

Reformulating the Business Model Canvas: Integrating Success Determinants of the Hotel Industry

Ardiaz Ajie Aryandika¹

¹Department of Management, Diponegoro University
Semarang, Indonesia
ardiaz.ajie@gmail.com

Dhena Kamila Fu'adi²

²Department of Management, Diponegoro University
Semarang, Indonesia

ABSTRACT

This study investigates how the Business Model Canvas can be reconfigured for the hotel industry by embedding critical success determinants specific to hotel operations. While the conventional canvas offers a general framework for describing value creation, delivery, and capture, it does not fully capture the operational dynamics that shape performance in hospitality businesses. To address this gap, the research combines primary data obtained through in-depth interviews with hotel managers and secondary data drawn from an extensive review of hospitality and business-model literature. The analysis identifies additional elements—covering strategic location, workforce empowerment, and both internal and external marketing orientation—that extend the nine original building blocks of the canvas. The resulting framework is intended to provide hotel owners and managers with a more contextually grounded tool for formulating competitive strategies, strengthening customer relationships, and maximizing revenue performance across diverse hotel segments.

Keywords: *Business Model Canvas; Hotel Industry; Internal Marketing; External Marketing; Hospitality Management*

INTRODUCTION

Indonesia possesses considerable tourism potential. Based on the 2022 World Economic Forum Travel and Tourism Competitiveness Index, the country recorded the sharpest improvement among the nations surveyed, climbing from rank 44 to rank 32 (Kemlu, 2022). Bali was placed second among the world's top destinations in TripAdvisor's 2024 rankings, while Indonesia as a whole was named the most sought-after travel destination by Forbes in 2019 (Forbes, 2020).

This upward trend in tourism has directly benefited the accommodation sector. Although the COVID-19 pandemic caused a temporary setback, the hospitality industry's contribution to Indonesia's GDP rose from Rp412 trillion in 2021 to Rp472 trillion in 2022 (Statista, 2023).

Statistics Indonesia (BPS) data likewise indicate that the number of hotels and other accommodation businesses continued to grow between 2021 and 2023, recovering from the contraction experienced during 2020–2021.

Much of the existing research on hospitality tends to take a broad view of the industry rather than examining day-to-day operations, even though practical, operationally relevant findings are what managers and other stakeholders actually need (Khan, 2023). The sector also faces recurring challenges such as rapid market shifts, heterogeneous stakeholder expectations, intense rivalry, and limited product or service differentiation relative to competitors (Song et al., 2024). The COVID-19 pandemic further accelerated changes to established business models in hospitality, prompting many operators to adopt Corporate Social Responsibility (CSR) initiatives as a way of responding to diverse stakeholder demands (Song et al., 2024).

These developments point to the need for a business model that better reflects current conditions in the sector. A well-constructed business model clarifies how an organization creates, delivers, and captures value; frames organizational strategy; and serves as a practical instrument for commercializing new ideas and technologies (Huang et al., 2023a). Yet generic business model canvases are not designed with the particularities of hospitality in mind. This study therefore sets out to construct a business model canvas tailored to hospitality enterprises, with the broader aim of offering practical guidance for hospitality businesses seeking to align their strategies with present-day industry demands.

LITERATURE REVIEW

Hospitality Business

The hospitality sector belongs to the IHIP category of services—intangible, heterogeneous, inseparable, and perishable—meaning that customers largely base their choices on experience, word of mouth, and the opinions of others, which makes service quality inherently difficult to assess (Zheng et al., 2023). Managing a hospitality business draws on a wide array of sub-sectors and disciplines: relevant business areas include restaurants, hotels, amusement parks, attractions, and non-commercial operations, while supporting disciplines span marketing, finance, human resources, strategy, economics, and accounting. Because the entire industry is service-oriented, professionals across these functional areas work together to strengthen the customer experience (Khan, 2023). Distinctive traits of hospitality businesses include a comparatively centralized

organizational structure and a high degree of direct customer interaction (Huang et al., 2023a).

