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Feasibility study for a full-service independent hotel : A case study in Hotel X Bandung, Indonesia

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A R T I C L E   I N F O

A B S T R A C T

The purpose of this study is to show the implementation of feasibility study for the hotel project by using Political, Economic, Social and Technology (PEST) analysis, Porter's five forces and Resource-Based View (RBV). A case study was conducted in a full-service independent four-star hotel project in Bandung, Indonesia. Direct observation from the researchers in the hotel project and secondary data analysis from related documents are used in the feasibility study report to support the investigation. Finally, the capital budget calculation is being used to give recommendation for the feasibility of the hotel project. As the result, it is apparent that the hotel X investment is feasible to proceed. Some recommendations are given for hotel owners related to the business environment analysis and in creating a feasibility study specifically design for the hotel business. Managerial implication of this study can be useful for companies in making the right decisions in the development or expansion, and to minimize the long-term losses. Limitation of this research is in only analysing one hotel in a four-star classification; further analysis can be applied in different location, classification, and different types of hotel service.

A B S T R A K

Tujuan dari penelitian ini adalah untuk memberikan gambaran mengenai implementasi studi kelayakan bisnis khusus bagi sebuah proyek hotel dengan menggunakan analisis Politik, Ekonomi, Sosial dan Teknologi (PEST), Porter five forces dan Resources Based View (RBV). Sebuah studi kasus dilakukan di proyek hotel independent dengan layananan penuh dengan klasifikasi bintang empat di kota Bandung, Indonesia. Pengamatan langsung dari para peneliti di proyek hotel dan analisis data sekunder dari dokumen terkait digunakan untuk mendukung penyelidikan. Akhirnya, perhitungan anggaran modal digunakan untuk memberikan rekomendasi untuk kelayakan proyek hotel. Dari hasil temuan didapatkan hasil bahwa investasi hotel X layak untuk dilanjutkan. Beberapa rekomendasi diberikan untuk pemilik hotel terkait dengan analisis lingkungan bisnis dan dalam membuat studi kelayakan khusus untuk bisnis hotel. Implikasi manajerial dari studi ini dapat bermanfaat bagi perusahaan dalam membuat keputusan yang tepat dalam pengembangan atau ekspansi perusahaan, untuk meminimalkan kerugian jangka panjang. Batasan penelitian ini adalah hanya menganalisis satu hotel dalam klasifikasi bintang empat; analisis lebih lanjut dapat diterapkan di lokasi, klasifikasi dan jenis layanan hotel yang berbeda.

1. INTRODUCTION

The accommodation services industry is very dynamic and constantly changing in line with developments in the tourism sector in Indonesia and with the increasing number of tourist visits, providing business opportunities in tourism sectors such as a hotel to accommodate the needs of tourists (HVS Singapore, 2017). Hotels are quite complex businesses in combining reliable and intangible products provided for customers; it requires an appropriate business strategy analysis to maximise competitive advantage. Having a variety of competitive advantages sources will make the position of the company, in terms of

both costs and differentiation, hard to imitate by the competitors; therefore, this will increase the potential to achieve the company goals to become a key player in the market and in achieving targeted financial performance (Leonidou, Leonidou, Fotiadis, & Zeriti, 2013; Molina-Azorín, Tarí, Pereira-Moliner, Lopez-Gamero, & Pertusa-Ortega, 2015). Facing competition, a new player in the hotel business requires a feasibility study to be able to plan and measure the critical factors for the future by considering the time and cost (Popovic, Stanujkic and Karabasevic, 2019).

Feasibility studies in the hotel sector have been an object of research since the 1960s; according to Kim (2002), during the period 1960 to 1996 the evolution of feasibility studies in the hotels and motels industry had a significant impact on the process of development of new hotel and motel projects, as well as on their future operation. In previous hotel feasibility studies, different variables have been used to evaluate the financial results of the independent hotels in comparison with the chain hotels or the viability of the lodging industry (Kapiki, Mu and Fu, 2014).

