

EXPERIENCE ECONOMY AND DIGITAL MARKETING STRATEGIES IN ENHANCING HOTEL COMPETITIVENESS

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ABSTRAK

Konsumen kini menginginkan pengalaman menginap yang berkesan, bukan sekadar layanan standar, sehingga memicu persaingan ketat di industri perhotelan Jawa Barat. Meskipun berbagai strategi telah diterapkan, masih terdapat kesenjangan literatur mengenai peran customer engagement sebagai variabel mediasi antara strategi dan daya saing hotel. Penelitian ini bertujuan menganalisis pengaruh strategi experience economy dan pemasaran digital terhadap daya saing hotel, baik secara langsung maupun melalui customer engagement. Populasi mencakup 320 hotel bintang tiga hingga lima di Jawa Barat, dengan estimasi total tamu tahunan 57.600 orang. Sebanyak 400 responden dipilih menggunakan rumus Slovin (margin of error 5%) dan teknik multistage sampling. Data dianalisis menggunakan metode SEM-PLS. Hasil penelitian menunjukkan bahwa kedua strategi tersebut secara signifikan meningkatkan daya saing hotel, baik secara langsung maupun tidak langsung melalui peran mediasi parsial customer engagement. Temuan ini menegaskan pentingnya pendekatan berbasis pengalaman dan digital dalam membangun keterlibatan pelanggan dan menciptakan keunggulan bersaing. Studi ini memberikan kontribusi teoritis bagi literatur manajemen perhotelan dan implikasi praktis bagi manajer hotel di Jawa Barat untuk memperkuat posisi kompetitif mereka melalui strategi yang berfokus pada pengalaman pelanggan dan transformasi digital.

Kata kunci: experience economy, pemasaran digital, keterlibatan pelanggan, daya saing hotel

ABSTRACT

Consumers are increasingly seeking memorable experiences, not only standard hotel services, but also driving intense competition in West Java's hospitality industry. Although several strategies have been implemented, a literature gap remains in relation to the role of customer engagement as a mediating variable between strategy and hotel competitiveness. Therefore, this study aims to analyze the effect of experience economy and digital marketing strategies on hotel competitiveness, both directly and through customer engagement. The research covers 320 three- to five-star hotels in West Java, with an estimated annual guest population of 57,600. A total of 400 respondents were selected using Slovin's formula, which incorporates a 5% margin of error and employs a multistage sampling approach. Data was analyzed using the SEM-PLS method. The results indicate that both strategies significantly enhance hotel competitiveness, both directly and indirectly, through the partial mediating role of customer engagement. These findings underscore the importance of combining experiential and digital approaches to foster a deeper emotional connection with customers and gain a competitive edge. This study contributes to the theoretical development of hospitality management. It also provides practical insights for hotel managers in West Java to enhance their competitiveness by implementing experience-driven and digitally oriented strategies tailored to meet customer expectations.

Key words: experience economy, digital marketing, customer engagement, hotel competitiveness

INTRODUCTION

The tourism sector is a key contributor to local and national economic growth; therefore, the hospitality industry in Indonesia, both locally and nationally, should be a significant factor in the economy, especially in major tourist destinations such as West Java. In the context of the growing dynamism of competitive forces in the hospitality industry, hotels are expected to offer quality service that comes with added value, distinguishing themselves from their rivals. In this context, one approach is growing in importance—the application of the experience economy. It is a marketing strategy that takes the customer's experience to another level, creating memories and feelings. Pine and Gilmore (1998) introduced this concept that consumers no longer buy products or services, but rather experiences.

West Java, as one of the provinces with the most tourism contributions and visitors in Indonesia, presents various attractive tourism sectors, including nature, culture, and culinary. Tourists in Bandung, Bogor, Cirebon, and Pangandaran are the most popular tourist targets for both domestic and

foreign tourists. The hospitality industry in West Java has grown in response to this unprecedentedly large number of tourist visits. According to Statistics Indonesia (BPS) data, the number of star-rated hotels has increased significantly in the province over the past five years, with the most notable growth in 3-star, 4-star, and 5-star hotels. The phenomenon is clearly demonstrated in Table 1 that the number of star-rated hotels increase from 269 in 2019 to 315 in 2023, with a notable shift from 3-star to 5-star rated hotels.

Nevertheless, the average room occupancy rate (OR) remains below the optimal limit, in the 41–55% range. It indicates that hotel competitiveness in the region requires improvement, particularly in terms of marketing and customer experience. This concern is similarly apparent in the OR data in Table 1, which demonstrates a dramatic drop in 2020 due to the pandemic and an incomplete rebound by 2023. The scenario further highlights the need for innovative marketing approaches that prioritize experience creation and the effective utilization of digital technology.

Table 1
Development of Star-Rated Hotels and Room Occupancy Rates (TPK) in West Java (2019–2023)

Year	1-Star	2-Star	3-Star	4-Star	5-Star	Total Hotels	Average Room Occupancy Rate (%)
2019	47	61	110	38	13	269	55.3
2020	48	62	113	41	13	277	30.2
2021	49	64	118	44	14	289	41.7
2022	50	66	125	47	15	303	49.8
2023	52	68	130	49	16	315	53.4

Source: Statistics Indonesia (BPS) West Java Province, West Java Hotel Statistics 2023

Digitalization has emerged as one of the determining factors transforming the face of hotel marketing with the advent of technology and the development of social media platforms. Digital marketing methods—utilizing social media, online reservation sites, visual content, and digital customer reviews—have already become

vital channels for establishing communication with prospects and enhancing hotel brand visibility. Digital marketing is an effective way to expand market reach and foster customer loyalty (Chaffey & Smith, 2022; Solomon et al., 2020). When the experience promised by a hotel does not match what the guest expected after interacting with digital

media, the gap between promotion and the reality of what a guest actually experiences can turn around and bite hoteliers.

