

**Service Quality as a Catalyst for Competitive Advantage and Business Performance in Hotel
Industry: An Empirical Analysis by PLS-SEM Algorithm**

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ABSTRACT. This study investigates the vital role of service quality in the hotel industry, focusing on its impact on business performance and competitive advantages. Utilizing cross-sectional survey responses from hotel employees, we employed partial least squares structural equation modelling to analyze the relationships between service quality, competitive advantage, and business performance. Results highlight the pivotal role of quality in enhancing competitive advantages and operational efficiency in the hotel sector. The findings underscore the significant influence of service quality on both competitive advantage and overall business performance in the tourism service sector, leading to positive outcomes such as improved tourist experiences, economic growth, and an enhanced destination image. Additionally, the study emphasizes the importance of competitive advantage, service quality, and innovation in driving business performance, with direct implications for pricing strategies and service quality in the hotel industry.

1. INTRODUCTION

In the fiercely competitive hotel industry, achieving and maintaining a competitive edge is crucial for hotels to succeed in the market. Service quality is instrumental in shaping both a hotel's competitive advantage and its operational efficiency [1]. A focus on delivering exceptional service has become a key differentiating factor for hotels, as it directly impacts customer satisfaction, loyalty, and overall business performance [2]. This research aims to explore how service quality,

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competitive advantage, and efficiency are interconnected within the hotel industry. Service quality in the context of tourist relates to the hotel's capacity or surpass customer expectations regarding the services. This includes multiple dimensions, such as responsiveness, reliability, tangibles, empathy, and assurance. Providing superior service quality can differentiate a hotel from its competitors and lead to a sustainable competitive advantage [3]. By consistently delivering exceptional service, hotels can enhance customer satisfaction, build strong customer relationships, and generate positive word-of-mouth, all of which contribute to gaining a competitive edge in the market.

The quality of service directly influences customer satisfaction, leading to increased customer loyalty. Satisfied customers are more inclined to revisit, recommend the hotel to others, and display a decreased sensitivity to pricing [4]. Moreover, loyal customers tend to spend more on hotel services, leading to increased revenue and profitability. When administrators need prioritizing service quality, hotels can foster long-term customer loyalty, reduce customer churn, and gain a competitive advantage over their rivals [5].

While efficiency in hotel operations is another critical aspect affected by service quality. Effective service delivery processes, well-trained staff, and streamlined operations enhance efficiency, resulting in cost reductions and improved profitability [6]. For instance, by minimizing service errors and delays, hotels can optimize resource allocation and improve staff productivity, leading to lower operational costs. Efficient operations enable hotels to offer competitive pricing while maintaining profitability, further strengthening their competitive advantage in the market [7].

Assessing service quality within the hotel industry can occasionally result in inconsistencies and variations. The development of a standardized and universally accepted measure for service quality in this sector would enhance competitiveness. It is essential to investigate how these contextual factors interact with service quality to impact competitive advantage and efficiency for a more nuanced comprehension [8]. While it is widely acknowledged that service quality can contribute to competitive advantage, the precise nature of this relationship and the mechanisms through which it operates may not be fully understood. There is a need for recent research to investigate the particular aspects of service quality that exert the most significant influence on achieving a competitive advantage within the hotel industry, and how these aspects lead to enhanced financial performance [9]. Within the highly competitive hotel industry, service quality stands as a pivotal factor with the potential to profoundly influence a hotel's competitive edge

and operational efficiency. The results of this research will enhance our comprehension of how service quality can enhance competitiveness and efficiency in the hotel sector, offering valuable insights for hotel owners and industry professionals [10]. The uniqueness of this research lies in its comprehensive perspective, which recognizes service quality as a multi-dimensional factor that influences both competitive advantage and efficiency in the hotel industry. The outcomes of this study will contribute to a comprehensive understanding of these interconnected relationships, providing valuable insights for both academia and the industry. This research will empower hoteliers to make well-informed decisions and devise effective strategies to enhance their competitive positioning and operational performance, thereby driving overall success in the marketplace.

2. LITERATURE REVIEW

2.1. Services quality relationship to competitive strategy and organization efficiency.

Marketing researchers have shown great interest in the topics of service quality, customer satisfaction, and customer loyalty. This field of study is paramount significance as it aids in establishing a competitive advantage capable of sustaining and improving a business's financial performance [11].

