Journal of Enterprise Strategy & Management Innovation
Volume I, Issue 1, February 2026
https://journal.ijhba.com/index.php/jesmi
https://slsipress.com

Value Innovation Through Pre-Arrival Room Customization: A Blue Ocean Strategy Design for App-Enabled Hospitality Personalization

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Abstract

This study develops a Blue Ocean Strategy–oriented strategic design for TailorStay, an app-enabled hospitality service that introduces pre-arrival hotel room layout customization as a new basis of competition in an industry typically characterized by standardized room configurations and price-led differentiation. The proposal addresses a service gap wherein guests have limited ability to align room layouts with purpose-specific needs (e.g., business productivity, relaxation, family use, accessibility) prior to check-in. Using a structured value-innovation approach, the study applies the Eliminate–Reduce–Raise–Create (ERRC) grid, a strategy canvas, and a buyer utility map, complemented by customer-journey logic to specify how customization can be operationalized through hotel partnerships and flexible room systems. The resulting strategic architecture emphasizes eliminating one-size-fits-all layouts and reducing reliance on unnecessary amenities, while raising personalization, satisfaction, and brand differentiation through experience-centered value. A basic unit-economics feasibility layer outlines fixed and variable cost categories and computes a break-even threshold of 2,000 bookings under stated assumptions (₱7,000,000 fixed costs; ₱5,000 selling price; ₱1,500 variable cost per booking). As a conceptual design proposal, the contribution lies in integrating Blue Ocean tools with managerial costing to articulate a coherent path to differentiation; empirical validation through pilot implementation and customer-response measurement is identified as a necessary next step.

Keywords: *Blue Ocean Strategy; hospitality innovation; service personalization; mass customization; customer experience design; unit economics*

1. Introduction

Competition in the hotel sector is frequently anchored on standardized dimensions of value—location, room size, visible amenities, and price tiers—producing a strategic landscape in which offerings converge and differentiation becomes increasingly incremental. Under such conditions, hotels may compete through promotional discounting, marginal upgrades, and service add-ons that are easily imitated, reinforcing commoditization rather than generating durable separation. While many properties pursue "experience" as a differentiator, the experience is often delivered through relatively fixed room formats and pre-set configurations, leaving limited room for meaningful personalization at the level of the guest's immediate physical environment.

At the same time, contemporary demand for hospitality is becoming more heterogeneous. Stays are no longer reducible to a narrow leisure archetype; guest purposes vary across business travel, hybrid work, family travel, extended stays, convalescence, and accessibility needs. The same room layout can function well for one purpose but poorly for another. A configuration optimized for relaxation may be suboptimal for productivity; a layout suited to couples may impose constraints for families or guests with mobility considerations. This heterogeneity suggests a persistent mismatch between standardized room layouts and purpose-specific utility, particularly where the room itself is the primary site of work, rest, and daily routines.

Digital platforms and app-enabled services have expanded the feasibility of personalization across service industries by reducing search costs, enabling pre-service preference capture, and supporting modular choices within operational constraints. In hospitality, digitalization is commonly expressed through booking engines, check-in automation, loyalty ecosystems, and algorithmic pricing. However, these improvements tend to optimize transaction efficiency rather than

transform the core value proposition of the hotel room. A distinct strategic possibility lies in shifting personalization from peripheral services (e.g., add-on amenities) to the room's functional configuration—specifically, allowing guests to select and shape layouts aligned with intended use prior to arrival.

Pre-arrival room customization represents a potentially underexploited basis of competition because it reframes the room from a fixed product to a configurable service environment. Conceptually, such a move positions the guest not merely as a recipient of standardized hospitality but as a co-designer of the immediate living and working space within a bounded menu of feasible configurations. Operationally, this requires both a digital interface for preference selection and a partner-hotel capability for modular room setups (e.g., movable or flexible furniture, configurable work and leisure zones, and accessibility-oriented arrangements). Strategically, it offers a route to create value through functional fit rather than through amenity accumulation or discounting.