Customer engagement in this context acts as an important mediating variable that links implemented marketing strategies and customers' perceptions of hotel competitiveness. Customer engagement is not just a reflection of customers' interest in hotel services, but also indicates their level of loyalty, advocacy, and active participation in shaping the overall brand image. For example, Hollebeek and Macky (2019) and Jayasingh (2019) highlight the significant impact of customer engagement as a mediator in improving performance for service-oriented firms. However, there are no robust studies that examine real-world situations in emerging tourist spots with millions of hotel rooms, such as those in Indonesia, to fully connect these ideas between the experience economy, digital marketing, customer engagement, and hotel competitiveness.

Most existing research has focused on either the Effectiveness of digital marketing (Leung et al., 2024; Pop et al., 2022) or the impact of experiential strategies (Summers et al., 2019), without exploring how these experiential strategies can be combined with digital marketing strategies to enhance customer engagement. They emphasized the role of social media in forming customer perception of hotels, and Pine and Gilmore (1998) and Alnawas and Hemsley-Brown (2019) highlighted the significance of experiences as a value differentiator in hospitality services. Additionally, the literature regarding the combination of strategies for innovation in hotel management remains scant, with few studies identifying hotel competitiveness as the affected variable (Hoang et al., 2024; Sigala, 2019). Consequently, this paper reveals a theoretical and practically relevant niche that must be filled to comprehend the new drivers of modern marketing in a rapidly changing hospitality industry, especially in tourism markets that are increasingly geographically oriented towards experiences.

This study examines the effects of experience economy and digital marketing strategies on hotel competitiveness, with customer engagement as a mediator. The findings enrich the service marketing and tourism literature, offering practical insights for developing holistic, experiential, and digital strategies in the hospitality sector. Scientifically, it contributes by (1) integrating experiential and digital marketing into a unified model and (2) highlighting customer engagement's mediating role in enhancing hotel competitiveness.

THEORETICAL REVIEW

Experience Economy Strategy and Hotel Competitiveness

A more relevant strategy in today's tourism era is the experience economy strategy, which emphasizes creating memorable guest experiences. Pine and Gilmore (1998) explain that firms delivering experiences across four dimensions—entertainment, education, esthetics, and escapism—gain enduring competitive advantages. In highly competitive markets, such unique and immersive experiences provide added value, fostering guest loyalty and strengthening brand image (Hwang & Lee, 2019; Alnawas & Hemsley-Brown, 2019). Empirical evidence shows that hotels applying experience economic principles outperform those focusing solely on functional services (Amagir et al., 2020; Mgxeakwa-Qumba & Kruger, 2024). As global tourism evolves, hotels are shifting from offering mere lifelong accommodation and emotionally engaging experiences that enhance customer attachment and loyalty. Therefore, this study proposes the following hypothesis:

H₁: The experience economic strategy has a positive and significant effect on hotel competitiveness.

Digital Marketing Strategy and Hotel Competitiveness

With the rapid advancement of information technology and shifts in consumer

behavior, digital marketing strategies have become crucial in enhancing hotel competitiveness. Through social media, search engines, websites, and email marketing, hotels can achieve stronger brand positioning, increased direct bookings, and long-term customer relationships (Nurtirtawaty et al., 2021; Kapoor & Kapoor, 2021; Singh et al., 2024). Optimising digital platforms, such as responsive websites and online booking systems, improves conversion rates and loyalty (López-Gamero et al., 2023). While social media fosters personalized interactions that enrich the customer experience (Arief et al., 2024). Moreover, Sigala (2019) emphasizes that effective customer data management enhances decision-making and competitiveness. Digital strategies serve as advanced tools for generating information and promoting innovation, contributing to higher occupancy rates and customer retention (Armillotta et al., 2024). Overall, digital marketing is a key driver of sustainable competitive advantage in the dynamic hospitality industry. In this review, the hypothesis is as follow:

H₂: A digital marketing strategy has a positive and significant impact on hotel competitiveness.

Experience Economy Strategy and Customer Engagement

Under the **Experience Economy strategy**, hotels prioritize customer retention by providing in-depth, memorable experiences that foster emotional engagement and loyalty. As Pine and Gilmore (1998) explain, such experiences stem from customized services, unique environments, and emotional connections. Real-world experiences further enhance engagement, encouraging repeated use and stronger brand relationships (Yan et al., 2024). In the hospitality sector, hotels that successfully create memorable experiences are more effective at building repeat patronage and long-term customer ties (Agapito & Sigala, 2024). Research by Kumar et al. (2024) shows that the deeper the experience, the stronger its influence on customer attitudes, satisfaction,

and engagement, leading to positive recommendations and brand loyalty that reinforce a hotel's competitiveness. Thus, the hypotheses are formulated as follow:

H₃: The Experience Economy strategy has a positive and significant effect on customer engagement.

Digital Marketing Strategy and Customer Engagement

The **digital marketing strategy** utilizes technology and online platforms to foster stronger customer relationships, expand into new markets, and boost engagement. Through social media, search engines, and email marketing, companies can interact directly with consumers and assess the effectiveness of their communication (Fahimah & Ningsih, 2022). Hoteliers who apply digital marketing techniques can personalize and respond to customer needs more effectively, thereby fostering deeper engagement (Leung et al., 2024). Likewise, personalized promotions strengthen customer loyalty and brand attachment (Felix & Rembulan, 2023). In the hospitality sector, digital platforms enable two-way communication, faster responses, and improved brand image. These allow hotels to create more connected and tailored experiences that enhance customer engagement (Umami & Darma, 2021). On this basis, we propose the following hypothesis:

H₄: A digital marketing strategy has a positive and significant impact on customer engagement.

