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Enhancing Hospitality Competitiveness through Facility and Price Strategy: A Case Study of The Arista Hotel Palembang

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ABSTRACT

The growth of the tourism industry in Palembang has contributed to the increasing importance of the hospitality sector, particularly star-rated hotels. However, recent data show a decline in hotel occupancy rates, including at The Arista Hotel Palembang, suggesting a potential gap between service offerings and customer expectations. This study aims to examine the influence of facilities and price on customers' stay decisions at The Arista Hotel Palembang. A quantitative approach was used, involving a structured survey distributed to 120 guests who had stayed at the hotel in the past year. The data were analyzed using multiple linear regression. The findings reveal that both facilities and price have a significant and positive effect on stay decisions. Facilities emerged as the stronger predictor, highlighting the importance of service quality and physical comfort in shaping guest preferences. Price was also found to play a key role, particularly in terms of perceived fairness and value. These results contribute to the existing literature by providing context-specific evidence from a premium hotel in an emerging urban destination. The findings offer practical insights for hotel managers and local government in formulating strategic improvements to increase occupancy rates and enhance the competitiveness of the hospitality sector.

Keywords: hotel stay decision, facilities, price, customer behavior, hospitality management, Palembang tourism

INTRODUCTION

Palembang, as one of the leading tourism destinations in South Sumatra, plays a strategic role in promoting regional economic growth through the development of its tourism sector. With increasing government support and infrastructure improvements, the city has experienced substantial growth in supporting industries, particularly hospitality. Star-rated hotels, such as The Arista Hotel Palembang, serve a critical function in providing accommodation services for both domestic and international visitors. However, the sustainability of the hotel industry is not solely determined by the physical presence of facilities, but also by the quality of services and pricing

strategies offered to potential guests. Despite the recognized potential and importance of tourism and hospitality in the region, current empirical conditions suggest a contrasting reality. Recent data released by the Central Statistics Agency (Badan Pusat Statistik) of Palembang City indicated a noticeable decline in hotel occupancy rates. The room occupancy rate (TPK) for star-rated hotels decreased from 58.41% in November 2023 to 51.13% in June 2024 (BPS Kota Palembang, 2024a; 2024b). This decline signals a reduced interest among travelers and consumers in utilizing hotel services, including at premium establishments like The Arista Hotel Palembang.

This phenomenon presents a strategic challenge for both the local government and hotel management to better understand the factors influencing customer decision-making in hotel selection. Previous research has consistently identified **facilities** and **price** as key determinants of customer stay decisions. Arevin (2024), for instance, emphasized that "quality of facilities has a greater influence than price on tourists' decision-making process, especially in competitive urban destinations." Similarly, Rindiani and Winata (2024) found that both variables had a significant and simultaneous effect on customer decisions in Medan. Febrianika, Aprilliyani, and Rahayu (2023) further corroborated these findings, arguing that service improvement and competitive pricing are directly linked to customer loyalty.

Facilities are widely regarded as one of the most influential factors in consumer purchasing decisions, especially in service-based industries like hospitality. According to Kotler and Keller (2016), facilities reflect the overall service quality, encompassing room comfort, recreational amenities, technological infrastructure, and staff hospitality. Well-maintained and modern facilities not only enhance guest experience but also increase perceived value, thereby positively affecting purchase intention. Nevertheless, research findings regarding the impact of facilities remain inconclusive. While Rindiani and Winata (2024) reported a direct and significant influence of facilities on customer decision-making, Wulandari and Siregar (2022) found that facilities only influenced decisions indirectly through customer satisfaction. These conflicting results highlight a research gap and the need for contextual investigation in different geographical and market settings.