This study develops TailorStay, an app-enabled customization concept that allows guests to configure hotel room layouts before check-in through predefined design options. The initiative is framed as a value-innovation effort aimed at escaping price-led rivalry and standardized room logic. Rather than treating personalization as an auxiliary feature, TailorStay specifies customization as the central product architecture: a platform-mediated mechanism through which guest intent (e.g., "business productivity," "relaxation," "family-oriented," "accessibility") is translated into a corresponding layout and room setup executed through partner hotels. The central claim is not that all hotels must pursue maximal customization, but that bounded, operationally feasible customization can redefine the value curve by emphasizing purpose-fit and experiential control while reducing reliance on low-yield competitive factors.

Given the proposal's strategic and design orientation, the appropriate contribution is conceptual and integrative: the work formalizes how a customization-centered hospitality model can be articulated through recognized strategy tools and disciplined by basic unit economics. Accordingly, the approach adopts a structured design logic grounded in Blue Ocean Strategy artifacts—namely the Eliminate–Reduce–Raise–Create (ERRC) grid, a strategy canvas, and a buyer utility map—supported by customer-journey reasoning to clarify how the offering generates utility and reduces friction across the service experience. In addition, a managerial costing layer is used to specify fixed and variable cost categories and to examine feasibility through break-even logic under stated assumptions, recognizing that economic viability is a necessary condition for strategic attractiveness.

Accordingly, this study aims to develop a coherent strategic design for app-enabled pre-arrival room customization in hospitality by: (a) specifying the value-innovation architecture of TailorStay through an ERRC grid that clarifies which competitive factors are eliminated, reduced, raised, and created; (b) articulating the intended value curve and customer utility mechanisms through a strategy canvas and buyer-utility mapping aligned to the end-to-end customer journey; and (c) establishing an initial feasibility frame by outlining unit-economics assumptions and break-even implications as a basis for subsequent pilot testing and empirical evaluation.

2. Review of Related Literature

This review synthesizes contemporary literature across five interconnected themes to explore the potential for bounded room-layout customization as a strategic response to commoditization in the hotel industry. It examines the competitive landscape, the diversity of guest needs, and the technological and operational feasibility of such an innovation.

2.1 Red-Ocean Commoditization in Hospitality

The mainstream hotel sector is widely described as a red ocean—firms compete on the same levers (location, price, service, online reputation), producing convergent, price-driven offerings; this saturated, imitative dynamic mirrors other SMEs and motivates adoption of Blue Ocean Strategy for differentiated value creation (Sánchez-Pérez et al., 2020; Firdawati et al., 2021; Teodosio et al., 2025).

While vertical (e.g., star rating) and horizontal (e.g., amenities) differentiation influence pricing, their impact is often diluted in saturated markets, particularly for budget hotels (Illescas-Manzano et al., 2023; Siahaan, 2023). This environment creates a paradox where strategic conformity (e.g., agglomerating in similar locations) can both boost and risk performance (Kim et al., 2020). Furthermore, investments in human capital and

dynamic marketing capabilities, while contributing to competitive advantage, frequently fail to create truly unique market positions (Elsharnouby & Elbanna, 2021). The collective evidence points to a sector prone to commoditization, where competing on identical attributes erodes profitability and stifles innovation (Pirogova et al., 2023).

2.2 Heterogeneity of Guest Use-Cases and Demand for Fit

Research highlights profound heterogeneity in guest demand—stay purpose (business, leisure, family, accessibility) drives divergent preferences that a standardized room layout cannot optimally satisfy; preferences for room design and layout vary with travel goals (hedonic vs. utilitarian), demographics, and personal needs, and these differences directly influence satisfaction and booking intentions (Bogicevic et al., 2018; Nanu et al., 2025; Bermido et al., 2025).

The spatial configuration itself—encompassing circulation efficiency, zoning, and accessibility—is a critical determinant of guest comfort, with deficiencies leading to marked dissatisfaction (Daramola et al., 2025; Daramola & Alagbe, 2025). Scholars conceptualize the hotel room as a multi-role space serving functions for sleep, work, relaxation, and socialization, which vary by guest (Ineson et al., 2019; Lvov, 2025). This has spurred interest in flexible, multi-purpose designs, even within luxury segments, to better accommodate diverse use-cases (Borysenko et al., 2025). The literature consensus is that tailored environments enhance satisfaction more effectively than uniform designs, highlighting a significant mismatch between standardized supply and heterogeneous demand (Gavilan & Al-Shboul, 2023; Wahyudi, 2023).