This research focuses specifically on hotels and comparable lodging establishments. Hotels and similar accommodations can be defined operationally as commercial venues that provide temporary residence for travelers (Wong & Yang, 2020), forming an essential part of a destination's tourism infrastructure (Yang & Mao, 2020a).

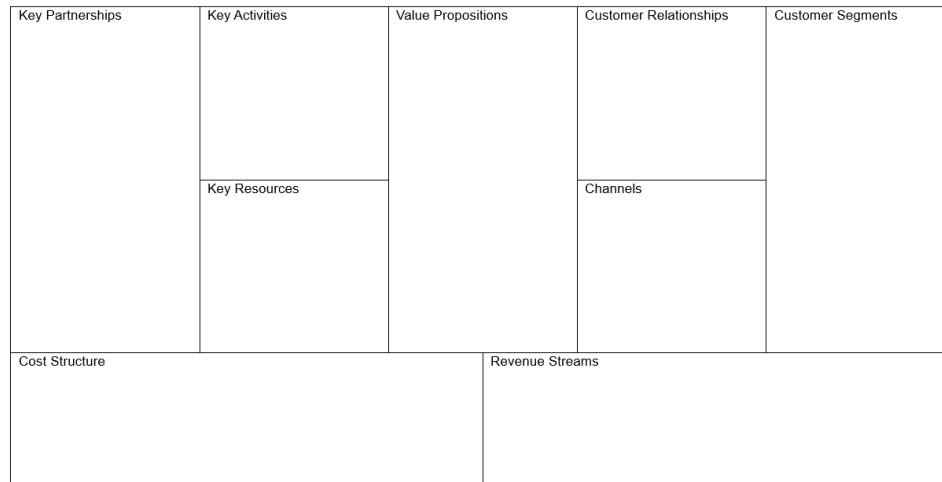


Figure 1. Business Model Canvas

A hotel's core purpose is to give guests a comfortable, welcoming stay that functions as a temporary home away from home (Yang & Mao, 2020a). Guests are therefore received with empathy, so that their stay becomes a genuinely satisfying experience (Yang & Mao, 2020a).

Business Model Canvas

The Business Model Canvas (BMC), introduced by Osterwalder, Pigneur, and Smith in 2010, frames a business model as the underlying logic through which an organization creates, delivers, and captures value (Sort & Nielsen, 2018). It functions as a living document: entrepreneurs sketch out their initial assumptions and ideas, then revise the canvas continually as new information emerges (O'Neill, 2015). Through its nine building blocks, the BMC is meant to deepen entrepreneurs' understanding of value creation and delivery, with the value proposition sitting at the center of the analysis (Sort & Nielsen, 2018). Working with the BMC also helps users articulate what makes their company distinctive (Sort & Nielsen, 2018). This is consistent with Cañas's observations, cited in O'Neill (2015), that such tools support the collection, organization, and presentation of evidence, establish a shared vocabulary, clarify conceptual relationships, and facilitate hypothesis testing as well as social interaction and meaning-making.

Factors Influencing Hospitality Performance

Internal Marketing

Internal marketing applies conventional marketing principles and techniques to motivate employees toward specific organizational tasks (Yi et al., 2023; Kadic-Maglajlic et al., 2018). George and Grönroos (1989) note that internal marketing directs attention to an organization's 'internal customers'—its employees—rather than to external customers, cultivating a service- and customer-oriented mindset among staff. It also seeks to motivate employees to carry out strategy effectively by building a supportive environment that meets their needs, which in turn contributes to customer satisfaction (Yi et al., 2023; Huang & Rundle-Thiele, 2014).

In practice, this involves managerial efforts to instill a customer-centric orientation among employees so as to improve market performance (Kadic-Maglajlic et al., 2018). Internal marketing essentially treats employees as internal customers and their roles as products, addressing employee needs through organizational practices (Yi et al., 2023; Kadic-Maglajlic et al., 2018; Huang & Rundle-Thiele, 2014).