According to Juran (1979), quality can be defined in four key dimensions. Firstly, the design of a quality strategy involves market research, definition, and specification. Market research is the responsibility of the marketing department, while engineering takes the lead in specifying quality requirements [12]. Secondly, quality of conformity pertains to manufacturing a product that aligns with its specifications, influenced by factors such as technology, manpower, and management. Thirdly, availability refers to the reliability, maintainability, and logistical support of the product. Lastly, support services are defined by promptness, competence, and integrity. These dimensions provide a comprehensive framework to approach understanding the concept of service quality perception and its impact on satisfaction and loyalty of customer. The administrators prioritizing these elements, businesses can gain a competitive advantage and improve their financial performance [13].

Deming (1982) defines quality as Design/redesign quality: a prototype that meets needs and improves well. Quality of standard compliance refers to how well a company and its suppliers meet the necessary design specifications to meet customer needs. This includes adhering to both industry standards and the company's own internal quality standards. Quality of operation: the company's product or service must be maintained.

The general views on quality is widely recognized that the concept of quality encompasses multiple dimensions, including efficiency, functionality, reliability, suitability, durability, serviceability, aesthetics, and perceived quality, among other important aspects [14]. Recently published service quality studies also measure the services quality of travel through satisfaction of customer [15]. In the field of tourism from different contexts, researchers are developing new ways to measure the quality of tourism services by considering both customer satisfaction and company employees [16]. This represents a notable departure from conventional methods that primarily emphasized customer satisfaction. The shift is driven by the acknowledgment that the services quality of tourism relies on the quality of the work environment for employees. Who are content and engaged, they are more inclined to deliver exceptional customer service [17]. Additionally, employees can provide valuable insights into the needs and expectations of customers, which can help businesses to improve their services.

Service quality can be a key differentiating factor for businesses operating in competitive markets. Related studies quality services, organizations can stand out from their competitors and attract customers who value superior experiences [18]. This differentiation can help create a competitive advantage and position the organization as a preferred choice among consumers.

While improving service quality often involves streamlining and optimizing internal processes and operations. When organizations consider the problem prioritize the delivery of quality services, they tend to allocate resources towards training, implementing efficient systems, and empowering their employees [19]. These improvements can lead to increased operational efficiency, reduced errors, and smoother service delivery processes. Enhanced operational efficiency positively impacts the organization's productivity, cost management, and overall effectiveness [20].

In general, service quality is closely linked to competitive strategy and organizational efficiency because it differentiates organizations from competitors, drives customer satisfaction and loyalty, shapes reputation and brand image, enhances operational efficiency, and ultimately impacts financial performance.

H1. Service quality has a positive relationship with competitive advantage.

H2. Service quality has a positive relationship with organizational efficiency.

2.2 Competitive strategy related to organization efficiency

Competitive advantage refers to a company's capability to provide products or services that outshine those of its rivals. This advantage can be attained through various means, including cost reduction, the provision of superior quality products or services, or the possession of a distinctive selling proposition [21]. The definitions of strategic governance and competitive advantage have long been reported, it is "the set of decisions and actions that lead to the formulation and implementation of strategies designed to achieve the goals of an organization" [22]

The proposed studies encompass research models pertaining to competitive strategy and quality management, which can be categorized as follows: Market-based models that concentrate on consumer costs. Models that emphasize the company's internal resources and activities. In the consensus model presented by Deming and Juran, the central objective of quality management is highlighted as reducing costs and improving customer satisfaction [23]. Many research models that have reported the link of competitive advantage to issues of internal governance quality and effectiveness also indicate that the effects of internalization of governance standards will have a competitive advantage and a people-centric role, motivation to work in the field of tourism services [24].

H3. Competitive strategy has a positive relationship with organizational efficiency.

2.3 The company's performance is linked to its competitive strategy and quality of service.

The conventional method of performance measurement solely relies on financial indicators, such as Return on Assets (ROA) and Return on Equity (ROE), to assess financial performance [25]. However, reports have provide evidence that the company's performance has many different goals, so only based on ROA and ROE indicators, it is not fully manifested for measuring company efficiency [26]

Several pertinent reports regarding the measurement of business performance incorporate metrics such as market share, profit margin from sales, return on investment (ROI) improvement, sales expansion, and growth in market share [27].