2.3 Digital Enablement of Pre-Arrival Personalization

Digital technology provides a critical mechanism to bridge this mismatch by capturing guest preferences prior to arrival. App-based platforms can reduce friction and increase perceived control by facilitating personalized interactions. Research confirms that hotel apps boost guest satisfaction through ease of use, time-saving features, and enjoyable experiences, positively influencing cognitive and affective evaluations (Kim et al., 2021). The integration of AI and digital tools enables hyper-personalized services, improving both customer experience and operational efficiency (Banta & Milton, 2025; Nguyen et al., 2021). Multiple studies show that data-driven recommendation systems tailor offerings to individual needs and enhance perceived value, and that digital tools more broadly enable personalized, relevant user experiences across domains; however, their adoption and impact are frequently moderated by access, cost, and systemic barriers (Wang et al., 2023; Remountakis et al., 2023; Rao et al., 2025). Consequently, strategic adaptation in competitive markets increasingly requires digital transformation to meet shifting consumer expectations for convenience and access (Atento & Atento, 2025).

Now, successful implementation requires managing guest concerns regarding privacy and ensuring technical reliability, which are key to adoption and continued use (Kim et al., 2019; Nguyen et al., 2021). The evidence solidly supports that digitally capturing preferences before check-in is a viable and effective strategy for personalizing the guest experience.

2.4 Operational Feasibility of Modular/ Configurable Rooms

Operationalizing room-layout customization requires that "personalization" be translated into bounded, repeatable configurations that hotels can execute reliably within housekeeping and turnover constraints. The feasibility literature on modularization and prefabrication is instructive because it demonstrates how standardized components can be combined into flexible end states without incurring the full complexity of bespoke design each time. In particular, panelized and volumetric modular approaches illustrate how pre-defined modules can be fabricated with quality control and assembled efficiently, while still allowing variation through recombination (Omurtay et al., 2024). When translated to the hotel context, the relevant implication is not that rooms must be rebuilt per guest, but that interior configuration options can be standardized into a manageable "menu" (e.g., work-oriented, relaxation-oriented, family-oriented, accessibility-oriented layouts) supported by modular furniture sets, movable elements, and repeatable setup protocols.

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Volume I, Issue 1, February 2026
https://journal.ijhba.com/index.php/jesmi
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Implementation reliability depends on coordination mechanisms that reduce ambiguity in configuration execution. The integration logic associated with Building Information Modeling (BIM) is relevant here insofar as it strengthens stakeholder alignment, clarifies spatial constraints, and surfaces conflicts early—features that support consistent deployment of configuration rules across partner hotels (Omurtay et al., 2024). More broadly, successful rollout of configuration-driven service innovations tends to require robust digital infrastructure and an organizational orientation toward technological integration, particularly where multiple actors must coordinate around standardized processes (Atento, 2025). Emerging technology applications in modular production—such as AI-supported optimization—further reinforce the principle that efficiency and customization need not be mutually exclusive when variability is structured around standardized components and rule-based assembly (Cai et al., 2025).

Nevertheless, the literature also signals practical constraints that must be anticipated, including supply chain integration, protocol standardization, and operational complexity that emerges when variation expands beyond what systems can reliably execute (Sun et al., 2020). For hospitality, this implies that customization must remain bounded: configurations should be limited to a feasible set, supported by clearly defined setup checklists, safety and accessibility considerations, and turnaround-time targets consistent with service reliability. Accordingly, the feasible pathway for room-layout customization is best conceptualized as modular, menu-based configuration—enabled by standardized physical components and disciplined execution protocols—rather than unrestricted, fully bespoke redesign (Omurtay et al., 2024; Sun et al., 2020; Atento, 2025).

2.5 Economic Viability and Value-Based Monetization

For customization to be a sustainable strategy, it must be economically justified. Research indicates a market willingness to pay a premium for spaces tailored to specific needs. Studies in housing renovation show that layout conversions aligned with occupant needs command significantly higher rents (Matsushita et al., 2025). In hospitality, add-on pricing strategies for customizable features allow hotels to capture economic premiums on standard packages (Cozzio & Masiero, 2024). The underlying cost structure is supported by modular construction, which enhances cost efficiency and controls variable expenses for flexible layouts (Djukanovic et al., 2025). Concepts like smart adaptive homes demonstrate that increased space efficiency and multifunctionality can enhance perceived value (Goessler & Kaluarachchi, 2023).