Customer Engagement and Hotel Competitiveness

Customer engagement is a crucial factor in enhancing hotel competitiveness, as higher engagement fosters stronger emotional attachment and customer loyalty. Prior studies show that active engagement increases brand interaction, perceived service quality, and satisfaction (Khalifa et al., 2022; Almeida & Campos, 2022). While constructive interactions promote repeat visits and positive recommendations (Khoi & Le, 2022). In the hospitality industry,

engagement enhances competitiveness through a stronger brand reputation and memorable experiences, with emotionally connected customers exhibiting greater satisfaction and resilience in competitive markets (Hong et al., 2023). Moreover, direct engagement via social media or loyalty programs reinforces customer relationships, thereby strengthening hotel competitiveness (Bouchriha et al., 2024). Based on these results, we postulate the following hypothesis:

H₅: Customer engagement has a positive and significant effect on hotel competitiveness.

Mediating Effect of Customer Engagement

Customer engagement is widely recognized as a key mediating variable that links marketing strategies, customer experience, and brand competitiveness in the hospitality industry. It plays a vital role in building lasting consumer relationships shaped by positive perceptions of marketing and brand experience (Manosuthi et al., 2021). Experience economy strategies create emotional experiences that enhance engagement, loyalty, and competitiveness (Ghonim et al., 2024; Haryanto & Alshoushan,

2025). Similarly, digital marketing fosters two-way personalized communication that strengthens engagement and emotional bonds (Leung et al., 2024; Japutra et al., 2025). Referring to Naparin (2025), customer engagement serves as the essential link between digital marketing Effectiveness and competitive success. Taking these findings into account, this study proposed the following hypotheses:

H₆: Customer engagement mediates the effect of the experience economic strategy on hotel competitiveness.

H₇: Customer engagement mediates the effect of digital marketing strategy on hotel competitiveness.

Based on the reviewed literature, this study proposes a conceptual framework that systematically connects the relationships among variables. It explains how experience economy and digital marketing strategies enhance hotel competitiveness through customer engagement as a mediating variable. This model enables testing of both direct and indirect relationships, offering theoretical and analytical guidance for hypothesis testing, as illustrated in Figure 1.

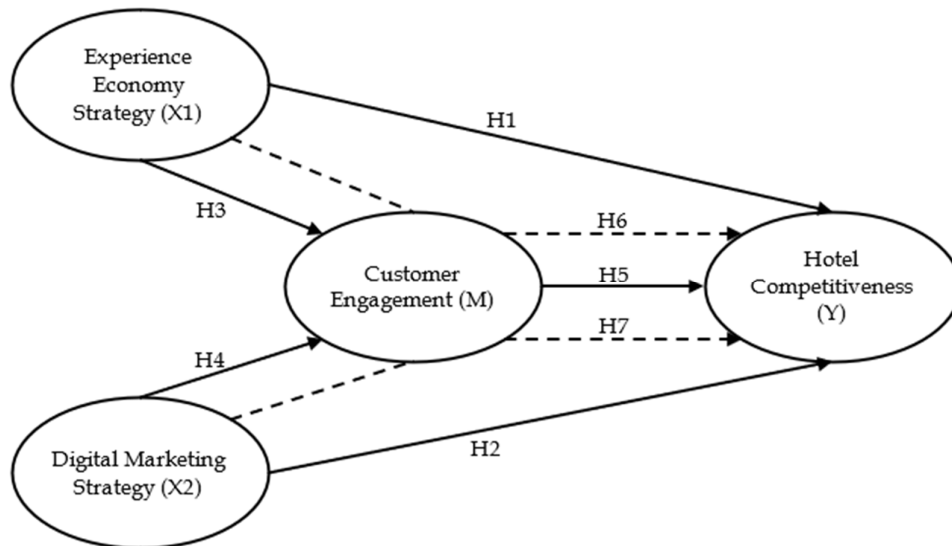


Figure 1
Conceptual Framework
 Source: Research Data

RESEARCH METHOD

This study quantitatively examines the influence of the experience economy and digital marketing strategies on hotel competitiveness through customer engagement. It uses SEM-PLS, as recommended by Hair et al. (2021) and Sarstedt et al. (2022) for analyzing complex causal relationships. They focus on 3- to 5-star hotels in West Java, with guests who stayed in the past year as the unit of analysis, ensuring firsthand evaluations of service and marketing Effectiveness (Grewal & Roggeveen, 2020).

The units of observation are hotels that implement unique experiential concepts (Pine & Gilmore, 1998) and utilize digital marketing platforms actively (Chaffey & Smith, 2022). The population comprises 320 hotels (Disparbud Jabar, 2024), which are estimated to host approximately 57,600 guests annually. Using Slovin's formula with a 5% margin of error (Sugiyono, 2021), a

representative sample of 400 respondents was determined.

A multistage sampling approach was employed: first, a purposive selection of 40 hotels across major cities in West Java (Bandung, Bogor, and Garut) was made to ensure regional diversity; second, online questionnaires were distributed to 10 guests per hotel via convenience sampling from loyalty databases (Hair & Brunsveld, 2019). SEM-PLS was chosen for its ability to handle non-normal data and moderate sample sizes effectively (Hair et al., 2021). Research variables include the experience economy (type and personalization of themed rooms), digital marketing (social media participation and chatbot responsiveness), customer engagement (user-generated content and repeat booking intention), and hotel competitiveness (occupancy rate and average daily rate, or ADR) (Crick et al., 2020; Arizal et al., 2024). The distribution of respondents can be seen in Table 2 below:

Table 2
Distribution of Respondents

Category	Sub-category	Frequency (n)	Percentage (%)
Hotel Classification	3-star	160	40
	4-star	120	30
	5-star	120	30
City/Destination	Bandung	150	37.5
	Bogor	130	32.5
	Garut	120	30
Sampling Technique Used	Purposive Sampling (Hotel)	40 hotels	-
	Convenience Sampling (Guest)	10 guests/hotel	-
Total Number of Respondents -		400	100

Source: Research Data

Data collection is done through an online questionnaire using a 5-point Likert scale as well as secondary data from digital marketing metrics and hotel performance reports. The data will be examined by checking if the measures are related ($AVE > 0.5$), if they are reliable (composite reliability > 0.7), and by looking at mediation effects

using 500 smaller samples (Hair et al., 2021). The generalizability of this study is limited, as it refers only to 3- to 5-star hotels in West Java, and there is potential recall bias from respondents (Podsakoff et al., 2024).