The city of Bandung was s one of ten potential areas for tourism destinations (Menteri Pariwisata, 2016). Bandung, as one of the favorite tourism destinations in West Java, has more than 336 hotels ranging from no star to 5-star operating as of 2017 (Badan Pusat Statistik Kota Bandung, 2018). This study will examine hotel X, a full-service service four-star hotel project in City of Bandung, Indonesia. This is the first hotel project built by the owner and will be manage independently, without involving international or domestic hotel chain / operator. Because of limited experience in operating hotel business, the hotel owner needs to plan the project based on the precise and accountable data.

Therefore, this study is describing the feasibility studies for full-service independent hotel business by using Political, Economic, Social and Technology (PEST) analysis, Porter's five forces and Resource-Based View (RBV), and capital budgeting method to provide an overview of internal and external con-

ditions in the process of making the right decisions for independent hotel owners.

2. THEORETICAL FRAMEWORK
Feasibility Study

The purposes of the feasibility study by arranged planning process is related to the amount of funding needed, summarised in a recommendation to relevant stakeholders (i.e. owner, bank, government) and affording an advantage for facilitating supervision and control related to company goals (Fahmi 2014; Kasmir & Jakfar, 2012). As further explained by Suliyanto (2010), a business feasibility study is part of a scientific method and has systematic steps. First, by developing a business idea, then creating feasibility study design, data collection, data analysis, interpretation, conclusion, recommendation, and, finally, creating the feasibility report for future guidance.

Related to hotel and motel businesses, Kim (2002) provides four recommendations for a feasibility study. First, it is related to the hotel's positioning by defining the benefits for the customers and the characteristics that are used to differentiate them from competitors; this is based on the uncertainty in the external business environment, such as supply, demand and competition. Second, management problems that are influenced by the business environment include financial risks, safety and security, legal and environmental problems, and these need to be addressed from the very beginning of the project planning process. Third, the feasibility study process needs to be carried out by an independent third party (consultant) based on their reputation, experience of the individuals involved, and the quality of the data provided for the project. Finally, feasibility studies can provide a critical factor for the future of businesses, whereby the hoteliers can optimise the managerial skills to face an increasingly dynamic business environment.

Moreover, (Singh, Damitio and Schmidgall, 2011) explain that a feasibility study is prepared for the financing process, whereby the creditor requires an independent

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feasibility study by a professional expert using a standardised reporting system. Hotel industry has a significant economic of scale, symbolised by high capital from the very beginning of the project development and the vast extent of fixed costs to add up to the total expenses. Therefore, lodging ventures must have the most cost-effective resources strategies to be applied in construction, furnishing, buying equipment, and the pre-operational related process (Cheng, 2013).

Previous studies of the hotel development business are primarily derived from studies conducted by analysing income and expenditure projections, time series forecasting income, cash flow, NPV analysis, IRR, profitability index, and COC analysis (Warsika, 2009; Wirastuti, Warsika and Adnyana, 2012; Wiryananda and Warsika, 2013; Nufaili and Utomo, 2014). Some surveys have shown that hotel room supply-based analysis is used as the basis for assessing the feasibility of a hotel (Khaer & Utomo, 2012; O'Neill, 2011).