While careful optimization is needed to balance benefits against added cost complexity, the literature finds that incremental revenue from higher conversion rates and increased willingness-to-pay can offset added variable costs and help fund fixed platform investments; consequently, any strategic innovation aimed at differentiation must pair value-proposition design with rigorous feasibility checks to ensure proposed changes are financially viable within existing operational constraints (Zhao & Li, 2025; Cozzio & Masiero, 2024; Teodosio et al., 2025).

2.6 Synthesis of Literature

The reviewed literature converges on a coherent rationale for bounded room-layout customization as a strategic response to hotel-sector commoditization. First, competitive rivalry in many hotel segments tends to concentrate on comparable and easily replicated attributes—location, price positioning, standardized amenities, and platform-mediated reputation—encouraging strategic imitation and reinforcing red-ocean dynamics. Second, guest demand is consistently heterogeneous: differences in stay purpose and personal constraints shape distinct functional expectations that standardized room configurations do not uniformly satisfy, with spatial layout and circulation emerging as nontrivial determinants of comfort and satisfaction. Third, digital platforms provide a practical mechanism for eliciting and operationalizing guest preferences prior to arrival by reducing friction, increasing perceived control, and enabling purpose-fit service encounters, although adoption remains contingent on trust, reliability, and perceived usefulness. Fourth, the feasibility literature on modularization suggests that customization can be delivered without uncontrolled complexity when variability is structured through standardized components and a limited configuration menu supported by clear protocols and coordination mechanisms. Finally, the economic literature indicates that customization can be monetizable—through higher willingness-to-pay, add-on pricing, or conversion uplift—when it enhances perceived utility; however, such strategies must be disciplined by unit-economics feasibility rather than treated as purely experiential

differentiation. Taken together, these strands justify examining app-enabled, bounded room-layout customization as a plausible value-innovation pathway that shifts competition away from commoditized attributes toward functional fit and experience control aligned with diverse guest needs.

2.7 Research Gap

Despite growing research on hospitality commoditization, digital personalization, and modular design, important integrative gaps remain. First, personalization in hospitality is frequently conceptualized as informational or service-layer tailoring (e.g., recommendations, offers, interaction enhancements) rather than as configurable spatial design, leaving limited guidance on how pre-arrival preference capture can be translated into reliable, repeatable room-layout execution. Second, studies examining guest preferences for room design and layout seldom articulate the strategic implications at the industry level—specifically, how bounded layout customization would reshape the competitive value curve and create uncontested market space using a disciplined strategy architecture. Third, the operational literature highlights modularity and coordination benefits but rarely specifies the hotel-relevant implementation constraints that determine viability, including configuration standardization, housekeeping workflow, turnaround time, accessibility and safety requirements, and partner-hotel governance. Fourth, while premium capture and add-on monetization are discussed in adjacent contexts, the feasibility of room-layout customization is often not anchored in explicit unit-economics logic that distinguishes platform-level fixed costs from per-booking variable costs and clarifies break-even implications under plausible assumptions.

Addressing these gaps, the present study contributes a strategic design proposal for app-enabled, pre-arrival room-layout customization by integrating Blue Ocean Strategy tools (ERRC grid, strategy canvas, and buyer-utility logic) with a feasibility-oriented unit-economics frame. The resulting output clarifies the proposed mechanism of value innovation, specifies how customization can remain bounded and operationally reliable through standardized configuration options executed via partner hotels, and establishes a transparent economic logic that can guide subsequent pilot testing and empirical validation.

3. Methods

3.1 Research Design

The study adopted a conceptual strategic-design approach to develop an app-enabled hospitality value proposition centered on bounded, pre-arrival room-layout customization. The design logic combined Blue Ocean Strategy tools (to specify value innovation and competitive repositioning) with a feasibility-oriented unit-economics frame (to assess whether the proposed model can be financially viable under stated assumptions). The primary outputs of the method were structured strategic artifacts (e.g., ERRC grid, strategy canvas, buyer-utility logic) and an initial economic feasibility model rather than empirical estimates derived from human-subject data.

