. However, at VHO, the booking process is much simpler; using a mobile application makes everything much easier and more comfortable. (M8)

We have various sales channels, one of the most important is the online sales channel. (M11)

The previous study also mentioned the importance of online and digital distribution channels for hotels, factors that distinguish budget hotels are the ability to market their properties via a multi-channel strategy (Law et al. 2015; Lei et al. 2019). Selecting the suitable online distribution and managing it will benefit for SMSHs strategy and will through dynamic marketing capabilities, plays a critical role on developing competitive advantage (Beritelli and Schegg 2016; Elsharnouby and Elbanna 2021).

#### 4.3 Technical factors

VHO management and hotel owners talked about technical aspects such as hotel operation management, the importance of accessing and monitoring customer satisfaction, standardisation, property transformation, and staff professionalism. Before joining a VHO, a hotel partner must undergo a transformation process. This process ensures that the hotel services, the system, and the people will meet the VHO standard:

We have to transform owner property; it is very crucial to transforming. Everyone engages in the process and convinces owners to share the same perspective. (M7)

From the interviews with hotel property owners, hotel operation management factors and assessing and monitoring customer satisfaction are two factors considered crucial in terms of technical CSFs. Participants are concerned about the continuity of the day-to-day hotel operations, and they describe that:

VHO helps owners manage hotels regarding administration, services, and product standardisation. We will implement an operational standard for all accommodations that do not have a star category. For this purpose, we need people with diverse backgrounds who are specialists, such as the front office, housekeeping, food, and beverages, including the banquet. We also need people who are strong in accounting. (M7)

**Table 2.**  
Critical Success Factors for VHO partnerships with SMSHs

Salient Themes	Sub Themes	Key Insight
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract Agreement</li> <li>● Continuous improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies regarding the business expansion of VHO in the SMSHs sector. The partnership between the VHO and hotel owners aims to maintain the sustainability of the VHO business model and commitment to the contract agreement.
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution Channel</li> </ul>	Marketing is part of functional CSFs where several categories are being assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence.
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing the hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets.
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important to measure increasing revenue and profitability.
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Size and coverage of the hotel networks</li> <li>● Quality Audit</li> </ul>	In a previous study, strategic management is related to innovation strategy and is perceived as the most critical factor for a small hotel business.
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Rewards for the employee</li> </ul>	Both VHO management and hotel owner participants agreed that the human factor is crucial to improving the standard and service of VHO, primarily related to training.
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Accuracy and efficiency of the central reservation system</li> </ul>	The VHO relies on technology-based solutions and features. Using property management systems and centralised booking and reservation systems that are efficient, accurate, and consistent.

Operational managers in each active region will manage and monitor hotel properties. From personal experience, the owner feels comfortable with the operational manager. They can ask about hotel operations; we also often discuss and share knowledge about hotel management. It will help in the future relationship with owners, and there is an exchange of ideas. (M15)

As a digital hospitality company and hotel aggregator, we offer economical and more affordable accommodation and concerned about the quality of our services. Therefore, we should offer a balance between the two aspects (affordable and quality services). (M12)

The physical product and service quality of SMSHs operation are crucial (Hua et al. 2009; Zhang et al. 2013). Other literature also mentions that Customer orientation is a crucial factor for hotel business (Padilla-Meléndez and Garrido-Moreno 2014), to enhance service quality, superior customer service and total quality management (Wang et al. 2012; Ahmad and Arif 2016).

The hotel industry is a service sector that highly depends on human aspects; as stated by Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects will determine the efficiency and economy scale for the successful delivery of hospitality goods and operations. In order to ensure uniform quality in a multiunit hotel company like the hotel chain, standardisation of the services system should be adopted to predict and control output activities (Ivanova and Rahimi 2016). The higher the hotel network's intangible assets, such as their standard, facilities, and services, the better their presence in the customer's mind (Andreu et al. 2017). VHO conducts an evaluation process on how a hotel is to have a satisfactory level of guest assessment:

We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to measure guest satisfaction. (M7)

CSI developed from the customer's ratings of their likelihood to recommend VHO products and services to others on a scale of 0 to 10. The hotel owner also explained that these factors are significant for their hotel business. VHO management ensures that guests are satisfied and evaluates what happened to maintain the quality standard. Moreover, customer satisfaction tends to lead to a positive financial performance where the financial figures are essential for further adjustment and corrective action (Zhang et al. 2013; Augustyn et al. 2021).

#### 4.4 Financial factors

The owner said that currently, it is difficult to get bank loans for hotel business needs. With the cooperation of VHO, hotel owners now have finance in the form of capital expenditure and a monthly income guarantee. Capital expenditure becomes an attractive factor for hotel owners. VHO invests in its partners by supplying capital investment assistance and a monthly income guarantee. According to property owners, capital expenditure has become a significant factor in the development process:

What is significant is the contract agreement, that they provide business capital and the other investment facilities. (M5)

Financial support is crucial for hotel joint venture collaborations (Li et al. 2006; Ge et al. 2018). The financial performance factor in hotel can be measure by the rate of return on investment, income, costs incurred for operational activities, and the company's profitability (Avcikurt et al. 2011; Padilla-Meléndez and Garrido-Moreno 2014).

#### 4.5 Strategic management factors

In a previous study, strategic management is related to innovation strategy and is perceived as the most critical factor for a hospitality business (Stylos et al. 2021; Dieguez et al. 2022).

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2  
3 Strategic management involves executive management to determine strategy and objectives to  
4 achieve goals (Geller 1985). Strategy in this context means that the operational management  
5 level will have better and more precise guidance to solve problems at the lower level and be  
6 able to measure operational success in line with organizational goals and objectives, thus  
7 demonstrating the importance of establishing shared values and launching goals and systems  
8 to increase customer satisfaction (Arasli 2012). One of the interviewees mentioned the  
9 increasing number of users in the VHO application as an opportunity to receive more value  
10 from the customers and increase the chance of getting more investment from the investor. The  
11 VHO management also highlights this:  
12  
13

14 From one to the next two years, we are constantly creating innovations. We must continue to  
15 demand innovative ideas every day, out of the box and all kinds; it has become one of our corporate  
16 cultures. (M16)  
17

18 Innovative technology should be based on market research to respond to market needs and  
19 demands, as mentioned by the management of a VHO:  
20

21 We do marketing based on research to the standards that we set. The products we offer should meet  
22 the category of value for money. (M6)  
23

24 The second factor is related to the size and coverage of the hotel network. As the previous  
25 study discovered, geographical coverage is vital for hotels; this factor will help the success of  
26 hotel operations and development (Brotherton 2004a; Hua et al. 2009). A bigger hotel scale  
27 size and coverage of hotel networks are also critical. For VHO, the number of existing  
28 properties and personnel in one country helps the selling process and monitoring process  
29 effectively:  
30

31 Of course, we have one competitive advantage in the network compared with competitors. We have  
32 the most expansive network; the advantage is that we can choose to sell the properties in every city,  
33 even in other countries abroad, in terms of networking, standardisation, and the number of  
34 personnel. We have all the support needed in every region or hub for our operations. (M11)  
35

36 The third factor is related to how VHO enhances the quality of services. It is a crucial  
37 strategy employed by hotel owners or managers in SMSHs to face the business challenge  
38 (Ahmad and Arif 2016). Implementing the quality audit by VHO management, by placing its  
39 personnel to monitor the operations of property hotel partners, has increased customer  
40 confidence in using accommodation provided by VHO. Conducting a quality audit guarantees  
41 that the products and services they provide meet a minimum standard despite having  
42 differentiated properties managed by the VHO. In the process, the strategy to ensure quality  
43 assurance is closely related to how hotel operational management is carried out with standard  
44 operating procedures, the use of regulations, and most importantly, the human factor and  
45 organisation (Fredrick and Authority 2019; Elsharnouby and Elbanna 2021).  
46  
47

#### 48 *4.6 Human factors*

49 Training is part of the CSFs for VHO mentioned by most of the participants. The goals are to  
50 provide standard operational management and increase customer satisfaction with VHO  
51 products and services. The lack of skilled employees handling customers becomes a  
52 challenging issue for SMSHs. Standard hotel operation management for all VHO properties  
53 can be improved by conducting training and coaching. Two interviewees said:  
54  
55

56 First is an improvement, then we also build educational training for hospitality. (M3)

57 VHO thinks about the employee's development and the hotel owners as well. (M11)  
58

59 The owners agree that VHO could develop hotel operation human resources. The VHO  
60 makes changes in terms of product knowledge and the ability to upgrade the technology used

1  
2  
3 by the hotel staff to help operations. The owners feel that there is a change in knowledge  
4 transfer during the in-house training process. Most owners agree that the VHO is continually  
5 active with innovative technologies related to property management systems, hardware, and  
6 mobile application, from the aspect of technology development. The training is not only for  
7 employees but also for the owner. It was stated by one of the owners that:

9 Our company is successful because we think about our employees' development. However, the  
10 training is not only for employees but also for the owners. We conduct meetings with the owners  
11 and provide them with mentoring on managing the hotel. (M7)

13 This finding supports existing studies by Ahmad and Arif (2016) on how training increases  
14 business growth and success in the SMSH sector and standards training for employees will  
15 improve the customer services offered (Hua et al. 2009). From the characteristics of company  
16 owners, top-level management is needed to overcome the challenges in such a dynamic  
17 business climate. The need for innovative and sound strategy needs to be supported by a quality  
18 leadership team commitment. Increasing team commitment is important to achieve  
19 organisational goals. Organisations' process management is essential to teamwork and strategic  
20 plans (Yadegaridehkordi et al. 2018). VHO also considered the employee welfare aspects due  
21 to work-life balance and rewards for the employees emerged as one of the CSFs for VHO; this  
22 was mentioned by the VHO management participants, as one of them stated that:

25 Company performance and targets are balanced with our reasonable compensation and rewards.  
26 (M14)

#### 29 *4.7 Technology factors*

30 The VHO is a hospitality management company that utilises technological developments to  
31 maximise and empower local accommodation offerings. Interestingly, only two CSFs in  
32 technology factors were found in this study: the property management system (PMS) and the  
33 accuracy and efficiency of the central reservation system.

35 We are a start-up company that relies on technology. Our system keeps improving by getting  
36 insights from our hotel operation team, although we already have a software engineer team. The  
37 improvement comes in more user-friendly PMS for the employee and owners. This technology was  
38 beneficial, as it meant that Hotels did not have to have large folio books, dealing with a large margin  
39 of errors and time-consuming paperwork. With this PMS, business processes for the hotel property  
40 have run more efficiently. (M7)

42 Moreover, data science and analytics to enhance guest experiences become crucial. The  
43 systems can be accessed in real-time and present information transparently to improve  
44 efficiency in both time and funding. The use of technology creates a more comfortable booking  
45 experience for the guests, where consumers go online and make travel-related purchases using  
46 an online platform.

48 What makes VHO different is promotions on the website and online travel agents, and this will  
49 impact small hotel property partners. When they join us, we will help their property become more  
50 saleable by improving their online platform appearance. (M15)

52 VHO platform continues to update its ability to use technology in the room booking process  
53 and online distribution system. VHO can use various strategies to display and promote hotel  
54 partner properties through their websites and mobile platform applications. The application has  
55 reached out to a broader audience, increased distribution, and improved branding and  
56 operational efficiency. Mobile applications allow customers to book rooms with just three taps  
57 of their smartphone. The concept is simple by providing three steps for booking: go to their  
58 website/mobile application, choose a location, and find the hotel that fits the traveller's  
59  
60

requirements. This outcome supports the theories that note the importance of a central reservation system in SMSHs and budget hotel sectors (Brotherton 2004a; Hua et al. 2009; Avcikurt et al. 2011).

SMSHs partners will also get hotel management system applications that are beneficial to the owner in the process of checking and performance of their properties every day through a device they have. (M11)

#### 4.8 CSFs for VHO

In total, seven themes were conveyed by the management and hotel owners, five themes are based on the literature review: strategic management factors, human factors, technical factors, marketing factors, and technology factors; and two new themes discovered from the interviews, namely financial factors and partnership factors.

In this study the partnership factors received the highest weight among other CSFs. VHOs as light assets companies, have to maintain their property partner to sustain and expand the business. Several aspects are important for the VHOs and client relationship such as the commitment, delivering information, communication and solving the owner's problems as part of VHO goals to maintain partnerships with hotel owners. The findings extend the literature on the understanding of customer orientation relationships (Padilla-Meléndez and Garrido-Moreno 2014). However, the partnership between VHOs and non-classified hotels are facing challenges. Unclassified hotels do not have any experience in using technology and managing standardized hotel management systems. Therefore, VHOs must transform unclassified hotels from traditional hotel operations to many new aspects and maintain continuous quality and commitment to providing a pleasant stay experience, this outcome supports the findings of Arasli (2012).

The marketing factors are second most mentioned in terms of cases in this study. Both management and owners have the same perspective; they mentioned five factors in marketing. Marketing and promotion strategies, the market segment, pricing strategy, branding, and distribution channel. Hotel businesses need a marketing strategy to maximize revenue and increase occupancy rates. The importance of strategic marketing planning in a joint venture hotel related to factors such as joint advertising activities, pricing strategy, promotion activities, and market research activities, was mentioned in the study by Li et al. (2006). Marketing and sales are part of functional CSFs where several categories are being assessed, namely effectiveness of advertising, market intelligence, customer database, and competitor intelligence (Brotherton et al. 2003; Brotherton 2004b). The emergence of VHOs on various social media platforms is also beneficial. The use of the Internet as a marketing medium explains in the literature how online channels impact the promotion of accommodation, use of websites as promotional media, and customers as part of promotional activities by VHOs; this supports a previous study on the SMSHs sector in studies by Ahmad and Arif (2016) and Arasli (2012). Previous research by Smithson et al. (2011) mentioned the importance of the Internet as a distribution channel for SMSHs, identifying the characteristics that could make the Internet a source of competitive advantage.

The third aspect is about technical aspects such as hotel operation management, standardization, transformation, and personnel professionalism. Participants are concerned about the continuity of the day-to-day hotel operations. As stated by Brotherton and Shaw (1996) in the three-dimensional hotel operations model, several factors highlighted in their research regarding a centralized reservation system that is efficient, accurate, and consistent, and the quality of the products and facilities offered, are relevant to this study's findings regarding the use of property management systems and standardizing hotel operations by the VHO. Moreover, the importance of accessing and monitoring customer satisfaction. The

customer-related measures and customer orientation in customer relationship management implementation are they key factors for hotel success (Padilla-Meléndez & Garrido-Moreno, 2014). Customer satisfaction tends to lead to a positive financial performance where the financial figures are essential for further adjustment and corrective action (Zhang et al., 2013).

In relation to the financial aspect, it is important to measure increasing revenue and profitability, and this is, in fact, one of the VHO goals, from the literature concerning hotel CSFs, the financial performance factor is the rate of return on investment, income, costs incurred for operational activities, and the company's profitability (Avcikurt et al., 2011; Padilla-Meléndez & Garrido-Moreno, 2014). VHO invests in its partners by supplying capital investment assistance and a monthly income guarantee. Several aspects are found in this study are related to the capital expenditure, investor and capital sources, profitability, monthly guarantee and revenue. Financial support is the most crucial factor for hotel joint venture collaborations (Li et al., 2006). One owner said that currently, it is difficult to get bank loans for hotel business needs. With the cooperation of VHOs, hotel owners now have finance in the form of capital expenditure and a monthly guarantee of income.

The fifth aspects is strategic management is related to innovation strategy, the size and coverage of a hotel networks, and the quality audit. Innovation strategy is perceived as the most important factor for a small hotel business in a previous study (Avcikurt et al., 2011). The second factor is related to the size and coverage of the hotel network. A bigger hotel scale size and coverage of hotel networks are also critical. As the previous study discovered, geographical coverage is important for hotels; this factor will help the success of hotel operations and development (Brotherton, 2004a; Hua et al., 2009). The implementation of quality audit by VHO management, by placing its personnel to monitor the operations of property hotel partners, has increased customer confidence in using accommodation provided by VHOs. This is providing guarantees that the products and services they provide meet a minimum standard despite having differentiated properties managed by the VHO.

Both VHO management and hotel owner participants were agreed that to improve the standard and service of VHOs, the human factor is crucial especially related to training, team commitment, staff recruitment, and rewards for the employees. The human aspect is crucial for all operational aspects of the hotel business (Brotherton & Shaw, 1996). Organizational productivity and harmony are also related to staff recruitment and choice processes; finding the right people in the right position in an organizational structure, and team commitment. Sometimes, a lack of skilled employees in handling customers becomes a challenging issue (Ahmad & Arif, 2016).

Only two CSFs in technology factors were found in this first is the property management system (PMS) and accuracy and efficiency of the central reservation system. To achieve a competitive advantage in the current digital era, the VHO platform continues to update its ability to use technology in the room booking process and online distribution system. The systems can be accessed in real-time and present information transparently to improve efficiency in both time and funding. These findings support previous studies (Sharma et al., 2017; Wiastuti and Susilowardhani, 2017) on the use of a property management system.

From the previous discussion, there are seven themes for VHO CSFs, which are technical, marketing, partnership, financial, technology, strategic management, and human. From the management perspective, the majority answered the importance of technical aspects such as standardization, transformation, quality assurance, and professionalism. From the owner's perspective, assessing the financial aspects, especially concerning the monthly guarantee, is a crucial factor. The owners also explained that the technology aspect has helped them manage their hotel property, both with the PMS system and the central reservation system. There were other major factors related to the client's relationship that are crucial from both management and hotel owners' perspectives. Interviewees mentioned marketing and promotion strategies,



client relationship, training, hotel operation management, innovation strategy, capital expenditure, and property management system as being the top seven critical factors with marketing and promotion strategies as the most critical factor for VHOs.

## 5 Conclusions

This study has revealed seven themes of CSFs for VHO and SMSHs conveyed by the management and hotel owners participants during the interviews; namely, five themes are based on the literature review: strategic management factors, human factors, technical factors, marketing factors and technology factors; and two new themes discovered from the interviews, namely financial factors and partnership factors. Hotel owners and VHO management has enabled the confirmation and the refinement of the new CSFs framework for VHO and serve as a foundation for the concepts and characteristics of VHO. From the result of this study, it can be concluded that the most CSF for VHO is the partnership factor. Maintaining good client relationships with hotel partners is also crucial to increase their brand value and achieve their goals of increased property portfolios and the number of rooms to become a market leader (Castañeda García et al. 2018; Wang et al. 2019). In the context of cooperation and networking, Li et al. (2006) examined the primary motivation in selecting joint venture partners from local and expatriate managers' perspectives. Factors relevant for joint venture hotels include strategic planning, a willingness to share information and knowledge with local partners, being backed up by strong financial performance, and experience in marketing, planning, and conducting market research. Moreover, innovations and financial factors are found to be very critical, especially from the perspective of hotel owners. Another thing to be highlighted are creating marketing and promotional strategies through several media, for example, by using online, offline and micro marketing media. The strategies should be an inexpensive and effective platform for marketing and advertising, increasing the hotel's competitiveness level in the marketplace (Paprocki 2017; Stylos et al. 2021).

### 5.1 Theoretical implications

The theoretical implications of this study are triplicate. First, this study can add to the literature on the use of technology in the field of hospitality management, especially the application of technology for small and medium-scale hotels in collaboration with emerging hotel management companies such as VHO that highly depend on technology. Second, this study contributes to the body of literature on hospitality management by providing an overview of the role of a hotel operator in cooperating with SMSHs owners. *This study can add perspectives to the literature and research on hotel management agreements (HMAs), partnerships between owners and hotel operators, and brand affiliations with hotel industry 4.0 smart technology implementation.* Third, this study also provides perspectives from hotel owners regarding the aspects of contract agreements and the financial benefits obtained from the cooperation process, as well as hotel management operations that utilise smart technology.

### 5.2 Practical implications

The practical implication of this study will be helpful for VHO management in determining the most significant CSFs for such companies to help them achieve their goals, measure their performance, and expand their network. For hotel owners, the presence of virtual hotel business can be used as a solution to their product and services quality, marketing and promotion strategy in the era of digitalisation. *The findings can be used as a comparison for hotel operators to determine their CSFs and balance owners' and operators' interests (i.e., providing expertise in the marketing process and promotion strategy, implementing standards and training for hotel operations by prioritising aspects of digital technology).* Hotel management should allocate a

budget for the information system and to update their technology use concerning their daily operations and maintain the data management process. In addition, this study will help inform the government, especially in developing countries such as Indonesia, India, The Philippines, and Vietnam, where most of the accommodations are in SSMHs categories, on how SSMHs can be transformed to become standardised accommodation facilities that support local tourism. Meanwhile, for investors, VHO has become a prospect for future development and investment in the accommodation sectors.

### 5.3 Limitations and Future research

In terms of the number of participants, this study's sample size (nine properties) is still small compared to the total number of VHO operating Globally. The second limitation of this study was that sample interview participants were from VHO properties in Indonesia. With the limitation on domestic travelling during the COVID-19, the researcher cannot directly observe the conditions of hotels included in this study. Where VHO has expanded globally, thus, future research can be conducted with a variety of samples taken from other cities, regions or countries such as China, India, Singapore, Thailand, The Philippines, USA, and Vietnam, where VHO operate. A future study may also include participants who are hotel owners who have not joined or who have ended their contract agreements with the VHO. It is beneficial to compare their perspective regarding VHO and hotel management agreements.

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September 13, 2022

Dear Dr. Nikolaos Stylos

Guest Editor for Special Issue: *Marketing via Industry 4.0 smart technologies in hospitality and tourism, Journal of Hospitality and Tourism Insights (JHTI)*

Thank you for reviewing our manuscript “Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators” which was submitted to *Special Issue: Marketing via Industry 4.0 smart technologies in hospitality and tourism, Journal of Hospitality and Tourism Insights (JHTI)* for publication consideration. We are grateful to receive your constructive and valuable comments from two reviewers, which have helped us to improve the overall quality of our manuscript.

Please note that we have revised the paper based on your comments and suggestions. This revision summary provides a point-to-point response to the comments offered by the editors.

Again, thank you very much for your interest in this work. We wish the revised manuscript would meet the standard of *Journal of Hospitality and Tourism Insights (JHTI)*.

Yours truly,

Fajar Putra

Correspondence author

### **Reviewer(s)' Comments to Author:**

#### **Reviewer:1**

- (1) This manuscript addresses an important issue in the hospitality industry: Critical success factors for virtual hotel operator partnership with small and medium-sized hotels, and uses qualitative methods to identify all the CSFs.

#### **Our response:**

*Thank you for your comments. We really appreciate for your valuable insight and interest in our article.*

- (2) Originality: Does the paper contain new and significant information adequate to justify publication? Yes. I do agree with the authors that the research gap identified in this paper exists, and this paper indeed contributes to filling this research gap.  
There are many merits of this paper. The whole paper is well organized around the research questions of the paper (except the discussion part). The introduction identifies the research gap and points out the importance of this research. The methodology is suitable for the research question, and the results and findings well answer the research questions.

**Our response:**

*Thank you for your comments. We really appreciate for your interest in our article.*

- (3) Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored? as the authors keep arguing, hotels using virtual hotel operators is a joint venture. And the authors cites references related to joint ventures multiple times. I'd like to see some literature review about CSFs influencing joint ventures, and how these CSFs differs from the factors identified in this paper.

**Our response:**

*We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments and paraphrased sentence. We look forward to your positive response.*

Inter-relationship among companies should be based on cooperative relationships to overcome limitations. Cooperation between hotel business and affiliation with a chain hotel brand will creating associations in the customer's mind with several strategies such as assessing customer reviews, contacting the target market, offering benefits to members, and offering a corporate contract/rate for groups or companies (Resende et al. 2018). While in their study Spencer and Van Zyl (2015) also identified that executing a project in the hotel and forming task force teams will significantly assist in delegating tasks and control processes for the hotel operations.

The hotel business challenges related to competitive pricing, better marketing and promotion methods, improved quality of the facilities, improved service delivery, customer service by maintaining good customer relationships, improving the quality and variety of the products offered (i.e., cleanliness, technology, facilities) and finally the loyalty schemes used to retain customers, Therefore, the business strategy conducted by SMSHs owners is an essential part of facing (Ahmad and Arif 2016). Strengthening the market position of small hotel businesses should be undertaken through various strategies such as branding, apart from the brand, comparable products, service technology, and themes also contribute to the image of a small hotel business. Factors associated with the design of hotels, the philosophy of management, commitment to quality and consistency in service delivery, and the use of smart technology innovation for increased competitiveness and business performance (Fredrick and Authority 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).

- (4) Literature review: P. 3 last paragraph. I think there is no need to use 4 bullet points to summarize Yadegaridehkordi et al. (2018) research, unless the authors want to highlight this research for a particular reason.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments.*

Yadegaridehkordi et al. (2018) proposed four aspects that influence the performance and growth of small hotels, first is the organisational aspect includes top management support and financial



performance. Second is human resources include employee preparation, education, service standardisation, quality, and customer satisfaction. Third, the environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology encompass the firms' external and internal technologies benchmarking with both process and equipment standardisation.

- (5) Literature review: first paragraph. Is this paragraph a summary of the literature review? For “Previous research”, please list out the references?

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments and listed out the references on text. Please see the full manuscript revised.*

Previous studies have revealed three CSFs for hotels, the first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). The second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organisational readiness (Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014). The third is that the physical environment including the hotel's interior and exterior, can lead to customer satisfaction (Yadegaridehkordi et al. 2018). Diversification of the hotel business has rapidly changed; However, the literature's insufficiency highlights the paucity of knowledge on CSFs related to the VHO and partnership with SMSHs. Second, some scholars have studied CSFs in hotel operations from the customer perspectives (Padilla-Meléndez and Garrido-Moreno 2014; Wang and Hung 2015; Fuentes-Medina et al. 2018; Lee et al. 2019), and some studied explicitly in the context of SMSHs (Avcikurt et al. 2011; Zhang et al. 2013; Wang and Hung 2015). However, limited literature still discusses the concept of CSFs for VHO. Third, most research uses a quantitative method (Avcikurt et al. 2011; Wang and Hung 2015; Ahmad and Arif 2016).

- (6) P.4 line 40. Please describe how this research “purposefully selected individuals”.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments and explain the sampling procedures. Please see the full manuscript revised.*

The purpose of sampling in this study is to select relevant participants to answer research questions in the context of this research. For the sample number “qualitative inquiry typically focuses in-depth on relatively small samples, even single cases ( $n = 1$ ) and selected for quite a specific purpose” (Patton 2014, P.141). According to (Kwortnik 2003), the minimum number of research samples suitable for qualitative research projects is twelve.

This research focuses on the development of VHOs in Indonesia. Therefore, the sampling in this study focused on key participants from VHO management and hotel owners in Indonesia. Before the fieldwork process, participants were recruited via different procedure. First, for VHO management recruitment process, potential participants were people employed by VHO companies. They were invited, based on the company affiliation accounts on the LinkedIn social network platform. The reason for the researcher to use LinkedIn to find potential management participants for interview was because “LinkedIn is a platform that connects professionals in

various fields and, therefore, provides greater ability to target data collection to an appropriate social network” (Dusek et al. 2015, P.282).

The recruitment process for hotel owners’ participants was conducted by using personal invitation based on the SMSHs category identified for this study. SMSHs are classified as non-star hotel and independent operated hotel, which are not affiliated with local or international hotel chain. Properties can be classified as one-, two- and three-star hotels and non-star accommodation such as guest houses and home stays. The properties chosen had no more than 100 rooms, 10 - 49 employees engaged in the operations and they were controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016). In total one hundred fifty-six research invitations were sent to potential participants in first-tier cities in Indonesia where most of the VHO properties are located, such as Jakarta, Bandung, Medan, Semarang, Surabaya, Bali, Makassar, and Yogyakarta. In total there are only 25 (16%) participants were willing to be interviewed. The interviewees agreed and signed the interview protocol and consent form, and all the participants’ identities in this study remain anonymous. Sixteen participants represented VHO companies, and nine represented hotel owners (Table 1).

- (7) P.5 line 46. “Most hotel owners were unexperienced in the hospitality business”.  
Is this common in the hospitality industry? Will this influence their input for your research?

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments.*

Nine hotel owners have been interviewed. The hotel owners’ educational backgrounds were not related to hospitality with backgrounds from management to economics, and IT to psychology. The majority of the hotel owners were not experienced in the hospitality business. Their experiences and specialisms were remarkably diverse; for example, they had been wedding organizers, caterers, social entrepreneurs, worked in retail, contractors, and only one participant had experience in managing family hotel business. The accommodation types range from homestay, guest houses, and one to three-star hotels and the partnership agreement between hotel owners with VHO has been ongoing for one to five years. The diversity of the participants in this study helped the comprehensiveness and diversity of information from the participants’ perspectives.

- (8) P.5 line 46. “(e.q.,...” typo?

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments and rephrase the sentence.*

Their experiences and specialisms were remarkably diverse; for example, they had been wedding organizers, caterers, social entrepreneurs, worked in retail, contractors, and only one participant had experience in managing family hotel business.

- (9) Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate? Overall, the research methods used in this paper is valid. However, these are some parts in the methodology which needs more detailed description.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments. First in the sampling method relevant to comments number (6) we add the sampling and participant recruitment process as follow:*

The purpose of sampling in this study is to select relevant participants to answer research questions in the context of this research. For the sample number “qualitative inquiry typically focuses in-depth on relatively small samples, even single cases (n = 1) and selected for quite a specific purpose” (Patton 2014, P.141). According to (Kwortnik 2003), the minimum number of research samples suitable for qualitative research projects is twelve.

This research focuses on the development of VHOs in Indonesia. Therefore, the sampling in this study focused on key participants from VHO management and hotel owners in Indonesia. Before the fieldwork process, participants were recruited via different procedure. First, for VHO management recruitment process, potential participants were people employed by VHO companies. They were invited, based on the company affiliation accounts on the LinkedIn social network platform. The reason for the researcher to use LinkedIn to find potential management participants for interview was because “LinkedIn is a platform that connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network” (Dusek et al. 2015, P.282).

The recruitment process for hotel owners’ participants was conducted by using personal invitation based on the SMSHs category identified for this study. SMSHs are classified as non-star hotel and independent operated hotel, which are not affiliated with local or international hotel chain. Properties can be classified as one-, two- and three-star hotels and non-star accommodation such as guest houses and home stays. The properties chosen had no more than 100 rooms, 10 - 49 employees engaged in the operations and they were controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016). In total one hundred fifty-six research invitations were sent to potential participants in first-tier cities in Indonesia where most of the VHO properties are located, such as Jakarta, Bandung, Medan, Semarang, Surabaya, Bali, Makassar, and Yogyakarta. In total there are only 25 (16%) participants were willing to be interviewed. The interviewees agreed and signed the interview protocol and consent form, and all the participants' identities in this study remain anonymous. Sixteen participants represented VHO companies, and nine represented hotel owners (Table 1).

*Second, we also add the characteristics of hotel owner to answer comments number (7)*

Nine hotel owners have been interviewed. The hotel owners’ educational backgrounds were not related to hospitality with backgrounds from management to economics, and IT to psychology. The majority of the hotel owners were not experienced in the hospitality business. Their experiences and specialisms were remarkably diverse; for example, they had been wedding organizers, caterers, social entrepreneurs, worked in retail, contractors, and only one participant had experience in managing family hotel business. The accommodation types range from homestay, guest houses, and one to three-star hotels and the partnership agreement between hotel owners with VHO has been ongoing for one to five years. The diversity of the participants in this

study helped the comprehensiveness and diversity of information from the participants' perspectives.

(10) P.6 line 10. Please describe in detail about “the study’s validity and dependability”.

**Our response:**

*Thank you for your comments. In line with previous comment in number (9) the more detailed information in methodology part. Please see the full manuscript revised.*

This study's validity and dependability were based on data sources and data triangulation methods from two participants, namely VHO managers and hotel owners). According to Creswell & Creswell (2018), there are several aspects relating to the validity and reliability of a study, first is triangulation data from multiple sources of participants in the interviews. In this study, interviews were conducted with two groups of participants, namely hotel owners and VHO management.

Second aspect is member checking. The informant serves as a check throughout the analysis process. An ongoing dialogue about interpretations based on the informant’s reality and meanings ensure the data's actual value. Undertaking member checking is essential for the validity of the interview data to make sure that interpretations are accurate (Savin-Baden & Major, 2010). Member checking involves the participant or information provider being confronted again with the interview data. During the interviews, the interviewer checked with participants to confirm their responses by asking clarifying questions, including paraphrasing their responses. After the interview process the clean transcripts and member checking consent form was sent to the participants by email and WhatsApp messages for faster responds.

Third aspects are transferability, dependability, and confirmability are preserved through detailed records about the research process. The interviewer asked the participants for permission to audio-record the conversation. Thus, this promoted effectiveness in terms of communication both during and after the interviews. Each participant was given a copy of their interview transcript so that they could review the accuracy of the data. Researchers invited the respondents to verify the findings to improve the credibility. The participants were asked to read, correct, or strengthen the summary of the researcher's interview results. After that, all the participants signed and returned the member checking consent form to the researcher.

(11) P.10 line 40-41. As the first sentence of the section, I fail to see why this sentence is linked to strategic management factors.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments. Please see the full manuscript revised.*

In a previous study, strategic management is related to innovation strategy and is perceived as the most critical factor for a hospitality business (Stylos et al. 2021; Dieguez et al. 2022). Strategic management involves executive management to determine strategy and objectives to achieve goals (Geller, 1985). Strategy in this context means that the operational management level will have better and more precise guidance to solve problems at the lower level and be able to measure operational success in line with organizational goals and objectives, thus demonstrating the importance of establishing shared values and launching goals and systems to increase customer satisfaction (Arasli, 2012).

(12) P.12 line 57. I think this paragraph needs a topic sentence.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments, in line with the comments number (14)*

(13) P. 13 line 9. I think this paragraph also needs a topic sentence.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments, in line with the comments number (14)*

(14) P.12 line 42 to p.13 line 22. Are these three paragraphs the summaries and discussion of the results? If yes, the authors should be more specific. This part should be revised significantly, because this section is one of the most important sections in the paper. The discussion should be directly linked to the key findings: 7 CSFs, and discuss how these findings relate to previous research.

**Our response:**

*We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We look forward to your positive response*

In total, seven themes were conveyed by the management and hotel owners, five themes are based on the literature review: strategic management factors, human factors, technical factors, marketing factors, and technology factors; and two new themes discovered from the interviews, namely financial factors and partnership factors.

In this study the partnership factors received the highest weight among other CSFs. VHOs as light assets companies, have to maintain their property partner to sustain and expand the business. Several aspects are important for the VHOs and client relationship such as the commitment, delivering information, communication and solving the owner's problems as part of VHO goals to maintain partnerships with hotel owners. The findings extend the literature on the understanding of customer orientation relationships (Padilla-Meléndez and Garrido-Moreno, 2014). However, the partnership between VHOs and non-classified hotels are facing challenges. Unclassified hotels do not have any experience in using technology and managing standardized hotel management systems. Therefore, VHOs must transform unclassified hotels from traditional hotel operations to many new aspects and maintain continuous quality and commitment to providing a pleasant stay experience, this outcome supports the findings of Arasli (2012).

The marketing factors are second most mentioned in terms of cases in this study. Both management and owners have the same perspective; they mentioned five factors in marketing. Marketing and promotion strategies, the market segment, pricing strategy, branding, and distribution channel. Hotel businesses need a marketing strategy to maximize revenue and increase occupancy rates. The importance of strategic marketing planning in a joint venture hotel related to factors such as joint advertising activities, pricing strategy, promotion activities, and market research activities, was mentioned in the study by Li et al. (2006). Marketing and sales are part of functional CSFs where several categories are being assessed, namely effectiveness of advertising, market intelligence, customer database, and competitor intelligence (Brotherton, 2004b; Brotherton et al., 2003). The emergence of VHOs on various social media platforms is also

beneficial. The use of the Internet as a marketing medium explains in the literature how online channels impact the promotion of accommodation, use of websites as promotional media, and customers as part of promotional activities by VHOs; this supports a previous study on the SMSHs sector in studies by Ahmad and Arif (2016) and Avcikurt et al. (2011). Previous research by Smithson et al (2011) mentioned the importance of the Internet as a distribution channel for SMSHs, identifying the characteristics that could make the Internet a source of competitive advantage.

The third aspect is about technical aspects such as hotel operation management, standardization, transformation, and personnel professionalism. Participants are concerned about the continuity of the day-to-day hotel operations. As stated by Brotherton and Shaw (1996) in the three-dimensional hotel operations model, several factors highlighted in their research regarding a centralized reservation system that is efficient, accurate, and consistent, and the quality of the products and facilities offered, are relevant to this study's findings regarding the use of property management systems and standardizing hotel operations by the VHO. Moreover, the importance of accessing and monitoring customer satisfaction. The customer-related measures and customer orientation in customer relationship management implementation are they key factors for hotel success (Padilla-Meléndez & Garrido-Moreno, 2014). Customer satisfaction tends to lead to a positive financial performance where the financial figures are essential for further adjustment and corrective action (Zhang et al., 2013).

In relation to the financial aspect, it is important to measure increasing revenue and profitability, and this is, in fact, one of the VHO goals , from the literature concerning hotel CSFs, the financial performance factor is the rate of return on investment, income, costs incurred for operational activities, and the company's profitability (Avcikurt et al., 2011; Padilla-Meléndez & Garrido-Moreno, 2014). VHO invests in its partners by supplying capital investment assistance and a monthly income guarantee. Several aspects are found in this study are related to the capital expenditure, investor and capital sources, profitability, monthly guarantee and revenue. Financial support is the most crucial factor for hotel joint venture collaborations (Li et al., 2006). One owner said that currently, it is difficult to get bank loans for hotel business needs. With the cooperation of VHOs, hotel owners now have finance in the form of capital expenditure and a monthly guarantee of income.

The fifth aspects is strategic management is related to innovation strategy, the size and coverage of a hotel networks, and the quality audit. Innovation strategy is perceived as the most important factor for a small hotel business in a previous study (Avcikurt et al., 2011). The second factor is related to the size and coverage of the hotel network. A bigger hotel scale size and coverage of hotel networks are also critical. As the previous study discovered, geographical coverage is important for hotels; this factor will help the success of hotel operations and development (Brotherton, 2004a; Hua et al., 2009). The implementation of quality audit by VHO management, by placing its personnel to monitor the operations of property hotel partners, has increased customer confidence in using accommodation provided by VHOs. This is providing guarantees that the products and services they provide meet a minimum standard despite having differentiated properties managed by the VHO.

Both VHO management and hotel owner participants were agreed that to improve the standard and service of VHOs, the human factor is crucial especially related to training, team commitment, staff recruitment, and rewards for the employees. The human aspect is crucial for all operational aspects of the hotel business (Brotherton & Shaw, 1996). Organizational productivity and harmony are also related to staff recruitment and choice processes; finding the right people in the right position in an organizational structure, and team commitment. Sometimes, a lack of skilled employees in handling customers becomes a challenging issue (Ahmad & Arif, 2016).

Only two CSFs in technology factors were found in this first is the property management system (PMS) and accuracy and efficiency of the central reservation system To achieve a

competitive advantage in the current digital era, the VHO platform continues to update its ability to use technology in the room booking process and online distribution system. The systems can be accessed in real-time and present information transparently to improve efficiency in both time and funding. These findings support previous studies (Sharma et al., 2017; Wiastuti and Susilowardhani, 2017) on the use of a property management system.

From the previous discussion, there are seven themes for VHO CSFs, which are technical, marketing, partnership, financial, technology, strategic management, and human. From the management perspective, the majority answered the importance of technical aspects such as standardization, transformation, quality assurance, and professionalism. From the owner's perspective, assessing the financial aspects, especially concerning the monthly guarantee, is a crucial factor. The owners also explained that the technology aspect has helped them manage their hotel property, both with the PMS system and the central reservation system. There were other major factors related to the client's relationship that are crucial from both management and hotel owners' perspectives. Interviewees mentioned marketing and promotion strategies, client relationship, training, hotel operation management, innovation strategy, capital expenditure, and property management system as being the top seven critical factors with marketing and promotion strategies as the most critical factor for VHOs.

- (15) Until this section, I realized that the seven themes identified in the results section are not the same as the seven CSFs. Why and how are they different? How do the authors generate the 7 CSFs from the seven themes?

**Our response:**

*We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments (Please see response number 14), we have added the discussion about the seven CSFs found in this study. We look forward to your positive response.*

- (16) From p.13 line 39- line 50 starting “although VHO offers”, are these points the authors’ discussion or the findings? I fail to see the reason or the logic of putting these points here.

**Our response:**

*We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. Please see the full manuscript revised.*

- (17) In the conclusion section of the paper, the most important findings are the 7 CSFs. There should be more detailed summaries, explanations, and discussions about each factor. I expect to see how these factors relates (compliment or supplement) to previous research. Is there any new factor not identified before?

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments. Please see the full manuscript revised.*

This study has revealed seven themes of CSFs for VHO and SMSHs conveyed by the management and hotel owners participants during the interviews; namely, five themes are based on the literature review: strategic management factors, human factors, technical factors, marketing factors and technology factors; and two new themes discovered from the interviews, namely financial factors and partnership factors. Hotel owners and VHO management has enabled the confirmation and the refinement of the new CSFs framework for VHO and serve as a foundation for the concepts and characteristics of VHO. From the result of this study, it can be concluded that the most CSF for VHO is the partnership factor. Maintaining good client relationships with hotel partners is also crucial to increase their brand value and achieve their goals of increased property portfolios and the number of rooms to become a market leader (Castañeda García et al. 2018; Wang et al. 2019). In the context of cooperation and networking, Li et al. (2006) examined the primary motivation in selecting joint venture partners from local and expatriate managers' perspectives. Factors relevant for joint venture hotels include strategic planning, a willingness to share information and knowledge with local partners, being backed up by strong financial performance, and experience in marketing, planning, and conducting market research. Moreover, innovations and financial factors are found to be very critical, especially from the perspective of hotel owners. Another thing to be highlighted are creating marketing and promotional strategies through several media, for example, by using online, offline and micro marketing media. The strategies should be an inexpensive and effective platform for marketing and advertising, increasing the hotel's competitiveness level in the marketplace (Paprocki 2017; Stylos et al. 2021).

- (18) Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Yes.

For the paragraph starting p. 13 line 51, this is the practical implication of this paper, not a conclusion of the paper.

**Our response:**

*Thank you for your comments. We have revised this paragraph and include to practical implication section.*

- (19) Please use professional editor for proofreading and checking grammar.

**Our response:**

- (20) Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: Overall, this paper is clear and well-organized (except the discussion part). However, this paper still needs further revision about the clarity of arguments, connections across the whole paper, and so on.

**Our response:**

*We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We look forward to your positive response*



**Reviewer: 2**

Comments:

- (1) The findings and conclusion of the study should be reviewed and, if possible, a few more recent references should be added to the literature review.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comment. Please see full revised manuscript.*

- (2) Page 1 line 60 reference?

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comment and add the relevant literature about VHO.*

VHO create more value for hotel owners and help them develop and transform their businesses, including technology adoption, staff training, standard operation, interior design, marketing strategies, promotional materials, and customer service (Wiastuti and Susilowardhani 2017; Nugroho and Hati 2020; Prakarsa et al. 2020; Arreza 2022)

- (3) Page 2 line 23 please cited related previous studies.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript Please note we have revised the manuscript based on your comment.*

However, empirical research on virtual hotel operators remains scarce, previous study on VHO discussed about the nature of their business and innovation (Sharma et al. 2017; Wiastuti and Susilowardhani 2017), customer perceptions (Kurnia and Sulistiani 2019; Nugroho and Hati 2020), and technology application (Prakarsa et al. 2020), with very few discussions revealing the success factors for benefiting the whole network and transforming the SSMHs business (Arreza 2022). Interestingly, previous studies have failed to consider the critical role played by VHO stakeholders (i.e., management and hotel partners). Therefore, this study aims to fill the research gap.