Studies have investigated the connection between organizational performance and product quality, taking into account aspects like customer satisfaction, employee contentment, and financial results. These performance dimensions encompass a broad spectrum of indicators, spanning both short-term and long-term perspectives, including productivity, cost control, profitability, competitiveness, sales expansion, income growth, and market share [28]. There are some relation research on business performance is explored in many areas, particularly in the

field of tourism, research reports including operational capabilities, differentiation strategies, social capitalization, shared common goals and learning management models to create competitive advantages in tourism services [29].

H4. The prices of products or services have an effect on competitive advantage.

H5. Product innovation in products or services has an effect on competitive advantage.

H6. Time to market of products or services has an effect on competitive advantage.

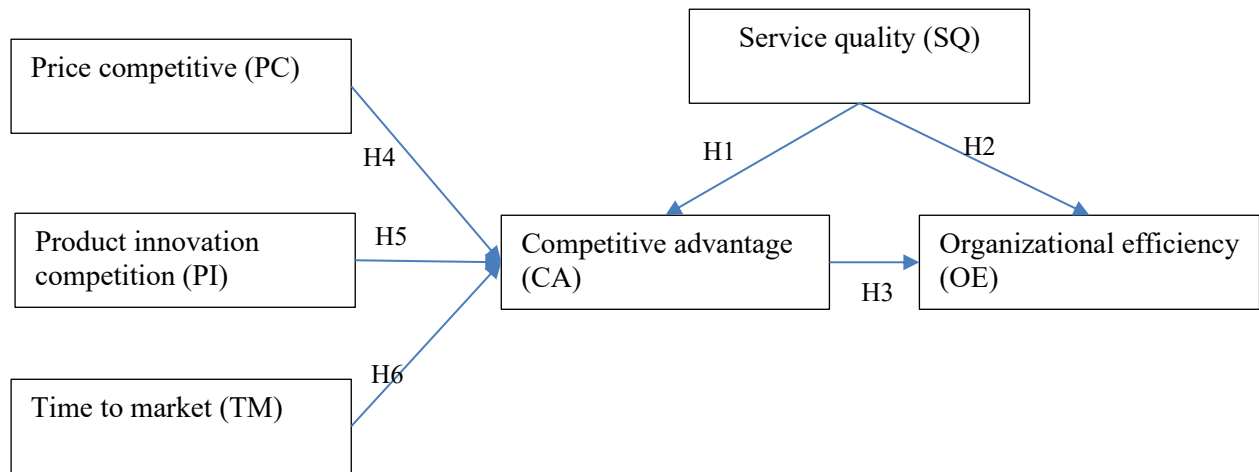


Figure. 1 The conceptual model with measurement structure

Source: Author's own research, 2024

3. METHOD AND MEASUREMENT

3.1. Measurement instrument of variables

Services quality is determined in relation to meeting the different needs of customers, it has been designed to measure 6 aspects and is assigned the name service quality, the contents is referenced from relevant reports and the most recent researches [30]. Related to competitive advantage, 4 items were measured, the contents were inherited from the competition-related research model and assigned the name of competitive advantage. Prices of the products or services an organization that is able to compete with major competitors' same business field. Competitive prices measured 6 items adopted from related research and select proof-of-concept [31]. Product innovation refers to an organization's ability to introduce novel products and services into the market. The measurement design for assessing product innovation comprises five items that have been adapted from existing published studies. These items serve as indicators to evaluate the organization's proficiency in generating and launching new offerings to meet evolving customer needs and market demands [32]. Time to market refers to an organization's capacity to introduce new products more

quickly than its primary competitors. The measurement design consists of five items, derived from relevant research on time-to-market.

Organizational efficiency an organization achieves market-oriented goals and financial goals. The contents of measurement of organizational effectiveness are measured 5 items have been adopted from related research organizational efficiency [29].

All variables in the study were assessed using a five-point Likert scale, offering respondents a spectrum of response choices from 1 (strongly disagree) to 5 (strongly agree). This scale allowed for a nuanced evaluation of participants' perceptions and opinions on the measured variables [33].