ANALYSIS AND DISCUSSION

Descriptive Analysis

This study presents the characteristics of respondents, including their gender, age, education level, and hotel visit frequency, to provide a clear profile that supports the

accurate interpretation of the findings. Describing these attributes helps identify respondent types and offers insights into consumer preferences and behaviors related to hotel experiences in West Java. Table 3 summarizes the analysis results.

Table 3
Demographic Characteristics of Respondents

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	220	55
	Female	180	45
Age	18-24 years	120	30
	25-34 years	150	37.5
	35-44 years	80	20
	45 years and above	50	12.5
Education Level	High School/Vocational	40	10
	Bachelor's Degree	280	70
	Postgraduate Degree	80	20
Stay Frequency	1-3 times per year	160	40
	4-6 times per year	120	30
	More than 6 times	120	30

Source: Research Data

The sample consists of 400 respondents, with a slightly higher numbers for males (55%) than females (45%). A large majority (37.5%) of the respondents fall within the 25–34 age group, and 30 percent are 18–24 years old, reflecting young users. On the educational front, 70 percent hold a bachelor's degree and 20 percent have postgraduate qualifications, representing a highly educated sample. Regarding the frequency of stay in hotels, 40% stay 1–3 times per year, while the remaining respondents are divided between 4–6 times (30%) and more than 6 times a year (30%). These details reflect the balanced representation of both frequent and occasional guests, in accordance with the study to determine customer engagement in the hospitality industry.

Measurement Model

The measurement model assessment in the SEM-PLS method aims to confirm that the

latent constructs are measured accurately and reliably through their specific indicators. The procedure entails analyzing convergent validity via Average Variance Extracted (AVE), which should be greater than 0.5 as further discussed in this study (Hair et al., 2021). The reference to composite reliability (CR) and Cronbach’s Alpha, with a minimum value of 0.7 is recommended (Keith, 2019). Furthermore, discriminant validity is tested to ensure that the empirically distinct constructs lead to distinguishable constructs using the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). The recommendation is that the HTMT value must remain lower than 0.90 (Rönkkö & Cho, 2022). At this stage, the tests are crucial for establishing a solid and trustworthy measurement base for the structural model that will be developed later. The measurement model evaluation results are presented in Figure 2 which illustrates the case management process.

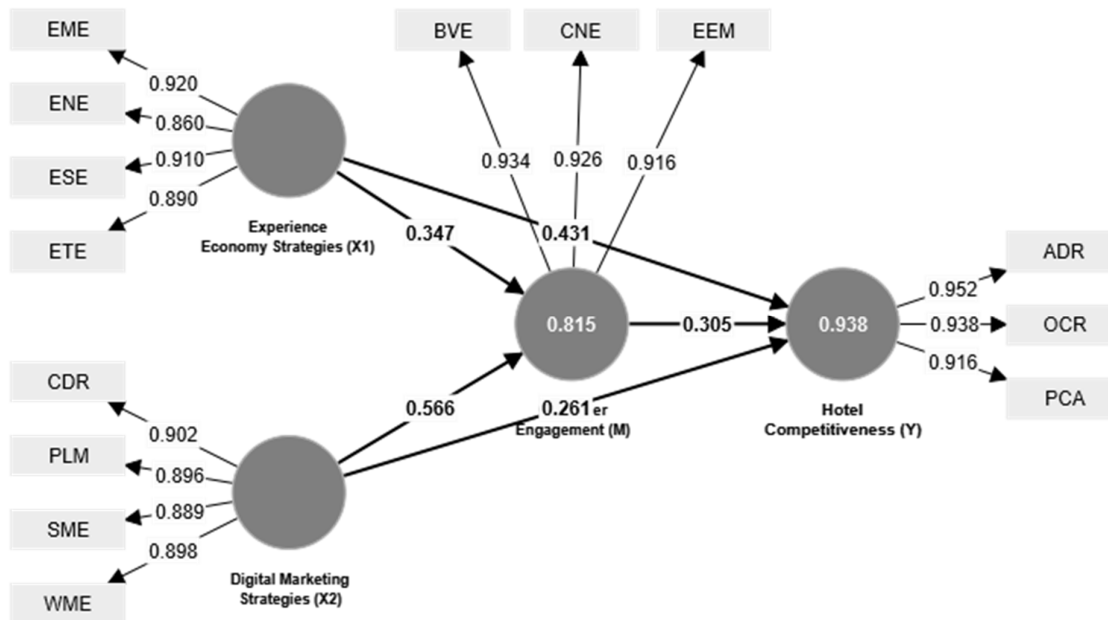


Figure 2
Measurement Model
Source: Data Processing, 2025

Convergent Validity

Convergent validity is a component of construct validity that examines the degree to different measurement. These are expected to be related to the accuracy with the underlying variable they are intended to assess. This study tested convergent validity using three criteria: outer loading, Average Variance Extracted (AVE), and Composite

Reliability (CR). Convergent validity is considered adequate when the outer loading is ≥ 0.7 , the AVE is ≥ 0.5 , and the CR is ≥ 0.7 . These imply that the latent variable has explained a high proportion of variance in its indicators (Hair et al., 2021; Keith, 2019). Table 4: The results of the convergent validity validation test.