3.2 Setting / Locale

The conceptual setting is the hotel and lodging sector in the Philippines, anchored specifically in Region IV-A (CALABARZON), widely recognized as among the country's most populous and economically active regions. Within this locale, the proposal assumes a competitive environment in which hotels typically differentiate through conventional levers such as pricing, location advantages, and standardized amenity bundles, often producing convergent offerings across comparable properties. The focal operational context is the coordination interface between (a) a digital platform that captures guest preferences prior to arrival and translates these into bounded configuration choices, and (b) partner hotels in CALABARZON that implement pre-defined room-layout setups through standardized, repeatable protocols designed to preserve service reliability, housekeeping turnaround requirements, and consistent guest experience.

3.3 Participants and Sampling

Although the study is primarily a conceptual strategic-design proposal, early ideation was informed by informal exploratory consultations with 15 individuals with relevant exposure to hospitality services and digital platform usage. These consultations served to surface practical considerations and user expectations during concept development rather than to generate analyzable qualitative findings.

Sampling followed a convenience-based, purposive logic, prioritizing accessibility and

relevance (i.e., individuals with lived experience of hotel stays and/or hotel work). Because the consultations were loosely structured and used to surface themes rather than to estimate population parameters, the study did not specify a target sample size, formal inclusion/exclusion criteria, or demographic profiling. Inputs from these conversations were synthesized qualitatively and used to support the development of the value-innovation artifacts—particularly the ERRC grid and the articulation of customization-relevant utility factors—rather than to produce generalizable empirical claims.

3.4 Measures / Instrumentation

The study operationalized the proposed value innovation using established strategic-design instruments associated with Blue Ocean Strategy and service design:

Eliminate–Reduce–Raise–Create (ERRC) Grid.

This tool was used to translate the identified problem of commoditized hotel offerings into explicit strategic moves by specifying which prevailing competitive factors should be eliminated or reduced and which should be raised or newly created in the proposed model relative to dominant hotel value logics.

Strategy Canvas.

The strategy canvas was used to depict the intended value curve of TailorStay in comparison with conventional hotel offerings. Competitive factors (e.g., degree of standardization versus personalization, reliance on amenities, space utilization, and pricing posture) were included to illustrate where value emphasis is shifted under the proposed model.

Buyer-Utility Logic and Customer-Journey Mapping.

These instruments were used to identify the points in the guest journey where pre-arrival room-layout customization can plausibly increase utility (e.g., convenience, perceived control, comfort, productivity) and reduce friction across pre-stay decision-making, check-in, and room use.

To discipline feasibility, the proposal additionally incorporated unit-economics variables—selling price, variable cost per booking, and fixed platform costs—and standard managerial metrics such as contribution margin and break-even volume.

Basis for factor selection and emphasis (grounding).

The factor set used in the strategy canvas and the utility mechanisms articulated in the buyer-utility/journey mapping were derived from (a) the proponents' informal exploratory consultations with frequent hotel guests and selected hotel-affiliated contacts and (b) the proponents' own accumulated experience as frequent hotel customers. Rather than relying on externally validated scales or survey-based measurement, the approach employed qualitative prioritization: recurring and "glaring" concerns raised in conversations were synthesized into candidate value factors, after which emphasis levels were assigned based on perceived impact in addressing those concerns and strengthening a distinctive unique selling proposition. Accordingly, the instruments functioned as structured synthesis tools for strategic design rather than as quantitative measurement devices requiring formal scoring protocols.

3.5 Data Collection Procedure

Inputs to the strategic design were gathered through a structured, iterative development of the Blue Ocean and feasibility instruments, guided by the proposal's problem framing and exploratory stakeholder inputs. First, the proponents consolidated themes from informal consultations with frequent hotel guests and selected hotel-affiliated contacts, together with their own experiences as hotel customers. These inputs were used to identify recurrent pain points and desired outcomes (e.g., functional-fit concerns, discomfort arising from layout constraints, and unmet expectations regarding room usability). From these themes, a set of candidate competitive factors and value drivers was synthesized and organized into the ERRC grid, which then informed the selection of dimensions represented in the strategy canvas. These factors were subsequently mapped to buyer-utility points and customer-journey stages to specify where pre-arrival room-layout customization is expected to create or unlock value and reduce friction.