Price is another critical element influencing consumer decision-making. As suggested by Monroe (1990), price represents the perceived value exchanged for a specific benefit, and price fairness significantly shapes customer attitudes. When consumers perceive that the price aligns with the quality and service received, their satisfaction and intention to purchase increase. However, similar to facilities, the influence of price has produced mixed results in the literature. While Febrianika et al. (2023) found a positive impact of price on customer loyalty, Pratama and Nurhayati (2021) discovered that price had no significant effect when consumers prioritized experiential or brand-related factors. Kartika and Simanjuntak (2022) also noted that upper-middle-class consumers tend to be less price-sensitive, placing greater importance on service quality. These inconsistencies indicate that the relationship between price and purchasing decisions may be moderated by consumer segment, income level, or service expectations—highlighting a second research gap that warrants further empirical exploration in local hotel contexts. Given the above, this study aims to examine the influence of facilities and price on customer stay decisions at The Arista Hotel Palembang. Findings from this research are expected to offer valuable insights for hotel managers and local policymakers in formulating evidence-based strategies related to service enhancement and pricing models, ultimately contributing to the improvement of the hospitality sector and regional tourism performance.

LITERATURE REVIEW

a. Stay Decision in the Hospitality Industry

Customer decision-making in the hospitality industry is a complex process influenced by both internal and external factors. According to Schiffman and Kanuk (2010), purchase decision-making, including hotel selection, is driven by perceived value, service quality, psychological factors, and contextual cues such as price and availability. In the context of accommodation, the stay decision refers to a customer's choice to use a hotel's services based on evaluation of various attributes, including but not limited to physical facilities, pricing, location, reputation, and previous experiences (Kotler & Keller, 2016). Understanding the determinants of stay decisions is crucial for hotel management in developing effective marketing strategies and enhancing customer satisfaction.

b. The Role of Facilities in Influencing Stay Decisions

Facilities are a key component of a hotel's service offering, encompassing both tangible and intangible elements such as room amenities, cleanliness, Wi-Fi access, leisure areas, and food & beverage services. Kotler and Keller (2016) define facilities as part of the physical evidence in service marketing, contributing significantly to the customer's perceived service quality. Empirical studies support the significant influence of facilities on customer preferences. Rindiani and Winata (2024) found that well-maintained and modern facilities positively impact customers' intention to stay, particularly in four-star hotels in Medan, Indonesia. Similarly, Arevin (2024) argued that in urban competitive markets, quality of facilities plays a stronger role than price in attracting guests.

However, the literature also reveals inconsistent findings. Wulandari and Siregar (2022) discovered that facilities did not have a direct effect on stay decisions but rather influenced customer satisfaction, which then mediated the purchase decision. Hartono and Putri (2021) also noted that for budget hotel customers, facilities were less critical than location and price. These mixed findings highlight a research gap, suggesting that the impact of facilities on stay decisions may vary depending on the hotel segment, customer demographics, and regional context—underscoring the need for location-specific investigations, such as in Palembang.

c. The Role of Price in Influencing Stay Decisions

Price is another essential factor in consumer behavior, representing the monetary value exchanged for the benefit of staying in a hotel. According to Monroe (1990), consumers evaluate price fairness based on whether the perceived value of the service matches the amount paid. In hospitality, pricing strategy influences both initial consideration and final selection of a hotel (Zeithaml et al., 2017). Febrianika et al. (2023) found that competitive pricing has a significant positive impact on customer loyalty in mid-range hotels, while Arevin (2024) observed that price sensitivity increases among domestic tourists during off-peak seasons.

Nevertheless, divergent results also appear in this line of research. Pratama and Nurhayati (2021) reported that price had no significant effect on purchasing decisions when consumers prioritized experiential value or brand trust. Kartika and Simanjuntak (2022) found that for upscale hotel customers, pricing becomes less influential compared to service quality and personal comfort. These inconsistencies suggest that the relationship between price and customer decision-making

may be context-dependent, moderated by socioeconomic status, hotel positioning, and customer expectations.

d. Hypotheses Development

Based on the theoretical framework and previous empirical findings, this study formulates the following hypotheses:

- **H1:** Facilities have a significant positive effect on stay decision at The Arista Hotel Palembang.
  (supported by Kotler & Keller, 2016; Rindiani & Winata, 2024; Arevin, 2024)
- **H2:** Price has a significant positive effect on stay decision at The Arista Hotel Palembang.
  (supported by Monroe, 1990; Febrianika et al., 2023; Zeithaml et al., 2017)

These hypotheses aim to test whether facilities and price influence customer decisions in the specific setting of a premium hotel in a regional tourism hub, thereby contributing to the contextual validation of consumer behavior theory in the hospitality sector.