Table 4
Construct Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Experience Economy Strategies (X1)	0.917	0.920	0.942
Digital Marketing Strategies (X2)	0.919	0.920	0.942
Customer Engagement (M)	0.916	0.916	0.947
Hotel Competitiveness (Y)	0.928	0.929	0.955

Source: Data Processing, 2025

Figure 2 and Table 4 indicate that all constructs in this study meet SEM-PLS validity and reliability standards. Outer loading values exceed 0.70, confirming that indicators strongly represent their respective

latent constructs. Cronbach’s Alpha and Composite Reliability for the four constructs—experience economy strategies (X1), digital marketing strategies (X2), customer engagement (M), and hotel

competitiveness (Y)—all exceed 0.90, indicating high internal consistency (Hair et al., 2021). Moreover, the Composite Reliability (rho_c) values further confirm the robustness of the measurement model, which is considered valid and reliable for subsequent structural analysis.

Discriminant Validity

Discriminant validity, a crucial aspect of measurement model assessment, determines whether the constructs in the model are

distinct from one another. In SEM-PLS, it reflects the extent to which each construct differs from others(Hair et al., 2021). Using the Fornell-Larcker criterion, discriminant validity is confirmed when the square root of the Average Variance Extracted (AVE) of each construct exceeds its correlations with other constructs. The results show that all constructs meet this condition in which discriminant validity has been established. Table 5 presents the results of this test.

Table 5
Discriminant Validity

	Customer Engagement (M)	Digital Marketing Strategies (X2)	Experience Economy Strategies (X1)	Hotel Competitiveness (Y)
Customer Engagement (M)	0.925			
Digital Marketing Strategies (X2)	0.897	0.896		
Experience Economy Strategies (X1)	0.887	0.954	0.895	
Hotel Competitiveness (Y)	0.922	0.946	0.951	0.935

Source: Data Processing, 2025

Table 5 demonstrates that the square root of the AVE for each construct, along the diagonal, exceeds its correlations with other constructs, confirming discriminant validity. For example, the AVE of Customer Engagement (0.925) is higher than its correlations with Digital Marketing Strategies (0.897), Experience Economy Strategies (0.887), and Hotel Competitiveness (0.922). Similarly, Hotel Competitiveness has an AVE of 0.935, greater than its correlations with other constructs. These findings confirm that all constructs in the model are empirically distinct, satisfying the Fornell-Larcker criterion.

Structural Model

After confirming the validity and reliability of the measurement model, the structural model was tested to examine the relationships among latent constructs using SEM-PLS. This analysis evaluates model fit (R²), path coefficients, and key statistics,

including t-values, p-values, effect size (f²), and predictive relevance (Q²). They assess the predictive power and significance of the model. SEM-PLS is preferred in management and business research for its ability to handle complex models, non-normal data, and relatively small sample sizes (Hair et al., 2021; Rönkkö & Cho, 2022).

Coefficient of Determination (R²)

The goodness of fit (R²) measures how well exogenous variables explain the variance in endogenous constructs within the structural model. R² values range from 0 to 1, with higher values indicating stronger predictive power. Following Hair et al. (2021), R² values of 0.67, 0.33, and 0.19 represent strong, moderate, and weak explanatory levels, respectively. Thus, the R² value reflects how effectively exogenous constructs account for the formation of endogenous constructs. Table 6 summarizes the R² test results.

Table 6
Coefficient of Determination (R²)

	R-square	R-square adjusted
Customer Engagement (M)	0.815	0.814
Hotel Competitiveness (Y)	0.938	0.938

Source: Data Processing, 2025

Table 6 shows that the experience economy and digital marketing strategies together explain 81.5% of the variance in customer engagement ($R^2 = 0.815$). At the same time, hotel competitiveness records an R^2 of 0.938. The combined effects of the experience economy, digital marketing, and customer engagement account for 93.8% of its variance. According to Hair et al. (2021), these strong R^2 values indicate that the structural model demonstrates excellent predictive power in explaining the relationships among the studied variables.

Path Coefficient

Path coefficient analysis in SEM-PLS examines the strength and direction of relationships among latent variables. The coefficient values indicate the direct or indirect impact of an exogenous variable on an endogenous variable, mediated by one or more variables. Significant testing is conducted with bootstrapping at least 500 subsamples to ensure the stability of the estimate. A t-value above 1.96 at a 0.05 significance level indicates a statistically significant relationship (Hair et al., 2021). Table 7 provides the full path coefficient results.

Table 7
Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Experience Economy Strategies (X1) -> Hotel Competitiveness (Y)	0.431	0.418	0.081	5.309	0.000
Digital Marketing Strategies (X2) -> Hotel Competitiveness (Y)	0.261	0.274	0.082	3.185	0.001
Experience Economy Strategies (X1) -> Customer Engagement (M)	0.347	0.332	0.105	3.305	0.001
Digital Marketing Strategies (X2) -> Customer Engagement (M)	0.566	0.581	0.099	5.703	0.000
Customer Engagement (M) -> Hotel Competitiveness (Y)	0.305	0.306	0.048	6.398	0.000

Source: Data Processing, 2025

All relationships in the structural model are statistically significant ($p < 0.05$), as shown in Table 7. Experience economy strategies (X1) positively and significantly affect hotel competitiveness (Y) ($\beta = 0.431$; $t = 5.309$). Digital marketing strategies (X2) also have a positive and significant effect ($\beta = 0.261$; $t = 3.185$). Both X1 and X2 positively influence

customer engagement (M) ($\beta = 0.347$; $t = 3.305$), while customer engagement strongly mediates hotel competitiveness ($\beta = 0.305$; $t = 6.398$). These results confirm that customer experience and digital strategies synergistically enhance hotel competitiveness.