- (4) Page 2 line 26-27-30 Sentences beginning with this work in a row.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript Please note we have revised the manuscript based on your comment.*

This work aims to identify the critical factors contributing to the success of virtual hotel operators in partnership with small and medium-size hotels, it contributes to the literature on technology use in hospitality management, especially in the context of adoption by SMSHs. This work will add perspectives to the literature and research on hotel management agreements, partnerships between owners and operators, brand affiliations, and hotel operators

(5) The paper is important for the identification of CSFs for VHO. It also contributes to the literature.

**Our response:**

*Thank you for your comments.*

(6) A literature review is sufficient. However, reference to current studies has been limited. It is recommended to include a few up-to-date references.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments.*

(7) The paper's argument built on an appropriate base of concepts and well designed. The method employed was appropriate. However, the sample size was limited. Although it is necessary to support the study in a large sample, the study has added a conceptual dimension to the literature.

**Our response:**

*Thank you for your comments.*

(8) The results are presented clearly, but the results should be discussed. In the findings section of the study, only the findings of the study should be presented. Evaluation of the findings in the light of the literature should be given in the conclusion or discussion section.

**Our response:**

*Thank you for your comments. Please note we have revised the manuscript based on your comments.*

(9) The paper identifies clearly the implications that consistent with the finding and conclusion

**Our response:**

*Thank you for your comments.*

(10) Quality of Communication: Sufficient

**Our response:**

*Thank you for your comments.*



POLITEKNIK PARIWISATA ANH BANDUNG

Fajar Putra &lt;fap@stp-bandung.ac.id&gt;

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**Journal of Hospitality and Tourism Insights - Decision on Manuscript ID  
JHTI-06-2022-0244.R3**1 message

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**Journal of Hospitality and Tourism Insights** <onbehalf@manuscriptcentral.com>21 January 2023 at  
01:27

Reply-To: n.stylos@bristol.ac.uk

To: fap@stp-bandung.ac.id

20-Jan-2023

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R3 entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jhti> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

**IMPORTANT:** Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Hospitality and Tourism Insights, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Hospitality and Tourism Insights and I look forward to receiving your revision.

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
[n.stylos@bristol.ac.uk](mailto:n.stylos@bristol.ac.uk)

Reviewer(s)' Comments to Author:

Reviewer: 1

Recommendation: Major Revision

Comments:

Thank you for the opportunity to review your paper. I offer several suggestions for improvement, which I hope will be helpful to the author(s).

#### Introduction:

VHO – provide a definition, description, and examples in the introduction. What are VHOs? What is their business model? Provide examples of VHOs and trends/growth in the number of VHOs. Are VHOs based on the use of smart technology? How exactly? etc. Make sure that the positioning and explanations offered in the introduction can position the paper within the smart technology literature.

#### Literature review:

Second paragraph – more explicitly explain the two models you mention (management and franchise). Be direct (don't use former and latter). The paragraph reads convoluted now. As before, provide examples for each model, so it is clear to the reader what you are talking about.

Section 2.3 Critical Success Factors (CSFs) influencing joint ventures in hospitality business – this section is confusing. Are VHOs joint ventures? From the little explanation you provide about VHOs, they don't seem to be based on a joint venture model. However, if they are, then you have to be explicit about it, and explain the model they follow. How is the JV literature relevant? If VHO are not using JV (or if this is not your primary concern for your paper), then this section should be deleted (along with other mentions of JV throughout the paper). You mention within this section strategic alliances. While strategic alliances share characteristics with JV, they are not JV. Altogether I struggled to identify how this section adds value.

What is the theoretical perspective within which you position your study? You talk about critical success factors, but what theory is behind them? You should include a theoretical discussion.

#### Methodology:

Is your focus on the small hotel owners? Or the VHO? Or both? In the methodology, you say "Exploratory research is therefore needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO". However, later on you talk about the recruitment of VHO management. It is not clear where the focus is. You should be more specific.

Your context – Indonesia – needs to be properly introduced and explained. What is interesting / unique about the context and VHO?

When describing the sample, please indicate how many different VHOs were represented, and if possible characteristics of those VHOs.

#### Results and discussion:

Since this is a qualitative study, please use the word findings instead of results. In section 4.1. you say that "Client relationship received the highest weight among the partnership factors". How did you measure the weight? Again, this is a qualitative study. If you make a claim like this, you should be able to justify it (or alternatively, please modify the wording).

In section 4.2. marketing factors, you talk about marketing and promotion strategies. However, promotion is part of marketing. So are all the other factors you mention such as market segmentation, pricing strategy, branding and distribution channel. Please modify the wording to reflect the fact that all those (including promotion) fall under the umbrella of marketing.

You discuss 7 different success factors. Please graphically represent the relationships among those factors. How are they linked to each other? Do they reinforce each other? Crucially, how is technology related to the rest of the factors?

#### Conclusion:

The theoretical implications section needs to be elaborated and expanded. Make sure to explicitly identify your theoretical contributions in light of the smart technology focus of the SI.

#### Other issues:

The paper needs to be reviewed by a professional copywriter for flow and grammar.

#### Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: The paper needs to be significantly revised to highlight its potential originality and contribution.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: Adequate

understanding of the literature in general. However, the literature on smart technology should be enhanced, along with how VHOs relate to this literature.

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Methods are appropriate. However, the paper lacks a theoretical grounding.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The findings need to be enhanced.

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Implications are adequate, but need to highlight more clearly the theoretical implications.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The paper can benefit from a professional copyediting.

Reviewer: 2

Recommendation: Major Revision

Comments:

The study enriches the current knowledge and contributes to emerging research directions and new research patterns. However, and the theory/ bibliography may be further boosted in certain sections mentioned below particularly in regards with DT and VHOS. Moreover, authors are encouraged to provide more practical examples of VHOs from tourism industry.

However, proofreading is needed, as while the study is so interesting, sometimes I have some difficulties following the paper because of the style, coherence, and clarity issues.

Additionally, authors are welcome to be explicit about methodology as it is superficially addressed.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: The study enriches the current knowledge and contributes to emerging research directions and new research patterns. However, and the theory/ bibliography may be further boosted in certain sections mentioned below particularly in regards with DT and VHOS. Moreover, authors are encouraged to provide more practical examples of VHOs from tourism industry.

However, proofreading is needed, as while the study is so interesting, sometimes I have some difficulties to follow the paper because of the style, coherence, and clarity issues.

For instance, beginning with the abstract

- Authors are encouraged to articulate further why this study so important and what is the research gap or the counter-claiming that this paper addresses.
- Elaborate more on the link between VHOs and DT and why this study matters.
- In addition, the abstract has some communication and structure issues as it doesn't represent thoroughly the core issue of the paper. Revision is needed in the case of abstract as the academic style needs attention

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: Generally, in terms of smart technologies and tourism, authors should

- provide more concrete examples of VHOs and how this notion is linked with DT.
- Elaborate on the drawbacks/ barriers of the VHOs
- P2: Better Intro on DT and how VHO links to DT
- Page 5: More details about the LR insights and each stream.
- How are the previous pages connected to this period? (lines2- 10, p6)
- These two paragraphs perhaps should be moved to previous pages (page4)

As a result, I, unfortunately, do not feel yet that your paper makes a strong enough contribution in its current stage of development/

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has

the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Generally, in terms of smart technologies and tourism, authors should

- provide more concrete examples of VHOs and how this notion is linked with DT.
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As a result, I, unfortunately, do not feel yet that your paper makes a strong enough contribution in its current stage of development/

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The method section and data analysis are very weak. Authors should elaborate further on

- why exploratory research is needed (Moreover, this section need a better transition sentence\_
- why a. quals are selected as method (justify by providing evidence)
- why they did use purposive sample and sampling method
- why semi – interviews selected?
- How about the inclusion Criteria of the sample and the protocol
- How many interviews? Details for the sample size are needed and details if the size is in line with saturation size sample guidelines

Authors should consider the following questions

- What did the authors triangulate?
- Why are types of triangulation authors deployed according to Creswell?
- More evidence why is that any information on this research method?

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: There is a lack of specific managerial implications. The author/authors should narrow down specific suggestions for tailor-made solutions and mention implications on how companies could exploit this new knowledge in a practical way.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The text is easy to read, and it is quite clearly expressed. Nevertheless, the author is encouraged to proofread the whole text paying more attention to the following points.

Several redundancies, some syntax, syntax errors, problems with the collocation and non-academic style are the most important problems of this paper. Moreover, some important details to consider when authors proofread the following pages that are mentioned above.

Authors should revise the titles and avoid using acronyms “ 4.8 CSFs for VHO”

DEADLINE: 04-Mar-2023

To go straight to your paper, click this link: \*\*\* PLEASE NOTE: This is a two-step process. After clicking on the link, you will be directed to a webpage to confirm. \*\*\*

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November 19, 2022

Dear Dr. Nikolaos Stylos:

Guest Editor, Journal of Hospitality and Tourism Insights (JHTI)

Special Issue: *Marketing via Industry 4.0 smart technologies in hospitality and tourism*

Thank you for reviewing our manuscript “Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners and operators” which was submitted to *Special Issue: Marketing via Industry 4.0 smart technologies in hospitality and tourism, Journal of Hospitality and Tourism Insights (JHTI)* for publication consideration. We are grateful to receive your constructive and valuable comments from two reviewers, which have helped us to improve the overall quality of our manuscript.

Please note that we have revised the paper based on your comments and suggestions. This revision summary provides a point-to-point response to the comments offered by the editors.

Again, thank you very much for your interest in this work. We wish the revised manuscript would meet the standards of the Journal of Hospitality and Tourism Insights (JHTI).

Yours truly,

Fajar Putra

Correspondence author

### **Reviewer(s)' Comments to Author:**

#### **Reviewer: 1**

1. Originality Does the paper contain new and significant information adequate to justify publication? Yes

#### **Our response:**

Thank you for your comments. We greatly appreciate your valuable insight and interest in our article.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored: I failed to see how the authors addressed my comments from last round: "As the authors keep arguing, hotels using virtual hotel operators is a joint venture. And the authors cites references related to joint ventures multiple times. I'd like to see some literature review about CSFs influencing joint ventures, and how these CSFs differs from the factors identified in this paper"

### **Our response:**

We thank you for your constructive feedback. Please note that we have revised the manuscript based on your comments. We look forward to your positive response.

#### *2.2 Critical Success Factors (CSFs) influencing joint ventures in hospitality business*

Companies increasingly focusing on geographical diversification implies a decision-making process on approaching the opening of new markets and how to best penetrate them. International Joint Ventures (IJV) are one of the most common forms of market entry used by companies for their internationalisation processes: IJVs allow them to connect with a local partner and leverage its resources for successful entry. Because the high failure rate of relationships between companies is often due to an inappropriate choice of partner coupled by the lack of proper due diligence and other potentials for relationship problems, partner selection is a primary factor in achieving success in establishing a joint venture (JV). When creating an IJV, values such as trust, commitment, and congruent goals are highlighted as important factors in the relationship and are essential for its success (e Silva and Oliveira 2017). The similarity in the corporate values and missions of both partners has become a major impetus in the development of a competitive service strategy. This congruence is supported by building mutual trust, the synergetic effects of the use of resources, strong financial background and equity sharing, information exchange and knowledge sharing with the local partner, efficiency in strategic and marketing planning, experience in market research activities, and exceeding customers' expectations and needs, all of which are critical to the success of these alliances (Li et al. 2006; Magnini 2008; Lee et al. 2013).

Cooperation between hotel business and affiliation with a chain hotel brand create associations in customers through several strategies such as assessing customer reviews, contacting the target market, offering benefits to members, and offering a corporate contract/rate for groups or companies (Resende et al. 2018). Negotiating and operating managed hotels are complex processes where the owner and operator must reach an agreement on various issues. It is critical that all parties involved understand not only the agreement itself, but also the other partner's perception of it (van Ginneken et al. 2019). For Contractor and Kundu (1998) several critical factors need to be consider when choosing and international hotel alliances, namely economies of scale, the firm's ability to exercise management control and maintain quality, the need for size in global operation, reservation system, and investment in training.

Industry challenges include competitive pricing, better marketing and promotion methods, improved quality of the facilities, improved service delivery, customer service by maintaining good customer relationships, improving the quality and variety of the products offered (i.e., cleanliness, technology, facilities) and loyalty schemes used to retain customers (Ahmad and Arif 2016). Inter-relationship among hotel management companies and hotel owners should be based on cooperative relationships to overcome these limitations. Hence, the business strategy conducted by SSMHs owners is an essential part of facing and several factors should be considered and undertaken. This includes strengthening the market position of small hotel businesses through various strategies such as branding, product comparison, service technology, and themes which contribute to the overall image-building of a small hotel business. Factors associated image building include, among others, hotel design, management philosophy, commitment to quality and consistency in service delivery, and use of smart technology innovation for increased competitiveness and business performance (Fredrick 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).



3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate? In this round of revision, the authors addressed the issues I raised in last round. But the writing of the revision needs to be improved. Please see my review comments in the attached file.

**Our response:**

Thank you for your comments. Please note that we have revised the manuscript based on your comments. Hence, we have accordingly provided more detailed information in the section discussing the study's methodology. Please if the full manuscript's revised version satisfies your comments.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The authors indeed tried to revise the connection between the results and the conclusion and discussion part. They are on the right track. However, the writing of the discussion part need significant revision. Please see my review comments in the attached file.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We look forward to your positive response.

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper? Yes.

**Our response:**

Thank you for your comments and we are grateful for your constructive feedback.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: It seems like that the authors did not take my suggestion of using professional editing service to improve the readability of the paper. The writing quality of the added sections is very poor in terms of the organizations, logic, wording and so on. In my previous comments, I pointed out some parts needs clarification, grammar check, or rewording. However, such issues and problems are not just limited to those I pointed out, and they are everywhere.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We have proofread the paper and reorganized the articles following your suggestions. We look forward to your positive response.



**Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators**

Journal:	<i>Journal of Hospitality and Tourism Insights</i>
Manuscript ID	JHTI-06-2022-0244.R2
Manuscript Type:	Research Paper
Keywords:	Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

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## Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators

### ABSTRACT

**Purpose** – This paper identifies the contributing critical success factors (CSFs) of virtual hotel operators (VHO) using smart technologies through hotel management system partnerships with small and medium-size hotels (SMSHs).

**Design/methodology/approach** – The study qualitatively analyzes data collected from 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis was used to capture themes for evaluation of hotel owners' and operators' perceptions.

**Findings** – Critical success factors for VHO partnership with SMSHs include marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategies, capital expenditures, and property management systems. VHOs also have a symbolic impact on their mutualistic relationship with SMSHs by increasing service and enhancing product competitiveness and profitability.

**Research limitations/implications** – The study's findings are helpful for VHOs in finding the most significant CSFs, thus aiding in the establishment of further metrics in business performance and increasing resilience in the accommodation sector. Further studies can measure the technology factors from VHO, including property management systems and mobile applications.

**Originality/value** – This study pioneeringly identifies the CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of VHOs as part of the hospitality sector. Moreover, its implications are helpful for VHO management in finding the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.

**Keywords:** Critical success factors; Hotel management partnership; Small-and medium-sizes hotels; Smart technology innovation; Virtual hotel operator

**Paper Type:** Research paper

### 1 Introduction

Technological growth in the travel and tourism sector has affected how hotel business effectively connect to customers and market their products and services (Buhalis et al. 2019). In a more competitive business era, traditional companies such as small and medium-sized hotels (SMSHs) should adopt new technology and engage in networking and competitive coalitions, thus putting responsibility on hotel management to adopt digital technology strategies (Dieguez et al. 2022). This means hotel management should allocate a budget for the information systems to update their technology use with their daily operations and maintain the data management process (Buhalis and Leung 2018; Yadegaridehkordi et al. 2018). Hotels that do not adapt to new market conditions and form alliances will face operational shortcomings. Single properties also have limited opportunities to benefit from more extensive referral programs and international marketing campaigns unlike those for chain and affiliated hotels (Ivanova and Rahimi 2016; Mohammad 2016).

This technological growth (and performance gap) eventually led to a new technology-based hospitality management business called Virtual hotel operators (VHOs) to spring up. Its core idea is to transform SMSHs and ensure customers' safety and comfort by unifying them under their brand name. VHOs create more value for hotel owners and help them develop and transform their businesses through technology adoption, staff training, standard operation, interior design, marketing strategies, promotional materials, and customer service (Wiastuti

and Susilowardhani 2017; Nugroho and Hati 2020; Prakarsa et al. 2020; Arreza 2022). This ensures that hotel property owner provide standardized quality-assured accommodation at a competitive price (Arreza 2022). This essentially is a form of a co-evolutionary business system where there are relationships between technologies, institutions, and actors, including the end-users or customers and communities throughout the entire network (Aarikka-Stenroos and Ritala 2017). Although VHO offers various advantages in technology along with the standardization of hotel management, VHO remains in its development stage. Also, the partnership between VHO and SMSHs experiences specific challenges: most SMSHs involved do not have any experience in using technology for hotel management systems, have a low budget for innovation, and the lack strategic vision, management expertise, and ability to utilize technology for their presence on online distribution channels (Smithson et al. 2011; Mohammad 2016; Yin et al. 2019; Fjellström et al. 2020).

The most prominent issue however is identifying and measuring the CSFs for VHO and SMSHs partnership. As VHO expands in the SMSHs market, it is also important to survey VHO managements on how they operate, measure their performance, and maintain their partnership with hotels. However, empirical research on virtual hotel operators remains scarce—previous studies on VHO discuss the nature of their business and innovation (Sharma et al. 2017; Wiastuti and Susilowardhani 2017), customer perceptions (Kurnia and Sulistiani 2019; Nugroho and Hati 2020), and technology application (Prakarsa et al. 2020), with only a very few discussions revealing the success factors which benefit the entire network and transform the SMSHs business (Arreza 2022). Interestingly, previous studies have also failed to consider the critical role played by VHO stakeholders (i.e., management and hotel partners). These are the gaps which the study ultimately seeks to fill.

The current study identifies the critical factors contributing to the success of virtual hotel operators in partnership with small and medium-size hotels. This contributes to the literature on technology use in hospitality management, especially in the context of its adoption by SMSHs. These results ultimately enrich the available scholarly perspectives on hotel management agreements, partnerships between owners and operators, brand affiliations, and hotel operators. Hotel owners must understand their perspectives towards partnership with VHOs. Collaboration between VHO and SMSHs usher future competition and consolidation. Subsequent sections discuss the theoretical background on VHO, and critical success factors, followed by methodology, results and discussion. The final section discusses the conclusion, the theoretical and managerial implications, and recommendations for future research.

## 2 Literature review

### 2.1 Virtual Hotel Operator (VHO)

Since its first appearance in 2013, VHO has constantly evolved as a new player in the hotel industry as an asset-light type of business. VHOs focus on developing business-to-business (B2B) partnerships with SMSHs hotel, with companies continuing to expand and attract new investors (Wiastuti and Susilowardhani 2017; The Economic Times 2018; Russel 2019). VHOs companies represent one of the most rapidly expanding types of hospitality management in Asia, where enormous numbers of SMSHs operate. These VHOs accelerate the region's online travel ecosystem and provide solutions for hotel owners and customers looking for quality and price standardized accommodation (Anandan et al. 2016).

Hotel owners partnering with VHOs adopt a management and franchise model. Two categories of this model are available, namely leases and franchises. The former involves property owners buying the brand franchise which is managed directly by the VHO with a royalty fee. The latter meanwhile involves the owner cooperating with the rental scheme or revenue-sharing for rooms booked via a VHO platform. VHO management system includes various hotel management developments such as technology adoption, staff training, standard

1  
2  
3 operation, interior design, room decoration, standardized furniture, marketing strategies,  
4 promotional materials, and customer service. Most VHOs provide hotel standards and  
5 guidelines that help management teams transform a property while calculating the estimated  
6 cost and monitoring the renovation process (Oravel Stays 2018).

7  
8 As illustrated by Sharma *et al.* (2017), eight stages are involved in the VHO hotel property  
9 listing process: first, the transformation process begins with the identification of potential  
10 properties by the business development manager. The next step involves a detailed audit and  
11 negotiation with the hotel owners where VHOs will share specific characteristics such as  
12 quality assurance inspection. Third, before a partnership agreement, the hotel partners must  
13 meet the quality specifications set by VHO management. The fourth step is an orientation and  
14 integration with VHO standardized facilities (e.g., hot showers, clean linen and towel, air  
15 conditioners, Wi-Fi, and in-room amenities). Fifth, the VHO business development manager  
16 prepares the transformation process, which is followed by VHOs providing capital expenditure  
17 to improve the facilities and hotel buildings. Then, the final process involves hotel properties  
18 going live on VHO websites, mobile applications, and other distribution channel. After the  
19 transformation, the operational team maintains the standard and trains the hotel employees in  
20 using the property management system and in daily hotel operations.  
21  
22  
23

## 24 2.2 Critical Success Factors (CSFs) for hotels

25 CSFs have become an essential concept concerning hotel goals and objectives in the hotel  
26 and accommodation sector. Brotherton and Shaw (1996) describe it as activities and processes  
27 which support organizational goals. These in turn should be actionable, controllable, and  
28 measurable. CSFs are also sector-specific—it is implied that focused research in a sector on  
29 CSFs should provide specific recommendations for both businesses and entrepreneurs  
30 (Engelbrecht *et al.* 2014).  
31

32 CSFs have become an essential concept in the hotel and accommodation sector on hotel  
33 goals and objectives. With increasingly fierce competition and the increasingly inevitable use  
34 of technology, companies need an innovation strategy to achieve their goals (Avcikurt *et al.*  
35 2011). For Brotherton and Shaw (1996) CSFs in hospitality services can be categorized based  
36 on either technical or human aspects. Technical aspects are primarily concerned with the  
37 efficiency and the financial aspect of hotel operations. Meanwhile, human aspects are defined  
38 as the effectiveness of the direct provision of the hospitality experience associated with staff  
39 attitudes, skills, morale and training/development. These CSFs are considered to be integral to  
40 corporate culture, cooperation, management style, company performance, productivity, and  
41 business metrics in achieving company goals (Politis *et al.* 2009; Arasli 2012; Padilla-  
42 Meléndez and Garrido-Moreno 2014; Spencer and Van Zyl 2015; Yadegaridehkordi *et al.*  
43 2018).  
44  
45

46 Morrison and Thomas (1999) explained that SMSHs have a small business scope: they are  
47 self-managed by the owner and financed by individuals or a small group, with most properties  
48 owned and managed by those with no previous hotel management backgrounds. They therefore  
49 struggle to maintain quality service standards and face a myriad of challenges such as level of  
50 competition, operational costs, technical and management skills, appropriate e-business  
51 solutions, and ownership of ICT equipment (Pine *et al.* 2000; Buhalis and Kaldis 2008).  
52

53 Progress and opportunities abound when exploring CSFs in SMSHs. A study by Avcikurt  
54 *et al.* (2011) described hotel managers' and owners' perceptions of hotel operations' success  
55 related to Internet use, service quality, financial performance, and marketing. Technical aspects  
56 related to Internet usage were found to be among the main factors related to CSFs in small  
57 hotels. Yadegaridehkordi *et al.* (2018) also proposed four aspects that influence the  
58 performance and growth of small hotels: first, is the organisational aspect includes top  
59 management support and financial performance. Second, is human resources include employee  
60

1  
2  
3 preparation, education, service standardization, quality, and customer satisfaction. Third, is the  
4 environmental atmosphere, including hygiene and cleanliness, interior and exterior  
5 architecture, and location. Fourth, is information and technology encompassing the firms'  
6 external and internal technologies and benchmarking with both process and equipment  
7 standardisation.  
8  
9

### 10 *2.3 Critical Success Factors (CSFs) influencing joint ventures in hospitality business*

11 Companies increasingly focusing on geographical diversification implies a decision-  
12 making process on approaching the opening of new markets and how to best penetrate them.  
13 International Joint Ventures (IJV) are one of the most common forms of market entry used by  
14 companies for their internationalisation processes: IJVs allow them to connect with a local  
15 partner and leverage its resources for successful entry. Because the high failure rate of  
16 relationships between companies is often due to an inappropriate choice of partner coupled by  
17 the lack of proper due diligence and other potentials for relationship problems, partner selection  
18 is a primary factor in achieving success in establishing a joint venture (JV). When creating an  
19 IJV, values such as trust, commitment, and congruent goals are highlighted as important factors  
20 in the relationship and are essential for its success (e Silva and Oliveira 2017). The similarity  
21 in the corporate values and missions of both partners has become a major impetus in the  
22 development of a competitive service strategy. This congruence is supported by building  
23 mutual trust, the synergetic effects of the use of resources, strong financial background and  
24 equity sharing, information exchange and knowledge sharing with the local partner, efficiency  
25 in strategic and marketing planning, experience in market research activities, and exceeding  
26 customers' expectations and needs, all of which are critical to the success of these alliances (Li  
27 et al. 2006; Magnini 2008; Lee et al. 2013).  
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31 Cooperation between hotel business and affiliation with a chain hotel brand create  
32 associations in customers through several strategies such as assessing customer reviews,  
33 contacting the target market, offering benefits to members, and offering a corporate  
34 contract/rate for groups or companies (Resende et al. 2018). Negotiating and operating  
35 managed hotels are complex processes where the owner and operator must reach an agreement  
36 on various issues. It is critical that all parties involved understand not only the agreement itself,  
37 but also the other partner's perception of it (van Ginneken et al. 2019). For Contractor and  
38 Kundu (1998) several critical factors need to be consider when choosing and international hotel  
39 alliances, namely economies of scale, the firm's ability to exercise management control and  
40 maintain quality, the need for size in global operation, reservation system, and investment in  
41 training.  
42  
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44 Industry challenges include competitive pricing, better marketing and promotion methods,  
45 improved quality of the facilities, improved service delivery, customer service by maintaining  
46 good customer relationships, improving the quality and variety of the products offered (i.e.,  
47 cleanliness, technology, facilities) and loyalty schemes used to retain customers (Ahmad and  
48 Arif 2016). Inter-relationship among hotel management companies and hotel owners should be  
49 based on cooperative relationships to overcome these limitations. Hence, the business strategy  
50 conducted by SMSHs owners is an essential part of facing and several factors should be  
51 considered and undertaken. This includes strengthening the market position of small hotel  
52 businesses through various strategies such as branding, product comparison, service  
53 technology, and themes which contribute to the overall image-building of a small hotel  
54 business. Factors associated image building include, among others, hotel design, management  
55 philosophy, commitment to quality and consistency in service delivery, and use of smart  
56 technology innovation for increased competitiveness and business performance (Fredrick  
57 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).  
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59  
60

Essentially, the study's review of literature reveals three CSFs for hotels. The first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). Second, is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organizational readiness (Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014). Third is physical environment, including the hotel's interior and exterior, which lead to customer satisfaction (Yadegaridehkordi et al. 2018).

Diversification standards of the hotel business has also rapidly changed. However, the literature's insufficiency highlights the paucity of knowledge on CSFs related to the VHO and partnership with SMSHs. CSFs in hotel operations from customer perspectives have also been explored (Padilla-Meléndez and Garrido-Moreno 2014; Wang and Hung 2015; Fuentes-Medina et al. 2018; Lee et al. 2019), with some explicitly outlining the context of SMSHs (Avcikurt et al. 2011; Zhang et al. 2013; Wang and Hung 2015). However, only few studies discuss the concept of CSFs for VHO. Meanwhile, most studies use quantitative methods (Avcikurt et al. 2011; Wang and Hung 2015; Ahmad and Arif 2016), which make it possible to obtain respondents, but are unable to do a more in-depth exploration of said respondent's views.

### 3 Methodology

#### 3.1 Research Design

Exploratory research is therefore needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO. Qualitative approaches were used herein given that it is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312). Purposive sampling was used to select relevant participants able to answers specific research purposes (Patton 2014). Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay *et al.* (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research.

Because the study focuses on the development of VHOs in Indonesia, the sampling used focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork process. First, for VHO management, they were invited based on the company's affiliation accounts on the social network platform LinkedIn. LinkedIn was used to find potential management participants for interviews because the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek et al. 2015, P.282).

Personal invitation based on the SMSHs category identified herein were used to conduct the recruitment process for hotel owners' participants. SMSHs are classified as non-star hotel and independent operated hotel, which are unaffiliated with local or international hotel chains. Properties can be classified as one, two, and three-star hotels, along with non-star accommodations such as guest houses and home stays. Chosen properties had no more than 100 rooms, had 10 - 49 employees engaged in operations, and were controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016). One hundred fifty-six research invitations were sent to potential participants in first-tier cities in Indonesia (where most of the VHO properties are located) such as Jakarta, Bandung, Medan, Semarang, Surabaya, Bali, Makassar, and Yogyakarta. Response rate from the invitation were at 16%, indicating 25 participants who were willing to be interviewed. Interviewees agreed and signed the interview protocol and consent form. All of the participants'

identities in this study remain anonymous. Sixteen participants represented VHO companies, while nine represented hotel owners (Table 1). For Kwortnik (2003), the minimum number of research samples suitable for qualitative research projects is twelve (12), therefore this study has reach the criteria mentioned. The interviews focused on the participants' experiences, VHO goals and characteristics, and the critical factors for VHO success from both management and hotel owners and were conducted from June to August 2020. Due to the COVID-19 pandemic, most were held using various online meeting platforms (e.g., Zoom meetings, Google meet).

**Table 1.**  
Profile of participants

VHO Management			
ID	Position	Years of Experience	
M1	Assistant general manager	12 years	
M2	Ecommerce executives	4 years	
M3	Hotel operation manager	7 years	
M4	Regional head	14 years	
M5	Human Resources Business partner	11 years	
M6	Senior hotel operations manager	18 years	
M7	Country manager for hotel operations	15 years	
M8	Hotel consultant	13 years	
M9	Business development manager	10 years	
M10	Operations manager	4 years	
M11	Head of Business Development	9 years	
M12	Head of Business Development	11 years	
M13	Head of Operation Excellence	6 years	
M14	Senior business development manager	8 years	
M15	Assistant general manager	13 years	
M16	Regional corporate sales manager	10 Years	
Hotel Owner			
ID	Occupation	Type of accommodation	Years of partnership with VHO
O1	Banker	Guest House	One year
O2	Information technology (IT)	Homestay	Five years
O3	Hotel manager	One-star hotel	Four years
O4	Social entrepreneur	Two-star hotel	Four years
		Three-star hotel	One year
O5	Human resource manager	Three-star hotel	One year
O6	Contractor	Two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	Two-star hotel	Two years
O9	Catering business	One-star hotel	Three years

VHO Participants' experience ranged from four to 18 years of working experience in various fields (e.g., hotel, resort, cruise ships or restaurants). Specialties varied from hospitality backgrounds such as hotel operations, e-commerce, customer services, revenue management, sales and marketing, event management, pre-opening, and procurement. In contrast, six other managers came from non-hospitality backgrounds such as banking, insurance, consumer goods, retail/sales, and human resources. Respondents' job descriptions in VHO are connected to hotel operations, business development, transformation, marketing, and human resources.



Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated to hospitality, with backgrounds from management, economics, IT, and psychology. Most hotel owners were unexperienced in the hospitality industry: their experiences and specialties were remarkably diverse. For example, some were wedding organizers, caterers, social entrepreneurs, salespersons, and contractors. Only one participant had experience in managing their family's hotel business. The accommodation types ranged from homestay, guest houses, and one to three-star hotels. The partnership agreement between hotel owners with VHOs had been ongoing for one to five years. The diversity of the participants in this study ultimately helped the comprehensiveness and diversity of information from the participants' perspectives.

### 3.2 Data analysis

Data triangulation, script, and interview guidelines were used for each interview session, coupled by participant member checking. The interviewer asked for the participants prior and informed consent to be recorded for data collection purposes. This allowed for effectiveness in communication both during and after the interviews. Recorded data were translated and copied (transcription) and subsequently summarized. Each participant was given a copy of their interview transcript to review data accuracy. Researchers invited the respondents to verify the findings to improve credibility. All participants then signed and returned the member checking consent form to the researcher.

The recorded interviews ultimately gathered 1221 minutes' worth of data, thus averaging 49 minutes per participant. Recorded interviews were immediately transcribed. ATLAS.ti (version 8), a qualitative data analysis software, was used to analyze the coding. Interview transcripts were then thematically and systematically analyzed to search for commonalities and themes describing the data (Clarke and Braun 2017). A theme can be interpreted as an affirmation that creates meaning or a statement of meaning. Meanings were also obtained from the interviews and were formulated by the researcher.

For Creswell and Creswell (2017) three aspects should be considered for reliability of a study. First, is data triangulation from multiple sources of participants in the interviews. Hence, the study's validity and reliability were based on data sources and data triangulation methods from two groups of participants, namely hotel owners and VHO management.

Second, is member checking. Throughout the analysis process, participants would check their own responses through ongoing dialogue about interpretations based on the informant's checking to ensure the actual meanings of their responses. Member checking is essential to ensure that interpretations are accurate (Savin-Baden and Major 2010). This involves the participant or information provider being reconfronted with the interview data. The interviewer would then check with participants to confirm their responses by sending verbatim transcripts. The member checking consent forms were then sent to the participants through email and WhatsApp messages for faster response.

The third aspect is validity. Each participant was given a copy of their interview transcript for them to review the accuracy of the data. Researchers then invited the respondents to verify these findings to improve credibility. This was done by asking them to read and correct the summary of the researcher's interview results, with participants signing the member checking consent form if they saw the data as valid.

## 4 Results and Discussion

### 4.1 Partnership factors

Client relationship received the highest weight among the partnership factors. VHO, as light assets companies, maintain their property partner to sustain and expand the business. VHO partnerships with hotel owners are hence based on three aspects. First is the visibility of the

1  
2  
3 contract agreements. **Second, are VHOs providing** a support **center for** day-to-day operation  
4 problems and related issues for the hotel owners, customers, and vendors. **Third, are VHOs**  
5 **managing** the owner's expectations for long-lasting benefits of the partnerships (i.e.,  
6 **manifesting as** increased revenues, occupancy rate, and average room rates). One of the VHO  
7 head of business developments **agreed with** this view:

8  
9  
10 “We are not selling goods **but are instead** building partnerships; therefore, we keep interpersonal  
11 relationships with hotel owners. We meet distinctive characteristics. We speak of culture, which  
12 means that everyone has a different outlook on how the business works.” (M11)

13  
14 As one of the **characteristics of VHO**, the contract agreement between a VHO and hotel  
15 owner includes **guidelines on managing** the hotel operations, **reaching the standards outlined**  
16 **by the VHO**, and the hotel owners' revenue targets. As a technology-based hotel operator,  
17 VHOs relies on partnerships with hotel owners. Therefore, VHOs offer three contract  
18 agreements: first, full revenue sharing, meaning that the VHO shares the revenue at an agreed  
19 percentage. **Next, is** the use of a minimum monthly guarantee. **Last, is a self-operating business**  
20 **model akin** to a lease type management. The agreements with VHO are designed to reduce the  
21 risk factors and the hotel owners' value of investments. **For example, one interviewee**  
22 **highlighted the** mutually beneficial agreements and commitments:

23  
24 “We invest funds or transformational capital expenditure to the property partner if they do not have  
25 enough capital to meet our facilities' standards. Hence, **we help** them in the form of investment  
26 without return within the contract **period.**” (M11)

27  
28 “One of the advantages of having a partnership with VHO is that they provide a fixed monthly  
29 deposit according to the initial agreement, which helps us. If we are looking at the capacity of our  
30 hotel right now below **50%**, with the security deposit, we can cover operational costs.” (O1)

31  
32 Interviewees **also** mentioned that the expansion process should be in line to increase  
33 revenue and profits for both the company and its partners. Ultimately the objective of the  
34 partnership with the hotel owners is to maintain sustainability and commitment together:

35  
36 “We want our property partners **to achieve their** targeted revenue and business sustainability. **This**  
37 **means financial, products, and** services consistency and a long-lasting partnership.” (M6)

38  
39 One **emerging factor herein** is the adaptation to local culture. This was mentioned by both  
40 VHO management and hotel owners **who were** concerned **about the varying** conditions of  
41 SMSHs operation. Most participants asserted that the educational background of the employees  
42 and owners and technological adaptation in hotels are still low. Therefore, VHO should adapt  
43 to the condition, as mentioned by one of the hotel owners:

44  
45 “**Because** VHOs typically have standard operating procedures that are globally acceptable, this  
46 start-up company should adapt to the condition of our people and our culture.” (O1)

47  
48 Business development is a part of VHOs' way of expanding its **business— findings show**  
49 **that** the responsibility of the business development division is **acquiring hotel properties, with**  
50 their performance indicators **focused on** increasing the number of rooms and properties and  
51 maintaining relationships with hotel owners.

52  
53 “Business development is the one that initially acquired the property. For example, suppose the  
54 hotel property owners want to join. In that case, business development will explain the terms and  
55 conditions, and they will acquire the property through an agreement that has been agreed to by the  
56 hotel property owner.” (M5)

57  
58 As a hotel management company, VHOs should adapt and adjust **its approach on**  
59 maintaining communication and agreement with the hotel property owners. They should  
60 **therefore** keep a mutually beneficial agreement, **focus on commitment**, and continuously

1  
2  
3 improve as part of excellent business in the field of hospitality. These results coincide with  
4 those previous studies on the understanding of customer orientation relationships (Padilla-  
5 Meléndez and Garrido-Moreno 2014).  
6

#### 8 4.2 Marketing factors

9 Frequently mentioned factors by VHO management and hotel owners include marketing and  
10 promotion strategies, followed by market segmentation, pricing strategy, branding and  
11 distribution channel. While segmenting the market, VHO management conducts a  
12 comprehensive market survey assessment process. Findings reveal that the weak position of  
13 small hotels in the market could be circumvented through VHO marketing and promotion  
14 strategies.  
15

16 “The VHO creates the marketing and promotion strategy for us. Previously, we had limited  
17 marketing channels; we only sold our rooms on several property listing platforms. After the  
18 partnership agreement, the VHO improved both our online and offline presence.” (O7)

19 “We informed the owners of essential data about market intelligence, market surveys, and pricing  
20 strategies. We can decide the price level following market needs.” (M7)

21  
22 Consistent with extant research, the importance of strategic marketing planning in a joint  
23 venture hotel is related to joint advertising activities, pricing strategy, promotion activities, and  
24 market research activities (Li et al. 2006). Another found that for sales and pricing strategy,  
25 VHO management and the hotel owner also conveyed the importance of branding. Property  
26 owners will automatically join their branding when they agree to partner with VHO. From the  
27 perspective of management, brand image is currently an essential aspect of VHO's success;  
28 interviewees further explain this:  
29

30 “Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with  
31 the VHO logo and property name are helpful for branding.” (M12)

32  
33 This coincides with Hua et al. (2009) argument on how brand equity increases customer  
34 intention to purchase hotel products through a responsive platform, thereby reaching a broader  
35 audience, increasing distribution, and building branding and operational efficiency. An  
36 effective way is by maximizing online media marketing channels, where mobile applications  
37 becomes a key strategy to bring customers closer to the hotel chain. The use of VHO mobile  
38 application allows customers to easily book rooms with just three taps on their smartphone.  
39 Strategic partnerships with online travel agents (OTAs) also enable hotel owners to reach a  
40 broader consumer market (Yin et al. 2019).  
41

42 “The difference is in terms of operation. For example, in conventional hotels, the booking process  
43 until the check-in process requires an exhausting process. However, at VHO, the booking process  
44 is much simpler—using a mobile application makes everything much easier and more comfortable.”  
45 (M8)

46  
47 Previous studies also mention the importance of online and digital distribution channels for  
48 hotels: factors that distinguish budget hotels are the ability to market their properties via a  
49 multi-channel strategy (Law et al. 2015; Lei et al. 2019). Leveraging dynamic marketing  
50 capabilities through online distribution, plays a critical role on developing SMSHs' competitive  
51 advantage (Beritelli and Schegg 2016; Elsharnouby and Elbanna 2021).  
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60

**Table 2.**  
Critical Success Factors for VHO partnerships with SMSHs

Salient Themes	Sub Themes	Key Insight
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract Agreement</li> <li>● Constant improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies regarding the business expansion of VHO in the SMSHs sector. The partnership between both parties maintains the sustainability of the VHO business model and their commitment to the contract agreement.
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution Channel</li> </ul>	Marketing is part of functional CSFs where several categories are being assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence.
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing the hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets.
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important to measure increasing revenue and profitability.
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Hotel network size and coverage</li> <li>● Audit Quality</li> </ul>	Strategic management is related to innovation strategy and is perceived as the most critical factor for a small hotel business.
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Employee Rewards and Benefits</li> </ul>	Both VHO management and hotel owner participants agree that the human factor is crucial to improving the standard and service of VHO, primarily due to training.
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Central reservation system accuracy and efficiency</li> </ul>	The VHO relies on technology-based solutions and features. It uses property management systems and centralised booking and reservation systems that are efficient, accurate, and consistent.

### 4.3 Technical factors

VHO management and hotel owners discuss technical aspects such as hotel operation management, the importance of accessing and monitoring customer satisfaction, standardization, property transformation, and staff professionalism. Before joining a VHO, a hotel partner must undergo a transformation process which ensures that the hotel services, the system, the management, and the staff will meet the VHO standard:

“We must transform owner property: it is very crucial to transforming. Everyone engages in the process and convinces owners to share the same perspective.” (M7)

From interviews with hotel property owners, hotel operation management factors and assessing and monitoring customer satisfaction are two factors considered crucial in terms of technical CSFs. Participants are concerned about the continuity of the day-to-day hotel operations, which they describe as the following:

“The VHO helps owners manage hotels regarding administration, services, and product standardization. We will implement an operational standard for all accommodations that do not have a star category. For this, we need people with diverse backgrounds who are specialists in areas such as the front office, housekeeping, food, and beverages, including the banquet. We also need people who are strong in accounting.” (M7)

“Operational managers in each active region will manage and monitor hotel properties. From personal experience, the owner feels comfortable with the operational manager. They can ask about hotel operations; we also often discuss and share knowledge about hotel management. This helps in the future relationship with owners, and there is an exchange of ideas.” (M15)

“As a digital hospitality company and hotel aggregator, we offer economical and more affordable accommodation and concerned about the quality of our services. Therefore, we should offer a balance between the two aspects (affordable and quality services).” (M12)

The physical product and service quality of SMSHs operation are crucial (Hua et al. 2009; Zhang et al. 2013). Customer orientation is also a crucial factor for hotel business (Padilla-Meléndez and Garrido-Moreno 2014) to enhance service quality, deliver superior customer service and total quality management (Wang et al. 2012; Ahmad and Arif 2016).

The hotel industry is a service sector that highly depends on human aspects. Following Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects determine the efficiency and economy scale for the successful delivery of hospitality goods and operations. To ensure uniform quality in a multiunit hotel company like the hotel chain, standardization of the services system should be adopted to predict and control output activities (Ivanova and Rahimi 2016): the higher the hotel network's intangible assets are (including their standards, facilities, and services), the better they can command presence in customer psyche (Andreu et al. 2017). The VHO then conducts an evaluation process on how a hotel gets a satisfactory level of guest assessment:

“We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to measure guest satisfaction.” (M7)

CSI is developed from the customer's ratings of their likelihood to recommend VHO products and services to others on a scale of 0 (lowest) to 10 (highest). The hotel owner also explained that these factors are significant for their business. VHO management ensures that guests are satisfied and evaluates actions made to maintain the quality standard. Moreover, customer satisfaction tends to lead to a positive financial performance where financial figures are essential for further adjustment and corrective action (Zhang et al. 2013; Augustyn et al. 2021).