METHOD

a. Research Design

This study adopts a **assoiatif research approach** using an explanatory design to examine the influence of facilities and price on customer stay decisions at The Arista Hotel Palembang. The purpose is to explain causal relationships between independent variables (facilities and price) and the dependent variable (stay decision) through hypothesis testing.

b. Population and Sample

The population of this research comprises guests who have stayed at The Arista Hotel Palembang within the last 12 months. A purposive sampling technique was employed to select respondents based on specific criteria, including: (1) having stayed at the hotel at least once in the past year, and (2) being involved in the decision to book the stay. A total of 120 respondents were surveyed, following recommendations by Hair et al. (2014) that a minimum sample size of 5–10 times the number of indicators in the model is sufficient for regression analysis.

c. Data Collection

Data were collected through a structured questionnaire, distributed both on-site and online via guest review follow-up. The questionnaire was divided into four sections: respondent profile, perceived quality of facilities, price perception, and stay decision. All measurement items were assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

d. Measurement of Variables

Facilities were measured using indicators adapted from Kotler and Keller (2016), including room comfort, cleanliness, amenities, technology, and hospitality.

Price was measured based on perceived fairness, affordability, and price–value congruence, following the work of Monroe (1990) and Zeithaml et al. (2017).

Stay Decision was measured using indicators related to intention to stay, satisfaction, and repeat booking behavior, adapted from Schiffman & Kanuk (2010).

All instruments were tested for validity and reliability using Pearson correlation and Cronbach's alpha (>0.7).

e. Data Analysis Technique

The collected data were analyzed using multiple linear regression with the aid of SPSS software. The model tested was:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\varepsilon Y \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Where:

Y = Stay Decision

X_1= Facilities

X_2 = Price

β = Regression coefficients

ε = Error term

Assumptions of classical linear regression (normality, multicollinearity, heteroscedasticity, and linearity) were tested prior to hypothesis testing. Statistical significance was assessed at the 95% confidence level (α = 0.05)**.**

RESULTS AND DISCUSSION

a. Result

Validity and Reliability Testing

The results of the validity test using Pearson correlation showed that all items had correlation coefficients above 0.300 and significant p-values ($p < 0.05$), indicating that all questionnaire items were valid.

Table 1Summary of validity and reliability test

Variable	Number of Items	Pearson Correlation (r) Range	Sig. (p)	Cronbach's Alpha	Conclusion
Facilities	5	0.688 – 0.749	0.000	0.842	Valid and Reliable
Price	4	0.689 – 0.732	0.000	0.816	Valid and Reliable
Stay Decision	4	0.721 – 0.767	0.000	0.871	Valid and Reliable

Source: Data processed by the author (2023)

Regression Analysis Output

The multiple regression analysis was performed to examine the influence of facilities and price on the stay decision. The results are summarized in the following table:

Table 2 Multiple Linear Regression Analysis

Variable	Unstandardized Coeff. (B)	t-value	Sig. (p)
Constant	1.112	3.028	0.003
Facilities	0.457	5.321	0.000
Price	0.384	4.719	0.000
R^2 = 0.621	Adjusted R^2 = 0.612	F = 74.235	p = 0.000

Sources: Data processed by the author (2023)

The results of the multiple linear regression analysis reveal that both facilities and price have a significant and positive influence on customers' stay decisions at The Arista Hotel Palembang. The coefficient of determination (R^2) is 0.621, indicating that 62.1% of the variance in the stay

decision can be explained by the two independent variables in the model. The adjusted R^2 value of 0.612 further confirms that the model maintains a high level of explanatory power even after accounting for sample size and the number of predictors. This suggests that the model is robust and that facilities and price are meaningful predictors of consumer behavior in the hotel context. The overall regression model is also statistically significant, as shown by the F-test value of 74.235 with a p-value of 0.000, which is well below the 0.05 threshold. This indicates that the combination of facilities and price provides a good fit to the data and jointly contributes to the explanation of variations in the stay decision variable.