Predictive Relevance (Q²)

The blindfolding method in SEM-PLS produces a predictive relevance score (Q²) that evaluates the model’s ability to predict dependent variables (Hair et al., 2021). A Q² value above zero indicates satisfactory predictive relevance for both endogenous variables and mediators. This study employs

Q² to evaluate the predictive power of endogenous constructs (customer engagement and hotel competitiveness) in relation to exogenous constructs (experience economy and digital marketing strategies). A higher Q² value signifies strong predictive capability and external validity of the model, as shown in Table 8.

Table 8
Predictive Relevance (Q²)

	SSO	SSE	Q ² (=1-SSE/SSO)
Experience Economy Strategies (X1)	1600.000	558.593	0.651
Digital Marketing Strategies (X2)	1600.000	553.207	0.654
Customer Engagement (M)	1200.000	399.743	0.667
Hotel Competitiveness (Y)	1200.000	359.578	0.700

Source: Data Processing, 2025

The blindfolding results (Table 8) show that all constructs have Q² values above 0.6, indicating excellent predictive relevance (Hair et al., 2021). Specifically, Experience Economy Strategies (X1) = 0.651, Digital Marketing Strategies (X2) = 0.654, Customer Engagement (M) = 0.667, and Hotel Competitiveness (Y) = 0.700. These values confirm the model’s strong predictive ability and its robustness in explaining relationships and forecasting respondent behavior.

and dependent variables by assessing total and specific indirect effects (Hair et al., 2021). The total effects show both direct and indirect impacts, while the specific indirect effects reveal the strength of mediation. Complete mediation occurs when indirect effects are significant but direct effects are not, whereas partial mediation appears when both are significant (Hayes & Rockwood, 2020). Tables 9 and 10 present the results of the mediation test.

Testing Mediation Effects

The SEM-PLS mediation analysis examines how a mediator links the independent

Table 9
Total Effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Experience Economy Strategies (X1) -> Hotel Competitiveness (Y)	0.537	0.520	0.101	5.343	0.000
Digital Marketing Strategies (X2) -> Hotel Competitiveness (Y)	0.434	0.450	0.098	4.421	0.000
Experience Economy Strategies (X1) -> Customer Engagement (M)	0.347	0.332	0.105	3.305	0.001
Digital Marketing Strategies (X2) -> Customer Engagement (M)	0.566	0.581	0.099	5.703	0.000

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Customer Engagement (M) -> Hotel Competitiveness (Y)	0.305	0.306	0.048	6.398	0.000

Source: Data Processing, 2025

Table 9 shows that all relationships are significant at the 95% confidence level ($p < 0.05$). The Experience Economy Strategy (X1) and Digital Marketing Strategy (X2) have a significant impact on Hotel Competitiveness (Y), with coefficients of 0.537 ($t = 5.343$, $p = 0.000$) and 0.434 ($t = 4.421$, $p = 0.000$), respectively. Customer Engagement (M) also

significantly influences Hotel Competitiveness ($B = 0.460$; $t = 4.373$; $p < 0.001$), while both X1 and X2 significantly affect M ($B = 0.347$; $t = 3.305$; $p = 0.001$; $B = 0.566$; $t = 5.703$; $p < 0.001$). Thus, M may mediate the effects of X1 and X2 on Y, which is tested through specific indirect effects.

Table 10
Specific Indirect Effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Experience Economy Strategies (X1) -> Customer Engagement (M) -> Hotel Competitiveness (Y)	0.106	0.102	0.038	2.769	0.006
Digital Marketing Strategies (X2) -> Customer Engagement (M) -> Hotel Competitiveness (Y)	0.173	0.177	0.038	4.546	0.000

Source: Data Processing, 2025

Table 10 shows that Customer Engagement (M) significantly mediates the effects of Experience Economy Strategies (X1) on Hotel Competitiveness (Y) ($\beta = 0.106$; $t = 2.769$; $p = 0.006$) and Digital Marketing Strategies (X2) on Y ($\beta = 0.173$; $t = 4.546$; $p = 0.000$). Since the direct effects from $X1 \rightarrow Y$ (0.431 ; $p < 0.05$) and $X2 \rightarrow Y$ (0.261 ; $p < 0.05$) remain significant, the mediation is classified as partial.

The Influence of Experience Economy Strategies on Hotel Competitiveness

The findings of this research reveal that the experience economy variables have a direct and significant impact on the competitiveness of hotels, particularly in the rapidly developing hospitality sector of West Java. In tourism-intensive areas like Bandung, Bogor, and Cirebon, fierce competition means

hotels can no longer rely solely on the basics. Tourists increasingly desire to engage more deeply and remember their stays more thoroughly. Experience-centric attributes, including personalized services, theme-based environments, emotional engagement, and unique activities, can amplify the competitive edge of hotels. Direct quote – Pine & Gilmore (1998) state that through entertainment, education, aesthetics, and escapism, memorable experiences are created, which strengthen the emotional bond and increase the likelihood of repeat visits.

The efficacy of such strategies is borne out by empirical evidence. According to Alnawas and Hemsley-Brown (2019), experiential value enhances customer satisfaction and loyalty. While Amagir et al. (2020) found that unique and personalized experiences enhance differentiation and

retain customers. As indicated in Indonesia (Mgxeakwa-Qumba & Kruger, 2024), adventure-based tourism is also increasingly sought after by travelers who wish to feel an emotional connection and be engaged in their travels. Thus, experience economy strategies respond to shifting consumer expectations, driving loyalty, brand identity, and sustainable hotel performance. So, it puts West Java hotels not only as a place to stay but as destination builders that offer a lasting experience.