According to Hubeis and Najib (2014), with increasing competition, analysis of external and internal conditions is the first thing a company does in the planning process. An ability is required to analyse internal and external factors related to company measurement of the performance level and in determining goal changing strategy, as regards to the implications of change and to compete more effectively (Ismail, 2012). The business condition comprises of every single external condition that influences its choices and execution. According to Ogorelc, Snoj, and Petejan (2005), the external environment can be examined in more detail utilising different methodologies, for example, SWOT Analysis, PEST Analysis, and Porter's five forces analysis. For the purpose of this study PEST analysis and Porter 5 forces will be used for analyzing external environment, and Resources Based View (RBV) for analysisng internal environment (figure 1.)
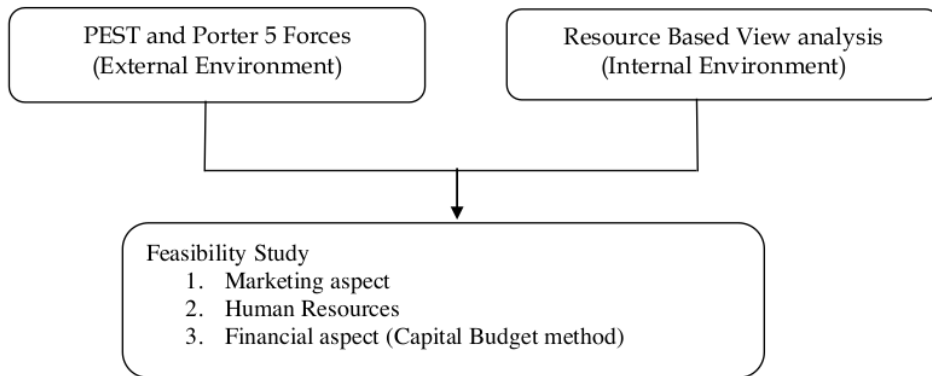

Figure1. Research framework

Political, Economic, Social, Technological (PEST)
The PEST analysis is a framework for assessing a situation and assesses the strategy and direction from a business unit covering political, economic, social, technological (PEST) aspects. A PEST analysis consists of political influences related to regional and local government policies, laws, formal regulatory, legislative stabil-

ity and informal rules of the environment that can influence organisational performance. Second is the economic aspects which include economic growth, the level of welfare and buying power, economic policy, global economic condition, equitable development, natural resources and human resources (Fernández, Cala and Domecq, 2011).

The third factor is social and relates to the

judgement and attitudes of consumers towards the company; it has a direct impact on people's attitudes, consumers, and business behaviour which includes here culture, demography, education, labour, health, family, ethnicity, religion, time and gender (Morden, 2007, p. 99). The fourth factor is technology which refers to a tool to provide the effectiveness of a process, including a variety of innovation that changes the patterns and systems of processes, as well as improvements in materials, design and methods (Gupta, Guha and Krishnaswami, 2013). Moreover, as technology changes will influence the result of products and services provided by the organisation, it has turned out to be increasingly necessary for hoteliers that are proactively joining innovation into their administrations, tasks, and procedure and is a crucial component as they continue looking for service excellence and high profit (Daghfous and Barkhi, 2009).

Porter's Five Forces

Porter's five forces is an external analysis of the industrial environment related to the existence of the industry (David & David, 2013). The first element is the intensity of rivalry among competing firms as it relates to the company's ability to provide competitive advantages compared to their competitors by providing benefits as well as lower prices, improved quality, additional features, service providers, extended warranties and advertising intensification (Uçmak and Arslan, 2012).

The second is the threat of new entrants, it will require strength in charge of technology and specialised knowledge, experience, loyal customers, brand preference, capital requirements, distribution channels, government regulative policies, access to raw materials, patent ownership, strategic location and potential market filters (Davcik and Sharma, 2016; Ngoc, Pearce and Smith, 2018). The third is potential development of substitute products, it involves strict company competition with product manufacturers as a replacement product will be very influential if the substitute product has a lower price and the consumer transition also costs decrease

(Tavitiyaman, Qu and Zhang, 2011; Dulčić, Gnjidić and Alfirević, 2012).

The fourth force is the bargaining power of suppliers, which affects the intensity of competition in the industry, especially when there are many suppliers, or when there are only a few good substitute raw materials. Therefore, the cost of switching to other raw materials is very high (Uçmak and Arslan, 2012). The solution is by perform strategic partnerships when selecting suppliers, this strategy will educe inventory logistics costs, accelerate the availability of future components, improve the quality of components provided and reduce defects, and it will significantly reduce the cost for the company (Dulčić, Gnjidić and Alfirević, 2012).