#### 4.4 Financial factors

The owner expressed the current difficulty in getting bank loans for their needs. With the cooperation of VHO, hotel owners now have finance in the form of capital expenditure along with a monthly income guarantee. Capital expenditure becomes an attractive factor for hotel owners. VHO invests in its partners by supplying capital investment assistance and a monthly income guarantee. For property owners, capital expenditure has become a significant factor in the development process:

“What is significant is the contract agreement because it provides business capital and other investment facilities.” (M5)

Financial support is crucial for hotel joint venture collaborations (Li et al. 2006; Ge et al. 2018). The financial performance factor in hotels can be measured by the rate of return on investment, income, costs incurred for operations, and company profitability (Avcikurt et al. 2011; Padilla-Meléndez and Garrido-Moreno 2014).

#### 4.5 Strategic management factors

Strategic management is related to innovation strategy and is perceived as the most critical factor for a hospitality business (Stylos et al. 2021; Dieguez et al. 2022). Strategic management involves executive management to determine strategy and objectives to achieve goals (Geller 1985). Strategy here means that the operational management level will have better and more precise guidance to solve problems at the lower levels and subsequently measure operational success following organizational goals and objectives. Thus, this demonstrates the importance of establishing shared values and launching goals and systems to increase customer satisfaction (Arasli 2012). One interviewee mentioned the increasing number of users in the VHO application as an opportunity to receive more value from customers and increase the chance of getting more investment. The VHO management also highlights this:

“From the next one to two years, we are constantly innovating. We must continue to demand innovative ideas every day, ones that are out of the box and all kinds; it has become part of our corporate culture.” (M16)

Innovative technology should be based on market research to respond to market needs and demands, as mentioned by the management of a VHO:

“We do marketing based on research to the standards that we set. The products we offer should meet the category of value for money.” (M6)

The next factor is related to the size and coverage of the hotel network. Geographical coverage is vital for hotels: this helps in the success of hotel operations and development (Brotherton 2004a; Hua et al. 2009). A bigger hotel scale size and coverage of hotel networks are also critical. For VHO, the number of existing properties and personnel in one country helps in the effective selling and monitoring process:

“Of course, we have one competitive advantage in the network compared with competitors. We have the most expansive network. The advantage lies in our capacity to sell the properties in every city, even in other countries abroad, in terms of networking, standardization, and the number of personnel. We have all the support needed in every region or hub for our operations.” (M11)

Another factor is related to how the VHO enhances the quality of services. It is a crucial strategy employed by hotel owners or managers in SMSHs to face business challenges (Ahmad and Arif 2016). Implementing quality audit through VHO management by placing its personnel to monitor the operations of property hotel partners has increased customer confidence in using accommodation provided by the VHO. A quality audit guarantees that the products and services they provide meet a minimum standard despite having differentiated properties

1  
2  
3 managed by the VHO. **During which**, the strategy to ensure quality assurance is closely related  
4 to how hotel operational management is carried out **through** standard operating procedures, the  
5 use of regulations, and most importantly, the human factor and **the organization** (Fredrick 2019;  
6 Elsharnouby and Elbanna 2021).  
7  
8

#### 9 10 *4.6 Human factors*

11 Training is part of the CSFs for VHO as mentioned by most of the participants. **It aims** to  
12 provide standard operational management and increase customer satisfaction with the VHO's  
13 products and services. The lack of skilled employees in **customer service** becomes a  
14 challenging issue for SMSHs. Thus, standard hotel operation management for all VHO  
15 properties can be improved by conducting training and coaching. Two interviewees **mentioned**:

16  
17 "First is improvement, **we then also built** educational training for hospitality." (M3)

18 "The VHO thinks about the employee's development, and the hotel owners as well." (M11)

19  
20 **Owners** agree that VHO could develop hotel operation human resources. The VHO makes  
21 changes in terms of product knowledge and the ability to upgrade the technology used by the  
22 hotel staff to help operations. **They also** feel that there is a change in knowledge transfer during  
23 the in-house training process; most owners agree that the VHO is continually active with  
24 **innovating and developing** technologies related to property management systems, hardware,  
25 and mobile application. The training therefore is not only for employees, but is also for the  
26 owner. **One owner stated**:

27  
28 "Our company is successful because we think about our employees' development. However, the  
29 training is not only for employees but also for the owners. We conduct meetings with the owners  
30 and provide them with mentoring on managing the hotel." (M7)

31  
32 This finding supports existing studies by Ahmad and Arif (2016) **which posits that** training  
33 increases business growth and success in the SMSH sector, while standards training for  
34 employees **improves** customer services offered (Hua et al. 2009). From the characteristics of  
35 company owners, top-level management is needed to overcome the challenges in such a  
36 dynamic business climate. The need for **an** innovative and sound strategy needs to be supported  
37 by quality leadership team commitment. Increasing team commitment is important to achieve  
38 organizational goals. **An organization's** process management is essential to teamwork and  
39 strategic plans (Yadegaridehkordi et al. 2018). VHOs also consider employee welfare aspects  
40 due to work-life balance. **Here**, rewards for the employees emerged as one of the CSFs for  
41 VHO. **As previously mentioned by one** VHO management participant:

42  
43  
44 "Company performance and targets are balanced with our reasonable compensation and rewards."  
45 (M14)

#### 46 47 48 *4.7 Technology factors*

49 The VHO is a hospitality management company that utilizes technological developments  
50 to maximize and empowers local accommodation offerings. Interestingly, only two CSFs in  
51 technology factors were found **herein**: the property management system (PMS) and the  
52 accuracy and efficiency of the central reservation system.  
53

54  
55 "We are a start-up company that relies on technology. Our system keeps improving by getting  
56 insights from our hotel operation team, although we already have a software **engineering** team. The  
57 improvement comes in more user-friendly PMS for the employee and owners. This technology was  
58 beneficial, **since** it meant that hotels did not **need** have to have large folio books **and deal** with a  
59 large margin of errors and time-consuming paperwork. With this PMS, business processes for the  
60 hotel property have run more efficiently." (M7)

Moreover, using data science and analytics to enhance guest experience has increasingly become a crucial part of operations. Systems are transparently accessed in real time to improve efficiency in both time and funding. Using technology creates a more comfortable booking experience for the guests, where consumers go online and make travel-related purchases using an online platform.

“What makes VHO different is promotions on the website and online travel agents, and this will impact small hotel property partners. When they join us, we will help their property become more profitable by improving their online platform appearance.” (M15)

VHO platforms continue to update technology usage in the room booking process and online distribution system. The VHO can use various strategies to display and promote hotel partner properties through their websites and mobile platform applications. The application reaches out to a broader audience, increases distribution, and improves branding and operational efficiency. Mobile applications allow customers to book rooms with just three taps of their smartphone. The concept is simple as it provides three steps for booking: visit the website/mobile application, choose a location, and find the hotel that fits the tourist's requirements. This outcome supports theories which note the importance of a central reservation system in SMSHs and budget hotel sectors (Brotherton 2004a; Hua et al. 2009; Avcikurt et al. 2011).

“SMSHs partners will also get hotel management system applications that are beneficial to the owner in the process of checking and performance of their properties every day through a device they have.” (M11)

#### 4.8 CSFs for VHO

Ultimately, seven themes were conveyed by the management and hotel owners, with five themes being consistent with extant studies: strategic management factors, human factors, technical factors, marketing factors, and technology factors. Meanwhile, two new themes were discovered from the interviews herein, namely financial factors and partnership factors.

In the current study, the partnership factors received the highest weight among other CSFs. VHOs, as light assets companies, must maintain their property partner to sustain and expand the business. Several aspects are important for the relationship between VHOs and clients such as the commitment, delivering information, communication, and troubleshooting, which are part of the VHO's goals to maintain partnerships with hotel owners. These findings extend the literature on the understanding of customer orientation relationships (Padilla-Meléndez and Garrido-Moreno 2014). However, the partnership between VHOs and non-classified hotels continue to face challenges. Unclassified hotels do not have any experience in using technology and managing standardized hotel management systems. Therefore, VHOs must transform unclassified hotels from traditional hotel operations to various novel aspects and maintain continuous quality and commitment in providing a pleasant stay experience, which supports the findings of Arasli (2012).

Marketing factors are second most mentioned herein. Both management and owners have the same perspective with both mentioning five factors: marketing and promotion strategies, market segmentation, pricing strategy, branding, and distribution channel. Hotel businesses need a marketing strategy to maximize revenue and increase occupancy rates. The importance of strategic marketing planning in a joint venture hotel is connected to factors such as joint advertising activities, pricing strategy, promotion activities, and market research activities, which was also previously mentioned Li et al. (2006). Marketing and sales are part of functional CSFs where several categories are being assessed, namely effectiveness of advertising, market intelligence, customer database, and competitor intelligence (Brotherton et



1  
2  
3 al. 2003; Brotherton 2004b). The emergence of VHOs on various social media platforms is  
4 also beneficial— the use of the Internet as a marketing medium, as explained in the literature,  
5 impacts the promotion of the business. The use of websites as promotional media and  
6 customers being part of the promotional activities by VHOs are supported by Ahmad and Arif  
7 (2016) and Arasli (2012). Smithson *et al.* (2011) mentioned the importance of the Internet as a  
8 distribution channel for SMSHs, identifying the characteristics that could make the Internet a  
9 source of competitive advantage.

10  
11 The third aspect is on technical aspects such as hotel operation management,  
12 standardization, transformation, and personnel professionalism. Participants are concerned  
13 about the continuity of the day-to-day hotel operations. Following Brotherton and Shaw (1996)  
14 in the three-dimensional hotel operations model, several factors highlighted in their study  
15 outlining a centralized reservation system that is efficient, accurate, and consistent on the  
16 quality of the products and facilities offered, are relevant to this study's findings on the use of  
17 property management systems and standardizing hotel operations by the VHO. This also  
18 includes the importance of accessing and monitoring customer satisfaction. Customer-related  
19 measures and customer orientation in customer relationship management implementation are  
20 thus key factors for hotel success (Padilla-Meléndez & Garrido-Moreno, 2014). Customer  
21 satisfaction tends to lead to a positive financial performance, where financial figures essentially  
22 reflect the needed further adjustment and corrective action (Zhang et al., 2013).

23  
24 With the fourth being the financial aspect, it is important to measure increasing revenue  
25 and profitability which is, in fact, one of the VHO's goal: from the literature concerning hotel  
26 CSFs, financial performance factor is seen as the rate of return on investment, income, costs  
27 incurred for operational activities, and the company's profitability (Avcikurt et al., 2011;  
28 Padilla-Meléndez & Garrido-Moreno, 2014). The VHO invests in its partner/s by supplying  
29 capital investment assistance and a monthly income guarantee. Several aspects found herein  
30 include capital expenditure, investor and capital sources, profitability, monthly guarantee, and  
31 revenue. Financial support is the most crucial factor for a hotel's joint venture collaborations  
32 (Li et al., 2006). One stated:

33  
34  
35  
36 “Currently, it is difficult to get bank loans for hotel business needs. With the cooperation of  
37 VHOs, hotel owners now have finance in the form of capital expenditure and a monthly guarantee  
38 of income.” (O3)

39  
40 The fifth aspect is strategic management. This study revealed that innovation strategy is  
41 perceived as the most important factor for a small hotel business. In the digital era, conventional  
42 SMSHs should transform their business to adapt with the technology and continuously  
43 innovate. Another important factor is the size and coverage of the hotel network: a bigger hotel  
44 scale size and the coverage of the hotel network are also critical. Again, geographical coverage  
45 is important for hotels because it helps in the success of hotel operations and development  
46 (Brotherton, 2004a; Hua et al., 2009). The next most important factor is the implementation of  
47 quality audit by VHO management. This is done by placing its personnel to monitor the  
48 operations of property hotel partners. The practice greatly increases customer confidence in  
49 using accommodation provided by VHOs, providing a guarantee that the products and services  
50 they provide meet a minimum standard despite having differentiated properties managed by  
51 the VHO.

52  
53 Both VHO management and hotel owner participants agreed that to improve the standard  
54 and service of VHOs, the human factor is also crucial. This especially pertains to training, team  
55 commitment, staff recruitment, and employee incentives. The human aspect is therefore crucial  
56 for all operational aspects of the hotel business (Brotherton & Shaw, 1996). Organizational  
57 productivity and harmony are also related to staff recruitment and choice processes: finding the  
58 right people in the right position in an organizational structure, coupled by team commitment  
59

is pivotal for business success. Otherwise, the lack of skilled employees in handling customers becomes a challenging firm issue (Ahmad & Arif, 2016).

Only two CSFs in technology factors were found herein: the first is the property management system (PMS) where systems can be accessed in real-time and present information transparently are used improve efficiency in both time and funding. These findings support previous studies on the use of a property management system (Sharma et al., 2017; Wiastuti and Susilowardhani, 2017). The second is the accuracy and efficiency of the central reservation system. To achieve a competitive advantage in the current digital era, the VHO platform should continue to update its ability to use technology in the room booking process and online distribution system.

From the VHO management perspectives, the most critical factor for VHOs is the technical aspect including standardization, transformation, quality assurance, and professionalism. From the owner's perspective, financial aspects were found to be the most critical factors for VHOs especially on the monthly guarantee. The owners also explained that the technology aspect has helped them manage their hotel property, both through the PMS system and the central reservation system. The client's relationship was also found to be crucial from the perspectives of both VHO management and hotel owners.

## Conclusions

This study revealed seven themes of CSFs for VHO and SMSHs as conveyed by the management and hotel owners participants during the interviews: five themes were based on the literature review (strategic management factors, human factors, technical factors, marketing factors and technology factors) while two new themes were discovered from the interviews (financial factors and partnership factors). Hotel owners and VHO management has enabled the confirmation and the refinement of the new CSFs framework for VHO, which serve as a foundation for the concepts and characteristics of VHO. The study's results show that the most CSF for VHO is the partnership factor. Partner selection is also a primary factor for achieving success in establishing a joint venture. When creating an IJV, trust, commitment, and congruent goals are highlighted as important factors in the relationship with a partner, and are essential for the relationship's success (e Silva and Oliveira 2017). Maintaining good client relationships with hotel partners is likewise invaluable in increasing brand value and achieving goals of increased property portfolios: which are needed to become a market leader (Castañeda García et al. 2018; Wang et al. 2019).

In cooperation and networking, Li et al. (2006) examined the primary motivation in selecting joint venture partners from local and expatriate managers' perspectives. Factors relevant for joint venture hotels include strategic planning, willingness to share information and knowledge with local partners, support for strong financial performance, and experience in marketing, planning, and conducting market research. Moreover, innovations and financial factors were found to be pivotal especially from the perspective of hotel owners. Notably, another highlight was the creation of marketing and promotional strategies through multiple media channels, for example, by using online, offline and micro marketing media. Strategies should be inexpensive and effective platforms for marketing and advertising, thereby increasing the hotel's competitiveness level in the marketplace (Paprocki 2017; Stylos et al. 2021).

### 5.1 Theoretical implications

The theoretical implications of this study are three-fold. First, this study expands the literature on the use of technology in the field of hospitality management, especially on the application of technology for small and medium-scale hotels in collaboration with emerging highly technologically-dependent hotel management companies such as VHO. Second, it

contributes to the body of literature on hospitality management by providing an overview of the role of hotel operators in cooperating with SMSHs owners. This provides additional perspectives to the discussion on hotel management agreements (HMAs), partnerships between owners and hotel operators, and affiliations with the hotel industry through a 4.0 smart technology implementation. Third, it finally provides perspectives from hotel owners on the contract agreements and the financial benefits obtained from the cooperation process, as well as hotel management operations which utilize smart technology.

### 5.2 Practical implications

The study's findings will prove helpful for VHO management in determining the most significant CSFs for companies to help them achieve their goals, measure their performance, and expand their networks. For hotel owners, the presence of a virtual hotel business can be used as a solution for services quality and marketing and promotion strategy in the current digital era. Findings can be used as a comparison for hotel operators to determine their CSFs and balance owners' and operators' interests (i.e., providing expertise in the marketing process and promotion strategy, and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should therefore allocate a budget for information systems and update their technology use on their daily operations while maintaining data management process. Additionally, this study helps inform government policies on how SMSHs can be transformed to become standardized accommodation facilities that support local tourism, especially in developing countries such as Indonesia, India, the Philippines, and Vietnam where most of the accommodations are in SMSHs categories.

### 5.3 Limitations and Future research

In terms of the number of participants, this study's sample size (nine properties) is still small compared to the total number of VHO available globally. Another limitation was that sample interview participants were only from VHO properties in Indonesia. With the limitation on domestic travelling during the COVID-19, the researcher cannot directly observe the conditions of hotels included in this study. Thus, future studies can be conducted where VHO has expanded through various samples taken from other cities, regions, or countries such as China, India, Singapore, Thailand, the Philippines, USA, and Vietnam where VHOs largely operate. Future studies may also include participants who are hotel owners but have not joined or have ended their contract agreements with VHOs. Future scholarly attention could compare their perspective regarding VHO and hotel management agreements.

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POLITEKNIK PARIWISATA NHTI BANDUNG

Fajar Putra &lt;fap@stp-bandung.ac.id&gt;

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## Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R4

7 messages

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**Journal of Hospitality and Tourism Insights** <onbehalf@manuscriptcentral.com>23 March 2023 at  
02:56

Reply-To: n.stylos@bristol.ac.uk

To: fap@stp-bandung.ac.id

22-Mar-2023

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R4 entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed.

I am willing to accept your article contingent upon you making the following important changes/improvements:

1. Respond to one of our guest editors' and the reviewers' comments and revise your article accordingly.
2. Include a structured abstract in page 1 of the main document and make sure that it includes all the required subsections including Purpose, Methodology, Findings, Implications and Originality along with key words.
3. Make sure to follow JHTI author guidelines closely: [http://emeraldgroupublishing.com/products/journals/author\\_guidelines.htm?id=ijchm](http://emeraldgroupublishing.com/products/journals/author_guidelines.htm?id=ijchm) For example, when there are three or more authors, you need to use Adam et al., XXXX (or Adam et al., XXXX) format for the first time and after. Make sure that you should list references within text in an alphabetical order.
4. Revisit the Discussion and Conclusions sections one more time to better answer the "So What" question. There should be four sub-sections under this section: (1) Conclusions, (2) Theoretical Implications, (3) Practical Implications and (4) Limitations and Future Research.
5. To strengthen your literature review and theoretical implications, you may like to incorporate more recent and relevant references published in recent months/years.
6. Cross check all references within text with your reference list and make sure that all references used in within text are listed in your reference list and remove any uncited reference from the reference list. You must also make sure that each reference in your reference list is accurate and complete in terms of authors' names, title, volume number, issue number, pages, publisher etc.
7. Run your article through iThenticate, Crosscheck or any similar software to check the similarity between your study and previous studies. Try to minimize similarity percentage below 1% with any previous study. After you run your article's final version through iThenticate or other similar software, you should upload the similarity report to the system for our records.

8. Keep your article below 9000 words including references, tables and figures. If your article is longer than 9000 words, you may consider submitting supplementary material alongside your article as Emerald now publishes supplementary materials.

9. Make sure that the flow of your article is improved. We do not prefer short paragraphs with one-three sentences or long paragraphs longer than half page.

10. Proofread your article one more time and also you may ask a technical writer/copy editor to proofread it for you. After the manuscript is accepted, we will not ask you to proofread it again. In short, after I send you an official acceptance e-mail, you will not be able to make any further changes in your manuscript.

11. Make sure you have all the coauthors, acknowledgements, tables and figures included in your submission. You must also make sure that order of authors, their full names, their affiliations and email addresses are accurate. We cannot make any changes after the paper is accepted.

12. You should not add a new coauthor(s) at this stage unless there is a legitimate justification.

13. Submit a clean version of your paper. You don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

14. In addition to responding to the reviewers' comments, you should prepare and submit a brief report showing how you have responded to the above requests as well as the associate editor's comments. When revising your submission, you don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

Guest editors' comments:

This is an interesting study on an important topic. The study can benefit from a strong copy-editing. The theoretical foundation and theoretical implications should be improved further. The following studies can help the authors with this task. Please check for any additional JHTI articles to be cited in the area of study and use as appropriate.

Yours sincerely,

Dr. Nikolaos Stylos

Guest Editor, Journal of Hospitality and Tourism Insights

[n.stylos@bristol.ac.uk](mailto:n.stylos@bristol.ac.uk)

Reviewer(s)' Comments to Author:

DEADLINE: 20-Apr-2023

To go straight to your paper, click this link: \*\*\* PLEASE NOTE: This is a two-step process. After clicking on the link, you will be directed to a webpage to confirm. \*\*\*

[https://mc.manuscriptcentral.com/jhti?URL\\_MASK=2710b4742b784582af421b66b3cbc64c](https://mc.manuscriptcentral.com/jhti?URL_MASK=2710b4742b784582af421b66b3cbc64c)

To help support you on your publishing journey we have partnered with Editage, a leading global science communication platform, to offer expert editorial support including language editing and translation.

March 19, 2023

Dear Dr. Nikolaos Stylos:

Guest Editor, Journal of Hospitality and Tourism Insights (JHTI)

Special Issue: *Marketing via Industry 4.0 smart technologies in hospitality and tourism*

Thank you for reviewing our manuscript “Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners and operators” which was submitted to *Special Issue: Marketing via Industry 4.0 smart technologies in hospitality and tourism, Journal of Hospitality and Tourism Insights (JHTI)* for publication consideration. We are grateful to receive your constructive and valuable comments from two reviewers, which have helped us to improve the overall quality of our manuscript.

Please note that we have revised the paper based on your comments and suggestions. This revision summary provides a point-to-point response to the comments offered by the editors.

Again, thank you very much for your interest in this work. We wish the revised manuscript would meet the standards of the *Journal of Hospitality and Tourism Insights (JHTI)*.

Yours truly,

Fajar Putra

Correspondence author

### **Reviewer(s)' Comments to Author:**

#### **Reviewer 1:**

1. Thank you for the opportunity to review your paper. I offer several suggestions for improvement, which I hope will be helpful to the author(s).

Introduction: VHO – provide a definition, description, and examples in the introduction. What are VHOs? What is their business model? Provide examples of VHOs and trends/growth in the number of VHOs. Are VHOs based on the use of smart technology? How exactly? etc. Make sure that the positioning and explanations offered in the introduction can position the paper within the smart technology literature.

#### **Our response:**

Thank you for your comments. We greatly appreciate your valuable insight and interest in our article.

VHO is a type of hotel management company that utilizing software that can be used to manage and operate a hotel. OYO and Reddoorz are two examples of companies that use VHO technology

to provide their customers with an efficient, cost-effective way to book rooms and manage their stay. VHOs accelerate the region's online travel ecosystem and provide solutions for hotel owners and customers looking for quality and price standardized accommodation (Anandan *et al.* 2016). Hotel Smart Technology is a term used to describe the use of technology in hotels to improve efficiency, reduce costs, and enhance customer experience. This includes technologies such as virtual hotel operators (VHO) that creating service/product innovations, marketing innovations, process innovations, and organizational innovations using technology (Wiastuti and Susilowardhani 2017; Han *et al.* 2021; Elshaer and Marzouk 2022).

2. Literature review:

Second paragraph – more explicitly explain the two models you mention (management and franchise). Be direct (don't use former and latter). The paragraph reads convoluted now. As before, provide examples for each model, so it is clear to the reader what you are talking about. Section 2.3 Critical Success Factors (CSFs) influencing joint ventures in hospitality business – this section is confusing. Are VHOs joint ventures? From the little explanation you provide about VHOs, they don't seem to be based on a joint venture model. However, if they are, then you have to be explicit about it, and explain the model their follow. How is the JV literature relevant? If VHO are not using JV (or if this is not your primary concern for your paper), then this section should be deleted (along with other mentions of JV throughout the paper). You mention within this section strategic alliances. While strategic alliances share characteristics with JV, they are not JV. Altogether I struggled to identify how this section adds value. What is the theoretical perspective within which you position your study? You talk about critical success factors, but what theory is behind them? You should include a theoretical discussion."

**Our response:**

We thank you for your constructive feedback. Please note that we have revised the manuscript based on your comments. We look forward to your positive response.

*2.2 Critical Success Factors (CSFs) influencing joint ventures in hospitality business*

Companies increasingly focusing on geographical diversification implies a decision-making process on approaching the opening of new markets and how to best penetrate them. International Joint Ventures (IJV) are one of the most common forms of market entry used by companies for their internationalisation processes: IJVs allow them to connect with a local partner and leverage its resources for successful entry. Because the high failure rate of relationships between companies is often due to an inappropriate choice of partner coupled by the lack of proper due diligence and other potentials for relationship problems, partner selection is a primary factor in achieving success in establishing a joint venture (JV). When creating an IJV, values such as trust, commitment, and congruent goals are highlighted as important factors in the relationship and are essential for its success (e Silva and Oliveira 2017). The similarity in the corporate values and missions of both partners has become a major impetus in the development of a competitive service strategy. This congruence is supported by building mutual trust, the synergetic effects of the use of resources, strong financial background and equity sharing, information exchange and knowledge sharing with the local partner, efficiency in strategic and marketing planning, experience in market research activities, and exceeding customers' expectations and needs, all of which are critical to the success of these alliances (Li *et al.* 2006; Magnini 2008; Lee *et al.* 2013).

Cooperation between hotel business and affiliation with a chain hotel brand create associations in customers through several strategies such as assessing customer reviews, contacting the target market, offering benefits to members, and offering a corporate contract/rate for groups or

companies (Resende et al. 2018). Negotiating and operating managed hotels are complex processes where the owner and operator must reach an agreement on various issues. It is critical that all parties involved understand not only the agreement itself, but also the other partner's perception of it (van Ginneken et al. 2019). For Contractor and Kundu (1998) several critical factors need to be considered when choosing and international hotel alliances, namely economies of scale, the firm's ability to exercise management control and maintain quality, the need for size in global operation, reservation system, and investment in training.

Industry challenges include competitive pricing, better marketing and promotion methods, improved quality of the facilities, improved service delivery, customer service by maintaining good customer relationships, improving the quality and variety of the products offered (i.e., cleanliness, technology, facilities) and loyalty schemes used to retain customers (Ahmad and Arif 2016). Inter-relationship among hotel management companies and hotel owners should be based on cooperative relationships to overcome these limitations. Hence, the business strategy conducted by SMSHs owners is an essential part of facing and several factors should be considered and undertaken. This includes strengthening the market position of small hotel businesses through various strategies such as branding, product comparison, service technology, and themes which contribute to the overall image-building of a small hotel business. Factors associated image building include, among others, hotel design, management philosophy, commitment to quality and consistency in service delivery, and use of smart technology innovation for increased competitiveness and business performance (Fredrick 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).

3. Methodology: Is your focus on the small hotel owners? Or the VHO? Or both? In the methodology, you say "Exploratory research is therefore needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO". However, later on you talk about the recruitment of VHO management. It is not clear where the focus is. You should be more specific. Your context – Indonesia – needs to be properly introduced and explained. What is interesting / unique about the context and VHO? When describing the sample, please indicate how many different VHOs were represented, and if possible characteristics of those VHOs.

**Our response:**

Thank you for your comments. Please note that we have revised the manuscript based on your comments. Hence, we have accordingly provided more detailed information in the section discussing the study's methodology. Please if the full manuscript's revised version satisfies your comments.

Exploratory research is therefore needed to understand both hotels' owners' perspectives and VHOs management on their partnerships to identify the CSFs for VHO.

All of the participants' identities in this study remain anonymous. Sixteen participants represented four VHO companies that operated in Indonesia namely Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. Those VHOs companies represent one of the most rapidly expanding types of hospitality management in Asia, where enormous numbers of SMSHs operate. Its core idea is to transform SMSHs and ensure customers' safety and comfort by unifying them under their brand name.

4. Results and Discussion: you say that “Client relationship received the highest weight among the partnership factors”. How did you measure the weight? Again, this is a qualitative study. If you make a claim like this, you should be able to justify it (or alternatively, please modify the wording). In section 4.2. marketing factors, you talk about marketing and promotion strategies. However, promotion is part of marketing. So are all the other factors you mention such as market segmentation, pricing strategy, branding and distribution channel. Please modify the wording to reflect the fact that all those (including promotion) fall under the umbrella of marketing. You discuss 7 different success factors. Please graphically represent the relationships among those factors. How are they linked to each other? Do they reinforce each other? Crucially, how is technology related to the rest of the factors?

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We look forward to your positive response.

We modify the wording into

Client relationship is the most critical factors in the success of a Virtual Hotel Operators.

From the result of the interviews, frequently mentioned factors by VHO management and hotel owners include marketing strategies, followed by market segmentation, pricing strategy, branding, promotion and distribution channel.

The relations and full explanation presented in Table 2. Critical Success Factors for VHO partnerships with SMSHs

5. Conclusion: The theoretical implications section needs to be elaborated and expanded. Make sure to explicitly identify your theoretical contributions in light of the smart technology focus of the SI.

**Our response:**

Thank you for your comments and we are grateful for your constructive feedback.

Smart innovation for hotels is the use of cutting-edge technologies to improve efficiency, reduce costs, and enhance customer experience. This includes technologies such as virtual hotel operators (VHO), automated check-in/check-out systems, digital keyless entry systems, artificial intelligence (AI) chatbots, and more. By leveraging these technologies, hotels can provide a better overall experience for their guests while also increasing operational efficiency.

6. Other issues: The paper needs to be reviewed by a professional copywriter for flow and grammar.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We have proofread the paper and reorganized the articles following your suggestions. We look forward to your positive response. We have proofread the paper.

## **Reviewer 2:**

1. The study enriches the current knowledge and contributes to emerging research directions and new research patterns. However, and the theory/ bibliography may be further boosted in certain sections mentioned below particularly in regards with DT and VHOS. Moreover, authors are encouraged to provide more practical examples of VHOs from tourism industry. However, proofreading is needed, as while the study is so interesting, sometimes I have some difficulties following the paper because of the style, coherence, and clarity issues. Additionally, authors are welcome to be explicit about methodology as it is superficially addressed.

### **Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We have proofread the paper.

2. Abstract: Authors are encouraged to articulate further why this study so important and what is the research gap or the counter-claiming that this paper addresses. Elaborate more on the link between VHOs and DT and why this study matters. In addition, the abstract has some communication and structure issues as it doesn't represent thoroughly the core issue of the paper. Revision is needed in the case of abstract as the academic style needs attention.

### **Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- [This study pioneeringly identifies the CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, its implications are helpful for VHO management in finding the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.](#)
3. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored:
    - Generally, in terms of smart technologies and tourism, authors should provide more concrete examples of VHOs and how this notion is linked with DT.
    - Elaborate on the drawbacks/ barriers of the VHOs
    - P2: Better Intro on DT and how VHO links to DT
    - Page 5: More details about the LR insights and each stream.
    - How are the previous pages connected to this period? (lines2- 10, p6)
    - These two paragraphs perhaps should be moved to previous pages (page4)

As a result, I, unfortunately, do not feel yet that your paper makes a strong enough contribution in its current stage of development.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- VHO management system includes various hotel management developments such as technology adoption, staff training, standard operation, interior design, room decoration, standardized furniture, marketing strategies, promotional materials, and customer service through their customer and hotel owners' mobile applications.
  - Although VHO offers various advantages in technology along with the standardization of hotel management, VHO remains in its development stage. Therefore, the identification of their critical success factors is crucial.
  - the final process involves hotel properties going live on VHO websites, mobile applications, and other distribution channels. After the transformation, the operational team maintains the standard and trains the hotel employees to use the property management system and daily hotel operations.
  - Essentially, the study's literature review reveals three CSFs for hotels. The first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). Second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organizational readiness (Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014). Third is the physical environment, including the hotel's interior and exterior, which leads to customer satisfaction (Yadegaridehkordi et al. 2018).
  - Progress and opportunities abound when exploring CSFs in the hotel. A study by Avcikurt et al. (2011) described hotel managers' and owners' perceptions of hotel operations' success related to Internet use, service quality, financial performance, and marketing. Technical aspects related to Internet usage were among the main factors related to CSFs in small hotels. Yadegaridehkordi et al. (2018) also proposed four aspects that influence the performance and growth of small hotels: first, the organizational aspect includes top management support and financial performance. Second, human resources include employee preparation, education, service standardization, quality, and customer satisfaction. Third is the environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology, encompassing the firms' external and internal technologies and benchmarking with process and equipment standardization.
  - We have moved two paragraphs as suggested to page 4.
4. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate:



- The method section and data analysis are very weak. Authors should elaborate further on why exploratory research is needed (Moreover, this section need a better transition sentence)
- why a. quals are selected as method (justify by providing evidence)
- why they did use purposive sample and sampling method
- why semi – interviews selected?
- How about the inclusion Criteria of the sample and the protocol
- How many interviews? Details for the sample size are needed and details if the size is in line with saturation size sample guidelines

Authors should consider the following questions

- What did the authors triangulate?
- Why are types of triangulation authors deployed according to Creswell?
- More evidence why is that any information on this research method?

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- Exploratory research is needed to understand both hotels' owners' perspectives and VHOs' management on their partnerships to identify the CSFs for VHO.
- Qualitative approaches is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312).
- Purposive sampling was used to select relevant participants able to answer specific research purposes (Patton 2014). Because the study focuses on developing VHOs in Indonesia, the sampling focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork process. First, VHO management was invited based on the company's affiliation accounts on the social network platform LinkedIn; the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek et al. 2015, P.282).
- Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay et al. (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research.
- The interviews focused on the participants' experiences, VHO goals and characteristics, and the critical factors for VHO success from management and hotel owners. Sixteen participants represented four VHO companies that operated in Indonesia: Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. Those VHOs companies represent one of Asia's most rapidly expanding types of hospitality management, where enormous numbers of SSMHs operate. Its core idea is to transform SSMHs and ensure customers' safety and

comfort by unifying them under their brand name. While nine represented hotel owners (Table 1). Respondents' job descriptions in VHO are connected to hotel operations, business development, transformation, marketing, and human resources.

- VHO Participants' experience ranged from four to 18 years of working experience in various fields (e.g., hotels, resorts, cruise ships or restaurants). Specialties varied from hospitality backgrounds such as hotel operations, e-commerce, customer services, revenue management, sales and marketing, event management, pre-opening, and procurement. In contrast, six other managers came from non-hospitality backgrounds, such as banking, insurance, consumer goods, retail/sales, and human resources. Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated to hospitality, with backgrounds in management, economics, IT, and psychology. Most hotel owners were inexperienced in the hospitality industry: their experiences and specialties were remarkably diverse. For example, some were wedding organizers, caterers, social entrepreneurs, salespersons, and contractors. Only one participant had experience in managing their family's hotel business. The accommodation types ranged from the homestay, guest houses, and one to three-star hotels. The partnership agreement between hotel owners and VHOs lasted one to five years. The diversity of the participants in this study ultimately helped the comprehensiveness and diversity of information from the participants' perspectives.
  - First is triangulation data from multiple sources of participants in the interviews. In this study, interviews were conducted with two groups of participants, namely hotel owners and VHO management. Secondary data reports, online travel trends, hotel statistics, and articles on VHOs used to complete the analysis for this study. Hence, the study's validity and reliability were based on data sources.
5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper: There is a lack of specific managerial implications. The author/authors should narrow down specific suggestions for tailor-made solutions and mention implications on how companies could exploit this new knowledge in a practical way.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- For hotel owners, a virtual hotel business can be used as a solution for service quality and marketing and promotion strategy in the current digital era. Moreover, hotel operators can determine CSFs from the owners' interests (i.e., providing expertise in the marketing process and promotion strategy and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should allocate a budget for information systems and update their technology on their daily operations while maintaining the data management process. Findings will help VHO management determine the most significant CSFs to achieve their goals, measure performance, and expand their business networks. Additionally, this study will help inform the government

to create policies on how SMSHs can be transformed into standardized accommodations. In return, it will support local tourism, especially in developing countries such as Indonesia, India, the Philippines, and Vietnam. Most accommodations are in SMSHs categories.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The text is easy to read, and it is quite clearly expressed? Nevertheless, the author is encouraged to proofread the whole text paying more attention to the following points. Several redundancies, some syntax, syntax errors, problems with the collocation and nonacademic style are the most important problems of this paper. Moreover, some important details to consider when authors proofread the following pages that are mentioned above.

Authors should revise the titles and avoid using acronyms “4.8 CSFs for VHO”

**Our response:**

We thank you for your constructive feedback We have proofread the manuscript.

- We have revised the sub section 4.8 into: *4.8 Critical Success Factors for Virtual Hotel Operators*



**Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators**

Journal:	<i>Journal of Hospitality and Tourism Insights</i>
Manuscript ID	JHTI-06-2022-0244.R4
Manuscript Type:	Research Paper
Keywords:	Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

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# Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators

## ABSTRACT

**Purpose** – This paper identifies the critical success factors (CSFs) of virtual hotel operators (VHO) in using hotel management system partnerships with small and medium-sized hotels (SMSHs).

**Design/methodology/approach** – This study uses a Qualitative approach, with 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis was used to capture themes to evaluate hotel owners' and operators' perceptions.

**Findings** – Critical success factors for VHO partnership with SMSHs include marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategies, capital expenditures, and property management systems. VHOs also have a symbolic impact on their mutualistic relationship with SMSHs by increasing service and enhancing product competitiveness and profitability.

**Research limitations/implications** – The findings are helpful for VHOs in finding the most significant CSFs. Establishing additional metrics in business performance and increasing resilience in the accommodation sector. Further studies can measure the digital technology factors from VHO, including property management systems and mobile applications.

**Originality/value** – This study pioneeringly identifies the CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, its implications are helpful for VHO management in finding the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.

**Keywords:** Critical success factors; Hotel management partnership; Small-and medium-sizes hotels; Smart technology innovation; Virtual hotel operator

**Paper Type:** Research paper

## 1 Introduction

Technological growth in the travel and tourism sector has affected how the hotel business effectively connects customers and markets its products and services. Hotel Smart Technology is a term used to describe the use of technology in hotels to improve efficiency, reduce costs, and enhance customer experience (Buhalis et al. 2019). In a more competitive business era, small and medium-sized hotels (SMSHs) should prioritize innovation in managing hotels by adopting digital technology strategies (Dieguez et al. 2022). SMSHs should allocate a budget for the information systems to update their technology with their daily operations and maintain the data management process (Buhalis and Leung 2018; Yadegaridehkordi et al. 2018). Hotels not adapting to new market conditions and forming alliances will face operational shortcomings. Single properties also have limited opportunities to benefit from more extensive referral programs and international marketing campaigns unlike those for chain and affiliated hotels (Ivanova and Rahimi 2016; Mohammad 2016). This technological growth (and performance gap) eventually led to a new technology-based hospitality management business called Virtual hotel operators (VHOs) to spring up.

VHOs are one type of smart hotel management company that utilizes software that can be used to manage and operate a hotel. Virtual hotel operators use technology to create service/product, marketing, process, and organizational innovations (Wiastruti and Susilowardhani 2017; Han et al. 2021; Elshaer and Marzouk 2022). These companies provide

1  
2  
3 customers with an efficient and cost-effective way to book rooms and manage their stay. They  
4 also offer online booking, customer service support, housekeeping services, and mobile-based  
5 application for guests and their hotel partners. OYO and Reddoorz are examples of VHO  
6 providing their customers with an efficient, cost-effective way to book and manage their rooms.  
7 VHOs accelerate the region's online travel ecosystem and provide solutions for hotel owners  
8 and customers looking for quality and price-standardized accommodation (Anandan *et al.*  
9 2016).

10  
11 VHOs create more value for hotel owners and help them develop and transform their  
12 businesses through technology adoption, staff training, standard operation, interior design,  
13 marketing strategies, promotional materials, and customer service (Wiasuti and  
14 Susilowardhani 2017; Nugroho and Hati 2020; Prakarsa *et al.* 2020; Arreza 2022). The form  
15 of a co-evolutionary business system where there are relationships between technologies,  
16 institutions, and actors, including the end-users or customers and communities throughout the  
17 entire network (Aarikka-Stenroos and Ritala 2017).

18  
19 However, the partnership between VHO and SMSHs experiences specific challenges:  
20 most SMSHs involved do not have any experience in using technology for hotel management  
21 systems, have a low budget for innovation, and lack strategic vision, management expertise,  
22 and ability to utilize technology for their presence on online distribution channels (Smithson *et*  
23 *al.* 2011; Mohammad 2016; Yin *et al.* 2019; Fjellström *et al.* 2020).

24  
25 The most prominent issue, however, is identifying and measuring the CSFs for VHO and  
26 SMSHs partnership. As VHO expands in the SMSHs market, it is also important to survey  
27 VHO management on how they operate, measures their performance, and maintain their  
28 partnership with hotels. However, empirical research on virtual hotel operators remains scarce.  
29 Previous studies on VHO discuss the nature of their business (Sharma *et al.* 2017; Wiasuti and  
30 Susilowardhani 2017), customer perceptions of VHOs (Kurnia and Sulistiani 2019; Nugroho  
31 and Hati 2020), and technology application (Prakarsa *et al.* 2020). Very few discussions reveal  
32 the success factors which benefit the entire network and transform the SMSHs business (Arreza  
33 2022). Interestingly, previous studies have also failed to consider the critical role played by  
34 VHO stakeholders (i.e., management and hotel partners). These are the gaps that the study  
35 ultimately seeks to fill.

36  
37 The current study identifies the critical factors contributing to the success of virtual hotel  
38 operators in partnership with small and medium-sized hotels (SMSHs). Morrison and Thomas  
39 (1999) explained that SMSHs have a small business scope: they are self-managed by the owner  
40 and financed by individuals or a small group. Most properties are owned and managed by those  
41 without previous hotel management backgrounds. Therefore, they struggle to maintain quality  
42 service standards and face many challenges, such as level of competition, operational costs,  
43 technical and management skills, appropriate e-business solutions, and ownership of ICT  
44 equipment (Pine *et al.* 2000; Buhalis and Kaldis 2008).

45  
46 That will contribute to the literature on technology use in hospitality management,  
47 especially in the context of its adoption by SMSHs. These results ultimately enrich the  
48 available scholarly perspectives on hotel management agreements, partnerships between  
49 owners and operators, brand affiliations, and hotel operators. Hotel owners must understand  
50 their perspectives towards partnership with VHOs. Collaboration between VHO and SMSHs  
51 usher future competition and consolidation. Subsequent sections discuss the theoretical  
52 background of VHO, and critical success factors, followed by methodology, results and  
53 discussion. The final section discusses the conclusion, the theoretical and managerial  
54 implications, and recommendations for future research.

## 2 Literature review

### 2.1 Virtual Hotel Operator (VHO)

Since its first appearance in 2013, VHO has constantly evolved as a new player in the hotel industry as an asset-light type of business. VHOs focus on developing business-to-business (B2B) partnerships with SMSHs, with companies continuing to expand and attract new investors (Wiastuti and Susilowardhani 2017; The Economic Times 2018; Russel 2019). Hotel owners partnering with VHOs adopt a management and franchise model. Two categories of this model are available, namely leases and franchises. The former involves property owners buying the brand franchise, managed directly by the VHO with a royalty fee. The latter, meanwhile, involves the owner cooperating with the rental scheme or revenue-sharing for rooms booked via a VHO platform. VHO management system includes various hotel management developments such as technology adoption, staff training, standard operation, interior design, room decoration, standardized furniture, marketing strategies, promotional materials, and customer service through their customer and hotel owners' mobile applications.