Its components are varied and include internal communication, training, and internal market research (Huang & Rundle-Thiele, 2014). Organizations that combine marketing and human-resource approaches to internal marketing tend to see greater employee motivation and commitment, which improves service delivered to external customers (Yi et al., 2023; Huang & Rundle-Thiele, 2014). A substantial body of research links internal marketing to stronger organizational commitment, higher customer satisfaction, and improved financial performance, largely through its effect on employee satisfaction (Yi et al., 2023).

External Marketing

Internal market orientation concerns the cognitive capacities of a company's workforce, while external market orientation concerns the intellectual dimensions of customer dynamics; both are closely tied to organizational performance (Zebal, 2018). External marketing highlights the central role frontline employees play in delivering products and services, shaping customer perceptions during service encounters, influencing customers' emotional responses, and ultimately affecting overall satisfaction (Schulz et al., 2017).

Typical external market orientation activities include gathering, monitoring, and analyzing current and anticipated customer needs, drawing on customer insight and information obtained through formal and informal engagement with stakeholders, including governmental sources. It also involves circulating both current and forecasted information throughout the organization and ensuring that this information is put to effective use (Zebal, 2018).

Location

A lodging establishment's geographic position is widely recognized as a decisive factor in its success (Orhan, 2023; Yang & Mao, 2020b). Location matters so much precisely because hotel services can only be delivered at a fixed place and time (Yang & Mao, 2020b). A well-chosen site allows a hotel to operate at higher capacity, improve profitability, support expansion, raise service standards, reduce operating costs, and enhance shareholder value, among other benefits (Yang & Mao, 2020b).

In urban settings where tourist appeal may be less pronounced, choosing a strategic location becomes an even higher organizational priority, allowing the site's attributes to be exploited to the fullest. Even so, the hospitality industry frequently lacks adequate policies and tools for managing this dimension of business strategy (Orhan, 2023).

Key considerations when hotels select a favorable location include access to public infrastructure, connectivity via road and public transportation, proximity to tourist attractions, regulatory and zoning conditions, local receptiveness to tourism, crime levels, economic indicators, and prevailing environmental and traffic conditions (Yang & Mao, 2020b). Hotels in urban areas, in particular, look for strong transportation links, ease of access, and the availability of complementary services nearby (Orhan, 2023).

Innovation

Innovation can be understood broadly as altering existing elements or introducing something entirely new, while innovativeness refers to the measurable degree to which a firm is inclined toward innovation (Azhar Mohd Harif et al., 2022; Urban & Matela, 2022). A firm's level of innovativeness is typically assessed by how many innovations it adopts and how quickly it does so relative to competitors (Urban & Matela, 2022).

Innovation allows organizations to create additional value, sharpen their competitive position, and strengthen problem-solving capability, which together improve overall organizational performance (Azhar Mohd Harif et al., 2022). Service-sector innovation differs markedly from manufacturing-based innovation, since it often combines intangible processes, human skills, and materials, giving rise to characteristics such as heterogeneity, inseparability, and perishability (Urban & Matela, 2022).

Within organizations, innovation is frequently driven by knowledge management and information and communication technology (ICT). The literature points to several sources of innovation, including the deployment of dynamic capabilities, complementary assets that support knowledge-based management, and reliance on external resources (Azhar Mohd Harif et al., 2022; Urban & Matela, 2022). Knowledge management itself involves creating, organizing, and sharing knowledge through integrative practices that keep the organization competitive (Azhar Mohd Harif et al., 2022).

ICT, in turn, supports internal innovation and strengthens an organization's capacity to discover new approaches both internally and externally, by speeding up the collection and transmission of information needed to absorb external knowledge and disseminate innovation within the organization (Azhar Mohd Harif et al., 2022).

Customer Relationship

Customer relationships can be built in several ways, including through more frequent interaction and greater value creation. Host-guest dynamics involve both direct and indirect contact across the entire guest experience (Wu et al., 2023), fostering a sense of connection and shared identity with the local community (Wu et al., 2023). These interactions also enable co-creation of value between hosts and guests, producing more authentic and memorable experiences, while hosts themselves benefit from reduced isolation, a stronger social identity, and more trusting relationships (Wu et al., 2023).