In terms of individual contributions, the variable facilities has a regression coefficient (B) of 0.457, with a t-value of 5.321 and a significance level of $p = 0.000$. This implies that a one-unit increase in the perceived quality of hotel facilities is associated with a 0.457 unit increase in the likelihood of a customer deciding to stay at the hotel, holding the price constant. Likewise, the price variable shows a coefficient of 0.384, with a t-value of 4.719 and a p-value of 0.000, indicating that a more favorable perception of price—such as fairness and affordability—corresponds with an increased stay decision score by 0.384 units.

The p-values for both predictors are highly significant ($p < 0.001$), confirming that there is strong evidence to reject the null hypotheses and accept the alternative hypotheses. Thus, Hypothesis 1 (H1), which states that facilities have a positive effect on stay decision, and Hypothesis 2 (H2), which posits that price has a positive effect on stay decision, are both supported. These findings underscore the importance of service facilities and price competitiveness in influencing consumer decision-making within the hospitality industry. The Arista Hotel, therefore, stands to benefit by focusing on improving its facility offerings and ensuring its pricing remains aligned with customer value perceptions.

b. Discussion

The findings confirm that facilities have a significant and positive influence on the stay decision at The Arista Hotel Palembang. This result aligns with Kotler and Keller (2016), who argue that facilities are part of the physical evidence that shapes service quality perception. Guests tend to choose hotels that offer modern, clean, and complete amenities, which create a positive customer experience. These findings are also consistent with Rindiani and Winata (2024), who demonstrated that high-quality facilities enhance intention to stay in four-star hotels. However, the present study also contributes to the existing debate in literature by offering context-specific evidence in Palembang, where previous studies such as Wulandari and Siregar (2022) found only an indirect effect of facilities. The direct effect identified in this study implies that hotel guests in premium segments like The Arista may be more sensitive to tangible service features.

Furthermore, price was found to significantly influence customer stay decisions, supporting the findings of Febrianika et al. (2023), who showed that competitive pricing positively affects loyalty. Consumers perceive value when the price is considered fair relative to the benefits offered (Monroe, 1990). In the context of Palembang, where multiple hotel options exist, price remains a determinant factor influencing purchase decisions. This finding also contrasts with Pratama and Nurhayati (2021), who suggested that price is less influential when brand image dominates decision-making. The divergence implies that price sensitivity varies across customer segments and hotel classifications. In this case, The Arista's customers may still consider price as an essential part of value judgment, despite the hotel's premium positioning.

CONCLUSION

This study examined the influence of facilities and price on customer stay decisions at The Arista Hotel Palembang. The results of the regression analysis confirmed that both factors have a statistically significant and positive impact on guests' decisions to stay at the hotel. Among the two variables, facilities were found to be the more dominant predictor, emphasizing the importance of comfortable rooms, complete amenities, and supportive service infrastructure in shaping customer preferences. Price, particularly in terms of fairness and perceived value, also played a critical role in influencing consumer decisions, especially in a competitive hospitality environment. These findings contribute to the existing literature by reinforcing the relevance of tangible service quality and pricing strategy in customer behavior, particularly within the context of premium hotels in secondary cities like Palembang. From a practical perspective, the study offers valuable implications for hotel managers and local tourism stakeholders. To enhance occupancy rates and customer retention, hotel management should prioritize continuous improvements in facility quality while maintaining competitive and transparent pricing strategies. Additionally, local government can use these insights to support tourism development policies that strengthen the region's hospitality infrastructure and service standards. Future research may explore additional factors such as online reviews, brand image, or customer experience to provide a more comprehensive understanding of hotel selection behavior.

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