Most VHOs provide hotel standards and guidelines that help management teams transform a property while calculating the estimated cost and monitoring the renovation process (Oravel Stays 2018). As Sharma *et al.* (2017) illustrated, eight stages are involved in the VHO hotel property listing process. First, the transformation process begins with the business development manager identifying potential properties. The next step involves a detailed audit and negotiation with the hotel owners. VHOs will share specific characteristics such as quality assurance inspection. Third, before a partnership agreement, the hotel partners must meet the quality specifications set by VHO management. The fourth step is an orientation and integration with VHO standardized facilities (e.g., hot showers, clean linen and towel, air conditioners, Wi-Fi, and in-room amenities). Fifth, the VHO business development manager prepares the transformation process, followed by VHOs providing capital expenditure to improve the facilities and hotel buildings. Then, the final process involves hotel properties going live on VHO websites, mobile applications, and other distribution channels. After the transformation, the operational team maintains the standard and trains the hotel employees to use the property management system and daily hotel operations.

Although VHO offers various advantages in technology along with the standardization of hotel management, VHO remains in its development stage. Therefore, the identification of their critical success factors is crucial.

### 2.2 Critical Success Factors (CSFs) for hotels

CSFs have become an essential concept concerning hotel goals and objectives in the hotel and accommodation sector. Brotherton and Shaw (1996) describe it as activities and processes which support organizational goals. These, in turn, should be actionable, controllable, and measurable. CSFs are also sector-specific— it is implied that focused research in a sector on CSFs should provide specific recommendations for both businesses and entrepreneurs (Engelbrecht *et al.* 2014).

CSFs have become essential in hotel goals and objectives in the hotel and accommodation sector. With increasingly fierce competition and the increasingly inevitable use of technology, companies need an innovative strategy to achieve their goals (Avcikurt *et al.* 2011). Brotherton and Shaw (1996) mentioned that CSFs in hospitality services could be categorized based on technical or human aspects. Technical aspects are primarily concerned with the efficiency and financial aspect of hotel operations. Meanwhile, human aspects are defined as the effectiveness of the direct provision of the hospitality experience associated with staff attitudes, skills, morale and training/development. These CSFs are considered integral to corporate culture, cooperation, management style, company performance, productivity, and business metrics in

1  
2  
3 achieving company goals (Politis *et al.* 2009; Arasli 2012; Padilla-Meléndez and Garrido-  
4 Moreno 2014; Spencer and Van Zyl 2015; Yadegaridehkordi *et al.* 2018).

5  
6 Diversification standards of the hotel business have also rapidly changed. However, the  
7 literature's insufficiency highlights the paucity of knowledge on CSFs related to the VHO and  
8 partnership with SMSHs. CSFs in hotel operations from customer perspectives have also been  
9 explored (Padilla-Meléndez and Garrido-Moreno 2014; Wang and Hung 2015; Fuentes-  
10 Medina *et al.* 2018; Lee *et al.* 2019), with some explicitly outlining the context of SMSHs  
11 (Avcikurt *et al.* 2011; Zhang *et al.* 2013; Wang and Hung 2015). However, only a few studies  
12 discuss the concept of CSFs for VHO. Most studies use a quantitative methods approach  
13 (Avcikurt *et al.* 2011; Wang and Hung 2015; Ahmad and Arif 2016). This approach makes it  
14 possible to obtain more pa. However, it cannot explore the respondents' views more in-depth.  
15  
16

### 17 *2.3 Critical Success Factors (CSFs) influencing joint ventures in the hospitality business*

18 Companies increasingly focusing on geographical diversification implies a decision-making  
19 process on opening new markets and how to penetrate them best. Partner selection is a primary  
20 factor in achieving success in establishing a joint venture (JV). International Joint Ventures  
21 (IJV) are one of the most common forms of market entry companies use for their  
22 internationalization processes. IJVs allow companies to connect with a local partner and  
23 leverage its resources for successful entry. The high failure rate of relationships between  
24 companies is often due to a wrong choice of partner coupled with the lack of proper due  
25 diligence and another potential for relationship problems.  
26

27 When creating an IJV, trust, commitment, and congruent goals are highlighted as important  
28 factors in the relationship. They are essential for its success (e Silva and Oliveira 2017). The  
29 similarity in both partners' corporate values and missions has become a significant impetus in  
30 developing a competitive service strategy. This congruence is supported by building mutual  
31 trust, the synergetic effects of using resources, strong financial background and equity sharing,  
32 information exchange and knowledge sharing with the local partner. Efficiency in strategic and  
33 marketing planning, experience in market research activities, and exceeding customers'  
34 expectations and needs are all critical to these alliances' success (Li *et al.* 2006; Magnini 2008;  
35 Lee *et al.* 2013).  
36  
37

38 Cooperation between hotel business and affiliation with a chain hotel brand create  
39 associations in customers through several strategies such as assessing customer reviews,  
40 contacting the target market, offering benefits to members, and offering a corporate  
41 contract/rate for groups or companies (Resende *et al.* 2018). Negotiating and operating  
42 managed hotels are complex processes where the owner and operator must agree on various  
43 issues. All parties involved must understand the agreement and the other partner's perception  
44 of it (van Ginneken *et al.* 2019). Contractor and Kundu (1998) identified five critical factors  
45 when choosing an international hotel alliance: economies of scale, the firm's ability to exercise  
46 management control and maintain quality, the need for size in global operation, the reservation  
47 system, and investment in training.  
48

49 Industry challenges include competitive pricing, better marketing and promotion methods,  
50 improved quality of the facilities, improved service delivery, customer service by maintaining  
51 good customer relationships, improving the quality and variety of the products offered (i.e.,  
52 cleanliness, technology, facilities) and loyalty schemes used to retain customers (Ahmad and  
53 Arif 2016). Inter-relationship among hotel management companies and hotel owners should be  
54 based on cooperative relationships to overcome these limitations. Hence, the business strategy  
55 conducted by SMSHs owners, including but not limited to strengthening the market position  
56 of small hotel businesses through various strategies such as branding, product comparison,  
57 service technology, and themes that contribute to the overall image-building of a small hotel  
58 business. Factors associated with image building include, among others, hotel design,  
59  
60



management philosophy, commitment to quality and consistency in service delivery, and use of smart technology innovation for increased competitiveness and business performance (Fredrick 2019; Lee and Lee 2020; Nunkoo *et al.* 2020; Dieguez *et al.* 2022).

Essentially, the study's literature review reveals three CSFs for hotels. The first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw 1996; Avcikurt *et al.* 2011; Yadegaridehkordi *et al.* 2018). Second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organizational readiness (Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014). Third is the physical environment, including the hotel's interior and exterior, which leads to customer satisfaction (Yadegaridehkordi *et al.* 2018).

Progress and opportunities abound when exploring CSFs in the hotel. A study by Avcikurt *et al.* (2011) described hotel managers' and owners' perceptions of hotel operations' success related to Internet use, service quality, financial performance, and marketing. Technical aspects related to Internet usage were among the main factors related to CSFs in small hotels. Yadegaridehkordi *et al.* (2018) also proposed four aspects that influence the performance and growth of small hotels: first, the organizational aspect includes top management support and financial performance. Second, human resources include employee preparation, education, service standardization, quality, and customer satisfaction. Third is the environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology, encompassing the firms' external and internal technologies and benchmarking with process and equipment standardization.

### 3 Methodology

#### 3.1 Research Design

Exploratory research is needed to understand both hotels' owners' perspectives and VHOs' management on their partnerships to identify the CSFs for VHO. Qualitative approaches is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer *et al.* 2012, P.312). Purposive sampling was used to select relevant participants able to answer specific research purposes (Patton 2014). Because the study focuses on developing VHOs in Indonesia, the sampling focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork process. First, VHO management was invited based on the company's affiliation accounts on the social network platform LinkedIn; the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek *et al.* 2015, P.282).

According to BPS Statistic Indonesia (2018) and Euromonitor International (2018), more than 28,230 places of accommodation have been registered across Indonesia. However, most of these places (88.25%) are not considered SMSHs, and there is still a significant need to standardize the SMSHs hotel supply in Indonesia. SMSHs properties can be classified as one, two, and three-star hotels, along with non-star accommodations such as guest houses and homestays. Chosen properties had no more than 100 rooms, had 10 - 49 employees engaged in operations, and were controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016).

Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay *et al.* (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research. Personal invitations based on the SMSHs category identified herein were used to recruit hotel owners' participants. SMSHs are classified as non-star and

independently operated hotels, unaffiliated with local or international hotel chains. One hundred fifty-six research invitations were sent to potential VHOs management level. Their profiles were categorized into three groups: CEO / founder / co-founder (6 profiles), executive management positions (74 profiles) and middle range management positions (76 profiles). This people had been hired and worked for VHO. They had been with VHO companies for periods from six months to seven years. Participants are coming from various first-tier cities in Indonesia (where most VHO properties are located). In total 16 (3.84%) VHOs management representative are willing to be interviewed. For Kwortnik (2003), the minimum number of research samples suitable for qualitative research projects is twelve (12). Therefore, this study has reached the criteria mentioned.

**Table 1.**  
Profile of participants

VHO Management			
ID	Position	Years of Experience	
M1	Assistant general manager	12 years	
M2	E-commerce executives	4 years	
M3	Hotel operation manager	7 years	
M4	Regional head	14 years	
M5	Human Resources Business Partner	11 years	
M6	Senior hotel operations manager	18 years	
M7	Country manager for hotel operations	15 years	
M8	Hotel consultant	13 years	
M9	Business development manager	10 years	
M10	Operations Manager	4 years	
M11	Head of Business Development	9 years	
M12	Head of Business Development	11 years	
M13	Head of Operation Excellence	6 years	
M14	Senior business development manager	8 years	
M15	Assistant general manager	13 years	
M16	Regional corporate sales manager	10 Years	
Hotel Owner			
ID	Occupation	Type of Accommodation	Years of partnership with VHO
O1	Banker	Guest House	One year
O2	Information technology (IT)	Homestay	Five years
O3	Hotel manager	One-star hotel	Four years
O4	Social entrepreneur	Two-star hotel	Four years
		Three-star hotel	One year
O5	Human resource manager	Three-star hotel	One year
O6	Contractor	Two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	Two-star hotel	Two years
O9	Catering business	One-star hotel	Three years

The interviews focused on the participants' experiences, VHO goals and characteristics, and the critical factors for VHO success from management and hotel owners. They were

1  
2  
3 conducted from June to August 2020. Due to the COVID-19 pandemic, most were held using  
4 online meeting platforms (e.g., Zoom meetings, Google meet). All of the participants' identities  
5 in this study remain anonymous. Sixteen participants represented four VHO companies that  
6 operated in Indonesia: Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. Those VHOs  
7 companies represent one of Asia's most rapidly expanding types of hospitality management,  
8 where enormous numbers of SMSHs operate. Its core idea is to transform SMSHs and ensure  
9 customers' safety and comfort by unifying them under their brand name. While nine  
10 represented hotel owners (Table 1). Respondents' job descriptions in VHO are connected to  
11 hotel operations, business development, transformation, marketing, and human resources.  
12

13 VHO Participants' experience ranged from four to 18 years of working experience in  
14 various fields (e.g., hotels, resorts, cruise ships or restaurants). Specialties varied from  
15 hospitality backgrounds such as hotel operations, e-commerce, customer services, revenue  
16 management, sales and marketing, event management, pre-opening, and procurement. In  
17 contrast, six other managers came from non-hospitality backgrounds, such as banking,  
18 insurance, consumer goods, retail/sales, and human resources.  
19

20 Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated  
21 to hospitality, with backgrounds in management, economics, IT, and psychology. Most hotel  
22 owners were inexperienced in the hospitality industry: their experiences and specialties were  
23 remarkably diverse. For example, some were wedding organizers, caterers, social  
24 entrepreneurs, salespersons, and contractors. Only one participant had experience in managing  
25 their family's hotel business. The accommodation types ranged from the homestay, guest  
26 houses, and one to three-star hotels. The partnership agreement between hotel owners and  
27 VHOs lasted one to five years. The diversity of the participants in this study ultimately helped  
28 the comprehensiveness and diversity of information from the participants' perspectives.  
29

### 31 3.2 Data analysis

32 From the results of the interview researchers invited the respondents to verify the findings to  
33 improve credibility. The interviewer asked for the participant's prior and informed consent to  
34 be recorded for data collection. Recorded data were translated and copied (transcription). Each  
35 participant was given a copy of their interview transcript to review data accuracy. Interviewees  
36 agreed and signed the interview protocol and consent form. Then all participants signed and  
37 returned the member-checking consent form to the researcher.  
38

39 Recorded interviews were immediately transcribed, which lasted for 49 minutes per  
40 participant on average. ATLAS.ti (version 8), a qualitative data analysis software, was used to  
41 analyze the coding. Thematic analysis searched for commonalities and themes describing the  
42 data (Clarke and Braun 2017). A theme can be interpreted as an affirmation that creates  
43 meaning or a statement of meaning. Meanings were also obtained from the interviews and were  
44 formulated by the researcher.  
45

46 In this study, three aspects are considered for the reliability of the study (Creswell and  
47 Creswell (2017). First is triangulation data from multiple sources of participants in the  
48 interviews. In this study, interviews were conducted with two groups of participants, namely  
49 hotel owners and VHO management. Secondary data reports, online travel trends, hotel  
50 statistics, and articles on VHOs used to complete the analysis for this study. Hence, the study's  
51 validity and reliability were based on data sources.  
52

53 The second is member checking. Throughout the analysis process, participants would check  
54 their responses through ongoing dialogue about interpretations based on the informant's  
55 checking to ensure the actual meanings of their responses. Member checking ensures accurate  
56 interpretations (Savin-Baden and Major 2010), involving the participant or information  
57 provider being recon fronted with the interview data. The interviewer would then check with  
58  
59  
60

participants to confirm their responses by sending verbatim transcripts. The member-checking consent forms were then sent to the participants via email and WhatsApp for faster response.

The third aspect is validity. Each participant was given a copy of their interview transcript to review the data's accuracy. Researchers then invited the respondents to verify these findings to improve credibility. Ask participants to read and correct the summary of the researcher's interview results, with participants signing the member checking consent form if they saw the data as valid.

## 4 Results and Discussion

### 4.1 Partnership factors

The client relationship is the most critical factor in the success of Virtual Hotel Operators. VHO, as light assets company, maintain their property partner to sustain and expand the business. VHO partnerships with hotel owners are hence based on three aspects. First is the visibility of the contract agreements. Second, VHOs provide a support centre for day-to-day operation problems and related issues for hotel owners, customers, and vendors. Third, are VHOs managing the owner's expectations for long-lasting benefits of the partnerships (i.e., manifesting as increased revenues, occupancy rate, and average room rates). One of the VHO heads of business developments agreed with this view:

"We are not selling goods but building partnerships; therefore, we keep interpersonal relationships with hotel owners. We meet distinctive characteristics. We speak of culture, meaning everyone has a different outlook on how the business works." (M11)

As technology-based hotel operator, VHOs relies on partnerships with hotel owners. Therefore, VHOs offer three contract agreements: full revenue sharing, meaning the VHO shares the revenue at an agreed percentage. The contract agreement between a VHO and a hotel owner includes guidelines on managing the hotel operations, reaching the standards outlined by the VHO, and the hotel owners' revenue targets. Next is the use of a minimum monthly guarantee. Last is a self-operating business model akin to lease-type management. The agreements with VHO are designed to reduce the risk factors and the hotel owners' value of investments. For example, one interviewee highlighted the mutually beneficial agreements and commitments:

"We invest funds or transformational capital expenditure to the property partner if they do not have enough capital to meet our facilities' standards. Hence, we help them through investment without return within the contract period." (M11)

"One of the advantages of partnering with VHO is that they provide a fixed monthly deposit according to the initial agreement, which helps us. Suppose we are looking at the capacity of our hotel right now below 50%, with the security deposit. In that case, we can cover operational costs." (O1)

Interviewees also mentioned that the expansion process should be in line to increase revenue and profits for both the company and its partners. Ultimately the objective of the partnership with the hotel owners is to maintain sustainability and commitment together:

"We want our property partners to achieve their targeted revenue and business sustainability. This means financial, products, and services consistency and a long-lasting partnership." (M6)

One emerging factor herein is the adaptation to local culture. VHO management and hotel owners were concerned about the varying conditions of SMSHs operation. Most participants asserted that the educational background of the employees and owners and technological adaptation in hotels are still low. Therefore, VHO should adapt to the condition, as mentioned by one of the hotel owners:

"Because VHOs typically have standard operating procedures that are globally acceptable, this start-up company should adapt to the condition of our people and our culture." (O1)

The business development division's main objectives are acquiring hotel properties and maintaining relationships with hotel owners.

"Business development is the one that initially acquired the property. For example, suppose the hotel property owners want to join. In that case, business development will explain the terms and conditions, and they will acquire the property through an agreement that has been agreed to by the hotel property owner." (M5)

As a hotel management company, VHOs should adapt and adjust their approach to maintaining communication and agreement with the hotel property owners. They should therefore keep a mutually beneficial agreement, focus on commitment, and continuously improve as part of excellent business in the field of hospitality. These results coincide with previous studies on understanding customer orientation relationships (Padilla-Meléndez and Garrido-Moreno 2014).

#### 4.2 Marketing factors

While segmenting the market, VHO management conducts a comprehensive market survey assessment process. From the interview results, VHO management and hotel owners frequently mentioned factors, including marketing strategies, market segmentation, pricing strategy, branding, promotion and distribution channel. Findings reveal that the weak position of small hotels in the market could be circumvented through VHO marketing and promotion strategies.

"The VHO creates the marketing and promotion strategy for us. Previously, we had limited marketing channels; we only sold our rooms on several property listing platforms. After the partnership agreement, the VHO improved our online and offline presence." (O7)

"We informed the owners of essential data about market intelligence, market surveys, and pricing strategies. We can decide the price level following market needs." (M7)

Consistent with extant research, the importance of strategic marketing planning in a joint venture hotel relates to joint advertising, pricing, promotion, and market research activities (Li et al. 2006). Another found that VHO management and the hotel owner also conveyed the importance of branding for sales and pricing strategy. Property owners will automatically join their branding when they agree to partner with VHO. From the perspective of management, brand image is currently an essential aspect of VHO's success; interviewees further explain this:

"Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with the VHO logo and property name are helpful for branding." (M12)

The findings coincide with Hua *et al.* (2009) argument on how brand equity increases customer intention to purchase hotel products. Hotels reach a broader audience through a responsive platform, increase distribution and build branding and operational efficiency. An effective way is maximizing online media marketing channels, where mobile applications become a key strategy to bring customers closer to the hotel chain. The VHO mobile application allows customers to book rooms with three taps on their smartphones easily. Strategic partnerships with online travel agents (OTAs) also enable hotel owners to reach a broader consumer market (Yin *et al.* 2019).

"The difference is in terms of operation. For example, in conventional hotels, the booking process until the check-in process requires an exhausting process. However, at VHO, the booking process is much simpler—using a mobile application makes everything much easier and more comfortable." (M8)

**Table 2.**  
Critical Success Factors for VHO partnerships with SMSHs

Salient Themes	Sub Themes	Key Insight
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract Agreement</li> <li>● Constant improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies regarding the business expansion of VHO in the SMSHs sector. The partnership between both parties maintains the sustainability of the VHO business model and their commitment to the contract agreement.
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution Channel</li> </ul>	Marketing is part of functional CSFs where several categories are being assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence.
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing the hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets.
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important in measuring revenue and profitability.
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Hotel network size and coverage</li> <li>● Audit Quality</li> </ul>	Strategic management is related to innovation strategy and is perceived as the most critical factor for a small hotel business.
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Employee Rewards and Benefits</li> </ul>	Both VHO management and hotel owner participants agree that the human factor is crucial to improving the standard and service of VHO, primarily due to training.
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Central reservation system accuracy and efficiency</li> </ul>	The VHO relies on technology-based solutions and features. It uses efficient, accurate, consistent property management and centralized booking and reservation systems.

Previous studies mentioned the importance of online and digital distribution channels for budget hotels is the ability to market their properties via a multi-channel strategy (Law *et al.* 2015; Lei *et al.* 2019). Leveraging dynamic marketing capabilities through online distribution plays a critical role in developing SMSHs' competitive advantage (Beritelli and Schegg 2016; Elsharnouby and Elbanna 2021)

#### 4.3 Technical factors

VHO management and hotel owners discuss technical aspects such as hotel operation management, access and monitoring customer satisfaction, standardization, property transformation, and staff professionalism. Before joining a VHO, a hotel partner must undergo a transformation process that ensures that the hotel services, the system, the management, and the staff will meet the VHO standard:

"We must transform owner property: it is very crucial to transforming. Everyone engages in the process and convinces owners to share the same perspective." (M7)

From interviews with hotel property owners, hotel operation management factors and assessing and monitoring customer satisfaction are crucial regarding technical CSFs. Participants are concerned about the continuity of the day-to-day hotel operations, which they describe as the following:

"The VHO helps owners manage hotels regarding administration, services, and product standardization. We will implement an operational standard for all accommodations that do not have a star category. For this, we need people with diverse backgrounds who are specialists in areas such as the front office, housekeeping, food, and beverages, including the banquet. We also need people who are strong in accounting." (M7)

"Operational managers in each active region will manage and monitor hotel properties. From personal experience, the owner feels comfortable with the operational manager. They can ask about hotel operations. We also often discuss and share knowledge about hotel management, it will help in the future relationship with owners, and there is an exchange of ideas." (M15)

"As a digital hospitality company and hotel aggregator, we offer economical and more affordable accommodation and are concerned about the quality of our services. Therefore, we should offer a balance between the two aspects (affordable and quality services)." (M12)

The physical product and service quality of SMSHs operation is crucial (Hua *et al.* 2009; Zhang *et al.* 2013). Customer orientation is also crucial for the hotel business (Padilla-Meléndez and Garrido-Moreno 2014) to enhance service quality, deliver superior customer service and total quality management (Wang *et al.* 2012; Ahmad and Arif 2016).

The hotel industry is a service sector that highly depends on human aspects. Following Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects determine the efficiency and economy scale for the successful delivery of hospitality goods and operations. **Standardization and quality of the services system should be adopted to predict and control output activities** (Ivanova and Rahimi 2016): the higher the hotel network's intangible assets are (including their standards, facilities, and services), the better they can command presence in customer psyche (Andreu *et al.* 2017). The VHO then conducts an evaluation process on how a hotel gets a satisfactory level of guest assessment:

"We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to measure guest satisfaction." (M7)

CSI is developed from the customer's ratings of their likelihood to recommend VHO products and services to others on a scale of 0 (lowest) to 10 (highest). The hotel owner also explained that these factors are significant for their business. VHO management ensures that guests are satisfied and evaluates actions to maintain the quality standard. Moreover, customer

1  
2  
3 satisfaction leads to a positive financial performance where financial figures are essential for  
4 further adjustment and corrective action (Zhang *et al.* 2013; Augustyn *et al.* 2021).  
5  
6

#### 7 8 4.4 Financial factors

9 The owner expressed the current difficulty in getting bank loans for their needs. With the  
10 cooperation of VHO, hotel owners now have finance in the form of capital expenditure along  
11 with a monthly income guarantee. Capital expenditure becomes an attractive factor for hotel  
12 owners. VHO invests in its partners by supplying capital investment assistance and a monthly  
13 income guarantee. For property owners, capital expenditure has become a significant factor in  
14 the development process:

15 "What is significant is the contract agreement because it provides business capital and other  
16 investment facilities." (M5)  
17

18 Financial support is crucial for hotel joint venture collaborations (Li *et al.* 2006; Ge *et al.*  
19 2018). The financial performance factor in hotels can be measured by the rate of return on  
20 investment, income, costs incurred for operations, and company profitability (Avcikurt *et al.*  
21 2011; Padilla-Meléndez and Garrido-Moreno 2014).  
22  
23

#### 24 25 4.5 Strategic management factors

26 Strategic management is related to innovation strategy and is perceived as the most critical  
27 factor for a hospitality business (Stylos *et al.* 2021; Dieguez *et al.* 2022). Strategic management  
28 involves executive management determining strategy and objectives to achieve goals (Geller  
29 1985). Strategy and objectives will give better and more precise guidance to solve problems  
30 and measure operational success following organizational goals. Thus, this demonstrates the  
31 importance of establishing shared values and launching goals and systems to increase customer  
32 satisfaction (Arasli 2012). One interviewee mentioned the increasing number of users in the  
33 VHO application as an opportunity to receive more value from customers and increase the  
34 chance of getting more investment. The VHO management also highlights this:

35 "From the next one to two years, we are constantly innovating. We must continue to demand  
36 innovative ideas every day, ones that are out of the box and all kinds; it has become part of our  
37 corporate culture." (M16)  
38

39 Innovative technology should be based on market research to respond to market needs and  
40 demands, as mentioned by the management of a VHO:  
41

42 "We do marketing based on research to the standards that we set. The products we offer should  
43 meet the category of value for money." (M6)  
44

45 The next factor is related to the size and coverage of the hotel network. Geographical  
46 coverage is vital for hotels: this helps in the success of hotel operations and development  
47 (Brotherton 2004a; Hua *et al.* 2009). A bigger hotel scale size and coverage of hotel networks  
48 are also critical. For VHO, the number of existing properties and personnel in one country helps  
49 in the effective selling and monitoring process:  
50

51 "Of course, we have one competitive advantage in the network. We have the most expansive  
52 network. The advantage lies in our capacity to sell properties in every city, even in other countries  
53 abroad, regarding networking, standardization, and the number of personnel. We have all the  
54 support needed in every region or hub for our operations." (M11)  
55

56 Another factor is related to how the VHO enhances the quality of services. It is a crucial  
57 strategy employed by hotel owners or managers in SMSHs to face business challenges (Ahmad  
58 and Arif 2016). Implementing quality audits through VHO management by placing its  
59 personnel to monitor the operations of property hotel partners has increased customer  
60



confidence in using accommodation provided by the VHO. A quality audit guarantees that the products and services they provide meet a minimum standard despite having differentiated properties managed by the VHO. The strategy to ensure quality assurance in hotel operational management can be carried out through standard operating procedures, regulations, and, most importantly, the human factor and the organization (Fredrick 2019; Elsharnouby and Elbanna 2021).

#### 4.6 Human factors

Training is part of the CSFs for VHO, as mentioned by most participants. It aims to provide standard operational management and increase customer satisfaction with VHO's products and services. The lack of skilled employees in customer service becomes a challenging issue for SMSHs. Thus, standard hotel operation management for all VHO properties can be improved by conducting training and coaching. Two interviewees mentioned:

"First is an improvement; we then also built educational training for hospitality." (M3)

"The VHO thinks about the employee's development, and the hotel owners as well." (M11)

Owners agree that VHO could develop hotel operation human resources. The VHO changes product knowledge and the ability to upgrade the technology used by the hotel staff to help operations. Owners feel improvement in knowledge transfer during the in-house training process. Most owners agree that the VHO continually innovates and develops technologies related to property management systems, hardware, and mobile application. Therefore, the training is not only for employees but also for the owner. One owner stated:

"Our company is successful because we think about our employees' development. However, the training is not only for employees but also for the owners. We meet with the owners and mentor them on managing the hotel." (M7)

The finding supports studies by Ahmad and Arif (2016) which posit that training has increased business success in the SMSH sector. Training for employees improves customer service (Hua *et al.* 2009). From the characteristics of company owners, top-level management is needed to overcome the challenges in such a dynamic business climate. The need for an innovative and sound strategy needs to be supported by quality leadership team commitment. Increasing team commitment is vital to achieving organizational goals. An organization's process management is essential to teamwork and strategic plans (Yadegaridehkordi *et al.* 2018). VHOs also consider employee welfare aspects due to work-life balance. Here, employee rewards emerged as one of the CSFs for VHO. As previously mentioned by one VHO management participant:

"Company performance and targets are balanced with our reasonable compensation and rewards." (M14)

#### 4.7 Technology factors

The VHO is a hospitality management company that utilizes technological developments to maximize and empowers local accommodation offerings. Interestingly, only two CSFs in technology factors were found herein: the property management system (PMS) and the accuracy and efficiency of the central reservation system.

"We are a start-up company that relies on technology. Our system keeps improving by getting insights from our hotel operation team, although we already have a software engineering team. The improvement comes in more user-friendly PMS for the employee and owners. This technology was beneficial since hotels did not need large folio books and dealt with a large margin of errors and

1  
2  
3 time-consuming paperwork. With this PMS, business processes for the hotel property have run  
4 more efficiently." (M7)

5  
6 Moreover, using data science and analytics to enhance the guest experience has become  
7 crucial to operations. Systems are transparently accessed in real-time to improve efficiency in  
8 both time and funding. Using technology creates a more comfortable booking experience for  
9 the guests, where consumers go online and make travel-related purchases using an online  
10 platform.

11  
12 "What makes VHO different is promotions on the website and online travel agents, which will  
13 impact small hotel property partners. When they join us, we will help their property become more  
14 profitable by improving their online platform appearance." (M15)

15  
16 A website and mobile application will reach a broader audience, increase distribution, and  
17 improve branding and operational efficiency. Mobile applications allow customers to book  
18 rooms with just three taps of their smartphone. The concept is simple as it provides three steps  
19 for booking: visit the website/mobile application, choose a location, and find the hotel that fits  
20 the tourist's requirements. This outcome supports theories that note the importance of a central  
21 reservation system in SMSHs and budget hotel sectors (Brotherton 2004a; Hua *et al.* 2009;  
22 Avcikurt *et al.* 2011).

23  
24 "SMSHs partners will also get hotel management system applications that are beneficial to the  
25 owner in the process of checking and performance of their properties every day through a device  
26 they have." (M11)

#### 27 28 29 *4.8 Critical Success Factors for Virtual Hotel Operators*

30  
31 Ultimately, seven themes were conveyed by the management and hotel owners, with five  
32 themes being consistent with extant studies: strategic management factors, human factors,  
33 technical factors, marketing factors, and technology factors. *Meanwhile, the interviews*  
34 *discovered two new themes: financial and partnership factors.*

35  
36 In the current study, the partnership factors received the highest weight among other CSFs.  
37 VHOs, as light assets companies, must maintain their property partner to sustain and expand  
38 the business. *The relationship between VHOs and clients, such as the commitment, delivering*  
39 *information, communication, and troubleshooting, is part of the VHO's goals to maintain*  
40 *partnerships with hotel owners. These findings extend the literature on customer orientation*  
41 *relationships (Padilla-Meléndez and Garrido-Moreno 2014). However, the partnership between*  
42 *VHOs and non-classified hotels continues to face challenges. Unclassified hotels have no*  
43 *experience using technology and managing standardized hotel management systems. The*  
44 *transformation process to become a more reliable accommodation prioritizing quality and*  
45 *providing a pleasant stay experience supports the findings of Arasli (2012).*

46  
47 Hotel businesses need a marketing strategy to maximize revenue and increase occupancy  
48 rates. Marketing factors are the second most mentioned herein. Both management and owners  
49 have the same perspective, mentioning five factors: marketing and promotion strategies, market  
50 segmentation, pricing strategy, branding, and distribution channel. *The importance of strategic*  
51 *marketing planning in a joint venture hotel is connected to joint advertising activities, pricing*  
52 *strategy, promotion activities, and market research activities, previously mentioned by Li et al.*  
53 *(2006). Marketing and sales are part of functional CSFs where several categories are being*  
54 *assessed: effectiveness of advertising, market intelligence, customer database, and competitor*  
55 *intelligence (Brotherton et al. 2003; Brotherton 2004b). The emergence of VHOs on various*  
56 *social media platforms is also beneficial—the use of the Internet as a marketing medium, as*  
57 *explained in the literature, impacts the promotion of the business. The use of websites as*  
58 *promotional media and customers being part of the promotional activities by VHOs are*  
59

supported by Ahmad and Arif (2016) and Arasli (2012). Smithson *et al.* (2011) mentioned the importance of the Internet as a distribution channel for SMSHs, identifying the characteristics that could make the Internet a source of competitive advantage.

The third aspect is technical aspects such as hotel operation management, standardization, transformation, and personnel professionalism. Participants are concerned about the continuity of the day-to-day hotel operations. Following Brotherton and Shaw (1996) outlining a centralized reservation system that is efficient, accurate, and consistent in the quality of the products and facilities offered are relevant to this study's findings on using property management systems and standardizing hotel operations by the VHO. Includes the importance of accessing and monitoring customer satisfaction. Customer satisfaction leads to a positive financial performance, where financial figures reflect the needed further adjustment and corrective action (Zhang *et al.* 2013). Customer-related measures and customer orientation in customer relationship management implementation are thus key factors for hotel success (Padilla-Meléndez & Garrido-Moreno, 2014).

The fourth aspect is the financial aspect. Financial support is crucial for a hotel's joint venture collaborations (Li *et al.* 2006). The VHO invests in its partner/s by supplying capital investment assistance, including capital expenditure and sources. One stated:

"It is difficult to get bank loans for hotel business needs. With the cooperation of VHOs, hotel owners now have finance in the form of capital expenditure and a monthly income guarantee."  
(O3)

It is crucial to measure the increase in revenue and profitability, which is, in fact, one of the VHO's goals. From the literature concerning hotel CSFs, the financial performance factor is the revenue, the rate of return on investment, income, costs incurred for operational activities, and the company's profitability (Avcikurt *et al.*, 2011; Padilla-Meléndez & Garrido-Moreno, 2014).

The fifth aspect is strategic management. This study revealed that innovation strategy is perceived as the most important factor for a small hotel business. In the digital era, conventional SMSHs should transform their business to adapt to the technology and continuously innovate. Another critical factor is the size and coverage of the hotel network: a bigger hotel scale size and the coverage of the hotel network are also critical. Again, geographical coverage is important for hotels because it helps in the success of hotel operations and development (Brotherton, 2004a; Hua *et al.*, 2009). The next most important factor is the implementation of the quality audit by VHO management by placing its personnel to monitor the operations of property hotel partners. The practice increases customer confidence in using accommodation provided by VHOs, guaranteeing that the products and services they provide meet a minimum standard despite having differentiated properties managed by the VHO. Several initiatives include training, team commitment, staff recruitment, and employee incentives.

In the sixth aspect, both VHO management and hotel owner participants agreed that the human factor is also crucial to improve the standard and service of VHOs. The human aspect is, therefore, crucial for all operational aspects of the hotel business (Brotherton & Shaw, 1996). Organizational productivity related to staff recruitment by finding the right people in an organizational structure's proper position, coupled with team commitment, is pivotal for business success. Otherwise, lacking skilled employees to handle customers becomes a challenging firm issue (Ahmad & Arif, 2016).

The last aspect of technology was found herein: the property management system (PMS), which presents information transparently and is used to improve efficiency in both time and funding. The second is the accuracy and efficiency of the central reservation system. e findings support previous studies on using a property management system (Sharma *et al.*, 2017; Wiastuti and Susilowardhani, 2017).

## 5 Conclusions

This study revealed seven themes of CSFs for VHO and SMSHs as conveyed by the management and hotel owners participants during the interviews: five themes were based on the literature review (strategic management factors, human factors, technical factors, marketing factors and technology factors) while two new themes were discovered from the interviews (financial factors and partnership factors). From the VHO management perspective, the most critical factor for VHOs is the technical aspect, including standardization, transformation, quality assurance, and professionalism. From the owner's perspective, financial aspects were the most critical factors for VHOs, especially regarding the monthly guarantee. The owners also explained that the technology aspect has helped them manage their hotel property through the PMS and central reservation systems. The client's relationship was also found to be crucial from the perspectives of both VHO management and hotel owners.

Hotel owners and VHO management has enabled the confirmation and the refinement of the new CSFs framework for VHO, which serve as a foundation for the concepts and characteristics of VHO. The study's results show that the most CSF for VHO is the partnership factor. Partner selection is also a primary factor for success in establishing a joint venture. When creating an IJV, trust, commitment, and congruent goals are highlighted as important factors in the relationship with a partner. They are essential for the relationship's success (e Silva and Oliveira 2017). Maintaining good client relationships is likewise invaluable in increasing brand value and achieving goals of increased property portfolios: which are needed to become a market leader (Castañeda García *et al.* 2018; Wang *et al.* 2019).

In cooperation and networking, Li *et al.* (2006) examined the primary motivation for selecting joint venture partners from local and expatriate managers' perspectives. Factors relevant for joint venture hotels include strategic planning, willingness to share information and knowledge with local partners, support for strong financial performance, and experience in marketing, planning, and conducting market research. Moreover, innovations and financial factors were pivotal, especially from the perspective of hotel owners. Notably, another highlight was the creation of marketing and promotional strategies through multiple media channels, for example, by using online, offline and micro marketing media. Strategies should be inexpensive and effective platforms for marketing and advertising, thereby increasing the hotel's competitiveness level in the marketplace (Paprocki 2017; Stylos *et al.* 2021).

### 5.1 Theoretical implications

The theoretical implications of this study are three-fold. First, this study expands the literature on the use of technology in the field of hospitality management, especially on the application of technology for small and medium-scale hotels in collaboration with emerging highly technologically-dependent hotel management companies such as VHO. Second, it contributes to the body of literature on hospitality management by providing an overview of the role of hotel operators in cooperating with SMSHs owners. The perspectives discuss hotel management agreements (HMAs), partnerships between owners and hotel operators, and affiliations with the hotel industry through a 4.0 smart technology implementation. Third, it finally provides perspectives from hotel owners on the contract agreements, the financial benefits obtained from the cooperation process, and hotel management operations utilising innovative technology. Smart innovation for hotels uses cutting-edge technologies to improve efficiency, reduce costs, and enhance customer experience, including virtual hotel operators (VHO), automated check-in/check-out systems, digital keyless entry systems, artificial intelligence (AI), and chatbots. By leveraging these technologies, hotels can provide a better overall experience for their guests and increase operational efficiency.

### 5.2 Practical implications

For hotel owners, a virtual hotel business can be used as a solution for service quality and marketing and promotion strategy in the current digital era. Moreover, hotel operators can determine CSFs from the owners' interests (i.e., providing expertise in the marketing process and promotion strategy and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should allocate a budget for information systems and update their technology on their daily operations while maintaining the data management process. Findings will help VHO management determine the most significant CSFs to achieve their goals, measure performance, and expand their business networks. Additionally, this study will help inform the government to create policies on how SMSHs can be transformed into standardized accommodations. In return, it will support local tourism, especially in developing countries such as Indonesia, India, the Philippines, and Vietnam. Most accommodations are in SMSHs categories.

### 5.3 Limitations and Future Research

Regarding the number of participants, this study's sample size (nine properties) is still small compared to the total number of VHO available globally. Another limitation was that the sample interview participants were only from VHO properties in Indonesia. With the limitation on domestic travelling during COVID-19, the researcher cannot directly observe the conditions of hotels included in this study. Thus, future studies can be conducted and compared from countries such as China, India, Singapore, Thailand, the Philippines, the USA, and Vietnam, where VHOs primarily operate. Future studies may also include participants who are hotel owners but have not joined or have ended their contract agreements with VHOs. Future scholarly attention could compare their perspective regarding VHO and hotel management agreements.

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POLITEKNIK PARIWISATA NHTI BANDUNG

Fajar Putra &lt;fap@stp-bandung.ac.id&gt;

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## Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R4

7 messages

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**Journal of Hospitality and Tourism Insights** <onbehalf@manuscriptcentral.com>23 March 2023 at  
02:56

Reply-To: n.stylos@bristol.ac.uk

To: fap@stp-bandung.ac.id

22-Mar-2023

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R4 entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed.

I am willing to accept your article contingent upon you making the following important changes/improvements:

1. Respond to one of our guest editors' and the reviewers' comments and revise your article accordingly.
2. Include a structured abstract in page 1 of the main document and make sure that it includes all the required subsections including Purpose, Methodology, Findings, Implications and Originality along with key words.
3. Make sure to follow JHTI author guidelines closely: [http://emeraldgroupublishing.com/products/journals/author\\_guidelines.htm?id=ijchm](http://emeraldgroupublishing.com/products/journals/author_guidelines.htm?id=ijchm) For example, when there are three or more authors, you need to use Adam et al., XXXX (or Adam et al., XXXX) format for the first time and after. Make sure that you should list references within text in an alphabetical order.
4. Revisit the Discussion and Conclusions sections one more time to better answer the "So What" question. There should be four sub-sections under this section: (1) Conclusions, (2) Theoretical Implications, (3) Practical Implications and (4) Limitations and Future Research.
5. To strengthen your literature review and theoretical implications, you may like to incorporate more recent and relevant references published in recent months/years.
6. Cross check all references within text with your reference list and make sure that all references used in within text are listed in your reference list and remove any uncited reference from the reference list. You must also make sure that each reference in your reference list is accurate and complete in terms of authors' names, title, volume number, issue number, pages, publisher etc.
7. Run your article through iThenticate, Crosscheck or any similar software to check the similarity between your study and previous studies. Try to minimize similarity percentage below 1% with any previous study. After you run your article's final version through iThenticate or other similar software, you should upload the similarity report to the system for our records.

8. Keep your article below 9000 words including references, tables and figures. If your article is longer than 9000 words, you may consider submitting supplementary material alongside your article as Emerald now publishes supplementary materials.

9. Make sure that the flow of your article is improved. We do not prefer short paragraphs with one-three sentences or long paragraphs longer than half page.

10. Proofread your article one more time and also you may ask a technical writer/copy editor to proofread it for you. After the manuscript is accepted, we will not ask you to proofread it again. In short, after I send you an official acceptance e-mail, you will not be able to make any further changes in your manuscript.

11. Make sure you have all the coauthors, acknowledgements, tables and figures included in your submission. You must also make sure that order of authors, their full names, their affiliations and email addresses are accurate. We cannot make any changes after the paper is accepted.

12. You should not add a new coauthor(s) at this stage unless there is a legitimate justification.

13. Submit a clean version of your paper. You don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

14. In addition to responding to the reviewers' comments, you should prepare and submit a brief report showing how you have responded to the above requests as well as the associate editor's comments. When revising your submission, you don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

Guest editors' comments:

This is an interesting study on an important topic. The study can benefit from a strong copy-editing. The theoretical foundation and theoretical implications should be improved further. The following studies can help the authors with this task. Please check for any additional JHTI articles to be cited in the area of study and use as appropriate.

Yours sincerely,

Dr. Nikolaos Stylos

Guest Editor, Journal of Hospitality and Tourism Insights

[n.stylos@bristol.ac.uk](mailto:n.stylos@bristol.ac.uk)

Reviewer(s)' Comments to Author:

DEADLINE: 20-Apr-2023

To go straight to your paper, click this link: \*\*\* PLEASE NOTE: This is a two-step process. After clicking on the link, you will be directed to a webpage to confirm. \*\*\*

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To help support you on your publishing journey we have partnered with Editage, a leading global science communication platform, to offer expert editorial support including language editing and translation.

March 19, 2023

Dear Dr. Nikolaos Stylos:

Guest Editor, Journal of Hospitality and Tourism Insights (JHTI)

Special Issue: *Marketing via Industry 4.0 smart technologies in hospitality and tourism*

Thank you for reviewing our manuscript “Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners and operators” which was submitted to *Special Issue: Marketing via Industry 4.0 smart technologies in hospitality and tourism, Journal of Hospitality and Tourism Insights (JHTI)* for publication consideration. We are grateful to receive your constructive and valuable comments from two reviewers, which have helped us to improve the overall quality of our manuscript.

Please note that we have revised the paper based on your comments and suggestions. This revision summary provides a point-to-point response to the comments offered by the editors.