The last force is the bargaining power of consumers. Several conditions will be applied, such as a group of buyers being centralised or buying in large volume. When a standard purchaser for the product is not identified, switching costs incurred by small customers, the customer should knows the complete information about buyers regarding the products, prices and costs (Tavitiyaman, Qu and Zhang, 2011).

Resource-Based View (RBV)

One of the methods to assess the internal business environment resources and capabilities to create a competitive strategy for the company is by using the Resource-Based View (RBV) method. RBV describes the resources and capabilities within the company that can be developed to achieve a sustainable competitive advantage (Peteraf, 1993; Peteraf and Bergen, 2003).

A company strives to have several unique resources, which distinguish the advantages of one company from another. The uniqueness and characteristics of resources cannot be collected in a relatively short time, causing the choice of the company's strategy to be limited by the availability of available resources and speed in building new resources. The limited resources become an obstacle to the rate of change, which is one of the factors that make it difficult for companies to set their strategies.

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If other companies easily obtain these factors, then the strategy can easily be replicated. As further explained by Barney and Arikan (2001), resources help companies to improve the efficiency and effectiveness of the company's operations. The inability of competitors to emulate resources is the main element of a resource-based view. The framework of the resource-based view as described by Grant (2016) is related to three resources, namely physical resource, intangible resources and human resources.

Tangible refers more to physical assets that are owned, managed and utilised to increase competitiveness related to finance and physical aspects. Intangible is related to excellent service, corporate culture, Know-How (organisational knowledge and learning), and company reputation (Tena, Llusar and Puig, 2001). Hotels are a business that is engaged in hospitality; therefore, creating an excellent service for guests is one of the keys to the success of a hotel (Crotts, Mason and Davis, 2009). To create excellent standard of service, it is necessary to have continuous training and create a corporate culture at the hotel. The culture must be owned by every hotel employee as related to a strict attitude in serving guests, respecting fellow employees, being honest in all actions, being open to new things, positive, hardworking and smart working (Worsfold, 1999; Sharpley and Forster, 2003; Kuo, 2007, 2009).

The third resource is human and includes hospitality skills, capacity for communication and collaboration. Hotel employees' first ability to work consists of three main components of which the first is an attitude; behaviour is the central aspect that every hospitality industry employee must have in providing the best service to guests and fellow employees (Moolman and Wilkinson, 2014). Secondly, knowledge regarding their work needs to be entirely mastered by every employee; the important thing is that the human resources department must keep up-to-date with the training material so that the level of service is maintained (Sharpley and Forster, 2003). Thirdly, the skill of each employee must adopt the latest technology and be empowered to create innovation (Tsai, Song and Wong, 2009; Nieves, Quintana and Osorio, 2014).

3. RESEARCH METHOD
3.1 Case study background
For this study, an establishment of a hotel project (which, in this study, we will call hotel X) located in the City of Bandung was chosen. The physical information about hotel X is a four-star city hotel with 296 rooms. The hotel provides full-service facilities mostly to cater to a business customer, such as spacious ballroom and meeting room, three types of restaurants, swimming pool and laundry services.

3.2 Research design
Primary data retrieval was undertaken to explore and explain the practice of carrying out feasibility studies on an independent hotel project. Observation at the research location was undertaken and systematically recorded to get the data needed. Two of the authors of this study previously worked as an operations consultant in this project. Thus, he well knew the situation and asked the owner's permission for the data collection by viewing and using supporting documents. Secondary data collection, through necessary related documents, emanated from the relevant authorities, such the Central Bureau of Statistics (BPS) and also the Association of Indonesian Hotels and Restaurants (PHRI) city of Bandung and West Java province.

The scope of the study is substantially directed towards achieving the objectives by discussing the notions of hotel business feasibility, hotel classification, environmental observation and identification by using PEST analysis for a macro external environment and Porter's five forces analysis for micro external and RBV method for internal environment. Based on the actual conditions, a feasibility study contains marketing, operational, human resources and financial aspects.