Host-guest interaction typically takes the form of information communication, collaborative activity, individualized service, and hospitable conduct. Information communication covers confirming arrival details, offering travel recommendations, explaining basic facility information, and introducing guests to room amenities and the surrounding area.

Collaborative activity includes helping guests plan travel routes, engaging in travel-related conversation, and offering suggestions for local experiences. Individualized service covers reminding guests of important details, tailoring facilities to their needs, handling special requests, minimizing disturbance during rest periods, respecting personal space and habits, and arranging pick-up services. Hospitable conduct is reflected in friendliness, prompt responsiveness, patient communication, and warm greetings (Wu et al., 2023).

Beyond interaction, building customer satisfaction also depends on the perceived value delivered. Because hospitality is closely tied to guests' everyday routines, lifestyles, and personal values, customers judge hospitality through the lens of their own value system (Beldona et al., 2020). Three broad categories of value are relevant here: relational value (a sense of belonging and warmth), recreational value (enjoyment, excitement, and fulfillment), and preservational value (security, respect, self-respect, and a sense of accomplishment) (Beldona et al., 2020).

RESEARCH METHOD

This study sets out to build a Business Model Canvas diagram specifically adapted to hotel-sector hospitality businesses, incorporating the factors known to influence hotel business success. To meet this objective, both primary and secondary data were examined in depth.

Location and Research Duration

The study was carried out within the hotel industry of Semarang City, Indonesia. This location was selected in light of the sector's ongoing expansion in the city and the practical accessibility of relevant data. Fieldwork was conducted in November 2023.

Types and Sources of Research Data

Two categories of data were used: primary and secondary. Primary data were gathered through interviews conducted over the course of the study. As Cooper and Schindler (2014) note, interviews are a core qualitative data-collection method that helps researchers understand how respondents view particular phenomena, which is especially useful in the context of company management.

Secondary data, meanwhile, represent interpretations drawn from prior research (Cooper & Schindler, 2014). These were obtained from a range of relevant sources, including both offline and online library research conducted throughout the study.

Data Collection and Analysis Techniques

Interviews and observation were used to collect primary data, while a comprehensive literature review supplied the secondary data.

In terms of technique, the study relied on in-depth interviews to obtain detailed insight into hotel business models. Schindler (2014) describes in-depth interviews as an interactive exchange between interviewer and respondent designed to generate comprehensive information.

Hotel managers served as the primary informants, chosen specifically to provide a thorough understanding of each hotel's business model and its future development plans. The interview guide was developed around the nine building blocks of the Business Model Canvas together with the success factors identified in the accommodation-services literature. Selecting hotel managers as respondents was a deliberate choice intended to yield deeper insight into each company's business model.

The literature review drew on a range of online journal databases. To build a comprehensive bibliography on new business models in the hotel industry, the search used keywords such as Business Model Canvas, Internal Marketing, External Marketing, Hospitality Business, and Tourism Industry.

DATA ANALYSIS AND DISCUSSIONS

The Business Model Canvas traditionally applied to this type of business consists of nine block diagrams: Value Proposition, Customer Segment, Customer Relationship, Channel, Key Activities, Key Resources, Key Partnership, Cost Structure, and Revenue Streams. In its existing form, however, this diagram only partly accommodates the specific requirements of the hotel industry.

A hotel's business model can be understood as the structure and set of strategies it uses to meet financial targets, deliver added value to customers, and sustain its appeal as a business. Hotel business models themselves vary considerably depending on hotel size, location, target market segment, and other contextual factors.

Building a new business model diagram tailored to hotels therefore involves retaining the nine original elements of the canvas while adding further elements that reflect the specific determinants of hotel business success.