Again, thank you very much for your interest in this work. We wish the revised manuscript would meet the standards of the *Journal of Hospitality and Tourism Insights (JHTI)*.

Yours truly,

Fajar Putra

Correspondence author

### **Reviewer(s)' Comments to Author:**

#### **Reviewer 1:**

1. Thank you for the opportunity to review your paper. I offer several suggestions for improvement, which I hope will be helpful to the author(s).

Introduction: VHO – provide a definition, description, and examples in the introduction. What are VHOs? What is their business model? Provide examples of VHOs and trends/growth in the number of VHOs. Are VHOs based on the use of smart technology? How exactly? etc. Make sure that the positioning and explanations offered in the introduction can position the paper within the smart technology literature.

#### **Our response:**

Thank you for your comments. We greatly appreciate your valuable insight and interest in our article.

VHO is a type of hotel management company that utilizing software that can be used to manage and operate a hotel. OYO and Reddoorz are two examples of companies that use VHO technology

to provide their customers with an efficient, cost-effective way to book rooms and manage their stay. VHOs accelerate the region's online travel ecosystem and provide solutions for hotel owners and customers looking for quality and price standardized accommodation (Anandan *et al.* 2016). Hotel Smart Technology is a term used to describe the use of technology in hotels to improve efficiency, reduce costs, and enhance customer experience. This includes technologies such as virtual hotel operators (VHO) that creating service/product innovations, marketing innovations, process innovations, and organizational innovations using technology (Wiastuti and Susilowardhani 2017; Han *et al.* 2021; Elshaer and Marzouk 2022).

2. Literature review:

Second paragraph – more explicitly explain the two models you mention (management and franchise). Be direct (don't use former and latter). The paragraph reads convoluted now. As before, provide examples for each model, so it is clear to the reader what you are talking about. Section 2.3 Critical Success Factors (CSFs) influencing joint ventures in hospitality business – this section is confusing. Are VHOs joint ventures? From the little explanation you provide about VHOs, they don't seem to be based on a joint venture model. However, if they are, then you have to be explicit about it, and explain the model their follow. How is the JV literature relevant? If VHO are not using JV (or if this is not your primary concern for your paper), then this section should be deleted (along with other mentions of JV throughout the paper). You mention within this section strategic alliances. While strategic alliances share characteristics with JV, they are not JV. Altogether I struggled to identify how this section adds value. What is the theoretical perspective within which you position your study? You talk about critical success factors, but what theory is behind them? You should include a theoretical discussion."

**Our response:**

We thank you for your constructive feedback. Please note that we have revised the manuscript based on your comments. We look forward to your positive response.

*2.2 Critical Success Factors (CSFs) influencing joint ventures in hospitality business*

Companies increasingly focusing on geographical diversification implies a decision-making process on approaching the opening of new markets and how to best penetrate them. International Joint Ventures (IJV) are one of the most common forms of market entry used by companies for their internationalisation processes: IJVs allow them to connect with a local partner and leverage its resources for successful entry. Because the high failure rate of relationships between companies is often due to an inappropriate choice of partner coupled by the lack of proper due diligence and other potentials for relationship problems, partner selection is a primary factor in achieving success in establishing a joint venture (JV). When creating an IJV, values such as trust, commitment, and congruent goals are highlighted as important factors in the relationship and are essential for its success (e Silva and Oliveira 2017). The similarity in the corporate values and missions of both partners has become a major impetus in the development of a competitive service strategy. This congruence is supported by building mutual trust, the synergetic effects of the use of resources, strong financial background and equity sharing, information exchange and knowledge sharing with the local partner, efficiency in strategic and marketing planning, experience in market research activities, and exceeding customers' expectations and needs, all of which are critical to the success of these alliances (Li *et al.* 2006; Magnini 2008; Lee *et al.* 2013).

Cooperation between hotel business and affiliation with a chain hotel brand create associations in customers through several strategies such as assessing customer reviews, contacting the target market, offering benefits to members, and offering a corporate contract/rate for groups or

companies (Resende et al. 2018). Negotiating and operating managed hotels are complex processes where the owner and operator must reach an agreement on various issues. It is critical that all parties involved understand not only the agreement itself, but also the other partner's perception of it (van Ginneken et al. 2019). For Contractor and Kundu (1998) several critical factors need to be considered when choosing and international hotel alliances, namely economies of scale, the firm's ability to exercise management control and maintain quality, the need for size in global operation, reservation system, and investment in training.

Industry challenges include competitive pricing, better marketing and promotion methods, improved quality of the facilities, improved service delivery, customer service by maintaining good customer relationships, improving the quality and variety of the products offered (i.e., cleanliness, technology, facilities) and loyalty schemes used to retain customers (Ahmad and Arif 2016). Inter-relationship among hotel management companies and hotel owners should be based on cooperative relationships to overcome these limitations. Hence, the business strategy conducted by SMSHs owners is an essential part of facing and several factors should be considered and undertaken. This includes strengthening the market position of small hotel businesses through various strategies such as branding, product comparison, service technology, and themes which contribute to the overall image-building of a small hotel business. Factors associated image building include, among others, hotel design, management philosophy, commitment to quality and consistency in service delivery, and use of smart technology innovation for increased competitiveness and business performance (Fredrick 2019; Lee and Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).

3. Methodology: Is your focus on the small hotel owners? Or the VHO? Or both? In the methodology, you say "Exploratory research is therefore needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO". However, later on you talk about the recruitment of VHO management. It is not clear where the focus is. You should be more specific. Your context – Indonesia – needs to be properly introduced and explained. What is interesting / unique about the context and VHO? When describing the sample, please indicate how many different VHOs were represented, and if possible characteristics of those VHOs.

**Our response:**

Thank you for your comments. Please note that we have revised the manuscript based on your comments. Hence, we have accordingly provided more detailed information in the section discussing the study's methodology. Please if the full manuscript's revised version satisfies your comments.

Exploratory research is therefore needed to understand both hotels' owners' perspectives and VHOs management on their partnerships to identify the CSFs for VHO.

All of the participants' identities in this study remain anonymous. Sixteen participants represented four VHO companies that operated in Indonesia namely Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. Those VHOs companies represent one of the most rapidly expanding types of hospitality management in Asia, where enormous numbers of SMSHs operate. Its core idea is to transform SMSHs and ensure customers' safety and comfort by unifying them under their brand name.

4. Results and Discussion: you say that “Client relationship received the highest weight among the partnership factors”. How did you measure the weight? Again, this is a qualitative study. If you make a claim like this, you should be able to justify it (or alternatively, please modify the wording). In section 4.2. marketing factors, you talk about marketing and promotion strategies. However, promotion is part of marketing. So are all the other factors you mention such as market segmentation, pricing strategy, branding and distribution channel. Please modify the wording to reflect the fact that all those (including promotion) fall under the umbrella of marketing. You discuss 7 different success factors. Please graphically represent the relationships among those factors. How are they linked to each other? Do they reinforce each other? Crucially, how is technology related to the rest of the factors?

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We look forward to your positive response.

We modify the wording into

Client relationship is the most critical factors in the success of a Virtual Hotel Operators.

From the result of the interviews, frequently mentioned factors by VHO management and hotel owners include marketing strategies, followed by market segmentation, pricing strategy, branding, promotion and distribution channel.

The relations and full explanation presented in Table 2. Critical Success Factors for VHO partnerships with SMSHs

5. Conclusion: The theoretical implications section needs to be elaborated and expanded. Make sure to explicitly identify your theoretical contributions in light of the smart technology focus of the SI.

**Our response:**

Thank you for your comments and we are grateful for your constructive feedback.

Smart innovation for hotels is the use of cutting-edge technologies to improve efficiency, reduce costs, and enhance customer experience. This includes technologies such as virtual hotel operators (VHO), automated check-in/check-out systems, digital keyless entry systems, artificial intelligence (AI) chatbots, and more. By leveraging these technologies, hotels can provide a better overall experience for their guests while also increasing operational efficiency.

6. Other issues: The paper needs to be reviewed by a professional copywriter for flow and grammar.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We have proofread the paper and reorganized the articles following your suggestions. We look forward to your positive response. We have proofread the paper.



## **Reviewer 2:**

1. The study enriches the current knowledge and contributes to emerging research directions and new research patterns. However, and the theory/ bibliography may be further boosted in certain sections mentioned below particularly in regards with DT and VHOS. Moreover, authors are encouraged to provide more practical examples of VHOs from tourism industry. However, proofreading is needed, as while the study is so interesting, sometimes I have some difficulties following the paper because of the style, coherence, and clarity issues. Additionally, authors are welcome to be explicit about methodology as it is superficially addressed.

### **Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments. We have proofread the paper.

2. Abstract: Authors are encouraged to articulate further why this study so important and what is the research gap or the counter-claiming that this paper addresses. Elaborate more on the link between VHOs and DT and why this study matters. In addition, the abstract has some communication and structure issues as it doesn't represent thoroughly the core issue of the paper. Revision is needed in the case of abstract as the academic style needs attention.

### **Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- This study pioneeringly identifies the CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, its implications are helpful for VHO management in finding the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.
3. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored:
    - Generally, in terms of smart technologies and tourism, authors should provide more concrete examples of VHOs and how this notion is linked with DT.
    - Elaborate on the drawbacks/ barriers of the VHOs
    - P2: Better Intro on DT and how VHO links to DT
    - Page 5: More details about the LR insights and each stream.
    - How are the previous pages connected to this period? (lines2- 10, p6)
    - These two paragraphs perhaps should be moved to previous pages (page4)

As a result, I, unfortunately, do not feel yet that your paper makes a strong enough contribution in its current stage of development.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- VHO management system includes various hotel management developments such as technology adoption, staff training, standard operation, interior design, room decoration, standardized furniture, marketing strategies, promotional materials, and customer service through their customer and hotel owners' mobile applications.
  - Although VHO offers various advantages in technology along with the standardization of hotel management, VHO remains in its development stage. Therefore, the identification of their critical success factors is crucial.
  - the final process involves hotel properties going live on VHO websites, mobile applications, and other distribution channels. After the transformation, the operational team maintains the standard and trains the hotel employees to use the property management system and daily hotel operations.
  - Essentially, the study's literature review reveals three CSFs for hotels. The first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). Second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organizational readiness (Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014). Third is the physical environment, including the hotel's interior and exterior, which leads to customer satisfaction (Yadegaridehkordi et al. 2018).
  - Progress and opportunities abound when exploring CSFs in the hotel. A study by Avcikurt et al. (2011) described hotel managers' and owners' perceptions of hotel operations' success related to Internet use, service quality, financial performance, and marketing. Technical aspects related to Internet usage were among the main factors related to CSFs in small hotels. Yadegaridehkordi et al. (2018) also proposed four aspects that influence the performance and growth of small hotels: first, the organizational aspect includes top management support and financial performance. Second, human resources include employee preparation, education, service standardization, quality, and customer satisfaction. Third is the environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology, encompassing the firms' external and internal technologies and benchmarking with process and equipment standardization.
  - We have moved two paragraphs as suggested to page 4.
4. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate:

- The method section and data analysis are very weak. Authors should elaborate further on why exploratory research is needed (Moreover, this section need a better transition sentence)
- why a. quals are selected as method (justify by providing evidence)
- why they did use purposive sample and sampling method
- why semi – interviews selected?
- How about the inclusion Criteria of the sample and the protocol
- How many interviews? Details for the sample size are needed and details if the size is in line with saturation size sample guidelines

Authors should consider the following questions

- What did the authors triangulate?
- Why are types of triangulation authors deployed according to Creswell?
- More evidence why is that any information on this research method?

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- Exploratory research is needed to understand both hotels' owners' perspectives and VHOs' management on their partnerships to identify the CSFs for VHO.
- Qualitative approaches is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312).
- Purposive sampling was used to select relevant participants able to answer specific research purposes (Patton 2014). Because the study focuses on developing VHOs in Indonesia, the sampling focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork process. First, VHO management was invited based on the company's affiliation accounts on the social network platform LinkedIn; the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek et al. 2015, P.282).
- Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay et al. (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research.
- The interviews focused on the participants' experiences, VHO goals and characteristics, and the critical factors for VHO success from management and hotel owners. Sixteen participants represented four VHO companies that operated in Indonesia: Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. Those VHOs companies represent one of Asia's most rapidly expanding types of hospitality management, where enormous numbers of SSMHs operate. Its core idea is to transform SSMHs and ensure customers' safety and

comfort by unifying them under their brand name. While nine represented hotel owners (Table 1). Respondents' job descriptions in VHO are connected to hotel operations, business development, transformation, marketing, and human resources.

- VHO Participants' experience ranged from four to 18 years of working experience in various fields (e.g., hotels, resorts, cruise ships or restaurants). Specialties varied from hospitality backgrounds such as hotel operations, e-commerce, customer services, revenue management, sales and marketing, event management, pre-opening, and procurement. In contrast, six other managers came from non-hospitality backgrounds, such as banking, insurance, consumer goods, retail/sales, and human resources. Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated to hospitality, with backgrounds in management, economics, IT, and psychology. Most hotel owners were inexperienced in the hospitality industry: their experiences and specialties were remarkably diverse. For example, some were wedding organizers, caterers, social entrepreneurs, salespersons, and contractors. Only one participant had experience in managing their family's hotel business. The accommodation types ranged from the homestay, guest houses, and one to three-star hotels. The partnership agreement between hotel owners and VHOs lasted one to five years. The diversity of the participants in this study ultimately helped the comprehensiveness and diversity of information from the participants' perspectives.
  - First is triangulation data from multiple sources of participants in the interviews. In this study, interviews were conducted with two groups of participants, namely hotel owners and VHO management. Secondary data reports, online travel trends, hotel statistics, and articles on VHOs used to complete the analysis for this study. Hence, the study's validity and reliability were based on data sources.
5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper: There is a lack of specific managerial implications. The author/authors should narrow down specific suggestions for tailor-made solutions and mention implications on how companies could exploit this new knowledge in a practical way.

**Our response:**

We thank you for your constructive feedback. Please note we have revised the manuscript based on your comments.

- For hotel owners, a virtual hotel business can be used as a solution for service quality and marketing and promotion strategy in the current digital era. Moreover, hotel operators can determine CSFs from the owners' interests (i.e., providing expertise in the marketing process and promotion strategy and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should allocate a budget for information systems and update their technology on their daily operations while maintaining the data management process. Findings will help VHO management determine the most significant CSFs to achieve their goals, measure performance, and expand their business networks. Additionally, this study will help inform the government

to create policies on how SMSHs can be transformed into standardized accommodations. In return, it will support local tourism, especially in developing countries such as Indonesia, India, the Philippines, and Vietnam. Most accommodations are in SMSHs categories.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The text is easy to read, and it is quite clearly expressed? Nevertheless, the author is encouraged to proofread the whole text paying more attention to the following points. Several redundancies, some syntax, syntax errors, problems with the collocation and nonacademic style are the most important problems of this paper. Moreover, some important details to consider when authors proofread the following pages that are mentioned above.

Authors should revise the titles and avoid using acronyms “4.8 CSFs for VHO”

**Our response:**

We thank you for your constructive feedback We have proofread the manuscript.

- We have revised the sub section 4.8 into: *4.8 Critical Success Factors for Virtual Hotel Operators*



**Critical Success Factors for Virtual Hotel Operator Partnership with Small- and Medium-sized Hotels: Perspectives of Owners and Operators**

Journal:	<i>Journal of Hospitality and Tourism Insights</i>
Manuscript ID	JHTI-06-2022-0244.R5
Manuscript Type:	Research Paper
Keywords:	Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

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# Critical Success Factors for Virtual Hotel Operator Partnership with Small- and Medium-sized Hotels: Perspectives of Owners and Operators

## ABSTRACT

**Purpose** – This paper identifies the critical success factors (CSFs) of virtual hotel operator (VHO) in using hotel management system partnerships with small- and medium-sized hotels (SMSHs).

**Design/methodology/approach** – This study uses a qualitative approach, with 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis is used to determine themes to evaluate hotel owners and operators' perceptions.

**Findings** – CSFs for VHO partnership with SMSHs include marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategies, capital expenditures, and property management systems. VHOs also have a symbolic impact on their mutualistic relationship with SMSHs by increasing service and enhancing product competitiveness and profitability.

**Research limitations/implications** – Findings are beneficial for VHO in determining the most significant CSFs, thereby establishing additional metrics in business performance and increasing resilience in the accommodation sector. Further studies can measure the digital technology factors from VHO, including property management systems and mobile applications.

**Originality/value** – This study first identifies CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, implications are beneficial for VHO management in determining the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.

**Keywords:** Critical success factors; Hotel management partnership; Small-and medium-sizes hotels; Smart technology innovation; Virtual hotel operator

**Paper Type:** Research paper

## 1 Introduction

Technological growth in the travel and tourism sector has affected how the hotel business effectively connects customers and markets its products and services. Hotel smart technology is a term used to describe the use of technology in hotels to improve efficiency, reduce costs, and enhance customer experience (Buhalis et al. 2019). In a markedly competitive business era, small- and medium-sized hotels (SMSHs) should prioritize innovation in managing hotels by adopting digital technology strategies (Dieguez et al. 2022). SMSHs should allocate a budget for information systems to update their technology with their daily operations and maintain the data management process (Buhalis and Leung 2018; Yadegaridehkordi et al. 2018). Hotels not adapting to new market conditions and forming alliances will face operational shortcomings. Single properties also have limited opportunities to benefit from considerably extensive referral programs and international marketing campaigns, unlike those for chain and affiliated hotels (Ivanova and Rahimi 2016; Mohammad 2016). This technological growth (and performance gap) eventually led to the emergence of a new technology-based hospitality management business called virtual hotel operator (VHO).

VHO are a type of smart hotel management companies that utilizes software that can be used to manage and operate hotels. Virtual hotel operator use technology to create service/product, marketing, process, and organizational innovations (Wiastuti and

1  
2  
3 Susilowardhani 2017; Han et al. 2021; Elshaer and Marzouk 2022). These companies provide  
4 customers with an efficient and cost-effective way to book rooms and manage their stay. They  
5 also offer online booking, customer service support, housekeeping services, and mobile-based  
6 application for guests and their hotel partners. OYO and Reddoorz are examples of VHO  
7 providing their customers with an efficient, cost-effective way to book and manage their rooms.  
8 VHO accelerate the region's online travel ecosystem and provide solutions for hotel owners  
9 and customers looking for quality and price-standardized accommodation (Anandan et al.  
10 2016).

11  
12 VHO create more value for hotel owners and help them develop and transform their  
13 businesses through technology adoption, staff training, standard operation, interior design,  
14 marketing strategies, promotional materials, and customer service (Wiastruti and  
15 Susilowardhani 2017; Nugroho and Hati 2020; Prakarsa et al. 2020; Arreza 2022). This form  
16 of a co-evolutionary business system is characterized by relationships among technologies,  
17 institutions, and actors, including end-users or customers and communities throughout the  
18 entire network (Aarikka-Stenroos and Ritala 2017).

19  
20 However, the partnership between VHOs and SMSHs experiences specific challenges:  
21 most SMSHs involved lack any experience in using technology for hotel management systems,  
22 have low budget for innovation, and lack strategic vision, management expertise, and ability  
23 to utilize technology for their presence on online distribution channels (Smithson et al. 2011;  
24 Mohammad 2016; Yin et al. 2019; Fjellström et al. 2020).

25  
26 However, the most prominent issue is identifying and measuring critical success factors  
27 (CSFs) for VHO and SMSH partnership. As VHOs expand in the SMSHs market, VHO  
28 management should also be surveyed on how they operate, measures their performance, and  
29 maintain their partnership with hotels. However, empirical research on virtual hotel operators  
30 has remained scarce. Previous studies on VHOs have discussed the nature of their businesses  
31 (Sharma et al. 2017; Wiastruti and Susilowardhani 2017), customer perceptions of VHOs  
32 (Kurnia and Sulistiani 2019; Nugroho and Hati 2020), and technology application (Prakarsa et  
33 al. 2020). Only a few discussions have revealed the success factors that benefit the entire  
34 network and transform the SMSHs business (Arreza 2022). Previous studies have also failed  
35 to consider the critical role of VHO stakeholders (i.e., management and hotel partners).  
36 Ultimately, these gaps are what the current study seeks to fill in.

37  
38 The current study identifies critical factors contributing to the success of VHOs in  
39 partnership with SMSHs. Morrison and Thomas (1999) explained that SMSHs have a small  
40 business scope: they are self-managed by owners and financed by individuals or small groups.  
41 Most properties are owned and managed by those without previous hotel management  
42 backgrounds. Therefore, they struggle to maintain quality service standards and face many  
43 challenges, such as competition level, operational costs, technical and management skills,  
44 appropriate e-business solutions, and ownership of ICT equipment (Pine et al. 2000; Buhalis  
45 and Kaldis 2008).

46  
47 This study will contribute to the literature on technology use in hospitality management,  
48 particularly in the context of its adoption by SMSHs. These results ultimately enrich the  
49 available scholarly perspectives on hotel management agreements, partnerships between  
50 owners and operators, brand affiliations, and hotel operators. Hotel owners must understand  
51 their perspectives toward partnership with VHOs, collaboration between VHOs and SMSHs  
52 ushers future competition and consolidation. Subsequent sections will discuss the theoretical  
53 background of VHOs, CSFs, and methodology, results, and discussion. The final section  
54 provides the conclusion, theoretical and managerial implications, and recommendations for  
55 future research.  
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## 2 Literature review

### 2.1 VHOs

Since its first appearance in 2013, VHOs have constantly evolved as a new player in the hotel industry as an asset-light type of business. VHOs focus on developing business-to-business (B2B) partnerships with SMSHs, with companies continuing to expand and attract new investors (Wiastuti and Susilowardhani 2017; The Economic Times 2018; Russel 2019). Hotel owners partnering with VHOs adopt a management and franchise model. The two categories of this model are leases and franchises. Leases involve property owners buying brand franchises, managed directly by VHOs with royalty fees. Franchises involve owners cooperating with the rental scheme or revenue-sharing for rooms booked via VHO platforms. VHO management system includes various hotel management developments, such as technology adoption, staff training, standard operation, interior design, room decoration, standardized furniture, marketing strategies, promotional materials, and customer service through their customer and hotel owners' mobile applications.

Most VHOs provide hotel standards and guidelines that help management teams transform a property while calculating estimated costs and monitoring renovation processes (Oravel Stays 2018). Sharma et al. (2017) explained that eight stages are involved in the VHO hotel property listing process. First, the transformation process begins with business development managers identifying potential properties. Second, detailed audit and negotiation with hotel owners are involved. VHOs will share specific characteristics, such as quality assurance inspection. Third, hotel partners must meet the quality specifications set by the VHO management before a partnership agreement. Fourth, orientation and integration with VHO standardized facilities (e.g., hot showers, clean linen and towel, air conditioners, Wi-Fi, and in-room amenities) are conducted. Fifth, VHO business development managers prepare the transformation process, followed by VHOs providing capital expenditure to improve facilities and hotel buildings. Lastly, the final process involves hotel properties going live on VHO websites, mobile applications, and other distribution channels. After the transformation, operational teams maintain the standard and train hotel employees to use the property management system and managing daily hotel operations. Although VHOs offer various advantages in technology along with the standardization of hotel management, they remain in the development stage. Therefore, their CSFs should be identified.

### 2.2 CSFs for hotels

CSFs have become an essential concept concerning hotel goals and objectives in the hotel and accommodation sector. Brotherton and Shaw (1996) described CSFs as activities and processes supporting organizational goals. In turn, they should be actionable, controllable, and measurable. CSFs are also sector-specific—the implication is that focused research in a sector on CSFs should provide specific recommendations for businesses and entrepreneurs (Engelbrecht et al. 2014).

CSFs have become essential in hotel goals and objectives in the hotel and accommodation sector. With increasingly fierce competition and inevitable use of technology, companies need innovative strategies to achieve their goals (Avcikurt et al. 2011). Brotherton and Shaw (1996) explained that CSFs in hospitality services could be categorized on the bases of technical or human aspects. Technical and human aspects are considered integral to corporate culture, cooperation, management style, company performance, productivity, and business metrics in achieving company goals (Politis et al. 2009; Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014; Spencer and Van Zyl 2015; Yadegaridehkordi et al. 2018).

Diversification standards of the hotel business have also changed rapidly. However, the literature's insufficiency highlights the paucity of knowledge on CSFs related to VHOs and partnership with SMSHs. CSFs in hotel operations from the customer perspectives have also

1  
2  
3 been explored (Padilla-Meléndez and Garrido-Moreno 2014; Wang and Hung 2015; Fuentes-  
4 Medina et al. 2018; Lee et al. 2019), with some studies explicitly outlining the context of  
5 SMSHs (Avcikurt et al. 2011; Zhang et al. 2013; Wang and Hung 2015). However, only a few  
6 studies have discussed the concept of CSFs for VHOs. Most studies use a quantitative method  
7 approach (Avcikurt et al. 2011; Wang and Hung 2015; Ahmad and Arif 2016), which enables  
8 obtaining more participants. However, it cannot explore the respondents' views in a markedly  
9 in-depth manner.  
10  
11

### 12 *2.3 CSFs influencing joint ventures in the hospitality business*

13 Partner selection is a primary factor in achieving success in establishing joint ventures (JVs).  
14 International JVs (IJVs) are among the most common forms of market entry companies use for  
15 their internationalization processes. When creating IJVs, trust, commitment, and congruent  
16 goals are highlighted as important factors in relationships. They are essential for their success  
17 (e Silva and Oliveira 2017). Similarity in partners' corporate values and missions has become  
18 a significant impetus in developing competitive service strategies. This congruence is  
19 supported by building mutual trust, synergetic effects of using resources, strong financial  
20 background and equity sharing, and information exchange and knowledge sharing with local  
21 partners. Efficiency in strategic and marketing planning, experience in market research  
22 activities, and exceeding customers' expectations and needs are critical to these alliances'  
23 success (Li et al. 2006; Magnini 2008; Lee et al. 2013).  
24  
25

26 Cooperation between hotel businesses and affiliation with chain hotel brands create  
27 associations in customers through several strategies, such as assessing customer reviews,  
28 contacting the target market, offering benefits to members, and offering a corporate  
29 contract/rate for groups or companies (Resende et al. 2018). Negotiating and operating  
30 managed hotels are complex processes, in which owners and operators must agree on various  
31 issues. All parties involved must understand the agreement and the other partners' perception  
32 of it (van Ginneken et al. 2019). Contractor and Kundu (1998) identified five critical factors  
33 when choosing an international hotel alliance: economies of scale, firms' ability to exercise  
34 management control and maintain quality, need for size in global operation, reservation system,  
35 and investments in training.  
36  
37

38 Industry challenges include competitive pricing, better marketing and promotion methods,  
39 improved quality of facilities, enhanced service delivery, customer service by maintaining good  
40 customer relationships, improving the quality and variety of products offered (i.e., cleanliness,  
41 technology, facilities), and loyalty schemes used to retain customers (Ahmad and Arif 2016).  
42 Inter-relationship among hotel management companies and hotel owners should be based on  
43 cooperative relationships to overcome these limitations. Hence, business strategies adopted by  
44 SMSH owners include but not limited to strengthening the market position of small hotel  
45 businesses through various strategies, such as branding, product comparison, service  
46 technology, and themes that contribute to the overall image-building of a small hotel business.  
47 Factors associated with image building include hotel design, management philosophy,  
48 commitment to quality and consistency in service delivery, and use of smart technology  
49 innovation for increased competitiveness and business performance (Fredrick 2019; Lee and  
50 Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).  
51  
52

53 The current study's literature review reveals three CSFs for hotels. The first is human and  
54 technical aspects, level of service quality, financial performance, and marketing (Brotherton  
55 and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). The second is customer  
56 relationship management (CRM), information and technology, knowledge management  
57 capability, customer orientation, and organizational readiness (Arasli 2012; Padilla-Meléndez  
58 and Garrido-Moreno 2014). The third is the physical environment, including the hotels' interior  
59 and exterior, leading to customer satisfaction (Yadegaridehkordi et al. 2018).  
60

Progress and opportunities abound when exploring CSFs in hotels. Yadegaridehkordi et al. (2018) proposed four aspects that influence the performance and growth of small hotels. The first is the organizational aspect, including top management support and financial performance. The second is human resources, which include employee preparation, education, service standardization, quality, and customer satisfaction. The third is environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology, encompassing firms' external and internal technologies and benchmarking with process and equipment standardization.

### 3 Methodology

#### 3.1 Research design

Exploratory research is needed to understand hotel owners' perspectives and VHOs' management on their partnerships to identify CSFs for VHOs. The qualitative approach is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312). Purposive sampling was used to select relevant participants able to answer specific research purposes (Patton 2014). Given that the study focused on developing VHOs in Indonesia, the sampling focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork. First, VHO management was invited based on the company's affiliation accounts on the social network platform LinkedIn; the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek et al. 2015, P.282).

According to BPS Statistic Indonesia (2018) and Euromonitor International (2018), over 28,230 places of accommodation have been registered across Indonesia. However, most of these places (88.25%) are not considered SMSHs, and there is still a significant need to standardize SMSH hotel supply in Indonesia. SMSH properties can be classified as one-, two-, and three-star hotels, along with non-star accommodations, such as guest houses and homestays. Chosen properties had no more than 100 rooms, had 10–49 employees engaged in operations, and controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016).

Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay et al., (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends, and understand the relationships of variables in research. Personal invitations based on the SMSH category identified herein were used to recruit hotel owners' participants. SMSHs are classified as non-star and independently operated hotels, unaffiliated with local or international hotel chains. A total of 156 research invitations were sent to potential VHO management level. Their profiles were categorized into three groups: CEO/founder/co-founder (6 profiles), executive management positions (74 profiles), and middle range management positions (76 profiles). These people had been hired and worked for VHOs. They had been with VHO companies from six months to seven years. Participants came from various first-tier cities in Indonesia (where most VHO properties are located). A total of 16 (3.84%) VHO management representative were willing to be interviewed. Kwortnik (2003) explained that the minimum number of research samples suitable for qualitative research projects is 12. Therefore, this study has reached the criteria mentioned.

**Table 1.**  
Profile of participants

VHO Management			
IDs	Positions	Years of experience	
M1	Assistant general manager	12 years	
M2	E-commerce executives	4 years	
M3	Hotel operation manager	7 years	
M4	Regional head	14 years	
M5	Human resources business partner	11 years	
M6	Senior hotel operations manager	18 years	
M7	Country manager for hotel operations	15 years	
M8	Hotel consultant	13 years	
M9	Business development manager	10 years	
M10	Operations manager	4 years	
M11	Head of business development	9 years	
M12	Head of business development	11 years	
M13	Head of operation excellence	6 years	
M14	Senior business development manager	8 years	
M15	Assistant general manager	13 years	
M16	Regional corporate sales manager	10 Years	
Hotel Owners			
IDs	Occupations	Types of accommodation	Years of partnership with VHO
O1	Banker	Guest house	One year
O2	Information technology (IT)	Homestay	Five years
O3	Hotel manager	One-star hotel	Four years
O4	Social entrepreneur	Two-star hotel	Four years
		Three-star hotel	One year
O5	Human resource manager	Three-star hotel	One year
O6	Contractor	Two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	Two-star hotel	Two years
O9	Catering business	One-star hotel	Three years

The interviews focused on the participants' experiences, VHO goals and characteristics, and critical factors for VHO success from management and hotel owners. They were conducted from June to August 2020. Owing to the COVID-19 pandemic, most were held using online meeting platforms (e.g., Zoom meetings, Google meet). All the participants' identities in this study remain anonymous. A total of 16 participants represented four VHO companies that operated in Indonesia: Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. These VHO companies represent one of Asia's most rapidly expanding types of hospitality management, in which an enormous number of SMSHs operate. Its core idea is to transform SMSHs and ensure customers' safety and comfort by unifying them under their brand name. Meanwhile, nine represented hotel owners (Table 1). Respondents' job descriptions in VHOs are connected to hotel operations, business development, transformation, marketing, and human resources.

VHO participants' experiences ranged from 4 to 18 years of working experience in various fields (e.g., hotels, resorts, cruise ships or restaurants). Specialties varied from hospitality backgrounds, such as hotel operations, e-commerce, customer services, revenue management,

1  
2  
3 sales and marketing, event management, pre-opening, and procurement. By contrast, six other  
4 managers came from non-hospitality backgrounds, such as banking, insurance, consumer  
5 goods, retail/sales, and human resources.

6  
7 Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated  
8 to hospitality, including management, economics, IT, and psychology. Most hotel owners were  
9 inexperienced in the hospitality industry: their experiences and specialties were remarkably  
10 diverse. For example, some were wedding organizers, caterers, social entrepreneurs,  
11 salespersons, and contractors. Only one participant had experience in managing his/her  
12 family's hotel business. Accommodation types ranged from the homestay, guest houses, and  
13 one- to three-star hotels. The partnership agreement between hotel owners and VHOs lasted  
14 one to five years. The diversity of the participants in this study ultimately helped the  
15 comprehensiveness and diversity of information from the participants' perspectives.  
16  
17

### 18 *3.2 Data analysis*

19 From the results of the interview researchers invited the respondents to verify the findings to  
20 improve credibility. The interviewer asked for the participant's prior and informed consent to  
21 be recorded for data collection. Recorded data were translated and copied (transcription). Each  
22 participant was given a copy of the interview transcript to review data accuracy. Interviewees  
23 agreed and signed the interview protocol and consent form. Thereafter, all participants signed  
24 and returned the member-checking consent form to the researcher.  
25

26 Recorded interviews were immediately transcribed, lasting an average of 49 minutes per  
27 participant. ATLAS.ti (version 8), a qualitative data analysis software, was used to analyze the  
28 coding. Thematic analysis searched for commonalities and themes describing the data (Clarke  
29 and Braun 2017). A theme can be interpreted as an affirmation that creates meaning or a  
30 statement of meaning. Meanings were also obtained from interviews and were formulated by  
31 the researcher.  
32

33 The current study considered three aspects for reliability (Creswell and Creswell (2017)).  
34 The first aspect is triangulation data from multiple sources of participants in the interviews.  
35 This study conducted interviews with two groups of participants: hotel owners and VHO  
36 management. Secondary data reports, online travel trends, hotel statistics, and articles on VHOs  
37 were used to complete the current research analysis. Hence, this study's validity and reliability  
38 were based on data sources.  
39

40 The second aspect is member checking. Throughout the analysis process, participants  
41 would check their responses through ongoing dialogue on interpretations based on the  
42 informant's checking to ensure the actual meanings of their responses. Member checking  
43 ensures accurate interpretations (Savin-Baden and Major 2010), involving the participant or  
44 information provider being reconfronted with the interview data. Thereafter, the interviewer  
45 would check with the participants to confirm their responses by sending verbatim transcripts.  
46 Member-checking consent forms were sent to the participants via email and WhatsApp for  
47 faster response.  
48

49 The third aspect is validity. Each participant was given a copy of the interview transcript  
50 to review data accuracy. Thereafter, the researchers invited the respondents to verify these  
51 findings to improve credibility. The participants were asked to read and correct the summary  
52 of the researcher's interview results, with participants signing the member checking consent  
53 form if they saw the data as valid.  
54  
55  
56

## 57 **4 Results and discussion**

### 58 *4.1 Partnership factors*

59 Client relationship is the most critical factor in the success of VHOs. VHOs, as light assets  
60

1  
2  
3 companies, maintain their property partners to sustain and expand businesses. Hence, VHO  
4 partnerships with hotel owners are based on three aspects. The first aspect is the visibility of  
5 contract agreements. The second aspect is that VHOs provide a support center for day-to-day  
6 operation problems and related issues for hotel owners, customers, and vendors. The third  
7 aspect is VHOs managing owners' expectations for long-lasting benefits of the partnerships  
8 (i.e., manifesting as increased revenues, occupancy rate, and average room rates). One of the  
9 VHO heads of business developments agreed with this view:

11 "We are not selling goods but building partnerships; therefore, we keep interpersonal relationships  
12 with hotel owners. We meet distinctive characteristics. We speak of culture, meaning everyone has  
13 a different outlook on how the business works." (M11)

15 As technology-based hotel operators, VHOs rely on partnerships with hotel owners.  
16 Therefore, VHOs offer three contract agreements. The first agreement is full revenue sharing  
17 (i.e., VHOs share revenues at an agreed percentage). Contract agreements between VHOs and  
18 hotel owners include guidelines on managing hotel operations, reaching the standards outlined  
19 by VHOs, and hotel owners' revenue targets. The second agreement is the use of a minimum  
20 monthly guarantee. The third agreement is a self-operating business model akin to lease-type  
21 management. Agreements with VHOs are designed to reduce the risk factors and hotel owners'  
22 value of investments. For example, one interviewee highlighted the mutually beneficial  
23 agreements and commitments:

26 "We invest funds or transformational capital expenditure to the property partner if they do not have  
27 enough capital to meet our facilities' standards. Hence, we help them through investment without  
28 return within the contract period." (M11)

30 "One of the advantages of partnering with VHO is that they provide a fixed monthly deposit  
31 according to the initial agreement, which helps us. Suppose we are looking at the capacity of our  
32 hotel right now below 50%, with the security deposit. In that case, we can cover operational costs."  
33 (O1)

35 Interviewees also mentioned that the expansion process should be consistent to increase  
36 revenue and profits for companies and their partners. Ultimately, the objective of partnerships  
37 with hotel owners is to maintain sustainability and commitment together:

39 "We want our property partners to achieve their targeted revenue and business sustainability. This  
40 means financial, products, and services consistency and a long-lasting partnership." (M6)

42 Evidently, one emerging factor is the adaptation to local culture. VHO management and  
43 hotel owners were concerned with the varying conditions of SMSH operations. Most  
44 participants asserted that the educational background of employees and owners and  
45 technological adaptation in hotels are still low. Therefore, VHO should adapt to the condition,  
46 as mentioned by one of the hotel owners:

48 "Because VHOs typically have standard operating procedures that are globally acceptable, this  
49 start-up company should adapt to the condition of our people and our culture." (O1)

51 The business development division's main objectives are acquiring hotel properties and  
52 maintaining relationships with hotel owners.

54 "Business development is the one that initially acquired the property. For example, suppose the  
55 hotel property owners want to join. In that case, business development will explain the terms and  
56 conditions, and they will acquire the property through an agreement that has been agreed to by the  
57 hotel property owner." (M5)

58 As a hotel management company, VHOs should adapt and adjust their approach to  
59 maintaining communication and agreement with hotel property owners. Therefore, they should

1  
2  
3 keep a mutually beneficial agreement, focus on commitment, and continuously improve as part  
4 of excellent business in the hospitality field. These results coincide with previous studies on  
5 understanding customer orientation relationships (Padilla-Meléndez and Garrido-Moreno  
6 2014).  
7  
8

#### 9 *4.2 Marketing factors*

10 While segmenting the market, VHO management conducts a comprehensive market survey  
11 assessment process. From the interview results, VHO management and hotel owners frequently  
12 mentioned such factors as marketing strategies, market segmentation, pricing strategy,  
13 branding, promotion, and distribution channel. Findings reveal that the weak position of small  
14 hotels in the market could be circumvented through VHO marketing and promotion strategies.  
15

16  
17 “The VHO creates the marketing and promotion strategy for us. Previously, we had limited  
18 marketing channels; we only sold our rooms on several property listing platforms. After the  
19 partnership agreement, the VHO improved our online and offline presence.” (O7)

20  
21 “We informed the owners of essential data about market intelligence, market surveys, and pricing  
22 strategies. We can decide the price level following market needs.” (M7)

23 Consistent with the extant research, the importance of strategic marketing planning in JV  
24 hotels relates to joint advertising, pricing, promotion, and market research activities (Li et al.  
25 2006). Another found that VHO management and hotel owners also conveyed the importance  
26 of branding for sales and pricing strategy. Property owners will automatically join their  
27 branding when they agree to partner with VHOs. From the perspective of management, brand  
28 image is currently an essential aspect of VHOs’ success; interviewees further explain this:  
29

30  
31 “Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with  
32 the VHO logo and property name are helpful for branding.” (M12)

33 The findings coincide with the argument of Hua et al. (2009) on how brand equity increases  
34 customer intention to purchase hotel products. Hotels reach a considerably broad audience  
35 through responsive platforms, increase distribution, and build branding and operational  
36 efficiency. An effective way is maximizing online media marketing channels, in which mobile  
37 applications become a key strategy to bring customers close to the hotel chain. The VHO  
38 mobile application enables customers to book rooms with three taps on their smartphones  
39 easily. Strategic partnerships with online travel agents (OTAs) also enable hotel owners to  
40 reach a broad consumer market (Yin et al. 2019).  
41

42  
43 “The difference is in terms of operation. For example, in conventional hotels, the booking process  
44 until the check-in process requires an exhausting process. However, at VHO, the booking process  
45 is much simpler—using a mobile application makes everything much easier and more comfortable.”  
46 (M8)  
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48

49 Previous studies have discussed that the importance of online and digital distribution  
50 channels for budget hotels is the ability to market their properties via multi-channel strategies  
51 (Law et al. 2015; Lei et al. 2019). Leveraging dynamic marketing capabilities through online  
52 distribution plays a critical role in developing SMSHs’ competitive advantage (Beritelli and  
53 Schegg 2016; Elsharnouby and Elbanna 2021)  
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**Table 2.**  
CSFs for VHO partnerships with SMSHs

Salient Themes	Sub Themes	Key Insights
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract agreement</li> <li>● Constant improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies on the business expansion of VHOs in the SMSH sector. The partnership between both parties maintains the sustainability of the VHO business model and their commitment to the contract agreement.
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution channel</li> </ul>	Marketing is part of functional CSFs, in which several categories are assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence.
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets.
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important in measuring revenue and profitability.
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Hotel network size and coverage</li> <li>● Audit quality</li> </ul>	Strategic management is related to innovation strategy and perceived as the most critical factor for small hotel businesses.
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Employee rewards and benefits</li> </ul>	VHO management and hotel owner participants agree that the human factor is crucial in improving the standard and service of VHO, primarily due to training.
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Central reservation system accuracy and efficiency</li> </ul>	VHOs rely on technology-based solutions and features. They use efficient, accurate, consistent property management, and centralized booking and reservation systems.



#### 4.3 Technical factors

VHO management and hotel owners discuss technical aspects, such as hotel operation management, access and monitoring customer satisfaction, standardization, property transformation, and staff professionalism. Before joining VHOs, hotel partners must undergo a transformation process that ensures that hotel services, the system, management, and staff will meet the VHO standard:

“We must transform owner property: it is very crucial to transforming. Everyone engages in the process and convinces owners to share the same perspective.” (M7)

From interviews with hotel property owners, hotel operation management factors and assessing and monitoring customer satisfaction are crucial regarding technical CSFs. Participants are concerned with the continuity of the day-to-day hotel operations, which they describe as a follow:

“The VHO helps owners manage hotels regarding administration, services, and product standardization. We will implement an operational standard for all accommodations that do not have a star category. For this, we need people with diverse backgrounds who are specialists in areas such as the front office, housekeeping, food, and beverages, including the banquet. We also need people who are strong in accounting.” (M7)

“Operational managers in each active region will manage and monitor hotel properties. From personal experience, the owner feels comfortable with the operational manager. They can ask about hotel operations. We also often discuss and share knowledge about hotel management, it will help in the future relationship with owners, and there is an exchange of ideas.” (M15)

“As a digital hospitality company and hotel aggregator, we offer economical and more affordable accommodation and are concerned about the quality of our services. Therefore, we should offer a balance between the two aspects (affordable and quality services).” (M12)

The physical product and service quality of SMSH operation are crucial (Hua et al. 2009; Zhang et al. 2013). Customer orientation is also crucial for the hotel business (Padilla-Meléndez and Garrido-Moreno 2014) to enhance service quality, deliver superior customer service, and total quality management (Wang et al. 2012; Ahmad and Arif 2016).