3.2. Estimating sample size

Estimating the sample size is a crucial step in research when using method analysis relationship complicated. The sample size determination process aims to ensure the statistical validity and reliability of the study's results. The appropriate sample size is determined based on several factors, including the complexity of the model, desired precision of parameter estimates, potential nonresponse and attrition, subgroup analysis considerations, and the type of confirmatory factor analyses (CFA), partial least squares structural equation modeling (PLS - SEM). In formal quantitative research, the determination of sample sizes is a critical consideration, influenced by various factors and research objectives. Recent publications have looked at the sample size systematically [34]. They reliability tests and structural analysis models and suggested that a sample size of over 350 responses is preferable to ensure both precision and confidence in the research outcomes [35]. The study designed a representative sample size of 500 responses, achieving a commendable success rate of 457 responses, equivalent to 91.4%.

3.3. Data collection

The study designed a cross-sectional responses survey who working in hotels to collect data (N=457), a convenient non-probability sampling method. The content of the questionnaire is divided into 2 parts, part 1 focuses on describing general information about demographic characteristics including gender, age range, job positive. Part 2 of the main content in the study, the survey is designed to link google drive. At each 4-star, 5-star hotel, the author request permission from people working at the hotel to introduce the survey. Only those who agree, the author only sends links to feedback working at hotels in Vietnam who agree to confirm their participation.

Before collecting the official data, the words and questions were tested by a group of 30 personnel to test the level of understanding of the content of the questionnaire [36].

3.4. Data analysis

In the study, statistical analysis methods were used to ensure the reliability of a research report in the field of business [37].

Testing the consistency and correlation of total variables in a measurement variable, studies have proposed to verify the scale reliability using Cronbach's Alpha reliability coefficient, the results of Cronbach's Alpha coefficient analysis of measurement variables from 0.88 to 0.92, which shows consistent observations for a measurement variable [38].

In this research model, the design has 6 variables that measure relationships, assuming that the observed variables are related to the underlying factors, and the factor model is determined by the relationships between factors by the observed variables. Apply the Confirmatory Factor Analysis (CFA) method to check the relevance of a measurement model to the actual data obtained [38]. The study employed a range of metrics that were derived from multiple reports, including the composite reliability (CR), and Average Variance Extracted (AVE). You can find the outcomes of these assessments in Table 2, which serves as a comprehensive evaluation of the validity and reliability of the study's findings.

To thoroughly analyze the intricate and multifaceted analytical relationships under investigation, the research leveraged the Partial Least Squares Structural Equation Modeling method [39]. This approach was chosen for its ability to handle the complexity of the research model and provide a robust assessment of the relationships between variables.

4. FINDINGS AND DISCUSSIONS

4.1. The information sample characteristics

Table 1. Sample characteristics

Items	Characteristics	Frequency	Percent
Gender	Female	281	61.5
	Male	176	38.5
Age	18-29	102	22.3
	30-39	172	37.6
	40-49	87	19.0
	50-59	78	17.1
	Up 60	18	3.9
Positive	Employees	314	68.7
	Managers	98	21.4
	Unemployed	45	9.8

Source: Author's own research, 2024

Table 1 displays the distribution of respondent characteristics. Among the total respondents, 61.5% were female, while 38.5% were male. The largest portion of respondents, comprising approximately 37.6%, fell within the age range of 30-39 years. In terms of occupation, 68.7% of respondents were employees, with 21.4% working as joint-stock managers. These demographic details offer an overview of the participants involved in the study.

4.2. Evaluating the validity and reliability of the measurement model

Table 2. The results assessment validity and reliability

Items	Variable observation	Outer loading	Cronbach's alpha
PC	Price competitiveness is a company's ability to charge lower prices than its main competitors		0.907
PC1	Hotels already offer competitive prices	0.879	
PC2	The restaurant/tourist plans to offer lower and lower prices than the competition	0.816	
PC3	Delivery assurance refers to an organization's capacity to timely provide quantity products and services as demanded by customers.	0.877	
PC4	List of businesses providing necessary products and services	0.854	
PC5	Business has interacted, customer support at the right time	0.742	
PC6	The list of providing reliable products and services	0.786	
PI	Product innovation encompasses an organization's capacity to introduce novel products and services into the marketplace		0.901
PI1	Organization providing a wide selection of products and services	0.865	
PI2	The company plans to change its products and services to meet customer needs	0.860	
PI3	The company consistently demonstrates the capability to develop fresh products and services tailored to fulfill customer requirements	0.885	
PI4	The organization notifies customers about the timing of new products/services	0.877	
PI5	The organization has new products every day	0.741	
TM	Time to market indicates a company's capacity to launch new products into the market faster than its main competitors		0.89
TM1	Efficiently deliver products and services to the market in response to changing events	0.869	