4. DATA ANALYSIS AND DISCUSSION

PEST analysis

Regulation related to the establishment of the hotel in Indonesia should be based on basic requirements, 20 absolute criteria and 52 non-absolute criteria, consisting of product, services and management elements and it should be assessed by the independent Lembaga Sertifikasi Usaha (LSU) tourism sector. To earn a four-star category, the hotel should achieve scores between 728 – 916 (Menteri Pariwisata and Ekonomi Kreatif, 2013, 2014).

Another political aspect relates to the Provincial Minimum Wage (UMP); on average, the increase of UMP in West Java is 11.5% annually, while for the UMP in the city of Bandung it was Rp. 2.626.940 (Gubernur Jawa Barat, 2015). Regarding the working hour's regulations, hotel x will implement six working days and one day off for the back-office staff (Accounting, HR, Marketing and Executive office). For the front line staff (Front Office, Food and Beverage, Housekeeping) it implements a 5-day work policy and one holiday with two or three shifts according to the department concerned and is regulated by the human resources department so that the working week continues to meet 40 hours (Menteri Tenaga Kerja and Transmigrasi, 2004).

Concerning restrictions on out of office meetings (Menteri PAN RB, 2014), this had an effect on the hotel business, and many hotels lost their sources of income. However, over time, with many inputs from various parties, especially hotel shareholders, the circular was revoked and was replaced with new guidelines stating that out of office meetings using hotel/villa/cottage/resort facilities and/or other building space facilities that are not owned by the government can be carried out selectively (Menteri PAN RB, 2015).

The application of information system and technology helps hotel operations in the form of hotel websites, property management systems (PMS), and cooperation with online travel agents. The hotel website is useful as a medium of information to the customers, building hotel impressions, making the reservation process more manageable, and making payments much more comfortable with online systems (Putra, 2017). The PMS that are widely used in the hotel industry will significantly affect the quality and speed of hotel services to the guests (Oracle, no date). Hotel X will use the Expert PMS program in their property because it was made by a local developer; it is more efficient in terms of maintenance and upgrading.

Another technology advance in the hospitality industry is Online Travel Agent (OTA) as opening digital-based services where information-seeking transactions, ordering, buying and selling, and payments are made via the Internet. It is an online aggregator combined from booking and creating dynamic pricing strategies, with regard to OTA penetration, and an oligopolistic market structure is prevalent (Stangl, Inversini and Schegg, 2016; Melis and Piga, 2017). There are several local OTA companies that will be a partner for hotel X in the future (i.e. Traveloka, tiket.com, and Pegi-Pegi.com).

Porter's Five Forces Analysis

The level of hotel competition in Bandung is quite high when viewed from the number of competitors, which continues to increase. There are several types of hotel classifications, from star-class hotels to non-star hotels. According to the data on the number of hotels and the number of rooms in the city of Bandung as of 2017, the level of competition for the four-star hotel is quite high with the total number properties being 32 hotels (Badan Pusat Statistik Kota Bandung, 2018, p. 33).

Also, many hotels in Bandung have been affiliated with international hotel chains (i.e. Hilton, InterContinental, AccorHotels Group, Marriott International, Swiss-belhotel International) and several local hotel chains (Archipelago International, Santika, Kagum, Dafam), creating a highly competitive market and requiring great effort to win the competition. The hotel replacement product takes the form of sharing an economy platform (i.e. Airbnb) and an accommodation network orchestrator (i.e. Nida rooms, Airy Rooms, RedDoorz, and Zen Rooms). Typically, the business model is

offering a broker function for residential owners and travellers who want to rent accommodations, such as houses, apartments, villas, tree houses, campgrounds, or another place to stay, within a specified period (Wiastuti and Susilowardhani, 2017). For example, Airbnb can be an attractive choice for travellers who are more focused on enjoying an outdoor vacation, but, in the same way, it creates a challenge for business hotels, both star-class hotels and non-star hotels (Zervas, Proserpio and Byers, 2017). In the first year of opening hotel x, nine other hotel projects will be opened with a different management system. There will be two independent hotels and seven chain hotels; three of them are international hotel chains, and four of them are local hotel chains.