The hotel industry is a service sector that highly depends on human aspects. Following Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects determine the efficiency and economy scale for the successful delivery of hospitality goods and operations. Standardization and quality of the services system should be adopted to predict and control output activities (Ivanova and Rahimi 2016): the higher the hotel network’s intangible assets (including their standards, facilities, and services), the better they can command presence in the customer psyche (Andreu et al. 2017). Thereafter, VHOs conduct an evaluation process on how hotels obtain a satisfactory level of guest assessment:

“We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to measure guest satisfaction.” (M7)

CSI is developed from customers’ ratings of their likelihood to recommend VHO products and services to others on a scale of 0 (lowest) to 10 (highest). Hotel owners also explained that these factors are significant for their businesses. VHO management ensures that guests are satisfied and evaluate actions to maintain the quality standard. Moreover, customer satisfaction leads to a positive financial performance, in which financial figures are essential for further adjustment and corrective action (Zhang et al. 2013; Augustyn et al. 2021).

#### 4.4 Financial factors

Owners expressed the current difficulty in obtaining bank loans for their needs. With the cooperation of VHOs, hotel owners now have finances in the form of capital expenditure along with a monthly income guarantee. Capital expenditure becomes an attractive factor for hotel owners. VHOs invest in their partners by supplying capital investment assistance and a monthly income guarantee. For property owners, capital expenditure has become a significant factor in the development process:

“What is significant is the contract agreement because it provides business capital and other investment facilities.” (M5)

Financial support is crucial for hotel JV collaborations (Li et al. 2006; Ge et al. 2018). The financial performance factor in hotels can be measured by the rate of return on investment, income, costs incurred for operations, and company profitability (Avcikurt et al. 2011; Padilla-Meléndez and Garrido-Moreno 2014).

#### 4.5 Strategic management factors

Strategic management is related to innovation strategy and is perceived as the most critical factor for hospitality businesses (Stylos et al. 2021; Dieguez et al. 2022). Strategic management involves executive management determining strategy and objectives to achieve goals (Geller 1985). Strategy and objectives will give better and more precise guidance to solve problems and measure operational success following organizational goals. Thus, this situation demonstrates the importance of establishing shared values and launching goals and systems to increase customer satisfaction (Arasli 2012). One interviewee mentioned the increasing number of users in the VHO application as an opportunity to receive more value from customers and increase the chance of getting more investment. The VHO management also highlights this:

“From the next one to two years, we are constantly innovating. We must continue to demand innovative ideas every day, ones that are out of the box and all kinds; it has become part of our corporate culture.” (M16)

Innovative technology should be based on market research to respond to market needs and demands, as mentioned by the management of a VHO:

“We do marketing based on research to the standards that we set. The products we offer should meet the category of value for money.” (M6)

The next factor is related to the size and coverage of the hotel network. Geographical coverage is vital for hotels: such a coverage helps in the success of hotel operations and development (Brotherton 2004a; Hua et al. 2009). A larger hotel scale size and coverage of hotel networks are also critical. For VHOs, the number of existing properties and personnel in one country helps in the effective selling and monitoring process:

“Of course, we have one competitive advantage in the network. We have the most expansive network. The advantage lies in our capacity to sell properties in every city, even in other countries abroad, regarding networking, standardization, and the number of personnel. We have all the support needed in every region or hub for our operations.” (M11)

Another factor is related to how VHOs enhance the quality of services. It is a crucial strategy employed by hotel owners or managers in SMSHs to face business challenges (Ahmad and Arif 2016). Implementing quality audits through VHO management by placing its personnel to monitor the operations of property hotel partners has increased customer confidence in using accommodation provided by VHOs. A quality audit guarantees that the products and services they provide meet a minimum standard despite having differentiated

properties managed by VHOs. The strategy to ensure quality assurance in hotel operational management can be carried out through standard operating procedures, regulations, and, most importantly, the human factor and the organization (Fredrick 2019; Elsharnouby and Elbanna 2021).

#### 4.6 Human factors

Training is part of CSFs for VHOs, as mentioned by most participants. It aims to provide standard operational management and increase customer satisfaction with VHOs' products and services. The lack of skilled employees in customer service becomes a challenging issue for SMSHs. Thus, standard hotel operation management for all VHO properties can be improved by conducting training and coaching. Two interviewees mentioned:

"First is an improvement; we then also built educational training for hospitality." (M3)

"The VHO thinks about the employee's development, and the hotel owners as well." (M11)

Owners agree that VHOs could develop hotel operation human resources. VHOs change product knowledge and the ability to upgrade the technology used by the hotel staff to help operations. Owners feel improvement in knowledge transfer during the in-house training process. Most owners agree that VHOs continually innovate and develop technologies related to property management systems, hardware, and mobile application. Therefore, training is for employees and owners. One owner stated:

"Our company is successful because we think about our employees' development. However, the training is not only for employees but also for the owners. We meet with the owners and mentor them on managing the hotel." (M7)

The finding supports Ahmad and Arif (2016), which posited that training increases business success in the SMSH sector. Training for employees improves customer service (Hua et al. 2009). From the characteristics of company owners, top-level management is needed to overcome the challenges in such a dynamic business climate. The need for an innovative and sound strategy should be supported by quality leadership team commitment. Increasing team commitment is vital to achieving organizational goals. Organizations' process management is essential to teamwork and strategic plans (Yadegaridehkordi et al. 2018). VHOs also consider employee welfare aspects owing to work-life balance. Accordingly, employee rewards emerged as one of CSFs for VHOs. As previously mentioned by one VHO management participant:

"Company performance and targets are balanced with our reasonable compensation and rewards." (M14)

#### 4.7 Technology factors

VHOs are hospitality management companies that utilize technological developments to maximize and empower local accommodation offerings. Only two CSFs in technology factors were found herein: property management system (PMS) and accuracy and efficiency of the central reservation system.

"We are a start-up company that relies on technology. Our system keeps improving by getting insights from our hotel operation team, although we already have a software engineering team. The improvement comes in more user-friendly PMS for the employee and owners. This technology was beneficial since hotels did not need large folio books and dealt with a large margin of errors and time-consuming paperwork. With this PMS, business processes for the hotel property have run more efficiently." (M7)

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2  
3 The use of data science and analytics to enhance the guest experience has become crucial  
4 to operations. Systems are transparently accessed in real-time to improve efficiency in time  
5 and funding. Moreover, using technology creates a more comfortable booking experience for  
6 guests, in which consumers go online and make travel-related purchases using online  
7 platforms.  
8

9  
10 “What makes VHO different is promotions on the website and online travel agents, which will  
11 impact small hotel property partners. When they join us, we will help their property become more  
12 profitable by improving their online platform appearance.” (M15)

13 Websites and mobile applications will reach a broader audience, increase distribution, and  
14 improve branding and operational efficiency. Mobile applications enable customers to book  
15 rooms with just three taps of their smartphones. The concept is simple because it provides three  
16 steps for booking: visit the website/mobile application, choose a location, and find the hotel  
17 that fits the tourists’ requirements. This outcome supports theories that note the importance of  
18 a central reservation system in SMSHs and the budget hotel sector (Brotherton 2004a; Hua et  
19 al. 2009; Avcikurt et al. 2011).  
20

21  
22 “SMSHs partners will also get hotel management system applications that are beneficial to the  
23 owner in the process of checking and performance of their properties every day through a device  
24 they have.” (M11)  
25

#### 26 27 *4.8 CSFs for VHOs*

28 Seven themes were conveyed by the management and hotel owners, with five themes being  
29 consistent with the extant studies: strategic management, human, technical, marketing, and  
30 technology factors. Meanwhile, the interviews discovered two new themes: financial and  
31 partnership factors.  
32

33 In the current study, the partnership factors received the highest weight among other CSFs.  
34 VHOs, as light asset companies, must maintain their property partners to sustain and expand  
35 the business. The relationship between VHOs and clients, such as commitment, delivering  
36 information, communication, and troubleshooting, is part of VHOs’ goals to maintain  
37 partnerships with hotel owners. These findings extend the literature on customer orientation  
38 relationships (Padilla-Meléndez and Garrido-Moreno 2014). However, the partnership between  
39 VHOs and non-classified hotels continues to face challenges. Unclassified hotels have no  
40 experience using technology and managing standardized hotel management systems. The  
41 transformation process to become a markedly reliable accommodation prioritizing quality and  
42 providing a pleasant stay experience supports the findings of Arasli (2012).  
43

44 Hotel businesses need marketing strategies to maximize revenue and increase occupancy  
45 rates. Marketing factors are the second most mentioned herein. Management and owners have  
46 the same perspective, mentioning five factors: marketing and promotion strategies, market  
47 segmentation, pricing strategy, branding, and distribution channel. The importance of strategic  
48 marketing planning in JV hotels is connected to joint advertising activities, pricing strategy,  
49 promotion activities, and market research activities, as previously mentioned by Li et al.  
50 (2006). Marketing and sales are part of functional CSFs, in which several categories are  
51 assessed: effectiveness of advertising, market intelligence, customer database, and competitor  
52 intelligence (Brotherton et al. 2003; Brotherton 2004b). The emergence of VHOs on various  
53 social media platforms is also beneficial—the use of the Internet as a marketing medium, as  
54 explained in the literature, impacts the promotion of the business. The use of websites as  
55 promotional media and customers being part of the promotional activities by VHOs are  
56 supported by Ahmad and Arif (2016) and Arasli (2012).  
57

58 The third aspect is technical, such as hotel operation management, standardization,  
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3 transformation, and personnel professionalism. Participants are concerned with the continuity  
4 of day-to-day hotel operations. Brotherton and Shaw (1996) outlined a centralized reservation  
5 system that is efficient, accurate, and consistent in the quality of the products and facilities  
6 offered; this result is relevant to the current study's findings on using PMS and standardizing  
7 hotel operations by VHOs, including the importance of accessing and monitoring customer  
8 satisfaction. Customer satisfaction leads to a positive financial performance, in which financial  
9 figures reflect the needed further adjustment and corrective action (Zhang et al., 2013). Thus,  
10 customer-related measures and customer orientation in customer relationship management  
11 implementation are key factors for hotel success (Padilla-Meléndez & Garrido-Moreno, 2014).

12  
13 The fourth aspect is the financial aspect. Financial support is crucial for hotels' JV  
14 collaborations (Li et al., 2006). VHOs invest in their partner/s by supplying capital investment  
15 assistance, including capital expenditure and sources. One stated:

16  
17 "It is difficult to get bank loans for hotel business needs. With the cooperation of VHOs, hotel  
18 owners now have finance in the form of capital expenditure and a monthly income guarantee."  
19 (O3)  
20

21 The increase in revenue and profitability should be measured, which is one of VHOs'  
22 goals. From the literature on hotel CSFs, the financial performance factor is the revenue, rate  
23 of return on investment, income, costs incurred for operational activities, and the company's  
24 profitability (Avcikurt et al., 2011; Padilla-Meléndez & Garrido-Moreno, 2014).

25  
26 The fifth aspect is strategic management. This study revealed that innovation strategy is  
27 perceived as the most important factor for a small hotel businesses. In the digital era,  
28 conventional SMSHs should transform their businesses to adapt to the technology and  
29 continuously innovate. Another critical factor is the size and coverage of the hotel network: a  
30 larger hotel scale size and coverage of the hotel network are also critical. Geographical  
31 coverage is important for hotels because it helps in the success of hotel operations and  
32 development (Brotherton, 2004a; Hua et al., 2009). The next most important factor is the  
33 implementation of quality audit by VHO management by placing its personnel to monitor the  
34 operations of property hotel partners. The practice increases customer confidence in using  
35 accommodations provided by VHOs, guaranteeing that the products and services they provide  
36 meet a minimum standard despite having differentiated properties managed by VHOs. Several  
37 initiatives include training, team commitment, staff recruitment, and employee incentives.

38  
39 In the sixth aspect, VHO management and hotel owner participants agreed that the human  
40 factor is also crucial in improving the standards and services of VHOs. Therefore, the human  
41 aspect is crucial for all operational aspects of the hotel business (Brotherton & Shaw, 1996).  
42 Organizational productivity related to staff recruitment by finding the right people in an  
43 organizational structure's proper position, coupled with team commitment, is pivotal for  
44 business success. Otherwise, lacking skilled employees to handle customers becomes a  
45 challenging firm issue (Ahmad & Arif, 2016).

46  
47 The last aspect of technology was found herein, namely, PMS, which presents information  
48 transparently and is used to improve efficiency in both time and funding. The second is the  
49 accuracy and efficiency of the central reservation system. Findings support previous studies on  
50 using a property management system (Sharma et al., 2017; Wiastuti and Susilowardhani,  
51 2017).  
52  
53

## 54 55 **5 Conclusions**

56 This study revealed seven themes of CSFs for VHOs and SMSHs, as conveyed by the  
57 management and hotel owner participants during the interviews: five themes were based on the  
58 literature review (i.e., strategic management, human, technical, marketing, and technology  
59 factors), while two new themes were discovered from the interviews (i.e., financial and  
60

partnership factors). From the VHO management perspective, the most critical factor for VHOs is the technical aspect, including standardization, transformation, quality assurance, and professionalism. From the owners' perspective, financial aspects were the most critical factors for VHOs, particularly on the monthly guarantee. The owners also explained that the technology aspect has helped them manage their hotel property through the PMS and central reservation systems. Clients' relationship was also found to be crucial from the perspectives of both VHO management and hotel owners.

Hotel owners and VHO management has enabled the confirmation and refinement of the new CSFs framework for VHOs, serving as a foundation for the concepts and characteristics of VHOs. This study's results show that the most CSFs for VHOs is the partnership factor. Partner selection is also a primary factor for success in establishing a joint venture. When creating an IJV, trust, commitment, and congruent goals are highlighted as important factors in the relationship with a partner. They are essential for the relationship's success (e Silva and Oliveira 2017). Maintaining good client relationships is likewise invaluable in increasing brand value and achieving goals of increased property portfolios: which are needed to become a market leader (Castañeda García et al. 2018; Wang et al. 2019).

In cooperation and networking, Li et al. (2006) examined the primary motivation for selecting JV partners from local and expatriate managers' perspectives. Factors relevant for JV hotels include strategic planning, willingness to share information and knowledge with local partners, support for strong financial performance, and experience in marketing, planning, and conducting market research. Moreover, innovations and financial factors were pivotal, especially from the perspective of hotel owners. Note that another highlight was the creation of marketing and promotional strategies through multiple media channels, such as by using online, offline, and micro marketing media. Strategies should be inexpensive and effective platforms for marketing and advertising, thereby increasing hotels' competitiveness level in the marketplace (Paprocki 2017; Stylos et al. 2021).

### 5.1 Theoretical implications

The theoretical implications of this study are threefold. First, this study expands the literature on the use of technology in hospitality management, particularly on the application of technology for SMSHs in collaboration with emerging highly technologically dependent hotel management companies, such as VHOs. Second, the current research contributes to the body of literature on hospitality management by providing an overview of the role of hotel operators in cooperating with SMSH owners. The perspectives discuss hotel management agreements (HMAs), partnerships between owners and hotel operators, and affiliations with the hotel industry through a 4.0 smart technology implementation. Third, this study finally provides perspectives from hotel owners on the contract agreements, the financial benefits obtained from the cooperation process, and hotel management operations utilizing innovative technology. Smart innovation for hotels uses cutting-edge technologies to improve efficiency, reduce costs, and enhance customer experience, including VHOs, automated check-in/check-out systems, digital keyless entry systems, artificial intelligence (AI), and chatbots. By leveraging these technologies, hotels can provide a better overall experience for their guests and increase operational efficiency.

### 5.2 Practical implications

For hotel owners, a virtual hotel business can be used as a solution for service quality and marketing and promotion strategy in the current digital era. Moreover, hotel operators can determine CSFs from the owners' interests (i.e., providing expertise in the marketing process and promotion strategy and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should allocate budget for

information systems and update their technology on their daily operations while maintaining the data management process. Findings will help VHO management determine the most significant CSFs to achieve their goals, measure performance, and expand their business networks. In addition, this study will help inform the government to create policies on how SMSHs can be transformed into standardized accommodations. Accordingly, it will support local tourism, particularly in developing countries, such as Indonesia, India, the Philippines, and Vietnam. Most accommodations are in the SMSH categories.

### 5.3 Limitations and Future Research

For the number of participants, this study's sample size (nine properties) is still small compared with the total number of VHOs available globally. Another limitation is that the sample interview participants were only from VHO properties in Indonesia. With the limitation on domestic travel during the COVID-19 pandemic, the researcher cannot directly observe the conditions of hotels included in this study. Thus, future studies can be conducted and compared from such countries as China, India, Singapore, Thailand, the Philippines, the US, and Vietnam, where VHOs primarily operate. Future studies may also include participants who are hotel owners but have not joined or have ended their contract agreements with VHOs. Future scholarly attention could compare their perspective on VHOs and hotel management agreements.

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This study uses a qualitative approach, with 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis is used to determine themes to evaluate hotel owners and operators' perceptions.

CSFs for VHO partnership with SMSHs include marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategies, capital expenditures, and property management systems. VHOs also have a symbolic impact on their mutualistic relationship with SMSHs by increasing service and enhancing product competitiveness and profitability.

Findings are beneficial for VHO in determining the most significant CSFs, thereby establishing additional metrics in business performance and increasing resilience in the accommodation sector. Further studies can measure the digital technology factors from VHO, including property management systems and mobile applications.

This study first identifies CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, implications are beneficial for VHO management in determining the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.

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# Critical success factors for virtual hotel operator partnership with small- and medium-sized hotels: perspectives of owners and operators

CSFs of VHO  
in hotels

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## Abstract

**Purpose** – This paper identifies the critical success factors (CSFs) of virtual hotel operator (VHO) in using hotel management system partnerships with small- and medium-sized hotels (SMSHs).

**Design/methodology/approach** – This study uses a qualitative approach, with 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis is used to determine themes to evaluate hotel owners and operators' perceptions.

**Findings** – CSFs for VHO partnership with SMSHs include marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategies, capital expenditures and property management systems (PMSs). VHOs also have a symbolic impact on the mutualistic relationship with SMSHs by increasing service and enhancing product competitiveness and profitability.

**Research limitations/implications** – Findings are beneficial for VHO in determining the most significant CSFs, thereby establishing additional metrics in business performance and increasing resilience in the accommodation sector. Further studies can measure the digital technology factors from VHO, including PMSs and mobile applications.

**Originality/value** – This study first identifies CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, implications are beneficial for VHO management in determining the most significant CSFs for companies to measure the business performance of the companies and increase resilience in the accommodation sector.

**Keywords** Critical success factors, Hotel management partnership, Small-and medium-sizes hotels, Smart technology innovation, Virtual hotel operator

**Paper type** Research paper

AQ: 5

## 1. Introduction

Technological growth in the travel and tourism sector has affected how the hotel business effectively connects customers and markets its products and services. Hotel smart technology is a term used to describe the use of technology in hotels to improve efficiency, reduce costs and enhance customer experience (Buhalis *et al.*, 2019). In a markedly competitive business era, small- and medium-sized hotels (SMSHs) should prioritize innovation in managing hotels by adopting digital technology strategies (Dieguez *et al.*, 2022). SMSHs should allocate a budget for information systems to update their technology





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with their daily operations and maintain the data management process (Buhalis and Leung, 2018; Yadegaridehkordi *et al.*, 2018). Hotels not adapting to new market conditions and forming alliances will face operational shortcomings. Single properties also have limited opportunities to benefit from considerably extensive referral programs and international marketing campaigns, unlike those for chain and affiliated hotels (Ivanova and Rahimi, 2016; Mohammad, 2016). This technological growth (and performance gap) eventually led to the emergence of a new technology-based hospitality management business called virtual hotel operator (VHO).

VHO are a type of smart hotel management companies that utilizes software that can be used to manage and operate hotels. VHO use technology to create service/product, marketing, process and organizational innovations (Wiastuti and Susilowardhani, 2017; Han *et al.*, 2021; Elshaer and Marzouk, 2022). These companies provide customers with an efficient and cost-effective way to book rooms and manage their stay. They also offer online booking, customer service support, housekeeping services and mobile-based application for guests and their hotel partners. OYO and Reddoorz are examples of VHO providing their customers with an efficient, cost-effective way to book and manage their rooms. VHO accelerate the region's online travel ecosystem and provide solutions for hotel owners and customers looking for quality and price-standardized accommodation (Anandan *et al.*, 2016).

VHO create more value for hotel owners and help them develop and transform their businesses through technology adoption, staff training, standard operation, interior design, marketing strategies, promotional materials and customer service (Wiastuti and Susilowardhani, 2017; Nugroho and Hati, 2020; Prakarsa *et al.*, 2020; Arreza, 2022). This form of a co-evolutionary business system is characterized by relationships among technologies, institutions and actors, including end-users or customers and communities throughout the entire network (Aarikka-Stenroos and Ritala, 2017).

However, the partnership between VHOs and SMSHs experiences specific challenges: most SMSHs involved lack any experience in using technology for hotel management systems, have low budget for innovation and lack strategic vision, management expertise and ability to utilize technology for their presence on online distribution channels (Smithson *et al.*, 2011; Mohammad, 2016; Yin *et al.*, 2019; Fjellström *et al.*, 2020).

However, the most prominent issue is identifying and measuring critical success factors (CSFs) for VHO and SMSH partnership. As VHOs expand in the SMSHs market, VHO management should also be surveyed on how they operate, measures their performance and maintain their partnership with hotels. However, empirical research on VHOs has remained scarce. Previous studies on VHOs have discussed the nature of their businesses (Sharma *et al.*, 2017; Wiastuti and Susilowardhani, 2017), customer perceptions of VHOs (Kurnia and Sulistiani, 2019; Nugroho and Hati, 2020) and technology application (Prakarsa *et al.*, 2020). Only a few discussions have revealed the success factors that benefit the entire network and transform the SMSHs business (Arreza, 2022). Previous studies have also failed to consider the critical role of VHO stakeholders (i.e. management and hotel partners). Ultimately, these gaps are what the current study seeks to fill in.

The current study identifies critical factors contributing to the success of VHOs in partnership with SMSHs. Morrison and Thomas (1999) explained that SMSHs have a small business scope: they are self-managed by owners and financed by individuals or small groups. Most properties are owned and managed by those without previous hotel management backgrounds. Therefore, they struggle to maintain quality service standards and face many challenges, such as competition level, operational costs, technical and management skills, appropriate e-business solutions and ownership of information communication technology (ICT) equipment (Pine *et al.*, 2000; Buhalis and Kaldis, 2008).

This study will contribute to the literature on technology use in hospitality management, particularly in the context of its adoption by SMSHs. These results ultimately enrich the

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available scholarly perspectives on hotel management agreements, partnerships between owners and operators, brand affiliations and hotel operators. Hotel owners must understand their perspectives toward partnership with VHOs, collaboration between VHOs and SMSHs ushers future competition and consolidation. Subsequent sections will discuss the theoretical background of VHOs, CSFs and methodology, results and discussion. The final section provides the conclusion, theoretical and managerial implications and recommendations for future research.

## 2. Literature review

### 2.1 VHOs

Since its first appearance in 2013, VHOs have constantly evolved as a new player in the hotel industry as an asset-light type of business. VHOs focus on developing business-to-business (B2B) partnerships with SMSHs, with companies continuing to expand and attract new investors (Wiaštuti and Susilowardhani, 2017; *The Economic Times*, 2018; Russel, 2019). Hotel owners partnering with VHOs adopt a management and franchise model. The two categories of this model are leases and franchises. Leases involve property owners buying brand franchises, managed directly by VHOs with royalty fees. Franchises involve owners cooperating with the rental scheme or revenue-sharing for rooms booked via VHO platforms. VHO management system includes various hotel management developments, such as technology adoption, staff training, standard operation, interior design, room decoration, standardized furniture, marketing strategies, promotional materials and customer service through their customer and hotel owners' mobile applications.

Most VHOs provide hotel standards and guidelines that help management teams transform a property while calculating estimated costs and monitoring renovation processes (Oravel Stays, 2018). Sharma *et al.* (2017) explained that eight stages are involved in the VHO hotel property listing process. First, the transformation process begins with business development managers identifying potential properties. Second, detailed audit and negotiation with hotel owners are involved. VHOs will share specific characteristics, such as quality assurance inspection. Third, hotel partners must meet the quality specifications set by the VHO management before a partnership agreement. Fourth, orientation and integration with VHO standardized facilities (e.g. hot showers, clean linen and towel, air conditioners, Wi-Fi and in-room amenities) are conducted. Fifth, VHO business development managers prepare the transformation process, followed by VHOs providing capital expenditure to improve facilities and hotel buildings. Lastly, the final process involves hotel properties going live on VHO websites, mobile applications and other distribution channels. After the transformation, operational teams maintain the standard and train hotel employees to use the property management system (PMS) and managing daily hotel operations. Although VHOs offer various advantages in technology along with the standardization of hotel management, they remain in the development stage. Therefore, their CSFs should be identified.

### 2.2 CSFs for hotels

CSFs have become an essential concept concerning hotel goals and objectives in the hotel and accommodation sector. Brotherton and Shaw (1996) described CSFs as activities and processes supporting organizational goals. In turn, they should be actionable, controllable and measurable. CSFs are also sector-specific – the implication is that focused research in a sector on CSFs should provide specific recommendations for businesses and entrepreneurs (Engelbrecht *et al.*, 2014).

CSFs have become essential in hotel goals and objectives in the hotel and accommodation sector. With increasingly fierce competition and inevitable use of technology, companies need

innovative strategies to achieve their goals (Avcikurt *et al.*, 2011). Brotherton and Shaw (1996) explained that CSFs in hospitality services could be categorized on the bases of technical or human aspects. Technical and human aspects are considered integral to corporate culture, cooperation, management style, company performance, productivity and business metrics in achieving company goals (Politis *et al.*, 2009; Arasli, 2012; Padilla-Meléndez and Garrido-Moreno, 2014; Spencer and Van Zyl, 2015; Yadegaridehkordi *et al.*, 2018).

Diversification standards of the hotel business have also changed rapidly. However, the literature's insufficiency highlights the paucity of knowledge on CSFs related to VHOs and partnership with SMSHs. CSFs in hotel operations from the customer perspectives have also been explored (Padilla-Meléndez and Garrido-Moreno, 2014; Wang and Hung, 2015; Fuentes-Medina *et al.*, 2018; Lee *et al.*, 2019), with some studies explicitly outlining the context of SMSHs (Avcikurt *et al.*, 2011; Zhang *et al.*, 2013; Wang and Hung, 2015). However, only a few studies have discussed the concept of CSFs for VHOs. Most studies use a quantitative method approach (Avcikurt *et al.*, 2011; Wang and Hung, 2015; Ahmad and Arif, 2016), which enables obtaining more participants. However, it cannot explore the respondents' views in a markedly in-depth manner.

### *2.3 CSFs influencing joint ventures in the hospitality business*

Partner selection is a primary factor in achieving success in establishing joint ventures (JVs). International JVs (IJVs) are among the most common forms of market entry companies use for their internationalization processes. When creating IJVs, trust, commitment and congruent goals are highlighted as important factors in relationships. They are essential for their success (E Silva and Oliveira, 2017). Similarity in partners' corporate values and missions has become a significant impetus in developing competitive service strategies. This congruence is supported by building mutual trust, synergetic effects of using resources, strong financial background and equity sharing and information exchange and knowledge sharing with local partners. Efficiency in strategic and marketing planning, experience in market research activities and exceeding customers' expectations and needs are critical to these alliances' success (Li *et al.*, 2006; Magnini, 2008; Lee *et al.*, 2013).

Cooperation between hotel businesses and affiliation with chain hotel brands create associations in customers through several strategies, such as assessing customer reviews, contacting the target market, offering benefits to members and offering a corporate contract/rate for groups or companies (Resende *et al.*, 2018). Negotiating and operating managed hotels are complex processes, in which owners and operators must agree on various issues. All parties involved must understand the agreement and the other partners' perception of it (Van Ginneken *et al.*, 2019). Contractor and Kundu (1998) identified five critical factors when choosing an international hotel alliance: economies of scale, firms' ability to exercise management control and maintain quality, need for size in global operation, reservation system and investments in training.

Industry challenges include competitive pricing, better marketing and promotion methods, improved quality of facilities, enhanced service delivery, customer service by maintaining good customer relationships, improving the quality and variety of products offered (i.e. cleanliness, technology, facilities) and loyalty schemes used to retain customers (Ahmad and Arif, 2016). Inter-relationship among hotel management companies and hotel owners should be based on cooperative relationships to overcome these limitations. Hence, business strategies adopted by SMSH owners include but not limited to strengthening the market position of small hotel businesses through various strategies, such as branding, product comparison, service technology and themes that contribute to the overall image-building of a small hotel business. Factors associated with image-building include hotel design, management philosophy, commitment to quality and consistency in service delivery

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and use of smart technology innovation for increased competitiveness and business performance (Fredrick, 2019; Lee and Lee, 2020; Nunkoo *et al.*, 2020; Dieguez *et al.*, 2022).

The current study's literature review reveals three CSFs for hotels. The first is human and technical aspects, level of service quality, financial performance and marketing (Brotherton and Shaw, 1996; Avcikurt *et al.*, 2011; Yadegaridehkordi *et al.*, 2018). The second is customer relationship management (CRM), information and technology, knowledge management capability, customer orientation and organizational readiness (Arasli, 2012; Padilla-Meléndez and Garrido-Moreno, 2014). The third is the physical environment, including the hotels' interior and exterior, leading to customer satisfaction (Yadegaridehkordi *et al.*, 2018).

Progress and opportunities abound when exploring CSFs in hotels. Yadegaridehkordi *et al.*, (2018) proposed four aspects that influence the performance and growth of small hotels. The first is the organizational aspect, including top management support and financial performance. The second is human resources, which include employee preparation, education, service standardization, quality and customer satisfaction. The third is environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture and location. Fourth is information and technology, encompassing firms' external and internal technologies and benchmarking with process and equipment standardization.

### 3. Methodology

#### 3.1 Research design

Exploratory research is needed to understand hotel owners' perspectives and VHOs' management on their partnerships to identify CSFs for VHOs. The qualitative approach is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer *et al.*, 2012, p. 312). Purposive sampling was used to select relevant participants able to answer specific research purposes (Patton, 2014). Given that the study focused on developing VHOs in Indonesia, the sampling focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork. First, VHO management was invited based on the company's affiliation accounts on the social network platform LinkedIn; the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek *et al.*, 2015, p. 282).

AQ: 6 According to BPS Statistic Indonesia (2018) and Euromonitor International (2018), over  
AQ: 7 28,230 places of accommodation have been registered across Indonesia. However, most of these places (88.25%) are not considered SMSHs and there is still a significant need to standardize SMSH hotel supply in Indonesia. SMSH properties can be classified as one-, two- and three-star hotels, along with non-star accommodations, such as guest houses and homestays. Chosen properties had no more than 100 rooms, had 10–49 employees engaged in operations and controlled and funded by an individual or a small group (Middleton, 1998; Morrison and Thomas, 1999; Ahmad and Arif, 2016).

Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay *et al.*, (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends and understand the relationships of variables in research. Personal invitations based on the SMSH category identified herein were used to recruit hotel owners' participants. SMSHs are classified as non-star and independently operated hotels, unaffiliated with local or international hotel chains. A total of 156 research invitations were sent to potential VHO management level. Their profiles were categorized into three groups: chief executive officer (CEO)/founder/co-founder (6 profiles), executive management positions (74 profiles) and middle range management

positions (76 profiles). These people had been hired and worked for VHOs. They had been with VHO companies from six months to seven years. Participants came from various first-tier cities in Indonesia (where most VHO properties are located). A total of 16 (3.84%) VHO management representative were willing to be interviewed. Kwortnik (2003) explained that the minimum number of research samples suitable for qualitative research projects is 12. Therefore, this study has reached the criteria mentioned.

The interviews focused on the participants' experiences, VHO goals and characteristics and critical factors for VHO success from management and hotel owners. They were conducted from June to August 2020. Owing to the coronavirus disease 2019 (COVID-19) pandemic, most were held using online meeting platforms (e.g. Zoom meetings, Google meet). All the participants' identities in this study remain anonymous. A total of 16 participants represented four VHO companies that operated in Indonesia: Airy Rooms, OYO rooms, Reddoorz and Zen Rooms. These VHO companies represent one of Asia's most rapidly expanding types of hospitality management, in which an enormous number of SMSHs operate. Its core idea is to transform SMSHs and ensure customers' safety and comfort by unifying them under their brand name. Meanwhile, nine represented hotel owners (Table 1). Respondents' job descriptions in VHOs are connected to hotel operations, business development, transformation, marketing and human resources (see Table 2).

T1  
AQ: 8  
T2

VHO management			
IDs	Positions	Years of experience	
M1	Assistant general manager	12 years	
M2	E-commerce executives	4 years	
M3	Hotel operation manager	7 years	
M4	Regional head	14 years	
M5	Human resources business partner	11 years	
M6	Senior hotel operations manager	18 years	
M7	Country manager for hotel operations	15 years	
M8	Hotel consultant	13 years	
M9	Business development manager	10 years	
M10	Operations manager	4 years	
M11	Head of business development	9 years	
M12	Head of business development	11 years	
M13	Head of operation excellence	6 years	
M14	Senior business development manager	8 years	
M15	Assistant general manager	13 years	
M16	Regional corporate sales manager	10 Years	

  

Hotel owners			
IDs	Occupations	Types of accommodation	Years of partnership with VHO
O1	Banker	Guest house	One year
O2	Information technology (IT)	Homestay	Five years
O3	Hotel manager	One-star hotel	Four years
O4	Social entrepreneur	Two-star hotel	Four years
		Three-star hotel	One year
O5	Human resource manager	Three-star hotel	One year
O6	Contractor	Two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	Two-star hotel	Two years
O9	Catering business	One-star hotel	Three years

**Table 1.**  
Profile of participants

**Source(s):** Authors' own work

CSFs of VHO  
in hotels

Salient themes	Sub themes	Key insights
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract agreement</li> <li>● Constant improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies on the business expansion of VHOs in the SMSH sector. The partnership between both parties maintains the sustainability of the VHO business model and their commitment to the contract agreement
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution channel</li> </ul>	Marketing is part of functional CSFs, in which several categories are assessed: effectiveness of advertising, market intelligence, customer database and competitor intelligence
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important in measuring revenue and profitability
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Hotel network size and coverage</li> <li>● Audit quality</li> </ul>	Strategic management is related to innovation strategy and perceived as the most critical factor for small hotel businesses
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Employee rewards and benefits</li> </ul>	VHO management and hotel owner participants agree that the human factor is crucial in improving the standard and service of VHO, primarily due to training
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Central reservation system accuracy and efficiency</li> </ul>	VHOs rely on technology-based solutions and features. They use efficient, accurate, consistent property management and centralized booking and reservation systems

**Table 2.**  
CSFs for VHO  
partnerships  
with SMSHs

Source(s): Authors' own work

VHO participants' experiences ranged from 4 to 18 years of working experience in various fields (e.g. hotels, resorts, cruise ships or restaurants). Specialties varied from hospitality backgrounds, such as hotel operations, e-commerce, customer services, revenue management, sales and marketing, event management, pre-opening and procurement. By contrast, six other managers came from non-hospitality backgrounds, such as banking, insurance, consumer goods, retail/sales and human resources.

Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated to hospitality, including management, economics, IT and psychology. Most hotel owners were inexperienced in the hospitality industry: their experiences and specialties were remarkably diverse. For example, some were wedding organizers, caterers, social entrepreneurs, salespersons and contractors. Only one participant had experience in managing his/her family's hotel business. Accommodation types ranged from the homestay, guest houses and one-to three-star hotels. The partnership agreement between hotel owners and VHOs lasted one

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to five years. The diversity of the participants in this study ultimately helped the comprehensiveness and diversity of information from the participants' perspectives.

### *3.2 Data analysis*

From the results of the interview researchers invited the respondents to verify the findings to improve credibility. The interviewer asked for the participant's prior and informed consent to be recorded for data collection. Recorded data were translated and copied (transcription). Each participant was given a copy of the interview transcript to review data accuracy. Interviewees agreed and signed the interview protocol and consent form. Thereafter, all participants signed and returned the member-checking consent form to the researcher.

Recorded interviews were immediately transcribed, lasting an average of 49 min per participant. ATLAS.ti (version 8), a qualitative data analysis software, was used to analyze the coding. Thematic analysis searched for commonalities and themes describing the data (Clarke and Braun, 2017). A theme can be interpreted as an affirmation that creates meaning or a statement of meaning. Meanings were also obtained from interviews and were formulated by the researcher.

The current study considered three aspects for reliability (Creswell and Creswell (2017)). The first aspect is triangulation data from multiple sources of participants in the interviews. This study conducted interviews with two groups of participants: hotel owners and VHO management. Secondary data reports, online travel trends, hotel statistics and articles on VHOs were used to complete the current research analysis. Hence, this study's validity and reliability were based on data sources.

The second aspect is member checking. Throughout the analysis process, participants would check their responses through ongoing dialog on interpretations based on the informant's checking to ensure the actual meanings of their responses. Member checking ensures accurate interpretations (Savin-Baden and Major, 2010), involving the participant or information provider being reconfronted with the interview data. Thereafter, the interviewer would check with the participants to confirm their responses by sending verbatim transcripts. Member-checking consent forms were sent to the participants via email and WhatsApp for faster response.

The third aspect is validity. Each participant was given a copy of the interview transcript to review data accuracy. Thereafter, the researchers invited the respondents to verify these findings to improve credibility. The participants were asked to read and correct the summary of the researcher's interview results, with participants signing the member checking consent form if they saw the data as valid.

## **4. Results and discussion**

### *4.1 Partnership factors*

Client relationship is the most critical factor in the success of VHOs. VHOs, as light assets companies, maintain their property partners to sustain and expand businesses. Hence, VHO partnerships with hotel owners are based on three aspects. The first aspect is the visibility of contract agreements. The second aspect is that VHOs provide a support center for day-to-day operation problems and related issues for hotel owners, customers and vendors. The third aspect is VHOs managing owners' expectations for long-lasting benefits of the partnerships (i.e. manifesting as increased revenues, occupancy rate and average room rates). One of the VHO heads of business developments agreed with this view:

We are not selling goods but building partnerships; therefore, we keep interpersonal relationships with hotel owners. We meet distinctive characteristics. We speak of culture, meaning everyone has a different outlook on how the business works. (M11)

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As technology-based hotel operators, VHOs rely on partnerships with hotel owners. Therefore, VHOs offer three contract agreements. The first agreement is full revenue-sharing (i.e. VHOs share revenues at an agreed percentage). Contract agreements between VHOs and hotel owners include guidelines on managing hotel operations, reaching the standards outlined by VHOs and hotel owners' revenue targets. The second agreement is the use of a minimum monthly guarantee. The third agreement is a self-operating business model akin to lease-type management. Agreements with VHOs are designed to reduce the risk factors and hotel owners' value of investments. For example, one interviewee highlighted the mutually beneficial agreements and commitments:

We invest funds or transformational capital expenditure to the property partner if they do not have enough capital to meet our facilities' standards. Hence, we help them through investment without return within the contract period. (M11)

One of the advantages of partnering with VHO is that they provide a fixed monthly deposit according to the initial agreement, which helps us. Suppose we are looking at the capacity of our hotel right now below 50%, with the security deposit. In that case, we can cover operational costs. (O1)

Interviewees also mentioned that the expansion process should be consistent to increase revenue and profits for companies and their partners. Ultimately, the objective of partnerships with hotel owners is to maintain sustainability and commitment together:

We want our property partners to achieve their targeted revenue and business sustainability. This means financial, products, and services consistency and a long-lasting partnership. (M6)

Evidently, one emerging factor is the adaptation to local culture. VHO management and hotel owners were concerned with the varying conditions of SMSH operations. Most participants asserted that the educational background of employees and owners and technological adaptation in hotels are still low. Therefore, VHO should adapt to the condition, as mentioned by one of the hotel owners:

Because VHOs typically have standard operating procedures that are globally acceptable, this start-up company should adapt to the condition of our people and our culture. (O1)

The business development division's main objectives are acquiring hotel properties and maintaining relationships with hotel owners.

Business development is the one that initially acquired the property. For example, suppose the hotel property owners want to join. In that case, business development will explain the terms and conditions, and they will acquire the property through an agreement that has been agreed to by the hotel property owner. (M5)

As a hotel management company, VHOs should adapt and adjust their approach to maintaining communication and agreement with hotel property owners. Therefore, they should keep a mutually beneficial agreement, focus on commitment and continuously improve as part of excellent business in the hospitality field. These results coincide with previous studies on understanding customer orientation relationships ([Padilla-Meléndez and Garrido-Moreno, 2014](#)).

#### *4.2 Marketing factors*

While segmenting the market, VHO management conducts a comprehensive market survey assessment process. From the interview results, VHO management and hotel owners frequently mentioned such factors as marketing strategies, market segmentation, pricing strategy, branding, promotion and distribution channel. Findings reveal that the weak position of small hotels in the market could be circumvented through VHO marketing and promotion strategies.



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The VHO creates the marketing and promotion strategy for us. Previously, we had limited marketing channels; we only sold our rooms on several property listing platforms. After the partnership agreement, the VHO improved our online and offline presence. (O7)

We informed the owners of essential data about market intelligence, market surveys, and pricing strategies. We can decide the price level following market needs. (M7)

Consistent with the extant research, the importance of strategic marketing planning in JV hotels relates to joint advertising, pricing, promotion and market research activities (Li *et al.*, 2006). Another found that VHO management and hotel owners also conveyed the importance of branding for sales and pricing strategy. Property owners will automatically join their branding when they agree to partner with VHOs. From the perspective of management, brand image is currently an essential aspect of VHOs' success; interviewees further explain this:

Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with the VHO logo and property name are helpful for branding. (M12)

The findings coincide with the argument of Hua *et al.* (2009) on how brand equity increases customer intention to purchase hotel products. Hotels reach a considerably broad audience through responsive platforms, increase distribution and build branding and operational efficiency. An effective way is maximizing online media marketing channels, in which mobile applications become a key strategy to bring customers close to the hotel chain. The VHO mobile application enables customers to book rooms with three taps on their smartphones easily. Strategic partnerships with online travel agents (OTAs) also enable hotel owners to reach a broad consumer market (Yin *et al.*, 2019).

The difference is in terms of operation. For example, in conventional hotels, the booking process until the check-in process requires an exhausting process. However, at VHO, the booking process is much simpler—using a mobile application makes everything much easier and more comfortable. (M8)

Previous studies have discussed that the importance of online and digital distribution channels for budget hotels is the ability to market their properties via multi-channel strategies (Law *et al.*, 2015; Lei *et al.*, 2019). Leveraging dynamic marketing capabilities through online distribution plays a critical role in developing SSMs' competitive advantage (Beritelli and Schegg, 2016; Elsharnouby and Elbanna, 2021).