TM2	The company is the first to market with new products and services	0.876	
TM3	Companies have a faster time to market than the average business	0.856	
TM4	Organizations with different product and service development compared to similar organizations	0.858	
TM5	Time to serve products and services to meet customer needs (no waiting)	0.724	
CA	Competitive advantage		0.88
CA1	The hotel has structure price competitive pricing compared to its competitors.	0.892	
CA2	The hotel release product or service quality distinctive.	0.881	
CA3	The hotel effectively meets customer demands	0.846	
CA4	The hotel has a shorter time-to-market than the service tourism	0.842	
SQ	Services quality is determined in relation to meeting the different needs of customers		0.91
SQ1	Products and services created with emphasis on user performance	0.835	
SQ2	Design products and services ensure attractive features	0.836	
SQ3	Products and services are trusted in accordance with the announcement	0.832	
SQ4	Products and services are suitable for reality	0.837	
SQ5	Products and services are sustainable and environmentally friendly	0.844	
SQ6	Products and services provided with humanistic meaning	0.773	
SQ7	Products and services always ensure the feeling of customer satisfaction	0.775	
OE	Organizational efficiency: an organization achieves market-oriented goals and financial goals		0.88
OE1	The organization has announced plans to expand the branch	0.851	
OE2	Organizations with growth of market share	0.849	
OE3	Organizations with growth of sales	0.830	
OE4	Positive return on investment (ROI)	0.827	
OE5	The organization always has a competitive position compared to the general market	0.767	

Source: Author's own research, 2024

Note: SQ = Services quality, PC = Price competitive, PI = Product innovation, TM = Time to market, OE = Organizational efficiency, CA = Competitive advantage

The research conducted a comprehensive evaluation of the scale's reliability and convergence. The results, which can be found in Table 2, indicate that the values obtained from both the reliability test and convergence analysis not only met but exceeded the widely accepted threshold of 0.7, as recommended [40]. This signifies that the scale is highly reliable. Furthermore, the total variable correlation values, ranging from 0.76 to 0.89, highlight the presence of significant relationships among the variables under consideration. The scale's internal consistency, as measured by the Cronbach Alpha coefficient (ranging from 0.88 to 0.91), demonstrates a high degree of internal reliability. The Composite Reliability (CR) index results, detailed in Table 3 (with values ranging from 0.88 to 0.93), further confirm the strong reliability of the measurement model. Moreover, the Average Variance Extracted (AVE) values, spanning from 0.67 to 0.71, indicate that a substantial portion of variability in the latent variables is effectively accounted for by the model. These robust findings provide compelling evidence supporting the validity and reliability of the measurement scale employed in this study.

Table 3. Assessment discriminant validity by Fornell and Larcker

	CR	AVE	CA	OE	PC	PI	SQ	TM
CA	0.923	0.749	0.866					
OE	0.914	0.681	0.503	0.826				
PC	0.928	0.683	0.358	0.267	0.827			
PI	0.927	0.718	0.432	0.281	0.229	0.847		
SQ	0.934	0.671	0.407	0.374	0.285	0.289	0.819	
TM	0.922	0.703	0.377	0.316	0.394	0.351	0.217	0.839

Source: Author's own research, 2024

Note: SQ = Services quality, PC = Price competitive, PI = Product innovation, TM = Time to market, OE = Organizational efficiency, CA = Competitive advantage, CR = Composite Reliability, AVE = average variance extracted.

Table 3 presents the outcomes of the discriminant validity assessment based on the Fornell and Larcker index. In the table, each entry represents the correlation value between two measurement variables. The values along the diagonal of the table correspond to the square roots of the AVE values, indicating the proportion of variance in each measurement variable that is accounted for by its underlying construct [41]. When comparing AVE values at a limit of 0.5 as a suitable criterion, the degree of convergence in the scale [42]. The composite reliability values, which fall within the range of 0.89 to 0.92, surpass the predefined threshold established to validate the

internal consistency of the measurement scale. This range demonstrates that the scale exhibits strong internal consistency, enhancing our confidence in its reliability [43].