The Influence of Digital Marketing Strategies on Hotel Competitiveness

Rapid growth in digital tourism has led to an integrated shift in consumer behavior and an increased expectation of service quality. Both of which are critical success factors in the effective implementation of digital marketing, particularly in West Java's hospitality sector. One of the key approaches to online growth has been attributed to digital marketing. When it is used effectively, allows hotels to provide specific and measurable means to reach broader, more targeted markets (Nurtirtawaty et al., 2021). Places such as Bandung, known for its shopping and culinary tourism, provide fertile ground for these vectors to thrive. Thus, social media, readily available and interactive websites, online reviews, and data-driven publicity campaigns can enhance brand recognition and attract both local and international tourists (Leung et al., 2024; Kapoor & Kapoor, 2021).

Moreover, digital marketing strategies enable hotels to target their communication, accelerate the booking process, and facilitate real-time interactions with guests, leading to improved satisfaction and loyalty (Singh et al., 2024). Research has shown that hotels employing strategies such as automated booking systems, personalized email marketing, and responsive customer service through digital platforms achieve higher conversion rates and enhanced customer retention (Leung et al., 2024; Arief et al., 2024). In the context of West Java's dynamic

hospitality sector, hotels with detailed strategies can differentiate themselves and quickly respond to market needs, for promoting their long-term viability in a highly competitive marketplace.

The Effect of Experience Economy Strategies on Customer Engagement

Principles of the experience economy, adopted by popular tourist destinations in West Java, such as Lembang, Pangandaran, and Cirebon. They have marked new trends in the hospitality industry, making customer engagement increasingly creative and interactive. These areas offer unique experiences in the heart of nature, culture, and historical properties, making them perfect for stays that are unforgettable. Pine and Gilmore (1998) argued that the economic value of service industries is increasingly found in their ability to deliver experiences that are entertaining, educational, escapist, and aesthetic. The hotels that offer guests deeply personalized and emotionally bonded experiences tend to have higher levels of customer satisfaction and loyalty (Yan et al., 2024; Agapito & Sigala, 2024).

The experience economy is a key differentiator in the crowded market, as many tourists are shifting from standard experiences to more personalized and memorable interactions during their travels. Prior studies suggest that emotional engagement—an understanding-producing process by which thematic atmospheres, culture, and substitutes are introduced and adjusted through customized service. They can evoke strong behavioral intentions over time, such as motivational chances to revisit and large prevailing word-of-mouth benefits (Kumar et al., 2024). The hotels in West Java that aim to build competitiveness and foster robust relationships with guests, incorporating experiential components into their service design is not only strategic but also a necessity.

The Effect of Digital Marketing Strategies on Customer Engagement

The need for effective digital marketing strategies as catalysts for customer engagement in the hospitality industry is gaining traction, especially in dynamic areas such as West Java. The rapidly internet usage and the rise of social media have changed the behavior of today's tourists. The hotels that rely on alluring digital content, interactive web pages, and user-friendly booking engines can forge an emotional relationship and facilitate real-time interaction with their customers. According to various studies, the use of digital marketing tools, such as social media campaigns, influencer marketing, and personalized email marketing, significantly improves customer engagement and brand recall value (Leung et al., 2024; Fahimah & Ningsih, 2022). As in the case of some well-known tourism cities, such as Bandung, Bogor, and Garut, digital engagement helps hotels connect with potential consumers in domestic and international markets, facilitating repeat visits through regular and interactive interactions (Felix & Rembulan, 2023).

Moreover, the capacity for digital marketing to create emotional connections is a key factor in building loyalty in a competitive accommodation market. Real-time digital interaction is experienced at the individual level. It has been highlighted as a means to foster a customer experience by allowing for immediate service, feedback, and personalization (Umami & Darma, 2021). Nevertheless, the body of literature examining the impact of RIS on consumer experience remains relatively limited. Digital platforms can help hotels utilize data analytics to analyze customer preferences and adapt their strategies to maintain relevance in the marketplace (Leung et al., 2024). In the face of increasingly fierce competition, implementing digital marketing as a core strategy to establish strong, interactive, and emotional relationships with potential customers is beneficial and essential for the

sustainability and competitiveness of hotels in West Java.

The Effect of Customer Engagement on Hotel Competitiveness

The surging customer participation level has become one of the key factors in hotel competitiveness. West Java, featuring its tourist-supporting cities of Bandung and Bogor, experiences the highest and most continuous customer traffic. Customer engagement—measured through engagement in the loyalty program, online reviews, repeat bookings, and social media engagement—drastically influences the image of a hotel brand and the value for consumers (Khalifa et al., 2022; Almeida & Campos, 2022). Therefore, the brand go-getters, also known as 'promoters,' as enthusiastic customers who actively contribute to organic growth by introducing a hotel to the digital space. Khoi and Le (2022) also provide valuable feedback that supports service customization and is used to increase guest satisfaction.

In competitive hospitality markets, hotels that achieve sustainable high levels of customer engagement are more agile in responding to market demand and are better equipped to build customer loyalty. According to Hong et al. (2023), strong engagement leads to loyalty and contributes to the relatively high switching Cost, which ensures that competitors cannot lure customers away at will. In addition, engaged customers frequently script value with service providers, which positively contributes to innovations in guest experience and service excellence. Such behavior leads to increased guest retention and establishes a lasting competitive advantage through personalized, emotionally evocative, and memorable service experiences. Thus, nurturing and managing customer engagement is imperative, not a choice, for hotel competitiveness.

The Effect of Experience Economy Strategies on Hotel Competitiveness through Customer Engagement

This study explores the fact that an experience economy strategy has great potential to improve hotel competitiveness in West Java through the mediation of customer engagement. The strategy enables hotels to establish an emotional connection, rewarding guests with more than just a place to stay – personalized glimpses into the local culture, surrounding aesthetic environments, engaging and entertaining interactions between the hotel and its guests. Pine and Gilmore (1998) argue that experiences are the protagonists of value in today's service economy (a metaphorical value proposition); for consumers, emotional resonance and memory-based engagement are central. In tourism destinations that have a wealth of natural and cultural heritage, as in West Java, the integration of meaningful experiences becomes a strategy to win guest loyalty and keep them coming back.