#### 4.3 Technical factors

VHO management and hotel owners discuss technical aspects, such as hotel operation management, access and monitoring customer satisfaction, standardization, property transformation and staff professionalism. Before joining VHOs, hotel partners must undergo a transformation process that ensures that hotel services, the system, management and staff will meet the VHO standard:

We must transform owner property: it is very crucial to transforming. Everyone engages in the process and convinces owners to share the same perspective. (M7)

From interviews with hotel property owners, hotel operation management factors and assessing and monitoring customer satisfaction are crucial regarding technical CSFs. Participants are concerned with the continuity of the day-to-day hotel operations, which they describe as a follow:

The VHO helps owners manage hotels regarding administration, services, and product standardization. We will implement an operational standard for all accommodations that do not have a star category. For this, we need people with diverse backgrounds who are specialists in areas

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such as the front office, housekeeping, food, and beverages, including the banquet. We also need people who are strong in accounting. (M7)

Operational managers in each active region will manage and monitor hotel properties. From personal experience, the owner feels comfortable with the operational manager. They can ask about hotel operations. We also often discuss and share knowledge about hotel management, it will help in the future relationship with owners, and there is an exchange of ideas. (M15)

As a digital hospitality company and hotel aggregator, we offer economical and more affordable accommodation and are concerned about the quality of our services. Therefore, we should offer a balance between the two aspects (affordable and quality services). (M12)

The physical product and service quality of SMSH operation are crucial (Hua *et al.*, 2009; Zhang *et al.*, 2013). Customer orientation is also crucial for the hotel business (Padilla-Meléndez and Garrido-Moreno, 2014) to enhance service quality, deliver superior customer service and total quality management (Wang *et al.*, 2012; Ahmad and Arif, 2016).

The hotel industry is a service sector that highly depends on human aspects. Following Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects determine the efficiency and economy scale for the successful delivery of hospitality goods and operations. Standardization and quality of the services system should be adopted to predict and control output activities (Ivanova and Rahimi, 2016): the higher the hotel network's intangible assets (including their standards, facilities and services), the better they can command presence in the customer psyche (Andreu *et al.*, 2017). Thereafter, VHOs conduct an evaluation process on how hotels obtain a satisfactory level of guest assessment:

We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to measure guest satisfaction. (M7)

CSI is developed from customers' ratings of their likelihood to recommend VHO products and services to others on a scale of 0 (lowest) to 10 (highest). Hotel owners also explained that these factors are significant for their businesses. VHO management ensures that guests are satisfied and evaluate actions to maintain the quality standard. Moreover, customer satisfaction leads to a positive financial performance, in which financial figures are essential for further adjustment and corrective action (Zhang *et al.*, 2013; Augustyn *et al.*, 2021).

#### 4.4 Financial factors

Owners expressed the current difficulty in obtaining bank loans for their needs. With the cooperation of VHOs, hotel owners now have finances in the form of capital expenditure along with a monthly income guarantee. Capital expenditure becomes an attractive factor for hotel owners. VHOs invest in their partners by supplying capital investment assistance and a monthly income guarantee. For property owners, capital expenditure has become a significant factor in the development process:

What is significant is the contract agreement because it provides business capital and other investment facilities. (M5)

Financial support is crucial for hotel JV collaborations (Li *et al.*, 2006; Ge *et al.*, 2018). The financial performance factor in hotels can be measured by the rate of return on investment, income, costs incurred for operations and company profitability (Avcikurt *et al.*, 2011; Padilla-Meléndez and Garrido-Moreno, 2014).

#### 4.5 Strategic management factors

Strategic management is related to innovation strategy and is perceived as the most critical factor for hospitality businesses (Stylos *et al.*, 2021; Dieguez *et al.*, 2022). Strategic

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management involves executive management determining strategy and objectives to achieve goals (Geller, 1985). Strategy and objectives will give better and more precise guidance to solve problems and measure operational success following organizational goals. Thus, this situation demonstrates the importance of establishing shared values and launching goals and systems to increase customer satisfaction (Arasli, 2012). One interviewee mentioned the increasing number of users in the VHO application as an opportunity to receive more value from customers and increase the chance of getting more investment. The VHO management also highlights this:

From the next one to two years, we are constantly innovating. We must continue to demand innovative ideas every day, ones that are out of the box and all kinds; it has become part of our corporate culture. (M16)

Innovative technology should be based on market research to respond to market needs and demands, as mentioned by the management of a VHO:

We do marketing based on research to the standards that we set. The products we offer should meet the category of value for money. (M6)

The next factor is related to the size and coverage of the hotel network. Geographical coverage is vital for hotels; such coverage helps in the success of hotel operations and development (Brotherton, 2004a; Hua *et al.*, 2009). A larger hotel scale size and coverage of hotel networks are also critical. For VHOs, the number of existing properties and personnel in one country helps in the effective selling and monitoring process:

Of course, we have one competitive advantage in the network. We have the most expansive network. The advantage lies in our capacity to sell properties in every city, even in other countries abroad, regarding networking, standardization, and the number of personnel. We have all the support needed in every region or hub for our operations. (M11)

Another factor is related to how VHOs enhance the quality of services. It is a crucial strategy employed by hotel owners or managers in SMSHs to face business challenges (Ahmad and Arif, 2016). Implementing quality audits through VHO management by placing its personnel to monitor the operations of property hotel partners has increased customer confidence in using accommodation provided by VHOs. A quality audit guarantees that the products and services they provide meet a minimum standard despite having differentiated properties managed by VHOs. The strategy to ensure quality assurance in hotel operational management can be carried out through standard operating procedures, regulations and, most importantly, the human factor and the organization (Fredrick, 2019; Elsharnouby and Elbanna, 2021).

#### *4.6 Human factors*

Training is part of CSFs for VHOs, as mentioned by most participants. It aims to provide standard operational management and increase customer satisfaction with VHOs' products and services. The lack of skilled employees in customer service becomes a challenging issue for SMSHs. Thus, standard hotel operation management for all VHO properties can be improved by conducting training and coaching. Two interviewees mentioned:

First is an improvement; we then also built educational training for hospitality. (M3)

The VHO thinks about the employee's development, and the hotel owners as well. (M11)

Owners agree that VHOs could develop hotel operation human resources. VHOs change product knowledge and the ability to upgrade the technology used by the hotel staff to help operations. Owners feel improvement in knowledge transfer during the in-house training

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process. Most owners agree that VHOs continually innovate and develop technologies related to PMSs, hardware and mobile application. Therefore, training is for employees and owners. One owner stated:

Our company is successful because we think about our employees' development. However, the training is not only for employees but also for the owners. We meet with the owners and mentor them on managing the hotel. (M7)

The finding supports [Ahmad and Arif \(2016\)](#), which posited that training increases business success in the SMSH sector. Training for employees improves customer service ([Hua et al., 2009](#)). From the characteristics of company owners, top-level management is needed to overcome the challenges in such a dynamic business climate. The need for an innovative and sound strategy should be supported by quality leadership team commitment. Increasing team commitment is vital to achieving organizational goals. Organizations' process management is essential to teamwork and strategic plans ([Yadegaridehkordi et al., 2018](#)). VHOs also consider employee welfare aspects owing to work–life balance. Accordingly, employee rewards emerged as one of CSFs for VHOs. As previously mentioned by one VHO management participant:

Company performance and targets are balanced with our reasonable compensation and rewards. (M14)

#### 4.7 Technology factors

VHOs are hospitality management companies that utilize technological developments to maximize and empower local accommodation offerings. Only two CSFs in technology factors were found herein: PMS and accuracy and efficiency of the central reservation system.

We are a start-up company that relies on technology. Our system keeps improving by getting insights from our hotel operation team, although we already have a software engineering team. The improvement comes in more user-friendly PMS for the employee and owners. This technology was beneficial since hotels did not need large folio books and dealt with a large margin of errors and time-consuming paperwork. With this PMS, business processes for the hotel property have run more efficiently. (M7)

The use of data science and analytics to enhance the guest experience has become crucial to operations. Systems are transparently accessed in real-time to improve efficiency in time and funding. Moreover, using technology creates a more comfortable booking experience for guests, in which consumers go online and make travel-related purchases using online platforms.

What makes VHO different is promotions on the website and online travel agents, which will impact small hotel property partners. When they join us, we will help their property become more profitable by improving their online platform appearance. (M15)

Websites and mobile applications will reach a broader audience, increase distribution and improve branding and operational efficiency. Mobile applications enable customers to book rooms with just three taps of their smartphones. The concept is simple because it provides three steps for booking: visit the website/mobile application, choose a location and find the hotel that fits the tourists' requirements. This outcome supports theories that note the importance of a central reservation system in SMSHs and the budget hotel sector ([Brotherton, 2004a](#); [Hua et al., 2009](#); [Avcikurt et al., 2011](#)).

SMSHs partners will also get hotel management system applications that are beneficial to the owner in the process of checking and performance of their properties every day through a device they have. (M11)

#### 4.8 CSFs for VHOs

Seven themes were conveyed by the management and hotel owners, with five themes being consistent with the extant studies: strategic management, human, technical, marketing and technology factors. Meanwhile, the interviews discovered two new themes: financial and partnership factors.

In the current study, the partnership factors received the highest weight among other CSFs. VHOs, as light asset companies, must maintain their property partners to sustain and expand the business. The relationship between VHOs and clients, such as commitment, delivering information, communication and troubleshooting, is part of VHOs' goals to maintain partnerships with hotel owners. These findings extend the literature on customer orientation relationships (Padilla-Meléndez and Garrido-Moreno, 2014). However, the partnership between VHOs and non-classified hotels continues to face challenges. Unclassified hotels have no experience using technology and managing standardized hotel management systems. The transformation process to become a markedly reliable accommodation prioritizing quality and providing a pleasant stay experience supports the findings of Arasli (2012).

Hotel businesses need marketing strategies to maximize revenue and increase occupancy rates. Marketing factors are the second most mentioned herein. Management and owners have the same perspective, mentioning five factors: marketing and promotion strategies, market segmentation, pricing strategy, branding and distribution channel. The importance of strategic marketing planning in JV hotels is connected to joint advertising activities, pricing strategy, promotion activities and market research activities, as previously mentioned by Li *et al.* (2006). Marketing and sales are part of functional CSFs, in which several categories are assessed: effectiveness of advertising, market intelligence, customer database and competitor intelligence (Brotherton *et al.*, 2003; Brotherton, 2004b). The emergence of VHOs on various social media platforms is also beneficial—the use of the internet as a marketing medium, as explained in the literature, impacts the promotion of the business. The use of websites as promotional media and customers being part of the promotional activities by VHOs are supported by Ahmad and Arif (2016) and Arasli (2012).

The third aspect is technical, such as hotel operation management, standardization, transformation and personnel professionalism. Participants are concerned with the continuity of day-to-day hotel operations. Brotherton and Shaw (1996) outlined a centralized reservation system that is efficient, accurate and consistent in the quality of the products and facilities offered; this result is relevant to the current study's findings on using PMS and standardizing hotel operations by VHOs, including the importance of accessing and monitoring customer satisfaction. Customer satisfaction leads to a positive financial performance, in which financial figures reflect the needed further adjustment and corrective action (Zhang *et al.*, 2013). Thus, customer-related measures and customer orientation in CRM implementation are key factors for hotel success (Padilla-Meléndez and Garrido-Moreno, 2014).

The fourth aspect is the financial aspect. Financial support is crucial for hotels' JV collaborations (Li *et al.*, 2006). VHOs invest in their partner/s by supplying capital investment assistance, including capital expenditure and sources. One stated:

It is difficult to get bank loans for hotel business needs. With the cooperation of VHOs, hotel owners now have finance in the form of capital expenditure and a monthly income guarantee. (O3)

The increase in revenue and profitability should be measured, which is one of VHOs' goals. From the literature on hotel CSFs, the financial performance factor is the revenue, rate of return on investment, income, costs incurred for operational activities and the company's profitability (Avcikurt *et al.*, 2011; Padilla-Meléndez and Garrido-Moreno, 2014).

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The fifth aspect is strategic management. This study revealed that innovation strategy is perceived as the most important factor for small hotel businesses. In the digital era, conventional SMSHs should transform their businesses to adapt to the technology and continuously innovate. Another critical factor is the size and coverage of the hotel network: a larger hotel scale size and coverage of the hotel network are also critical. Geographical coverage is important for hotels because it helps in the success of hotel operations and development (Brotherton, 2004a; Hua *et al.*, 2009). The next most important factor is the implementation of quality audit by VHO management by placing its personnel to monitor the operations of property hotel partners. The practice increases customer confidence in using accommodations provided by VHOs, guaranteeing that the products and services they provide meet a minimum standard despite having differentiated properties managed by VHOs. Several initiatives include training, team commitment, staff recruitment and employee incentives.

In the sixth aspect, VHO management and hotel owner participants agreed that the human factor is also crucial in improving the standards and services of VHOs. Therefore, the human aspect is crucial for all operational aspects of the hotel business (Brotherton and Shaw, 1996). Organizational productivity related to staff recruitment by finding the right people in an organizational structure's proper position, coupled with team commitment, is pivotal for business success. Otherwise, lacking skilled employees to handle customers becomes a challenging firm issue (Ahmad and Arif, 2016).

The last aspect of technology was found herein, namely, PMS, which presents information transparently and is used to improve efficiency in both time and funding. The second is the accuracy and efficiency of the central reservation system. Findings support previous studies on using a PMS (Sharma *et al.*, 2017; Wiastuti and Susilowardhani, 2017).

## 5. Conclusions

This study revealed seven themes of CSFs for VHOs and SMSHs, as conveyed by the management and hotel owner participants during the interviews: five themes were based on the literature review (i.e. strategic management, human, technical, marketing and technology factors), while two new themes were discovered from the interviews (i.e. financial and partnership factors). From the VHO management perspective, the most critical factor for VHOs is the technical aspect, including standardization, transformation, quality assurance and professionalism. From the owners' perspective, financial aspects were the most critical factors for VHOs, particularly on the monthly guarantee. The owners also explained that the technology aspect has helped them manage their hotel property through the PMS and central reservation systems. Clients' relationship was also found to be crucial from the perspectives of both VHO management and hotel owners.

Hotel owners and VHO management has enabled the confirmation and refinement of the new CSFs framework for VHOs, serving as a foundation for the concepts and characteristics of VHOs. This study's results show that the partnership factor accounts for the majority of CSFs for VHOs. Partner selection is also a primary factor for success in establishing a JV.

AQ: 9 When creating an IJV, trust, commitment and congruent goals are highlighted as important factors in the relationship with a partner. They are essential for the relationship's success (E Silva and Oliveira, 2017). Maintaining good client relationships is likewise invaluable in increasing brand value and achieving goals of increased property portfolios: which are needed to become a market leader (Castañeda García *et al.*, 2018; Wang *et al.*, 2019).

In cooperation and networking, Li *et al.* (2006) examined the primary motivation for selecting JV partners from local and expatriate managers' perspectives. Factors relevant for JV hotels include strategic planning, willingness to share information and knowledge with local partners, support for strong financial performance and experience in marketing,

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planning and conducting market research. Moreover, innovations and financial factors were pivotal, especially from the perspective of hotel owners. Note that another highlight was the creation of marketing and promotional strategies through multiple media channels, such as by using online, offline and micro marketing media. Strategies should be inexpensive and effective platforms for marketing and advertising, thereby increasing hotels' competitiveness level in the marketplace (Paprocki, 2017; Stylos *et al.*, 2021).

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### *5.1 Theoretical implications*

The theoretical implications of this study are threefold. First, this study expands the literature on the use of technology in hospitality management, particularly on the application of technology for SMSHs in collaboration with emerging highly technologically dependent hotel management companies, such as VHOs. Second, the current research contributes to the body of literature on hospitality management by providing an overview of the role of hotel operators in cooperating with SMSH owners. The perspectives discuss hotel management agreements (HMAs), partnerships between owners and hotel operators and affiliations with the hotel industry through a 4.0 smart technology implementation. Third, this study finally provides perspectives from hotel owners on the contract agreements, the financial benefits obtained from the cooperation process and hotel management operations utilizing innovative technology. Smart innovation for hotels uses cutting-edge technologies to improve efficiency, reduce costs and enhance customer experience, including VHOs, automated check-in/check-out systems, digital keyless entry systems, artificial intelligence (AI) and chatbots. By leveraging these technologies, hotels can provide a better overall experience for their guests and increase operational efficiency.

### *5.2 Practical implications*

For hotel owners, a virtual hotel business can be used as a solution for service quality and marketing and promotion strategy in the current digital era. Moreover, hotel operators can determine CSFs from the owners' interests (i.e. providing expertise in the marketing process and promotion strategy and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should allocate budget for information systems and update their technology on their daily operations while maintaining the data management process. Findings will help VHO management determine the most significant CSFs to achieve their goals, measure performance and expand their business networks. In addition, this study will help inform the government to create policies on how SMSHs can be transformed into standardized accommodations. Accordingly, it will support local tourism, particularly in developing countries, such as Indonesia, India, the Philippines and Vietnam. Most accommodations are in the SMSH categories.

### *5.3 Limitations and future research*

For the number of participants, this study's sample size (nine properties) is still small compared with the total number of VHOs available globally. Another limitation is that the sample interview participants were only from VHO properties in Indonesia. With the limitation on domestic travel during the COVID-19 pandemic, the researcher cannot directly observe the conditions of hotels included in this study. Thus, future studies can be conducted and compared from such countries as China, India, Singapore, Thailand, the Philippines, the USA and Vietnam, where VHOs primarily operate. Future studies may also include participants who are hotel owners but have not joined or have ended their contract agreements with VHOs. Future scholarly attention could compare their perspective on VHOs and hotel management agreements.

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**Critical Success Factors for Virtual Hotel Operator Partnership with Small- and Medium-sized Hotels: Perspectives of Owners and Operators**

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# Critical Success Factors for Virtual Hotel Operator Partnership with Small- and Medium-sized Hotels: Perspectives of Owners and Operators

## ABSTRACT

**Purpose** – This paper identifies the critical success factors (CSFs) of virtual hotel operator (VHO) in using hotel management system partnerships with small- and medium-sized hotels (SMSHs).

**Design/methodology/approach** – This study uses a qualitative approach, with 25 semi-structured interviews with hotel owners and VHO management. Thematic analysis is used to determine themes to evaluate hotel owners and operators' perceptions.

**Findings** – CSFs for VHO partnership with SMSHs include marketing and promotion strategies, client relationships, training and human resources development, hotel operation management, innovation strategies, capital expenditures, and property management systems. VHOs also have a symbolic impact on their mutualistic relationship with SMSHs by increasing service and enhancing product competitiveness and profitability.

**Research limitations/implications** – Findings are beneficial for VHO in determining the most significant CSFs, thereby establishing additional metrics in business performance and increasing resilience in the accommodation sector. Further studies can measure the digital technology factors from VHO, including property management systems and mobile applications.

**Originality/value** – This study first identifies CSFs for VHO companies from the perspectives of hotel owners and management. This contribution adds to the literature on CSFs in the context of digital technology implementation in SMSHs. Moreover, implications are beneficial for VHO management in determining the most significant CSFs for companies to measure their business performance and increase resilience in the accommodation sector.

**Keywords:** Critical success factors; Hotel management partnership; Small-and medium-sizes hotels; Smart technology innovation; Virtual hotel operator

**Paper Type:** Research paper

## 1 Introduction

Technological growth in the travel and tourism sector has affected how the hotel business effectively connects customers and markets its products and services. Hotel smart technology is a term used to describe the use of technology in hotels to improve efficiency, reduce costs, and enhance customer experience (Buhalis et al. 2019). In a markedly competitive business era, small- and medium-sized hotels (SMSHs) should prioritize innovation in managing hotels by adopting digital technology strategies (Dieguez et al. 2022). SMSHs should allocate a budget for information systems to update their technology with their daily operations and maintain the data management process (Buhalis and Leung 2018; Yadegaridehkordi et al. 2018). Hotels not adapting to new market conditions and forming alliances will face operational shortcomings. Single properties also have limited opportunities to benefit from considerably extensive referral programs and international marketing campaigns, unlike those for chain and affiliated hotels (Ivanova and Rahimi 2016; Mohammad 2016). This technological growth (and performance gap) eventually led to the emergence of a new technology-based hospitality management business called virtual hotel operator (VHO).

VHO are a type of smart hotel management companies that utilizes software that can be used to manage and operate hotels. Virtual hotel operator use technology to create service/product, marketing, process, and organizational innovations (Wiastuti and

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2  
3 Susilowardhani 2017; Han et al. 2021; Elshaer and Marzouk 2022). These companies provide  
4 customers with an efficient and cost-effective way to book rooms and manage their stay. They  
5 also offer online booking, customer service support, housekeeping services, and mobile-based  
6 application for guests and their hotel partners. OYO and Reddoorz are examples of VHO  
7 providing their customers with an efficient, cost-effective way to book and manage their rooms.  
8 VHO accelerate the region's online travel ecosystem and provide solutions for hotel owners  
9 and customers looking for quality and price-standardized accommodation (Anandan et al.  
10 2016).

11  
12 VHO create more value for hotel owners and help them develop and transform their  
13 businesses through technology adoption, staff training, standard operation, interior design,  
14 marketing strategies, promotional materials, and customer service (Wiastruti and  
15 Susilowardhani 2017; Nugroho and Hati 2020; Prakarsa et al. 2020; Arreza 2022). This form  
16 of a co-evolutionary business system is characterized by relationships among technologies,  
17 institutions, and actors, including end-users or customers and communities throughout the  
18 entire network (Aarikka-Stenroos and Ritala 2017).

19  
20 However, the partnership between VHOs and SMSHs experiences specific challenges:  
21 most SMSHs involved lack any experience in using technology for hotel management systems,  
22 have low budget for innovation, and lack strategic vision, management expertise, and ability  
23 to utilize technology for their presence on online distribution channels (Smithson et al. 2011;  
24 Mohammad 2016; Yin et al. 2019; Fjellström et al. 2020).

25  
26 However, the most prominent issue is identifying and measuring critical success factors  
27 (CSFs) for VHO and SMSH partnership. As VHOs expand in the SMSHs market, VHO  
28 management should also be surveyed on how they operate, measures their performance, and  
29 maintain their partnership with hotels. However, empirical research on virtual hotel operators  
30 has remained scarce. Previous studies on VHOs have discussed the nature of their businesses  
31 (Sharma et al. 2017; Wiastruti and Susilowardhani 2017), customer perceptions of VHOs  
32 (Kurnia and Sulistiani 2019; Nugroho and Hati 2020), and technology application (Prakarsa et  
33 al. 2020). Only a few discussions have revealed the success factors that benefit the entire  
34 network and transform the SMSHs business (Arreza 2022). Previous studies have also failed  
35 to consider the critical role of VHO stakeholders (i.e., management and hotel partners).  
36 Ultimately, these gaps are what the current study seeks to fill in.

37  
38 The current study identifies critical factors contributing to the success of VHOs in  
39 partnership with SMSHs. Morrison and Thomas (1999) explained that SMSHs have a small  
40 business scope: they are self-managed by owners and financed by individuals or small groups.  
41 Most properties are owned and managed by those without previous hotel management  
42 backgrounds. Therefore, they struggle to maintain quality service standards and face many  
43 challenges, such as competition level, operational costs, technical and management skills,  
44 appropriate e-business solutions, and ownership of ICT equipment (Pine et al. 2000; Buhalis  
45 and Kaldis 2008).

46  
47 This study will contribute to the literature on technology use in hospitality management,  
48 particularly in the context of its adoption by SMSHs. These results ultimately enrich the  
49 available scholarly perspectives on hotel management agreements, partnerships between  
50 owners and operators, brand affiliations, and hotel operators. Hotel owners must understand  
51 their perspectives toward partnership with VHOs, collaboration between VHOs and SMSHs  
52 ushers future competition and consolidation. Subsequent sections will discuss the theoretical  
53 background of VHOs, CSFs, and methodology, results, and discussion. The final section  
54 provides the conclusion, theoretical and managerial implications, and recommendations for  
55 future research.  
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## 2 Literature review

### 2.1 VHOs

Since its first appearance in 2013, VHOs have constantly evolved as a new player in the hotel industry as an asset-light type of business. VHOs focus on developing business-to-business (B2B) partnerships with SMSHs, with companies continuing to expand and attract new investors (Wiastuti and Susilowardhani 2017; The Economic Times 2018; Russel 2019). Hotel owners partnering with VHOs adopt a management and franchise model. The two categories of this model are leases and franchises. Leases involve property owners buying brand franchises, managed directly by VHOs with royalty fees. Franchises involve owners cooperating with the rental scheme or revenue-sharing for rooms booked via VHO platforms. VHO management system includes various hotel management developments, such as technology adoption, staff training, standard operation, interior design, room decoration, standardized furniture, marketing strategies, promotional materials, and customer service through their customer and hotel owners' mobile applications.

Most VHOs provide hotel standards and guidelines that help management teams transform a property while calculating estimated costs and monitoring renovation processes (Oravel Stays 2018). Sharma et al. (2017) explained that eight stages are involved in the VHO hotel property listing process. First, the transformation process begins with business development managers identifying potential properties. Second, detailed audit and negotiation with hotel owners are involved. VHOs will share specific characteristics, such as quality assurance inspection. Third, hotel partners must meet the quality specifications set by the VHO management before a partnership agreement. Fourth, orientation and integration with VHO standardized facilities (e.g., hot showers, clean linen and towel, air conditioners, Wi-Fi, and in-room amenities) are conducted. Fifth, VHO business development managers prepare the transformation process, followed by VHOs providing capital expenditure to improve facilities and hotel buildings. Lastly, the final process involves hotel properties going live on VHO websites, mobile applications, and other distribution channels. After the transformation, operational teams maintain the standard and train hotel employees to use the property management system and managing daily hotel operations. Although VHOs offer various advantages in technology along with the standardization of hotel management, they remain in the development stage. Therefore, their CSFs should be identified.

### 2.2 CSFs for hotels

CSFs have become an essential concept concerning hotel goals and objectives in the hotel and accommodation sector. Brotherton and Shaw (1996) described CSFs as activities and processes supporting organizational goals. In turn, they should be actionable, controllable, and measurable. CSFs are also sector-specific—the implication is that focused research in a sector on CSFs should provide specific recommendations for businesses and entrepreneurs (Engelbrecht et al. 2014).

CSFs have become essential in hotel goals and objectives in the hotel and accommodation sector. With increasingly fierce competition and inevitable use of technology, companies need innovative strategies to achieve their goals (Avcikurt et al. 2011). Brotherton and Shaw (1996) explained that CSFs in hospitality services could be categorized on the bases of technical or human aspects. Technical and human aspects are considered integral to corporate culture, cooperation, management style, company performance, productivity, and business metrics in achieving company goals (Politis et al. 2009; Arasli 2012; Padilla-Meléndez and Garrido-Moreno 2014; Spencer and Van Zyl 2015; Yadegaridehkordi et al. 2018).

Diversification standards of the hotel business have also changed rapidly. However, the literature's insufficiency highlights the paucity of knowledge on CSFs related to VHOs and partnership with SMSHs. CSFs in hotel operations from the customer perspectives have also



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2  
3 been explored (Padilla-Meléndez and Garrido-Moreno 2014; Wang and Hung 2015; Fuentes-  
4 Medina et al. 2018; Lee et al. 2019), with some studies explicitly outlining the context of  
5 SMSHs (Avcikurt et al. 2011; Zhang et al. 2013; Wang and Hung 2015). However, only a few  
6 studies have discussed the concept of CSFs for VHOs. Most studies use a quantitative method  
7 approach (Avcikurt et al. 2011; Wang and Hung 2015; Ahmad and Arif 2016), which enables  
8 obtaining more participants. However, it cannot explore the respondents' views in a markedly  
9 in-depth manner.  
10  
11

### 12 *2.3 CSFs influencing joint ventures in the hospitality business*

13 Partner selection is a primary factor in achieving success in establishing joint ventures (JVs).  
14 International JVs (IJVs) are among the most common forms of market entry companies use for  
15 their internationalization processes. When creating IJVs, trust, commitment, and congruent  
16 goals are highlighted as important factors in relationships. They are essential for their success  
17 (e Silva and Oliveira 2017). Similarity in partners' corporate values and missions has become  
18 a significant impetus in developing competitive service strategies. This congruence is  
19 supported by building mutual trust, synergetic effects of using resources, strong financial  
20 background and equity sharing, and information exchange and knowledge sharing with local  
21 partners. Efficiency in strategic and marketing planning, experience in market research  
22 activities, and exceeding customers' expectations and needs are critical to these alliances'  
23 success (Li et al. 2006; Magnini 2008; Lee et al. 2013).  
24  
25

26 Cooperation between hotel businesses and affiliation with chain hotel brands create  
27 associations in customers through several strategies, such as assessing customer reviews,  
28 contacting the target market, offering benefits to members, and offering a corporate  
29 contract/rate for groups or companies (Resende et al. 2018). Negotiating and operating  
30 managed hotels are complex processes, in which owners and operators must agree on various  
31 issues. All parties involved must understand the agreement and the other partners' perception  
32 of it (van Ginneken et al. 2019). Contractor and Kundu (1998) identified five critical factors  
33 when choosing an international hotel alliance: economies of scale, firms' ability to exercise  
34 management control and maintain quality, need for size in global operation, reservation system,  
35 and investments in training.  
36  
37

38 Industry challenges include competitive pricing, better marketing and promotion methods,  
39 improved quality of facilities, enhanced service delivery, customer service by maintaining good  
40 customer relationships, improving the quality and variety of products offered (i.e., cleanliness,  
41 technology, facilities), and loyalty schemes used to retain customers (Ahmad and Arif 2016).  
42 Inter-relationship among hotel management companies and hotel owners should be based on  
43 cooperative relationships to overcome these limitations. Hence, business strategies adopted by  
44 SMSH owners include but not limited to strengthening the market position of small hotel  
45 businesses through various strategies, such as branding, product comparison, service  
46 technology, and themes that contribute to the overall image-building of a small hotel business.  
47 Factors associated with image building include hotel design, management philosophy,  
48 commitment to quality and consistency in service delivery, and use of smart technology  
49 innovation for increased competitiveness and business performance (Fredrick 2019; Lee and  
50 Lee 2020; Nunkoo et al. 2020; Dieguez et al. 2022).  
51  
52

53 The current study's literature review reveals three CSFs for hotels. The first is human and  
54 technical aspects, level of service quality, financial performance, and marketing (Brotherton  
55 and Shaw 1996; Avcikurt et al. 2011; Yadegaridehkordi et al. 2018). The second is customer  
56 relationship management (CRM), information and technology, knowledge management  
57 capability, customer orientation, and organizational readiness (Arasli 2012; Padilla-Meléndez  
58 and Garrido-Moreno 2014). The third is the physical environment, including the hotels' interior  
59 and exterior, leading to customer satisfaction (Yadegaridehkordi et al. 2018).  
60

Progress and opportunities abound when exploring CSFs in hotels. Yadegaridehkordi et al. (2018) proposed four aspects that influence the performance and growth of small hotels. The first is the organizational aspect, including top management support and financial performance. The second is human resources, which include employee preparation, education, service standardization, quality, and customer satisfaction. The third is environmental atmosphere, including hygiene and cleanliness, interior and exterior architecture, and location. Fourth is information and technology, encompassing firms' external and internal technologies and benchmarking with process and equipment standardization.

### 3 Methodology

#### 3.1 Research design

Exploratory research is needed to understand hotel owners' perspectives and VHOs' management on their partnerships to identify CSFs for VHOs. The qualitative approach is a "well-established approach to researching phenomena in the social sciences, and its emphasis is on empathetic understanding, especially regarding the 'how' and 'why' of tourism-related phenomena and experiences" (Dwyer et al. 2012, P.312). Purposive sampling was used to select relevant participants able to answer specific research purposes (Patton 2014). Given that the study focused on developing VHOs in Indonesia, the sampling focused on key participants from Indonesian VHO management and hotel owners. Participants were recruited via different procedures prior to the fieldwork. First, VHO management was invited based on the company's affiliation accounts on the social network platform LinkedIn; the platform "connects professionals in various fields and, therefore, provides greater ability to target data collection to an appropriate social network" (Dusek et al. 2015, P.282).

According to BPS Statistic Indonesia (2018) and Euromonitor International (2018), over 28,230 places of accommodation have been registered across Indonesia. However, most of these places (88.25%) are not considered SMSHs, and there is still a significant need to standardize SMSH hotel supply in Indonesia. SMSH properties can be classified as one-, two-, and three-star hotels, along with non-star accommodations, such as guest houses and homestays. Chosen properties had no more than 100 rooms, had 10–49 employees engaged in operations, and controlled and funded by an individual or a small group (Middleton 1998; Morrison and Thomas 1999; Ahmad and Arif 2016).

Semi-structured interviews with open-ended questions were employed to meet the research objectives. Altinay et al., (2015) explained that these interviews enable participants to explain their point of view, seek new perspectives, find general trends, and understand the relationships of variables in research. Personal invitations based on the SMSH category identified herein were used to recruit hotel owners' participants. SMSHs are classified as non-star and independently operated hotels, unaffiliated with local or international hotel chains. A total of 156 research invitations were sent to potential VHO management level. Their profiles were categorized into three groups: CEO/founder/co-founder (6 profiles), executive management positions (74 profiles), and middle range management positions (76 profiles). These people had been hired and worked for VHOs. They had been with VHO companies from six months to seven years. Participants came from various first-tier cities in Indonesia (where most VHO properties are located). A total of 16 (3.84%) VHO management representative were willing to be interviewed. Kwortnik (2003) explained that the minimum number of research samples suitable for qualitative research projects is 12. Therefore, this study has reached the criteria mentioned.

**Table 1.**  
Profile of participants

VHO Management			
IDs	Positions	Years of experience	
M1	Assistant general manager	12 years	
M2	E-commerce executives	4 years	
M3	Hotel operation manager	7 years	
M4	Regional head	14 years	
M5	Human resources business partner	11 years	
M6	Senior hotel operations manager	18 years	
M7	Country manager for hotel operations	15 years	
M8	Hotel consultant	13 years	
M9	Business development manager	10 years	
M10	Operations manager	4 years	
M11	Head of business development	9 years	
M12	Head of business development	11 years	
M13	Head of operation excellence	6 years	
M14	Senior business development manager	8 years	
M15	Assistant general manager	13 years	
M16	Regional corporate sales manager	10 Years	

  

Hotel Owners			
IDs	Occupations	Types of accommodation	Years of partnership with VHO
O1	Banker	Guest house	One year
O2	Information technology (IT)	Homestay	Five years
O3	Hotel manager	One-star hotel	Four years
O4	Social entrepreneur	Two-star hotel	Four years
		Three-star hotel	One year
O5	Human resource manager	Three-star hotel	One year
O6	Contractor	Two-star hotel	Three years
O7	Wedding organizer	Guest House	Two years
O8	Retail	Two-star hotel	Two years
O9	Catering business	One-star hotel	Three years

The interviews focused on the participants' experiences, VHO goals and characteristics, and critical factors for VHO success from management and hotel owners. They were conducted from June to August 2020. Owing to the COVID-19 pandemic, most were held using online meeting platforms (e.g., Zoom meetings, Google meet). All the participants' identities in this study remain anonymous. A total of 16 participants represented four VHO companies that operated in Indonesia: Airy Rooms, OYO rooms, Reddoorz, and Zen Rooms. These VHO companies represent one of Asia's most rapidly expanding types of hospitality management, in which an enormous number of SMSHs operate. Its core idea is to transform SMSHs and ensure customers' safety and comfort by unifying them under their brand name. Meanwhile, nine represented hotel owners (Table 1). Respondents' job descriptions in VHOs are connected to hotel operations, business development, transformation, marketing, and human resources.

VHO participants' experiences ranged from 4 to 18 years of working experience in various fields (e.g., hotels, resorts, cruise ships or restaurants). Specialties varied from hospitality backgrounds, such as hotel operations, e-commerce, customer services, revenue management,

1  
2  
3 sales and marketing, event management, pre-opening, and procurement. By contrast, six other  
4 managers came from non-hospitality backgrounds, such as banking, insurance, consumer  
5 goods, retail/sales, and human resources.

6  
7 Nine hotel owners were interviewed. Hotel owners' educational backgrounds were unrelated  
8 to hospitality, including management, economics, IT, and psychology. Most hotel owners were  
9 inexperienced in the hospitality industry: their experiences and specialties were remarkably  
10 diverse. For example, some were wedding organizers, caterers, social entrepreneurs,  
11 salespersons, and contractors. Only one participant had experience in managing his/her  
12 family's hotel business. Accommodation types ranged from the homestay, guest houses, and  
13 one- to three-star hotels. The partnership agreement between hotel owners and VHOs lasted  
14 one to five years. The diversity of the participants in this study ultimately helped the  
15 comprehensiveness and diversity of information from the participants' perspectives.  
16  
17

### 18 *3.2 Data analysis*

19 From the results of the interview researchers invited the respondents to verify the findings to  
20 improve credibility. The interviewer asked for the participant's prior and informed consent to  
21 be recorded for data collection. Recorded data were translated and copied (transcription). Each  
22 participant was given a copy of the interview transcript to review data accuracy. Interviewees  
23 agreed and signed the interview protocol and consent form. Thereafter, all participants signed  
24 and returned the member-checking consent form to the researcher.  
25

26 Recorded interviews were immediately transcribed, lasting an average of 49 minutes per  
27 participant. ATLAS.ti (version 8), a qualitative data analysis software, was used to analyze the  
28 coding. Thematic analysis searched for commonalities and themes describing the data (Clarke  
29 and Braun 2017). A theme can be interpreted as an affirmation that creates meaning or a  
30 statement of meaning. Meanings were also obtained from interviews and were formulated by  
31 the researcher.  
32

33 The current study considered three aspects for reliability (Creswell and Creswell (2017)).  
34 The first aspect is triangulation data from multiple sources of participants in the interviews.  
35 This study conducted interviews with two groups of participants: hotel owners and VHO  
36 management. Secondary data reports, online travel trends, hotel statistics, and articles on VHOs  
37 were used to complete the current research analysis. Hence, this study's validity and reliability  
38 were based on data sources.  
39

40 The second aspect is member checking. Throughout the analysis process, participants  
41 would check their responses through ongoing dialogue on interpretations based on the  
42 informant's checking to ensure the actual meanings of their responses. Member checking  
43 ensures accurate interpretations (Savin-Baden and Major 2010), involving the participant or  
44 information provider being reconfronted with the interview data. Thereafter, the interviewer  
45 would check with the participants to confirm their responses by sending verbatim transcripts.  
46 Member-checking consent forms were sent to the participants via email and WhatsApp for  
47 faster response.  
48

49 The third aspect is validity. Each participant was given a copy of the interview transcript  
50 to review data accuracy. Thereafter, the researchers invited the respondents to verify these  
51 findings to improve credibility. The participants were asked to read and correct the summary  
52 of the researcher's interview results, with participants signing the member checking consent  
53 form if they saw the data as valid.  
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## 57 **4 Results and discussion**

### 58 *4.1 Partnership factors*

59 Client relationship is the most critical factor in the success of VHOs. VHOs, as light assets  
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2  
3 companies, maintain their property partners to sustain and expand businesses. Hence, VHO  
4 partnerships with hotel owners are based on three aspects. The first aspect is the visibility of  
5 contract agreements. The second aspect is that VHOs provide a support center for day-to-day  
6 operation problems and related issues for hotel owners, customers, and vendors. The third  
7 aspect is VHOs managing owners' expectations for long-lasting benefits of the partnerships  
8 (i.e., manifesting as increased revenues, occupancy rate, and average room rates). One of the  
9 VHO heads of business developments agreed with this view:

11 "We are not selling goods but building partnerships; therefore, we keep interpersonal relationships  
12 with hotel owners. We meet distinctive characteristics. We speak of culture, meaning everyone has  
13 a different outlook on how the business works." (M11)

15 As technology-based hotel operators, VHOs rely on partnerships with hotel owners.  
16 Therefore, VHOs offer three contract agreements. The first agreement is full revenue sharing  
17 (i.e., VHOs share revenues at an agreed percentage). Contract agreements between VHOs and  
18 hotel owners include guidelines on managing hotel operations, reaching the standards outlined  
19 by VHOs, and hotel owners' revenue targets. The second agreement is the use of a minimum  
20 monthly guarantee. The third agreement is a self-operating business model akin to lease-type  
21 management. Agreements with VHOs are designed to reduce the risk factors and hotel owners'  
22 value of investments. For example, one interviewee highlighted the mutually beneficial  
23 agreements and commitments:

26 "We invest funds or transformational capital expenditure to the property partner if they do not have  
27 enough capital to meet our facilities' standards. Hence, we help them through investment without  
28 return within the contract period." (M11)

30 "One of the advantages of partnering with VHO is that they provide a fixed monthly deposit  
31 according to the initial agreement, which helps us. Suppose we are looking at the capacity of our  
32 hotel right now below 50%, with the security deposit. In that case, we can cover operational costs."  
33 (O1)

35 Interviewees also mentioned that the expansion process should be consistent to increase  
36 revenue and profits for companies and their partners. Ultimately, the objective of partnerships  
37 with hotel owners is to maintain sustainability and commitment together:

39 "We want our property partners to achieve their targeted revenue and business sustainability. This  
40 means financial, products, and services consistency and a long-lasting partnership." (M6)

42 Evidently, one emerging factor is the adaptation to local culture. VHO management and  
43 hotel owners were concerned with the varying conditions of SMSH operations. Most  
44 participants asserted that the educational background of employees and owners and  
45 technological adaptation in hotels are still low. Therefore, VHO should adapt to the condition,  
46 as mentioned by one of the hotel owners:

48 "Because VHOs typically have standard operating procedures that are globally acceptable, this  
49 start-up company should adapt to the condition of our people and our culture." (O1)

51 The business development division's main objectives are acquiring hotel properties and  
52 maintaining relationships with hotel owners.