4.3. Hypothesis test results

The primary objective of this study is to investigate the connections between the measurement variables within the research model employing the partial least squares structural equation modeling (PLS-SEM) approach. The outcomes of this analysis, which encompass standardized estimates, have been meticulously presented in Table 4. This table serves as a valuable resource for understanding not only the strength but also the direction of the relationships existing among the variables, offering insights into the core findings of the study [39].

Table 4. The results analysis of standardized estimates

Hypothesis	Paths			Estimate	P-value	Decision
H1	SQ	->	CA	0.249	***	Supported
H2	SQ	->	OE	0.203	***	Supported
H3	CA	->	OE	0.420	***	Supported
H4	PC	->	CA	0.164	***	Supported
H5	PI	->	CA	0.264	***	Supported
H6	TM	->	CA	0.165	***	Supported

Source: Author's own research, 2024

Note: SQ = Services quality, PC = Price competitive, PI = Product innovation, TM = Time to market, OE = Organizational efficiency, CA = Competitive advantage

From the results of table 4, the relationships in the research model were tested and found to be statistically significant at the 95% confidence level. The impact levels of factors are sorted by decreasing degree based on the estimate factor. The competitive advantage factor has the highest impact on organizational efficiency (beta = 0.420). This can explain competitive advantage is a key factor that significantly impacts organizational efficiency (OE). Competitive advantage is what makes a company different from its competitors and helps it succeed in the market [44]. When an organization possesses a strong competitive advantage, it gains a distinct edge in terms of market share, customer loyalty, and profitability [45]. These outcomes collectively contribute to improved organizational efficiency, ensuring long-term success in a highly competitive business environment.

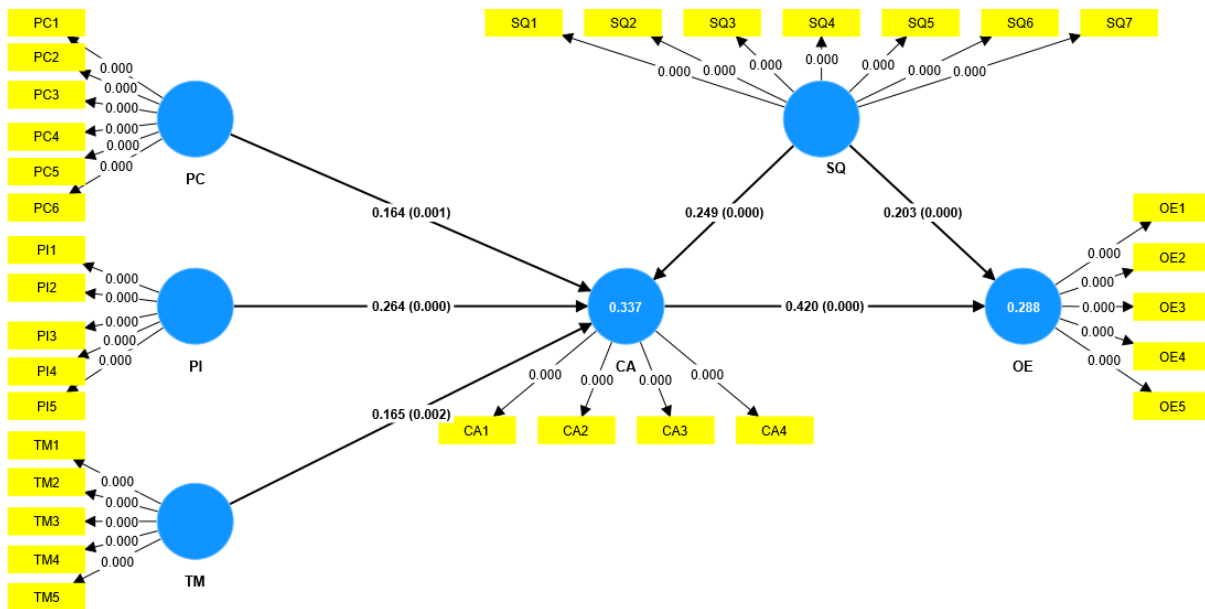
This study delves into the interplay between product innovation, service quality, and competitive advantage within the hotel industry. The influence of product innovation on competitive

advantage is also confirmed to be statistically significant, with an estimated coefficient of 0.264. Product innovation entails the creation of novel and enhanced offerings, while service quality encompasses various aspects, including the standard of customer service, responsiveness, and the overall experience offered by hotels. Within the hotel industry, a strategic emphasis on both product innovation and service quality can wield a direct and profound influence on competitive advantage. By consistently introducing innovative products and services, hotels can effectively distinguish themselves from their competitors. This differentiation, coupled with an enhanced service experience, has the potential to attract and retain a loyal customer base, positioning hotels favorably in the competitive landscape [46]. Unique and desirable features can enhance customer satisfaction, increase occupancy rates, and drive customer loyalty. Additionally, superior service quality can contribute to positive word-of-mouth, online reviews, and guest recommendations, further strengthening the hotel's reputation and competitive positioning [47].