Customers play an important role in competition in the hotel industry. Hotel X targeted both groups and individuals' guest. The group is further divided into corporate, government, travel agents, online travel agents (OTAs), and MICE (Meeting, Incentive, Convention, and Exhibition). In the selection process, consumers generally make the final choices for the hotels from three aspects, price, products (rooms and all facilities), and services provided by the hotel. In the era of social media and online travel reviews, consumers will get some information related to the quality of the hotel that they will be booking by comparing other guests' perceptions, including rating, pictures posts, E-word of mouth (positive and negative), which, ultimately, will significantly influence their decision (Schuckert, Liu and Law, 2015).

The power of suppliers is the influence from outside the hotel, which also needs to be considered. In general, hotels have a cooperation contract with several suppliers to provide goods and services. At least two suppliers for raw materials are needed regularly. Thus, the dependence of the hotel on the supplier is enormous; this is because the prices offered by suppliers can fluctuate and cause higher operational cost.

Resource-Based View (RBV) analysis
The development plan for the hotel project consists of 70% from the owner's capital, which is a combination of five shareholders and 30% bank loan. Due to the existence of bank loans, hotel X must allocate income results each month to pay interest and principal instalments. Hotel X is built with the concept of a convention hotel with supporting facilities for meeting and convention rooms; according to previous research, high levels of meeting space capacity has a positive influence on operating performance, the findings giving an opportunity for maximising hotel meeting space capacity for hotel financial performance (Madanoglu and Ozdemir, 2016).

An intangible resource refers to assets utilised to increase competitiveness related to excellent service and human resources. Hotel x is a new hotel that will not be affiliated with chain hotels, either locally or internationally; thus, this is a challenge for hotel management to build brand equity. To tackle this challenge, a sales and marketing team is one of the critical factors as the spearhead of a hotel that is reliable, highly creative, hardworking and always thinks "out of the box".

As a new hotel, the ability to communicate and cooperate with every employee is needed by hotel X in forming a stable organisation. The first challenge is to recruit capable employees, especially for the middle management and top management positions. Therefore, relevant educational background and working experience in the hospitality industry is a must. From the same hotel perspective, the operation will make it easier in uniting the company's vision and mission into the same standard of service to provide excellent service for hotel guests.

Hotel X, as a four-star hotel and as a private limited company, should follow some legal aspects set by the local government, as an essential requirement to carry out the operations. Some permits are related to building construction, environment, human resources, health, safety, security and, social environment.

Feasibility study
Marketing aspects
Geographically, hotel x will focus on market segmentation in the area of Bandung and its surroundings including Jakarta Bogor, Depok Tangerang, Bekasi (JABODETABEK). Demographically, hotel x target market is government agencies, corporations, travel agents and free individual travellers (FITs). Psychographically, the market segmentation is focused on guests who will carry out business and leisure trips and plan to stay overnight.

Price is one of the factors that is considered for consumers to stay. Pricing strategy is primarily determined by the competition system that takes place in the market. The company must formulate the product's position on quality and price. By using different pricing strategy compared to other competitors, it is expected that customers can determine their choices and attributes such as size, class, service quality and location will influence the hotel room pricing strategies (Kim, Jang, Kang, & Kim, 2018).

Hotel x projected the occupancy rate for the first year at 56.29% or about 169 rooms sold per day and 61,635 rooms sold per year. Hotel X was established to meet the demands of convention hotels in Bandung area, which offer comfortable meeting facilities. Various factors are taken into consideration for a business traveller, and this analysis is supported by previous study that the location of the hotel profoundly affects vacationer developments, with an extensive offer of the entire visitor time spending plan spent near the hotel (Shoval *et al.*, 2011).

Hotel X offers differentiate products from the competitor, such as a convention hall with a capacity of 800 people and more than 20 meeting rooms and supporting facilities with four-star hotel standard. Moreover, hotel x is located in a very strategic area near to the city centre, tourist attractions, restaurants, an international airport and train station. This hotel is supported with full-service facilities, such as three types of restaurant services, laundry and dry cleaning, room services, swimming pool, and spacious parking area.