Drawing on a collaborative business-model-mapping approach that combines these established success factors with the canvas framework, and grounded in both the literature review and the interview findings, this study identifies four additional elements to append to the nine original components of the canvas, illustrated in Figure 1:

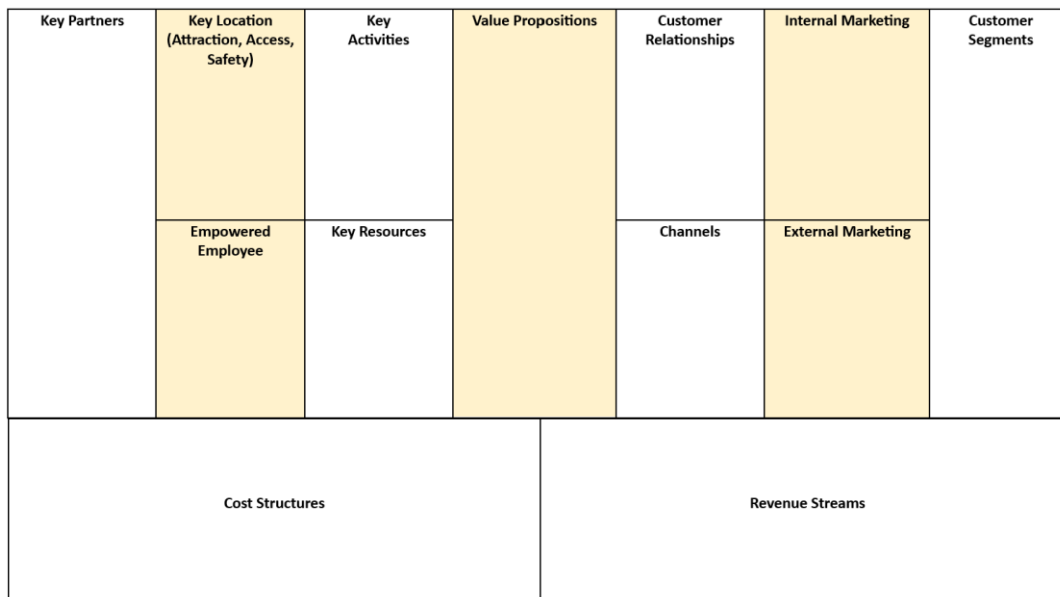


Figure 2. Proposed Business Model Canvas for the Hotel Industry

Key Location

Key location is defined along three dimensions: attraction, access, and safety. Research by Andra et al. (2022) shows that a hotel's spatial proximity to a destination's main attractions—whether coastal or cultural—has a positive effect on hotel revenue: the closer a hotel is to attractions capable of drawing visitors, the greater its income potential tends to be.

The same study finds that ease of access from the nearest airport also positively affects hotel revenue, indicating that access to public transportation infrastructure such as airports, train stations, and bus terminals influences guest numbers. Environmental security in the surrounding area further reinforces the value of a hotel's location.

Empowered Employee

A defining feature of the hotel industry is the extent to which employees are directly involved in service delivery (Barrows, 2012). As a result, customer perceptions of hotel service quality are heavily shaped by employees' ability to deliver that service. Empowered, well-supported employees are therefore essential for retaining existing guests and attracting new ones through consistently high-quality service.

Internal Marketing

Internal marketing helps hotel companies identify and interpret customer perceptions of the services offered, giving management a clearer basis for evaluating and planning future service development.

External Marketing

External marketing represents the communication channels a company uses to reach customers, focused on conveying the value the company delivers to its consumers.

Value Proposition

The value proposition is what sets a hotel apart from comparable competitors, offering something distinctive that adds meaningful value for customers. In light of the success factors identified for hotel businesses, innovation and technology should be incorporated into the value proposition as a further source of competitive advantage.

CONCLUSIONS AND SUGGESTIONS

Competition within the hotel business continues to intensify, pushing owners and managers to design business models that strengthen their competitive advantage. How effective such models prove to be depends heavily on the strength of the relationships a hotel builds with its customers, shaped by factors including value proposition, location, internal marketing, external marketing, and other considerations specific to the hospitality sector.

In practical terms, this research offers a way to recognize the models competitors use, identify emerging opportunities, formulate responses to competitor actions, develop effective marketing strategies, and apply innovative, competitive business models in day-to-day practice. From a managerial standpoint, the resulting business model can act as a roadmap for the next stages of developing a business model canvas suited to hotel businesses.

Future research should extend this work by examining how relevant the proposed business model diagram is across different hotel types and city contexts, including both tourism and non-tourism destinations.

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