The relationship between service quality and business performance in the hotel industry also recorded to have a positive impact, with an estimated coefficient of 0.203. One reason is that service quality is often difficult to measure and quantify. It is also subjective, meaning that different customers may have different perceptions of what constitutes good service. As a result, it can be difficult to determine how much of an impact service quality has on organizational efficiency [48]. Unlike manufacturing or production industries, the hotel industry involves a high degree of human interaction and personalized service delivery. Ensuring consistent service quality across various customer total can be challenging, as it relies heavily on the skills and performance of individual employees [49]. Additionally, the diverse nature of hotel operations, including front desk, housekeeping, food and beverage, and other departments, adds complexity to the coordination and standardization of service quality, potentially impacting organizational efficiency [50].

The relationship between price competitiveness, time to market, and competitive advantage in the hotel industry. Price competitiveness allows hotels to attract price interested customers in the market [51]. Additionally, the ability to bring new offerings to market quickly enables hotels to stay ahead of trends and meet evolving customer demands [52].

In general, the relationships of measured variables in the research model can depict Figure 2 of the breakdown structure more clearly in the study for administrators.



Source: Author's own research, 2024

Figure 2. The path coefficients standardized.

Note: SQ = Services quality, PC = Price competitive, PI = Product innovation, TM = Time to market, OE = Organizational efficiency, CA = Competitive advantage

5. DISCUSSION

Service quality is a crucial determinant of a hotel's success. It influences competitive advantage by differentiating the hotel in the market and impacts business performance through improved customer satisfaction, loyalty, and operational efficiency [53]. The research results need to be discussed in detail, comparing each aspect with perspectives from similar studies in the field. To ensure an objective view, it is important to compare these findings with those from the most recent reports.

The demographic descriptive statistical results of the study revealed that 61.5% of the respondents were female, highlighting a significant female presence in the hotel industry workforce. The age distribution focused on two primary groups: 18-29 and 30-39 years, which together accounted for 59.9% of the respondents [54]. This suggests that a large portion of the workforce is relatively young and likely adaptable to new service quality initiatives. Furthermore, the majority of respondents (68.7%) were employees, indicating that the insights gathered are largely reflective of frontline staff experiences, crucial for understanding service quality's impact on competitive advantage and business performance.

An empirical analysis uncovers critical insights into the interconnected dynamics of service quality, competitive advantage, and business performance. The findings elucidate several significant relationships that collectively enhance understanding of how these factors interplay within the hotel industry.

Firstly, the study highlights that competitive advantage significantly impacts organizational efficiency. This relationship exists because a strong competitive advantage allows organizations to differentiate their products or services effectively [55]. Differentiation, in turn, attracts customers, generates higher revenues, and improves overall efficiency. When a hotel can distinguish itself through unique offerings, it not only attracts a larger customer base but also commands premium pricing, leading to better financial performance and operational effectiveness [56].

Secondly, the research identifies a crucial link between competitive pricing and service quality. The impact of competitive pricing on service quality is mediated by customers' perceptions and expectations. Customers often equate higher prices with better quality, and their satisfaction levels are influenced by whether their service experiences meet or exceed their expectations [57]. Therefore, hotels that strategically balance competitive pricing with high service quality can enhance customer satisfaction, leading to repeat business and positive word-of-mouth referrals.

Thirdly, the study examines the relationship between product innovation, service quality, and competitive advantage in the hotel industry. The combination of product innovation and exceptional service quality creates a unique value proposition that sets a hotel apart from its competitors [58]. This relationship is rooted in the notion that innovative products and services can capture customer interest and loyalty, while high service quality ensures that customers' experiences are consistently positive. Together, these factors fortify a hotel's competitive position, enabling it to attract and retain a discerning clientele.