With the increasingly intense competition for hotels in the city of Bandung, marketing and promotion are vital. To increase sales, it is necessary to introduce products to consumers through various channel (i.e. personal communication, personal selling, sales promotion, website and social media account).

Human Resources aspects
The process of workforce recruitment in hotel X is based on three primary stages; first, hiring consultants to search executive level management positions who are experienced in their fields. Secondly, the recommendations from the executive committees and department heads who have already been recruited to obtain a skilled workforce with experience in their fields. Thirdly, the human resources department partnership with hotel schools. Even though the company does not open job vacancies in the mass media or electronically, along with the construction of hotel X being visible to the public, there are many applicants applying directly to the consultant or the owner.

Financial aspects
The hotel X project investment in total is Rp. 111,000,000,000, with the proportion of owners' equity 70% and 30% obtained through a bank loan. For the hotel x feasibility study, calculation of Present Net Value (NPV) method is used to calculate the present value of an investment with the present value of future net cash receipts. According to Guilding (2014), if the NPV is more than zero or is positive, then the project is feasible to be accepted, and, vice versa, if it is negative or less than zero, then the project is rejected.

Equation 1. Net Present Value

$$NPV = -I_o + \sum_{t=0}^{n} \frac{At}{(1+r)^t}$$

= - Rp 111.000.000.000 + Rp 119.395.390.976

= Rp 8.395.390.976.

Notes: *NPV* = net present value; I_o = Initial investment; At = net cash flow generated during the project in year t; r = discount rate.

To calculate the NPV, the next step is to enter the net operating cash flow into the Discounted Cash Flow (DCF) calculation formula, and 11% DCF factor has been chosen as the

same interest rate received from the bank loan. The results of the ten-year calculation of NPV calculation (Table 2). Note that the value of NPV or net present value is Rp 8.395.390.976.- or positive value. The calculation shows the present value has greater acceptance of the present value of the expenditure and means that the investment is expected to increase the wealth of investors and it can proceed.

The next calculation is profitability index (PI), the method used to calculate the ratio between the present value of net cash receipts in the future by the present value of the investment. According to Guilding (2014), the criterion is that, if the PI is more than 1, then the hotel x investment projects will be accepted while conversely when less than 1, then the project should be rejected.

Equation 2. Profitability Index (PI)

$$\text{Profitability Index (PI)} = \frac{PV\ of\ NCP}{PV\ of\ Io}$$

$$= \frac{Rp\ 119.395.390.976}{Rp\ 111.000.000.000}$$

$$= 1,08$$

Notes: PV = present value; NCP=Net cash Flow; I_o = Initial investment.

Based the calculations, Profitability Index (PI) value is 1.08, which is higher the required requirement scores which is 1.00.

The next calculation is Payback Period (PP), this method is used to measure how fast the investment can be returned in units of time (years and months), or to recoup the cash invested in an asset (Guilding, 2014, p. 262). If the results of the calculation methods are shorter than required, then the project profitable. The calculation will be based on the cumulative operating cash flow (Table 3.). Based on the calculation of the payback period method, Hotel X investment is projected to return for 6 years and 7 months. This period is less than owner's ROI (8 years). It can be concluded that the hotel x investment project is worth continuing. From the results of the comparison between the criteria set by the company and the capital budgeting calculation based on the approach of cash flow, it is apparent that the hotel X investment is feasible to proceed.

Equation 3. Payback Period (PP)

$$n + \frac{a - b}{c - b} \times 1\ year$$

$$= 6 + \frac{111.000.000.000 - 94.778.451.387}{121.560.544.260 - 94.778.451.387} \times 1\ Year$$

$$= 6 + \frac{16.221.548.613}{26.782.092.873} \times 1\ Year$$

$$= 6 + (0,61 \times 12\ Months)$$

$$= 6\ Years\ 7\ Month$$

Table 1.
NPV Calculation (in Indonesian Rupiah / Rp.)