Hence, customer engagement is a primary connecting link between memorable experiences and a sustainable competitive advantage. Happy customers also tend to be more proactive in communicating positive word of mouth, engaging in co-creating service, and providing feedback for continuous service improvement (Manosuthi et al., 2021). Within the digital realm, the publishing and rewarding online reviews and recommendations naturally enhance a hotel's visibility and reputation. In fact, high levels of engagement promote a sense of emotional connection, which has been shown to impact customer retention and brand loyalty (Ghonim et al., 2024). As customers engage with the brand, elevating the guest experience reinforces emotional ties and places customer engagement as a strategic bridge towards converting experiences into measurable competitive advantages.

The Effect of Digital Marketing Strategies on Hotel Competitiveness through Customer Engagement

In West Java, hotels should transform by improving customer engagement as digital marketing becomes more personalized and targeted for each customer, thereby increasing competition. Local and international travelers extensively utilize the rapid growth of social media and digital platforms, which present unique channels for direct engagement and personalized experiences. The hotels that holistically integrate interactive content, data-driven digital promotions, and responsive communication across digital channels are perceived to build more significant emotional connections with guests (Haryanto & Alshoushan, 2025; Leung et al., 2024). These digital, front-of-the-line touchpoints ultimately add value to the holistic service, while also enabling timely touchpoint engagement and a relevant feedback loop that can shape guest satisfaction and loyalty.

The active participation acts like brand advocacy, promoting it organically. Customers who are emotionally connected with and feel valued by a company are more likely to become brand ambassadors by disseminating positive experiences through online reviews, social media mentions, and recommendations to peers, which is a vital type of earned media for hospitality businesses (Japutra et al., 2025). Such interactions are intangible strategic assets that reinforce the hotel's brand equity and competitive positioning in the crowded West Java province market. With an emphasis on two-way communication and relationship building, digital marketing strategies are associated with higher conversion rates and continued customer loyalty to the brand (Naparini, 2025). So, digital engagement – when done well – becomes not just a marketing tool but also a critical lever for developing sustainable competitive advantages.

Managerial Implication

The study offers practical implications for hotel managers to enhance competitiveness through the use of experiential and digital

marketing strategies. First, hotels should design emotionally engaging and memorable services—such as personalized offerings, themed rooms, and cultural activities—to boost loyalty. Second, digital marketing must foster long-term relationships through social media, messaging, and email. These emphasize prompt and personalized communication. Third, the effective use of CRM enables the tailoring of promotions and services based on guest preferences. Fourth, loyalty programs should foster emotional and social engagement by rewarding reviews, social sharing, and participation in hotel events. Fifth, cross-functional collaboration and staff training are vital to delivering superior guest experiences. Lastly, localised digital content and promotions that reflect local culture and trends strengthen guest connections and brand value, creating a sustainable competitive advantage through digital innovation and experiential value.

CONCLUSION AND SUGGESTION

Conclusion

This research empirically examines the role of customer engagement in mediating the influence of experience economy strategies and digital marketing strategies on increasing hotel competitiveness in West Java. This study bridges insights from tourism and hospitality management with concepts from organizational relationship marketing (ORM) to identify effective ways of improving competitive advantage in the regional hotel industry.

The results indicate that hotels in West Java apply experience economy principles, such as personalized services, thematic environments, and emotional involvement. These are more likely to achieve competitive differentiation. In a saturated market, these hotels meet the demand of tourists seeking memorable and authentic experiences, positioning themselves as market leaders. Emotional bonding is crucial in creating such experiences, which have a significant impact on customer retention and brand advocacy.

Digital marketing strategies, particularly those involving social media, instant messaging, and personalized content, play a crucial role in enhancing customer engagement. While digital marketing may not directly impact competitiveness, it enhances guest interaction, allowing hotels to foster long-term relationships. Personalized campaigns and two-way communication also improve brand trust, online visibility, and brand perception.

Customer engagement has proven to be a significant mediating variable. Emotionally rich and interactive experiences dramatically increase the likelihood of loyalty, positive reviews, and word-of-mouth recommendations. Engagement, therefore, is not only an outcome but a vital tool for strengthening a hotel's competitive positioning in a dynamic market.

Despite these contributions, this study has certain limitations. First, the research focuses solely on 4- and 5-star hotels in West Java, which may limit the generalizability of findings to other regions or hotel classifications. Second, the cross-sectional research design restricts the ability to capture long-term causal effects between strategies, engagement, and competitiveness. Third, data were collected mainly through survey-based perceptions, which may be subject to respondent bias.

These limitations open opportunities for future research. Scholars may extend the analysis to include budget hotels or other provinces in Indonesia to compare competitive strategies across market segments. Longitudinal studies are also recommended to track changes in customer engagement and competitiveness over time. In addition, future research could incorporate objective performance indicators, such as occupancy rates, revenue per available room (RevPAR), or online review analytics, to strengthen the empirical findings.

Suggestion

Based on these findings, hotel management in West Java should prioritize designing experience-based services that

reflect the region's unique culture and natural heritage. Rather than focusing solely on visibility and promotion, marketing strategies should aim to create interactive, personalized, and emotionally resonant experiences for guests.

Future hotel strategies must focus on two key areas: (1) creating lasting guest experiences that build emotional connections, and (2) leveraging digital platforms to amplify and sustain those connections. The combination of immersive experience and digital engagement will be essential for hotels to remain competitive and achieve long-term success in the ever-evolving tourism landscape.

Furthermore, hotel practitioners should collaborate with researchers to test new models of customer engagement that integrate advanced analytics, artificial intelligence, or virtual reality-based experiences. This collaboration will not only enrich managerial practices but also provide fertile ground for academic exploration in future studies.

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