Lastly, the research underscores the mediating role of service quality as a catalyst for competitive advantage and business performance. The correlation coefficients reveal that the relationship between service quality and competitive advantage is stronger than that between service quality and business performance [59]. Notably, competitive advantage exerts the highest impact on business performance. This suggests that while service quality directly enhances competitive advantage, it indirectly influences business performance by bolstering the hotel's market position.

In essence, exceptional service quality is a critical driver of competitive advantage, which in turn, translates into superior business performance.

6. CONCLUSION

The factor competitive advantage has impact on organizational efficiency, the link between competitive advantage and organizational efficiency lies in the ability of a strong competitive advantage enables the organization to differentiate its products or services. This translates into flow revenues. Moreover, competitive advantage often involves efficient and effective internal processes, from organizational operations, optimized supply chains, and apply innovative technologies. These factors contribute to improved productivity, cost savings, and resource allocation, all of which enhance organizational efficiency.

The relationship between competitive pricing and service quality stems from customers' when the impact of competitive pricing on the quality of service lies in customers' perceptions and expectations. When delivering exceptional service that aligns with competitive pricing, organizations can create a positive customer experience, build loyalty, and gain a competitive edge in the market.

The relationship between product innovation, service quality, and competitive advantage in the hotel industry. The combination of product innovation and exceptional service quality creates a unique value proposition that sets a hotel apart from its competitors. It allows the hotel to deliver experiences customer, exceed guest expectations, and build long-term customer relationships. This enhances its competitive advantage by customer loyalty and driving sustained success in the hotel industry.

The relationship between service quality and organizational efficiency in the hotel industry can be challenging due to factors specific to the industry. In the hotels rely heavily on human interaction and personalized service delivery. This makes it difficult to maintain consistent service quality across various touchpoints. However, implementing effective training programs, streamlining processes, and implementing quality management systems can help improve the relationship between service quality and organizational efficiency in the hotel industry.

7. IMPLICATIONS

Services quality has a strong impact on business performance, regardless of whether this study's findings differ from previous studies. This should be considered when apply business practices.

The findings emphasize the importance of prioritizing service quality within the tourist service industry. Businesses should invest in training their staff to deliver excellent customer service, as

it directly influences business performance. This includes aspects such as responsiveness, friendliness, and efficiency in addressing customer needs [60].

The results of the study showed that innovation competition had the influence is higher than other competitive advantage factors in this study (beta = 0.26). So, Organizations should strive to develop and maintain a competitive advantage in the tourist industry [58]. This can be achieved through differentiation strategies, such as offering unique services or experiences that set them apart from competitors. By doing so, businesses can enhance their performance and attract more customers, ultimately leading to increased profitability. Businesses that care to ensure sustainable business performance, companies should adopt a culture of continuous improvement. Regularly assessing and enhancing service quality should be an ongoing process [56]. Organizations can gather feedback from customers, conduct performance evaluations, and implement strategies to address any identified areas of improvement [61]. This proactive approach will help businesses stay ahead of the competition and meet evolving customer expectations.

In addition, this result can be considered in terms of implications for society. When businesses prioritize service quality, it directly benefits society by providing a better overall tourist experience. Visitors will have more enjoyable and memorable interactions with tourist service providers, leading to increased satisfaction and loyalty. This, in turn, can contribute to positive word-of-mouth recommendations and repeat visits, benefiting both the business and the destination as a whole [3].

The results also provide evidence that pricing strategies affect service quality and competitive advantage. Price is related to overall revenue, while service quality is related to customer satisfaction [62]. This consideration promotes the development of the national economy, the improved performance of businesses in the tourist service industry can contribute to economic growth at both the local and national levels [63]. Higher levels of customer satisfaction and increased tourist spending can stimulate the local economy, create job opportunities, and generate tax revenues. This can have a positive ripple effect, benefiting various sectors and stakeholders within the society. Moreover, the image value of the tourism industry is accumulated, and the business brand is improved in the perception from visitors [64]. A focus on competitive advantage, find the difference and core tourism can enhance the reputation and image of a tourist destination. Positive experiences shared by tourists can boost the destination's brand and attract more visitors [65]. By consistently delivering high-quality services, businesses

within the industry contribute to building a positive perception of the destination, leading to long-term sustainability and competitiveness in the global tourism market.

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