Year	Operational Cash Flow	DCF 11%	Proceed Present Value OCF
1	9.467.036.188	0,9009	8.528.861.431
2	11.758.611.369	0,8116	9.543.552.771
3	14.264.548.799	0,7312	10.430.115.140
4	16.675.896.140	0,6587	10.984.929.309
5	19.663.194.650	0,5935	11.669.148.979
6	22.949.164.241	0,5346	12.269.560.358
7	26.782.092.873	0,4817	12.899.820.293
8	31.449.844.443	0,4339	13.646.920.808
9	36.518.989.275	0,3909	14.276.177.535
10	43.006.734.439	0,3522	15.146.304.352
	Total		119.395.390.976

Source: Hotel x management

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Table 2
Cumulative Operating Cash Flow (in Indonesian Rupiah / Rp.)

Year	Operational Cash Flow	Cumulative Operational Cash Flow
1	9.467.036.188	9.467.036.188
2	11.758.611.369	21.225.647.557
3	14.264.548.799	35.490.196.356
4	16.675.896.140	52.166.092.496
5	19.663.194.650	71.829.287.146
6	22.949.164.241	94.778.451.387
7	26.782.092.873	121.560.544.260
8	31.449.844.443	153.010.388.703
9	36.518.989.275	189.529.377.977
10	43.006.734.439	232.536.112.416

Source: Hotel x management

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The hotel X investment project runs in line with the company goals, and some recommendations need to be considered according to the actual condition. Based on Porter's five forces analysis, it is known that hotel substitute products, such as Airbnb, have facilities that are not inferior to hotels in the form of accommodation for houses, apartments and villas. With the actual number of 28 four-star hotels in the city, Bandung will add the intensity of competition. The power of customers is more intense and decisive. The power of vendors in terms of price emphasis significantly affects the prices set by the hotel due to a contract agreement. Hotel x is not affiliated with local or international hotel chains or using a hotel management company since it is managed independently.

Therefore, the bureaucratic process in management decisions is lower. However, the hotel marketing department becomes dense enough to introduce the hotel to the broader community because it has to market its hotel without any assistance from a specific networking and global distribution system. Maximising online technology as a primary distribution channel, such as the hotel's web-site, as well as collaboration with the online travel agents will make hotel x gain greater feasibility from prospective customers.

Based on the RBV analysis, hotel X has complete MICE (Meeting, Incentive, Convention & Exhibition) facilities, and also the prices are very competitive because there are no binding regulations from one particular hotel chain. Related to the resources, the number of skilled human resources in the field of hospitality management are more easily to be found in Bandung because there are many hospitality schools which can be a partner with hotel x for a long-term period.

From the financial aspects, the hotel owner does not fully fund hotel investment, with some of the long-term bank loan affecting the cash flow for 15 years. Total initial investment to construct the building includes plumbing, mechanical, electrical, supplies, operational equipment, pre-opening expense, and working capital. Based on the calculation method of the criteria that have been established, it is known that the calculation of Present Net Value (NPV) is positive and that the result of the calculation of the value Profitability Index (PI) is 1.08 (more than the requirements that are above 1), and the ROI is in 6 Years 7 Months (below the owners

expectation in 8 years) it can be concluded that the project is feasible.

This study will make some recommendations for independent hotel owners and academicians related to the business environment analysis and in creating a feasibility study specifically for the hotel business. Empirical results will help to guide further developments for independent hotel projects, and to reveal a more definite direction for future research. Moreover, managerial implication of this study can be useful for companies in making the right decisions in the development or expansion, and to minimize the long-term losses

Some limitation is still found in this study, the authors can only analysing one hotel establishments with the four-star classification this is because the limit access to other primary data. Further research can be applied in a different location and different classification of the hotel project; another possibility is to investigate the relationships between another aspect, such as environmental, and analysis of the SWOT matrix.

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