54 "Business development is the one that initially acquired the property. For example, suppose the  
55 hotel property owners want to join. In that case, business development will explain the terms and  
56 conditions, and they will acquire the property through an agreement that has been agreed to by the  
57 hotel property owner." (M5)

58 As a hotel management company, VHOs should adapt and adjust their approach to  
59 maintaining communication and agreement with hotel property owners. Therefore, they should

1  
2  
3 keep a mutually beneficial agreement, focus on commitment, and continuously improve as part  
4 of excellent business in the hospitality field. These results coincide with previous studies on  
5 understanding customer orientation relationships (Padilla-Meléndez and Garrido-Moreno  
6 2014).  
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#### 9 10 *4.2 Marketing factors*

11 While segmenting the market, VHO management conducts a comprehensive market survey  
12 assessment process. From the interview results, VHO management and hotel owners frequently  
13 mentioned such factors as marketing strategies, market segmentation, pricing strategy,  
14 branding, promotion, and distribution channel. Findings reveal that the weak position of small  
15 hotels in the market could be circumvented through VHO marketing and promotion strategies.  
16

17 “The VHO creates the marketing and promotion strategy for us. Previously, we had limited  
18 marketing channels; we only sold our rooms on several property listing platforms. After the  
19 partnership agreement, the VHO improved our online and offline presence.” (O7)

20 “We informed the owners of essential data about market intelligence, market surveys, and pricing  
21 strategies. We can decide the price level following market needs.” (M7)  
22

23 Consistent with the extant research, the importance of strategic marketing planning in JV  
24 hotels relates to joint advertising, pricing, promotion, and market research activities (Li et al.  
25 2006). Another found that VHO management and hotel owners also conveyed the importance  
26 of branding for sales and pricing strategy. Property owners will automatically join their  
27 branding when they agree to partner with VHOs. From the perspective of management, brand  
28 image is currently an essential aspect of VHOs’ success; interviewees further explain this:  
29

30 “Better branding can be achieved by selling more exposure. For example, outdoor neon boxes with  
31 the VHO logo and property name are helpful for branding.” (M12)  
32

33 The findings coincide with the argument of Hua et al. (2009) on how brand equity increases  
34 customer intention to purchase hotel products. Hotels reach a considerably broad audience  
35 through responsive platforms, increase distribution, and build branding and operational  
36 efficiency. An effective way is maximizing online media marketing channels, in which mobile  
37 applications become a key strategy to bring customers close to the hotel chain. The VHO  
38 mobile application enables customers to book rooms with three taps on their smartphones  
39 easily. Strategic partnerships with online travel agents (OTAs) also enable hotel owners to  
40 reach a broad consumer market (Yin et al. 2019).  
41

42 “The difference is in terms of operation. For example, in conventional hotels, the booking process  
43 until the check-in process requires an exhausting process. However, at VHO, the booking process  
44 is much simpler—using a mobile application makes everything much easier and more comfortable.”  
45 (M8)  
46  
47  
48

49 Previous studies have discussed that the importance of online and digital distribution  
50 channels for budget hotels is the ability to market their properties via multi-channel strategies  
51 (Law et al. 2015; Lei et al. 2019). Leveraging dynamic marketing capabilities through online  
52 distribution plays a critical role in developing SMSHs’ competitive advantage (Beritelli and  
53 Schegg 2016; Elsharnouby and Elbanna 2021)  
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**Table 2.**  
CSFs for VHO partnerships with SMSHs

Salient Themes	Sub Themes	Key Insights
Partnership factors	<ul style="list-style-type: none"> <li>● Client relationship</li> <li>● Contract agreement</li> <li>● Constant improvement</li> <li>● Adaptation to local culture</li> <li>● Business development</li> </ul>	The negotiation process and policies on the business expansion of VHOs in the SMSH sector. The partnership between both parties maintains the sustainability of the VHO business model and their commitment to the contract agreement.
Marketing factors	<ul style="list-style-type: none"> <li>● Marketing and promotion strategies</li> <li>● Market segment</li> <li>● Pricing strategy</li> <li>● Branding</li> <li>● Distribution channel</li> </ul>	Marketing is part of functional CSFs, in which several categories are assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence.
Technical factors	<ul style="list-style-type: none"> <li>● Hotel operation management</li> <li>● Accessing and monitoring customer satisfaction</li> <li>● Standardization</li> <li>● Transformation</li> <li>● Professionalism</li> </ul>	Managing hotel operations and the standard is associated with applying technology to reach the VHO goals and hotel owners' revenue targets.
Financial factors	<ul style="list-style-type: none"> <li>● Capital expenditure</li> <li>● Investor and capital sources</li> <li>● Profitability</li> <li>● Monthly guarantee</li> <li>● Revenue</li> </ul>	Financial factors are important in measuring revenue and profitability.
Strategic management factors	<ul style="list-style-type: none"> <li>● Innovation strategy</li> <li>● Hotel network size and coverage</li> <li>● Audit quality</li> </ul>	Strategic management is related to innovation strategy and perceived as the most critical factor for small hotel businesses.
Human factors	<ul style="list-style-type: none"> <li>● Training</li> <li>● Team commitment</li> <li>● Staff recruitment and selection</li> <li>● Employee rewards and benefits</li> </ul>	VHO management and hotel owner participants agree that the human factor is crucial in improving the standard and service of VHO, primarily due to training.
Technology factors	<ul style="list-style-type: none"> <li>● Property management system</li> <li>● Central reservation system accuracy and efficiency</li> </ul>	VHOs rely on technology-based solutions and features. They use efficient, accurate, consistent property management, and centralized booking and reservation systems.

#### 4.3 Technical factors

VHO management and hotel owners discuss technical aspects, such as hotel operation management, access and monitoring customer satisfaction, standardization, property transformation, and staff professionalism. Before joining VHOs, hotel partners must undergo a transformation process that ensures that hotel services, the system, management, and staff will meet the VHO standard:

“We must transform owner property: it is very crucial to transforming. Everyone engages in the process and convinces owners to share the same perspective.” (M7)

From interviews with hotel property owners, hotel operation management factors and assessing and monitoring customer satisfaction are crucial regarding technical CSFs. Participants are concerned with the continuity of the day-to-day hotel operations, which they describe as a follow:

“The VHO helps owners manage hotels regarding administration, services, and product standardization. We will implement an operational standard for all accommodations that do not have a star category. For this, we need people with diverse backgrounds who are specialists in areas such as the front office, housekeeping, food, and beverages, including the banquet. We also need people who are strong in accounting.” (M7)

“Operational managers in each active region will manage and monitor hotel properties. From personal experience, the owner feels comfortable with the operational manager. They can ask about hotel operations. We also often discuss and share knowledge about hotel management, it will help in the future relationship with owners, and there is an exchange of ideas.” (M15)

“As a digital hospitality company and hotel aggregator, we offer economical and more affordable accommodation and are concerned about the quality of our services. Therefore, we should offer a balance between the two aspects (affordable and quality services).” (M12)

The physical product and service quality of SMSH operation are crucial (Hua et al. 2009; Zhang et al. 2013). Customer orientation is also crucial for the hotel business (Padilla-Meléndez and Garrido-Moreno 2014) to enhance service quality, deliver superior customer service, and total quality management (Wang et al. 2012; Ahmad and Arif 2016).

The hotel industry is a service sector that highly depends on human aspects. Following Brotherton and Shaw (1996) in the three-dimensional hotel operations model, technical aspects determine the efficiency and economy scale for the successful delivery of hospitality goods and operations. Standardization and quality of the services system should be adopted to predict and control output activities (Ivanova and Rahimi 2016): the higher the hotel network’s intangible assets (including their standards, facilities, and services), the better they can command presence in the customer psyche (Andreu et al. 2017). Thereafter, VHOs conduct an evaluation process on how hotels obtain a satisfactory level of guest assessment:

“We measure the customer satisfaction index (CSI) and develop a net promoter score (NPS) to measure guest satisfaction.” (M7)

CSI is developed from customers’ ratings of their likelihood to recommend VHO products and services to others on a scale of 0 (lowest) to 10 (highest). Hotel owners also explained that these factors are significant for their businesses. VHO management ensures that guests are satisfied and evaluate actions to maintain the quality standard. Moreover, customer satisfaction leads to a positive financial performance, in which financial figures are essential for further adjustment and corrective action (Zhang et al. 2013; Augustyn et al. 2021).



#### 4.4 Financial factors

Owners expressed the current difficulty in obtaining bank loans for their needs. With the cooperation of VHOs, hotel owners now have finances in the form of capital expenditure along with a monthly income guarantee. Capital expenditure becomes an attractive factor for hotel owners. VHOs invest in their partners by supplying capital investment assistance and a monthly income guarantee. For property owners, capital expenditure has become a significant factor in the development process:

“What is significant is the contract agreement because it provides business capital and other investment facilities.” (M5)

Financial support is crucial for hotel JV collaborations (Li et al. 2006; Ge et al. 2018). The financial performance factor in hotels can be measured by the rate of return on investment, income, costs incurred for operations, and company profitability (Avcikurt et al. 2011; Padilla-Meléndez and Garrido-Moreno 2014).

#### 4.5 Strategic management factors

Strategic management is related to innovation strategy and is perceived as the most critical factor for hospitality businesses (Stylos et al. 2021; Dieguez et al. 2022). Strategic management involves executive management determining strategy and objectives to achieve goals (Geller 1985). Strategy and objectives will give better and more precise guidance to solve problems and measure operational success following organizational goals. Thus, this situation demonstrates the importance of establishing shared values and launching goals and systems to increase customer satisfaction (Arasli 2012). One interviewee mentioned the increasing number of users in the VHO application as an opportunity to receive more value from customers and increase the chance of getting more investment. The VHO management also highlights this:

“From the next one to two years, we are constantly innovating. We must continue to demand innovative ideas every day, ones that are out of the box and all kinds; it has become part of our corporate culture.” (M16)

Innovative technology should be based on market research to respond to market needs and demands, as mentioned by the management of a VHO:

“We do marketing based on research to the standards that we set. The products we offer should meet the category of value for money.” (M6)

The next factor is related to the size and coverage of the hotel network. Geographical coverage is vital for hotels: such a coverage helps in the success of hotel operations and development (Brotherton 2004a; Hua et al. 2009). A larger hotel scale size and coverage of hotel networks are also critical. For VHOs, the number of existing properties and personnel in one country helps in the effective selling and monitoring process:

“Of course, we have one competitive advantage in the network. We have the most expansive network. The advantage lies in our capacity to sell properties in every city, even in other countries abroad, regarding networking, standardization, and the number of personnel. We have all the support needed in every region or hub for our operations.” (M11)

Another factor is related to how VHOs enhance the quality of services. It is a crucial strategy employed by hotel owners or managers in SMSHs to face business challenges (Ahmad and Arif 2016). Implementing quality audits through VHO management by placing its personnel to monitor the operations of property hotel partners has increased customer confidence in using accommodation provided by VHOs. A quality audit guarantees that the products and services they provide meet a minimum standard despite having differentiated

properties managed by VHOs. The strategy to ensure quality assurance in hotel operational management can be carried out through standard operating procedures, regulations, and, most importantly, the human factor and the organization (Fredrick 2019; Elsharnouby and Elbanna 2021).

#### 4.6 Human factors

Training is part of CSFs for VHOs, as mentioned by most participants. It aims to provide standard operational management and increase customer satisfaction with VHOs' products and services. The lack of skilled employees in customer service becomes a challenging issue for SMSHs. Thus, standard hotel operation management for all VHO properties can be improved by conducting training and coaching. Two interviewees mentioned:

"First is an improvement; we then also built educational training for hospitality." (M3)

"The VHO thinks about the employee's development, and the hotel owners as well." (M11)

Owners agree that VHOs could develop hotel operation human resources. VHOs change product knowledge and the ability to upgrade the technology used by the hotel staff to help operations. Owners feel improvement in knowledge transfer during the in-house training process. Most owners agree that VHOs continually innovate and develop technologies related to property management systems, hardware, and mobile application. Therefore, training is for employees and owners. One owner stated:

"Our company is successful because we think about our employees' development. However, the training is not only for employees but also for the owners. We meet with the owners and mentor them on managing the hotel." (M7)

The finding supports Ahmad and Arif (2016), which posited that training increases business success in the SMSH sector. Training for employees improves customer service (Hua et al. 2009). From the characteristics of company owners, top-level management is needed to overcome the challenges in such a dynamic business climate. The need for an innovative and sound strategy should be supported by quality leadership team commitment. Increasing team commitment is vital to achieving organizational goals. Organizations' process management is essential to teamwork and strategic plans (Yadegaridehkordi et al. 2018). VHOs also consider employee welfare aspects owing to work-life balance. Accordingly, employee rewards emerged as one of CSFs for VHOs. As previously mentioned by one VHO management participant:

"Company performance and targets are balanced with our reasonable compensation and rewards." (M14)

#### 4.7 Technology factors

VHOs are hospitality management companies that utilize technological developments to maximize and empower local accommodation offerings. Only two CSFs in technology factors were found herein: property management system (PMS) and accuracy and efficiency of the central reservation system.

"We are a start-up company that relies on technology. Our system keeps improving by getting insights from our hotel operation team, although we already have a software engineering team. The improvement comes in more user-friendly PMS for the employee and owners. This technology was beneficial since hotels did not need large folio books and dealt with a large margin of errors and time-consuming paperwork. With this PMS, business processes for the hotel property have run more efficiently." (M7)

The use of data science and analytics to enhance the guest experience has become crucial to operations. Systems are transparently accessed in real-time to improve efficiency in time and funding. Moreover, using technology creates a more comfortable booking experience for guests, in which consumers go online and make travel-related purchases using online platforms.

“What makes VHO different is promotions on the website and online travel agents, which will impact small hotel property partners. When they join us, we will help their property become more profitable by improving their online platform appearance.” (M15)

Websites and mobile applications will reach a broader audience, increase distribution, and improve branding and operational efficiency. Mobile applications enable customers to book rooms with just three taps of their smartphones. The concept is simple because it provides three steps for booking: visit the website/mobile application, choose a location, and find the hotel that fits the tourists’ requirements. This outcome supports theories that note the importance of a central reservation system in SMSHs and the budget hotel sector (Brotherton 2004a; Hua et al. 2009; Avcikurt et al. 2011).

“SMSHs partners will also get hotel management system applications that are beneficial to the owner in the process of checking and performance of their properties every day through a device they have.” (M11)

#### *4.8 CSFs for VHOs*

Seven themes were conveyed by the management and hotel owners, with five themes being consistent with the extant studies: strategic management, human, technical, marketing, and technology factors. Meanwhile, the interviews discovered two new themes: financial and partnership factors.

In the current study, the partnership factors received the highest weight among other CSFs. VHOs, as light asset companies, must maintain their property partners to sustain and expand the business. The relationship between VHOs and clients, such as commitment, delivering information, communication, and troubleshooting, is part of VHOs’ goals to maintain partnerships with hotel owners. These findings extend the literature on customer orientation relationships (Padilla-Meléndez and Garrido-Moreno 2014). However, the partnership between VHOs and non-classified hotels continues to face challenges. Unclassified hotels have no experience using technology and managing standardized hotel management systems. The transformation process to become a markedly reliable accommodation prioritizing quality and providing a pleasant stay experience supports the findings of Arasli (2012).

Hotel businesses need marketing strategies to maximize revenue and increase occupancy rates. Marketing factors are the second most mentioned herein. Management and owners have the same perspective, mentioning five factors: marketing and promotion strategies, market segmentation, pricing strategy, branding, and distribution channel. The importance of strategic marketing planning in JV hotels is connected to joint advertising activities, pricing strategy, promotion activities, and market research activities, as previously mentioned by Li et al. (2006). Marketing and sales are part of functional CSFs, in which several categories are assessed: effectiveness of advertising, market intelligence, customer database, and competitor intelligence (Brotherton et al. 2003; Brotherton 2004b). The emergence of VHOs on various social media platforms is also beneficial—the use of the Internet as a marketing medium, as explained in the literature, impacts the promotion of the business. The use of websites as promotional media and customers being part of the promotional activities by VHOs are supported by Ahmad and Arif (2016) and Arasli (2012).

The third aspect is technical, such as hotel operation management, standardization,

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2  
3 transformation, and personnel professionalism. Participants are concerned with the continuity  
4 of day-to-day hotel operations. Brotherton and Shaw (1996) outlined a centralized reservation  
5 system that is efficient, accurate, and consistent in the quality of the products and facilities  
6 offered; this result is relevant to the current study's findings on using PMS and standardizing  
7 hotel operations by VHOs, including the importance of accessing and monitoring customer  
8 satisfaction. Customer satisfaction leads to a positive financial performance, in which financial  
9 figures reflect the needed further adjustment and corrective action (Zhang et al., 2013). Thus,  
10 customer-related measures and customer orientation in customer relationship management  
11 implementation are key factors for hotel success (Padilla-Meléndez & Garrido-Moreno, 2014).

12  
13 The fourth aspect is the financial aspect. Financial support is crucial for hotels' JV  
14 collaborations (Li et al., 2006). VHOs invest in their partner/s by supplying capital investment  
15 assistance, including capital expenditure and sources. One stated:

16  
17 "It is difficult to get bank loans for hotel business needs. With the cooperation of VHOs, hotel  
18 owners now have finance in the form of capital expenditure and a monthly income guarantee."  
19 (O3)

20  
21 The increase in revenue and profitability should be measured, which is one of VHOs'  
22 goals. From the literature on hotel CSFs, the financial performance factor is the revenue, rate  
23 of return on investment, income, costs incurred for operational activities, and the company's  
24 profitability (Avcikurt et al., 2011; Padilla-Meléndez & Garrido-Moreno, 2014).

25  
26 The fifth aspect is strategic management. This study revealed that innovation strategy is  
27 perceived as the most important factor for a small hotel businesses. In the digital era,  
28 conventional SMSHs should transform their businesses to adapt to the technology and  
29 continuously innovate. Another critical factor is the size and coverage of the hotel network: a  
30 larger hotel scale size and coverage of the hotel network are also critical. Geographical  
31 coverage is important for hotels because it helps in the success of hotel operations and  
32 development (Brotherton, 2004a; Hua et al., 2009). The next most important factor is the  
33 implementation of quality audit by VHO management by placing its personnel to monitor the  
34 operations of property hotel partners. The practice increases customer confidence in using  
35 accommodations provided by VHOs, guaranteeing that the products and services they provide  
36 meet a minimum standard despite having differentiated properties managed by VHOs. Several  
37 initiatives include training, team commitment, staff recruitment, and employee incentives.

38  
39 In the sixth aspect, VHO management and hotel owner participants agreed that the human  
40 factor is also crucial in improving the standards and services of VHOs. Therefore, the human  
41 aspect is crucial for all operational aspects of the hotel business (Brotherton & Shaw, 1996).  
42 Organizational productivity related to staff recruitment by finding the right people in an  
43 organizational structure's proper position, coupled with team commitment, is pivotal for  
44 business success. Otherwise, lacking skilled employees to handle customers becomes a  
45 challenging firm issue (Ahmad & Arif, 2016).

46  
47 The last aspect of technology was found herein, namely, PMS, which presents information  
48 transparently and is used to improve efficiency in both time and funding. The second is the  
49 accuracy and efficiency of the central reservation system. Findings support previous studies on  
50 using a property management system (Sharma et al., 2017; Wiastuti and Susilowardhani,  
51 2017).

## 52 53 54 55 **5 Conclusions**

56 This study revealed seven themes of CSFs for VHOs and SMSHs, as conveyed by the  
57 management and hotel owner participants during the interviews: five themes were based on the  
58 literature review (i.e., strategic management, human, technical, marketing, and technology  
59 factors), while two new themes were discovered from the interviews (i.e., financial and  
60

partnership factors). From the VHO management perspective, the most critical factor for VHOs is the technical aspect, including standardization, transformation, quality assurance, and professionalism. From the owners' perspective, financial aspects were the most critical factors for VHOs, particularly on the monthly guarantee. The owners also explained that the technology aspect has helped them manage their hotel property through the PMS and central reservation systems. Clients' relationship was also found to be crucial from the perspectives of both VHO management and hotel owners.

Hotel owners and VHO management has enabled the confirmation and refinement of the new CSFs framework for VHOs, serving as a foundation for the concepts and characteristics of VHOs. This study's results show that the most CSFs for VHOs is the partnership factor. Partner selection is also a primary factor for success in establishing a joint venture. When creating an IJV, trust, commitment, and congruent goals are highlighted as important factors in the relationship with a partner. They are essential for the relationship's success (e Silva and Oliveira 2017). Maintaining good client relationships is likewise invaluable in increasing brand value and achieving goals of increased property portfolios: which are needed to become a market leader (Castañeda García et al. 2018; Wang et al. 2019).

In cooperation and networking, Li et al. (2006) examined the primary motivation for selecting JV partners from local and expatriate managers' perspectives. Factors relevant for JV hotels include strategic planning, willingness to share information and knowledge with local partners, support for strong financial performance, and experience in marketing, planning, and conducting market research. Moreover, innovations and financial factors were pivotal, especially from the perspective of hotel owners. Note that another highlight was the creation of marketing and promotional strategies through multiple media channels, such as by using online, offline, and micro marketing media. Strategies should be inexpensive and effective platforms for marketing and advertising, thereby increasing hotels' competitiveness level in the marketplace (Paprocki 2017; Stylos et al. 2021).

### 5.1 Theoretical implications

The theoretical implications of this study are threefold. First, this study expands the literature on the use of technology in hospitality management, particularly on the application of technology for SMSHs in collaboration with emerging highly technologically dependent hotel management companies, such as VHOs. Second, the current research contributes to the body of literature on hospitality management by providing an overview of the role of hotel operators in cooperating with SMSH owners. The perspectives discuss hotel management agreements (HMAs), partnerships between owners and hotel operators, and affiliations with the hotel industry through a 4.0 smart technology implementation. Third, this study finally provides perspectives from hotel owners on the contract agreements, the financial benefits obtained from the cooperation process, and hotel management operations utilizing innovative technology. Smart innovation for hotels uses cutting-edge technologies to improve efficiency, reduce costs, and enhance customer experience, including VHOs, automated check-in/check-out systems, digital keyless entry systems, artificial intelligence (AI), and chatbots. By leveraging these technologies, hotels can provide a better overall experience for their guests and increase operational efficiency.

### 5.2 Practical implications

For hotel owners, a virtual hotel business can be used as a solution for service quality and marketing and promotion strategy in the current digital era. Moreover, hotel operators can determine CSFs from the owners' interests (i.e., providing expertise in the marketing process and promotion strategy and implementing standards and training for hotel operations by prioritizing aspects of digital technology). Hotel management should allocate budget for

information systems and update their technology on their daily operations while maintaining the data management process. Findings will help VHO management determine the most significant CSFs to achieve their goals, measure performance, and expand their business networks. In addition, this study will help inform the government to create policies on how SMSHs can be transformed into standardized accommodations. Accordingly, it will support local tourism, particularly in developing countries, such as Indonesia, India, the Philippines, and Vietnam. Most accommodations are in the SMSH categories.

### 5.3 Limitations and Future Research

For the number of participants, this study's sample size (nine properties) is still small compared with the total number of VHOs available globally. Another limitation is that the sample interview participants were only from VHO properties in Indonesia. With the limitation on domestic travel during the COVID-19 pandemic, the researcher cannot directly observe the conditions of hotels included in this study. Thus, future studies can be conducted and compared from such countries as China, India, Singapore, Thailand, the Philippines, the US, and Vietnam, where VHOs primarily operate. Future studies may also include participants who are hotel owners but have not joined or have ended their contract agreements with VHOs. Future scholarly attention could compare their perspective on VHOs and hotel management agreements.

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# Manuscripts with Decisions

## Revised

EIC: Not Assigned  
AE: Not Assigned  
SE: Not Assigned  
GE: Stylos, Nikolaos  
EA: Okumus, Fevzi

Accept (09-Apr-2023)

[view decision letter](#)

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JHTI-06-2022-0244.R5

Critical Success Factors for Virtual Hotel Operator Partnership with Small- and Medium-sized Hotels:  
Perspectives of Owners and Operators

06-Apr-2023

09-Apr-2023

a revision has been submitted (JHTI-06-2022-0244.R5)

EIC: Not Assigned  
AE: Not Assigned  
SE: Not Assigned  
GE: Stylos, Nikolaos  
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Minor Revision (22-Mar-2023)

a revision has been submitted

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JHTI-06-2022-0244.R4

Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels:

The Perspective of Owners and Operators

[View Submission](#)

19-Mar-2023

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a revision has been submitted (JHTI-06-2022-0244.R4)

EIC: Not Assigned

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GE: Stylos, Nikolaos

EA: Okumus, Fevzi



Major Revision (20-Jan-2023)



a revision has been submitted

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JHTI-06-2022-0244.R3

Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels:  
The Perspective of Owners and Operators

[View Submission](#)

28-Nov-2022

20-Jan-2023

a revision has been submitted (JHTI-06-2022-0244.R3)

EIC: Not Assigned

AE: Not Assigned

SE: Not Assigned

GE: Stylos, Nikolaos

EA: Okumus, Fevzi



Minor Revision (23-Nov-2022)

a revision has been submitted

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JHTI-06-2022-0244.R2

Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators

[View Submission](#)

19-Nov-2022

23-Nov-2022

a revision has been submitted (JHTI-06-2022-0244.R2)

EIC: Not Assigned

AE: Not Assigned

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GE: Stylos, Nikolaos

EA: Okumus, Fevzi

Major Revision (17-Oct-2022)

a revision has been submitted

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JHTI-06-2022-0244.R1

Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'

[View Submission](#)

13-Sep-2022

17-Oct-2022

a revision has been submitted (JHTI-06-2022-0244.R1)

EIC: Not Assigned  
AE: Not Assigned  
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GE: Stylos, Nikolaos  
EA: Okumus, Fevzi



Major Revision (19-Jul-2022)



a revision has been submitted

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JHTI-06-2022-0244

Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'

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15-Jun-2022

19-Jul-202...

# Journal of Hospitality and Tourism Insights

## Decision Letter (JHTI-06-2022-0244)

**From:** n.stylos@bristol.ac.uk

**To:** fap@stp-bandung.ac.id

**CC:**

**Subject:** Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244

**Body:** 19-Jul-2022

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244 entitled "Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter and in the file attached.

I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jhti> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

**IMPORTANT:** Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Hospitality and Tourism Insights, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Hospitality and Tourism Insights and I look forward to receiving your revision.

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
[n.stylos@bristol.ac.uk](mailto:n.stylos@bristol.ac.uk)

Reviewer(s)' Comments to Author:  
Reviewer: 1

Recommendation: Major Revision

Comments:  
Please see the attached review comments.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes. I do agree with the authors that the research gap identified in this paper exists, and this paper indeed contributes to filling this research gap.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of



the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: As the authors keep arguing, hotels using virtual hotel operators is a joint venture. And the authors cites references related to joint ventures multiple times.

I'd like to see some literature review about CSFs influencing joint adventures, and how these CSFs differs from the factors identified in this paper.

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Overall, the research methods used in this paper is valid.

However, these are some parts in the methodology which needs more detailed description. Please see my review comments in the attached file.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The seven themes are presented clearly. However, when reaching the end of the results part, I failed to see how these seven themes leads to the seven CSFs. The link here is too sudden, and needs some connections and explanation. Please see my review comments in the attached file.

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Yes.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: Overall, this paper is clear and well-organized (except the discussion part).

However, this paper still needs further revision about the clarity of arguments, connections across the whole paper, and so on.

Please see my review comments in the attached file.

Reviewer: 2

Recommendation: Minor Revision

Comments:

The findings and conclusion of the study should be reviewed and, if possible, a few more recent references should be added to the literature review.

Page 1 line 60 reference?

Page 2 line 23 please cited related previous studies.

Page 2 line 26-27-30 Sentences beginning with this work in a row.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes, The paper is important for the identification of CSFs for VHO. It also contributes to the literature.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: A literature review is sufficient. However, reference to current studies has been limited. It is recommended to include a few up-to-date references.

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: The paper's argument built on an appropriate base of concepts and well designed.

The method employed was appropriate. However the sample size was limited. Although it is necessary to support the study in a large sample, the study has added a conceptual dimension to the literature.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The results are presented clearly, but the results should be discussed. In the findings section of the study, only the findings of the study should be presented.

Evaluation of the findings in the light of the literature should be given in the conclusion or discussion section.

5. Practicality and/or Research implications: Does the paper identify clearly any

implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: The paper identify clearly the implications that consistent with the finding and conclusion.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: Sufficient.

DEADLINE: 31-Aug-2022

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**Date Sent:** 19-Jul-2022

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# Journal of Hospitality and Tourism Insights

## Decision Letter (JHTI-06-2022-0244.R1)

**From:** n.stylos@bristol.ac.uk  
**To:** fap@stp-bandung.ac.id  
**CC:**  
**Subject:** Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R1  
**Body:** 17-Oct-2022

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R1 entitled "Critical success factors for virtual hotel operator partnership with small and medium-sized hotels: the perspective of owners' and operators'" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jhti> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

**IMPORTANT:** Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Hospitality and Tourism Insights, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Hospitality and Tourism Insights and I look forward to receiving your revision.

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
n.stylos@bristol.ac.uk

Reviewer(s)' Comments to Author:  
Reviewer: 1

Comments:  
Please see the attached review comments.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes
2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: I failed to see how the authors addressed my comments

from last round: "As the authors keep arguing, hotels using virtual hotel operators is a joint venture. And the authors cites references related to joint ventures multiple times. I'd like to see some literature review about CSFs influencing joint adventures, and how these CSFs differs from the factors identified in this paper".

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: In this round of revision, the authors addressed the issues I raised in last round. But the writing of the revision needs to be improved. Please see my review comments in the attached file.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The authors indeed tried to revise the connection between the results and the conclusion and discussion part. They are on the right track. However, the writing of the discussion part need significant revision. Please see my review comments in the attached file.

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Yes

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: It seems like that the authors did not take my suggestion of using professional editing service to improve the readability of the paper. The writing quality of the added sections is very poor in terms of the organizations, logic, wording and so on. In my previous comments, I pointed out some parts needs clarification, grammar check, or rewording. However, such issues and problems are not just limited to those I pointed out, and they are everywhere.

DEADLINE: 29-Nov-2022

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**Date Sent:** 17-Oct-2022

**File 1:** [R1-reviews.docx](#)

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# Journal of Hospitality and Tourism Insights

## Decision Letter (JHTI-06-2022-0244.R2)

**From:** n.stylos@bristol.ac.uk

**To:** fap@stp-bandung.ac.id

**CC:**

**Subject:** Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R2

**Body:** 23-Nov-2022

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R2 entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed.

I am willing to accept your article contingent upon you making the following important changes/improvements:

1. Respond to one of our guest editors' and the reviewers' comments and revise your article accordingly.
2. Include a structured abstract in page 1 of the main document and make sure that it includes all the required subsections including Purpose, Methodology, Findings, Implications and Originality along with key words.
3. Make sure to follow JHTI author guidelines closely: [http://emeraldgroupublishing.com/products/journals/author\\_guidelines.htm?id=ijchm](http://emeraldgroupublishing.com/products/journals/author_guidelines.htm?id=ijchm) For example, when there are three or more authors, you need to use Adam et al., XXXX (or Adam et al., XXXX) format for the first time and after. Make sure that you should list references within text in an alphabetical order.
4. Revisit the Discussion and Conclusions sections one more time to better answer the "So What" question. There should be four sub-sections under this section: (1) Conclusions, (2) Theoretical Implications, (3) Practical Implications and (4) Limitations and Future Research.
5. To strengthen your literature review and theoretical implications, you may like to incorporate more recent and relevant references published in recent months/years.
6. Cross check all references within text with your reference list and make sure that all references used in within text are listed in your reference list and remove any uncited reference from the reference list. You must also make sure that each reference in your reference list is accurate and complete in terms of authors' names, title, volume number, issue number, pages, publisher etc.
7. Run your article through iThenticate, Crosscheck or any similar software to check the similarity between your study and previous studies. Try to minimize similarity percentage below 1% with any previous study. After you run your article's final version through iThenticate or other similar software, you should upload the similarity report to the system for our records.
8. Keep your article below 9000 words including references, tables and figures. If your article is longer than 9000 words, you may consider submitting supplementary material alongside your article as Emerald now publishes supplementary materials.
9. Make sure that the flow of your article is improved. We do not prefer short paragraphs

with one-three sentences or long paragraphs longer than half page.

10. Proofread your article one more time and also you may ask a technical writer/copy editor to proofread it for you. After the manuscript is accepted, we will not ask you to proofread it again. In short, after I send you an official acceptance e-mail, you will not be able to make any further changes in your manuscript.

11. Make sure you have all the coauthors, acknowledgements, tables and figures included in your submission. You must also make sure that order of authors, their full names, their affiliations and email addresses are accurate. We cannot make any changes after the paper is accepted.

12. You should not add a new coauthor(s) at this stage unless there is a legitimate justification.

13. Submit a clean version of your paper. You don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

14. In addition to responding to the reviewers' comments, you should prepare and submit a brief report showing how you have responded to the above requests as well as the associate editor's comments. When revising your submission, you don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

Guest editors' comments:

This is an interesting study on an important topic. The study can benefit from a strong copy-editing. The theoretical foundation and theoretical implications should be improved further. The following studies can help the authors with this task. Below studies are just suggestions and the authors may find similar relevant and recent studies

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
n.stylos@bristol.ac.uk

Reviewer(s)' Comments to Author:

DEADLINE: 22-Dec-2022

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**Date Sent:** 23-Nov-2022

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# Journal of Hospitality and Tourism Insights

## Decision Letter (JHTI-06-2022-0244.R3)

**From:** n.stylos@bristol.ac.uk  
**To:** fap@stp-bandung.ac.id  
**CC:**  
**Subject:** Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R3  
**Body:** 20-Jan-2023

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R3 entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jhti> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

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Once again, thank you for submitting your manuscript to the Journal of Hospitality and Tourism Insights and I look forward to receiving your revision.

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
n.stylos@bristol.ac.uk

Reviewer(s)' Comments to Author:  
Reviewer: 1

Recommendation: Major Revision

Comments:  
Thank you for the opportunity to review your paper. I offer several suggestions for improvement, which I hope will be helpful to the author(s).

Introduction:

VHO – provide a definition, description, and examples in the introduction. What are VHOs? What is their business model? Provide examples of VHOs and trends/growth in the number

of VHOs. Are VHOs based on the use of smart technology? How exactly? etc. Make sure that the positioning and explanations offered in the introduction can position the paper within the smart technology literature.

Literature review:

Second paragraph – more explicitly explain the two models you mention (management and franchise). Be direct (don't use former and latter). The paragraph reads convoluted now. As before, provide examples for each model, so it is clear to the reader what you are talking about.

Section 2.3 Critical Success Factors (CSFs) influencing joint ventures in hospitality business – this section is confusing. Are VHOs joint ventures? From the little explanation you provide about VHOs, they don't seem to be based on a joint venture model. However, if they are, then you have to be explicit about it, and explain the model their follow. How is the JV literature relevant? If VHO are not using JV (or if this is not your primary concern for your paper), then this section should be deleted (along with other mentions of JV throughout the paper). You mention within this section strategic alliances. While strategic alliances share characteristics with JV, they are not JV. Altogether I struggled to identify how this section adds value.

What is the theoretical perspective within which you position your study? You talk about critical success factors, but what theory is behind them? You should include a theoretical discussion.

Methodology:

Is your focus on the small hotel owners? Or the VHO? Or both? In the methodology, you say "Exploratory research is therefore needed to understand the hotels' owners' perspectives on their partnerships with VHO to identify the CSFs for VHO". However, later on you talk about the recruitment of VHO management. It is not clear where the focus is. You should be more specific.

Your context – Indonesia – needs to be properly introduced and explained. What is interesting / unique about the context and VHO?

When describing the sample, please indicate how many different VHOs were represented, and if possible characteristics of those VHOs.

Results and discussion:

Since this is a qualitative study, please use the word findings instead of results. In section 4.1. you say that "Client relationship received the highest weight among the partnership factors". How did you measure the weight? Again, this is a qualitative study. If you make a claim like this, you should be able to justify it (or alternatively, please modify the wording). In section 4.2. marketing factors, you talk about marketing and promotion strategies. However, promotion is part of marketing. So are all the other factors you mention such as market segmentation, pricing strategy, branding and distribution channel. Please modify the wording to reflect the fact that all those (including promotion) fall under the umbrella of marketing.

You discuss 7 different success factors. Please graphically represent the relationships among those factors. How are they linked to each other? Do they reinforce each other? Crucially, how is technology related to the rest of the factors?

Conclusion:

The theoretical implications section needs to be elaborated and expanded. Make sure to explicitly identify your theoretical contributions in light of the smart technology focus of the SI.

Other issues:

The paper needs to be reviewed by a professional copywriter for flow and grammar.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: The paper needs to be significantly revised to highlight its potential originality and contribution.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: Adequate understanding of the literature in general. However, the literature on smart technology should be enhanced, along with how VHOs relate to this literature.



3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Methods are appropriate. However, the paper lacks a theoretical grounding.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The findings need to be enhanced.

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: Implications are adequate, but need to highlight more clearly the theoretical implications.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The paper can benefit from a professional copyediting.

Reviewer: 2

Recommendation: Major Revision

Comments:

The study enriches the current knowledge and contributes to emerging research directions and new research patterns. However, and the theory/ bibliography may be further boosted in certain sections mentioned below particularly in regards with DT and VHOS. Moreover, authors are encouraged to provide more practical examples of VHOs from tourism industry.

However, proofreading is needed, as while the study is so interesting, sometimes I have some difficulties following the paper because of the style, coherence, and clarity issues.

Additionally, authors are welcome to be explicit about methodology as it is superficially addressed.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: The study enriches the current knowledge and contributes to emerging research directions and new research patterns. However, and the theory/ bibliography may be further boosted in certain sections mentioned below particularly in regards with DT and VHOS. Moreover, authors are encouraged to provide more practical examples of VHOs from tourism industry.

However, proofreading is needed, as while the study is so interesting, sometimes I have some difficulties to follow the paper because of the style, coherence, and clarity issues.

For instance, beginning with the abstract

- Authors are encouraged to articulate further why this study so important and what is the research gap or the counter-claiming that this paper addresses.
- Elaborate more on the link between VHOs and DT and why this study matters.
- In addition, the abstract has some communication and structure issues as it doesn't represent thoroughly the core issue of the paper. Revision is needed in the case of abstract as the academic style needs attention

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: Generally, in terms of smart technologies and tourism, authors should

- provide more concrete examples of VHOs and how this notion is linked with DT.
- Elaborate on the drawbacks/ barriers of the VHOs
- P2: Better Intro on DT and how VHO links to DT
- Page 5: More details about the LR insights and each stream.
- How are the previous pages connected to this period? (lines2- 10, p6)
- These two paragraphs perhaps should be moved to previous pages (page4)

As a result, I, unfortunately, do not feel yet that your paper makes a strong enough contribution in its current stage of development/

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Generally, in terms of smart technologies and tourism, authors should

- provide more concrete examples of VHOs and how this notion is linked with DT.
- Elaborate on the drawbacks/ barriers of the VHOs
- P2: Better Intro on DT and how VHO links to DT
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- How are the previous pages connected to this period? (lines 2- 10, p6)
- These two paragraphs perhaps should be moved to previous pages (page 4)

As a result, I, unfortunately, do not feel yet that your paper makes a strong enough contribution in its current stage of development/

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: The method section and data analysis are very weak. Authors should elaborate further on
- why exploratory research is needed (Moreover, this section needs a better transition sentence)
  - why a. quals are selected as method (justify by providing evidence)
  - why they did use purposive sample and sampling method
  - why semi - interviews selected?
  - How about the inclusion Criteria of the sample and the protocol
  - How many interviews? Details for the sample size are needed and details if the size is in line with saturation size sample guidelines

Authors should consider the following questions

- What did the authors triangulate?
- Why are types of triangulation authors deployed according to Creswell?
- More evidence why is that any information on this research method?

5. Practicality and/or Research implications: Does the paper identify clearly any implications for practice and/or further research? Are these implications consistent with the findings and conclusions of the paper?: There is a lack of specific managerial implications. The author/authors should narrow down specific suggestions for tailor-made solutions and mention implications on how companies could exploit this new knowledge in a practical way.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The text is easy to read, and it is quite clearly expressed. Nevertheless, the author is encouraged to proofread the whole text paying more attention to the following points.  
Several redundancies, some syntax, syntax errors, problems with the collocation and non-academic style are the most important problems of this paper. Moreover, some important details to consider when authors proofread the following pages that are mentioned above.

Authors should revise the titles and avoid using acronyms " 4.8 CSFs for VHO"

DEADLINE: 04-Mar-2023

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Please note that there is no obligation to use Editage and using this service does not guarantee publication.

**Date Sent:** 20-Jan-2023

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# Journal of Hospitality and Tourism Insights

## Decision Letter (JHTI-06-2022-0244.R4)

**From:** n.stylos@bristol.ac.uk

**To:** fap@stp-bandung.ac.id

**CC:**

**Subject:** Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R4

**Body:** 22-Mar-2023

Dear Dr. Fajar Putra

Manuscript ID JHTI-06-2022-0244.R4 entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small and Medium-sized Hotels: The Perspective of Owners and Operators" which you submitted to the Journal of Hospitality and Tourism Insights, has been reviewed.

I am willing to accept your article contingent upon you making the following important changes/improvements:

1. Respond to one of our guest editors' and the reviewers' comments and revise your article accordingly.
2. Include a structured abstract in page 1 of the main document and make sure that it includes all the required subsections including Purpose, Methodology, Findings, Implications and Originality along with key words.
3. Make sure to follow JHTI author guidelines closely: [http://emeraldgroupublishing.com/products/journals/author\\_guidelines.htm?id=ijchm](http://emeraldgroupublishing.com/products/journals/author_guidelines.htm?id=ijchm) For example, when there are three or more authors, you need to use Adam et al., XXXX (or Adam et al., XXXX) format for the first time and after. Make sure that you should list references within text in an alphabetical order.
4. Revisit the Discussion and Conclusions sections one more time to better answer the "So What" question. There should be four sub-sections under this section: (1) Conclusions, (2) Theoretical Implications, (3) Practical Implications and (4) Limitations and Future Research.
5. To strengthen your literature review and theoretical implications, you may like to incorporate more recent and relevant references published in recent months/years.
6. Cross check all references within text with your reference list and make sure that all references used in within text are listed in your reference list and remove any uncited reference from the reference list. You must also make sure that each reference in your reference list is accurate and complete in terms of authors' names, title, volume number, issue number, pages, publisher etc.
7. Run your article through iThenticate, Crosscheck or any similar software to check the similarity between your study and previous studies. Try to minimize similarity percentage below 1% with any previous study. After you run your article's final version through iThenticate or other similar software, you should upload the similarity report to the system for our records.

8. Keep your article below 9000 words including references, tables and figures. If your article is longer than 9000 words, you may consider submitting supplementary material alongside your article as Emerald now publishes supplementary materials.

9. Make sure that the flow of your article is improved. We do not prefer short paragraphs with one-three sentences or long paragraphs longer than half page.

10. Proofread your article one more time and also you may ask a technical writer/copy editor to proofread it for you. After the manuscript is accepted, we will not ask you to proofread it again. In short, after I send you an official acceptance e-mail, you will not be able to make any further changes in your manuscript.

11. Make sure you have all the coauthors, acknowledgements, tables and figures included in your submission. You must also make sure that order of authors, their full names, their affiliations and email addresses are accurate. We cannot make any changes after the paper is accepted.

12. You should not add a new coauthor(s) at this stage unless there is a legitimate justification.

13. Submit a clean version of your paper. You don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

14. In addition to responding to the reviewers' comments, you should prepare and submit a brief report showing how you have responded to the above requests as well as the associate editor's comments. When revising your submission, you don't need to show/highlight all the changes made in the paper. I will read its final version anyway.

Guest editors' comments:

This is an interesting study on an important topic. The study can benefit from a strong copy-editing. The theoretical foundation and theoretical implications should be improved further. The following studies can help the authors with this task. Please check for any additional JHTI articles to be cited in the area of study and use as appropriate.

Yours sincerely,

Dr. Nikolaos Stylos

Guest Editor, Journal of Hospitality and Tourism Insights

[n.stylos@bristol.ac.uk](mailto:n.stylos@bristol.ac.uk)

Reviewer(s)' Comments to Author:

DEADLINE: 20-Apr-2023

To go straight to your paper, click this link: \*\*\* PLEASE NOTE: This is a two-step process. After clicking on the link, you will be directed to a webpage to confirm. \*\*\*

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**Date Sent:** 22-Mar-2023

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# Journal of Hospitality and Tourism Insights

## Decision Letter (JHTI-06-2022-0244.R5)

**From:** n.stylos@bristol.ac.uk  
**To:** fap@stp-bandung.ac.id, roblaw@um.edu.mo  
**CC:**  
**Subject:** Journal of Hospitality and Tourism Insights - Decision on Manuscript ID JHTI-06-2022-0244.R5  
**Body:** 09-Apr-2023

Dear Putra, Fajar; LAW, Chun Hung Roberts

It is a pleasure to accept your manuscript JHTI-06-2022-0244.R5, entitled "Critical Success Factors for Virtual Hotel Operator Partnership with Small- and Medium-sized Hotels: Perspectives of Owners and Operators" in its current form for publication in Journal of Hospitality and Tourism Insights. Please note, no further changes can be made to your manuscript.

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Thank you for your contribution. On behalf of the Editors of Journal of Hospitality and Tourism Insights, we look forward to your continued contributions to the Journal.

Yours sincerely,  
Dr. Nikolaos Stylos  
Guest Editor, Journal of Hospitality and Tourism Insights  
n.stylos@bristol.ac.uk

**Date Sent:** 09-Apr-2023

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