Cost information was collected in an exploratory manner and used for feasibility framing rather than empirical estimation. Cost categories were derived from practical insights obtained during informal conversations—particularly regarding typical hotel pricing practices, perceived cost

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Volume I, Issue 1, February 2026
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drivers, and operational add-ons associated with enhanced room features and service delivery. For analytic clarity, cost items were classified into fixed platform-level costs (e.g., application development, platform maintenance capacity, staffing, marketing) and variable per-booking costs (e.g., transaction-related expenses and configuration-related execution costs). The time horizon for the economic framing was anchored on a per-night/per-visit basis, reflecting how hotel guests experience pricing and how incremental costs are most plausibly incurred at the booking level. While many cost items recur across operations, the feasibility model expresses them in terms of their relevance to per-booking contribution versus platform-level cost recovery, consistent with break-even logic.

3.6 Data Analysis

Data analysis followed a staged strategic-design sequence**,** treating stakeholder inputs and experiential observations as qualitative cues for structuring the value-innovation logic rather than as statistically analyzable data. The procedure consisted of four linked analytic steps.

1. ERRC Development. Themes arising from the exploratory consultations (e.g., recurring complaints about limited room usability, layout constraints, and unmet purpose-fit expectations) were consolidated into a set of competitive factors. These factors were then reformulated into Eliminate–Reduce–Raise–Create decisions to clarify the value-innovation thesis and to specify how TailorStay departs from prevailing hotel value logics.

2. Value-Curve Articulation. The strategy canvas was used to translate the ERRC decisions into a comparative value curve. Emphasis levels on each factor were assigned through qualitative prioritization—based on the relative salience of concerns raised in consultations and the perceived strength of each factor in supporting a distinctive positioning—rather than through formal quantitative scoring.

3. Utility and Friction Mapping. A buyer-utility logic and customer-journey framing were used to locate where the proposed model is expected to create utility and reduce friction across the guest experience, particularly in the pre-arrival and check-in stages. This step linked configuration choice to concrete utility mechanisms (e.g., convenience, perceived control, functional fit, and comfort) and clarified how the platform-mediated process translates preferences into executable setup requests for partner hotels.

4. Feasibility Modeling (Unit Economics). Financial feasibility was examined using contribution-margin and break-even logic to ensure that the proposed differentiation pathway is disciplined by an explicit economic rationale. Break-even volume was computed using the standard relationship:

$$QBE = FC / (P - VC)$$

where QBE is break-even bookings, FC is fixed costs, P is selling price per booking, and VC is variable cost per booking.

Fixed costs were treated as platform-level investments and operating expenses (e.g., app development, staffing capacity, marketing), while variable costs were treated as per-booking/per-night execution costs (e.g., transaction-related costs and configuration-related execution costs). Sensitivity levers were conceptualized as (a) price, (b) variable cost per booking, and (c) the scale and composition of fixed costs. Because the costing inputs were exploratory and derived from stakeholder-informed approximations rather than audited financial records, the computed results are interpreted as indicative feasibility signals and as a basis for future pilot refinement rather than as definitive financial forecasts.

3.7 Ethical Considerations

The study was developed as a conceptual strategic-design proposal supported by informal, exploratory consultations. No personally identifiable information was systematically collected, no clinical procedures were involved, and no formal instruments requiring sensitive data were administered. The stakeholder conversations were used for ideation and thematic synthesis, with the intent of surfacing practical concerns and usability expectations rather than generating generalizable empirical claims. To the extent that consultations were conducted, they were treated as low-risk interactions (e.g., voluntary participation, avoidance

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Eliminate	Reduce	Raise	Create
Standardized,one-size -fits all room layouts	Dependence on excessive, unnecessary amenities	Personalized room customization via the app	A seamless app-based booking system that allows room layout selection
Price competition with traditional hotels	Overhead costs lined to unnecessary room turnover	Guest satisfaction through tailored environments	Flexible furniture systems for optimized space utilization
Frustration from mismatched room expectation	Costly reconfigurations post check-in	Brand differentiation through experience driven value	A new market segment centered on customizable hospitality

Strategic Benefits

Figure 1 Eliminate–Reduce–Raise–Create (ERRC) Grid for TailorStay.

of identifying details in documentation, and use of aggregated thematic insights).

Any subsequent pilot implementation—particularly one involving app-based preference capture, operational trials in partner hotels, or formal data collection from guests and staff—would require appropriate ethics review, clear informed-consent procedures, privacy and confidentiality safeguards, and transparent data-governance provisions (including purpose limitation, data minimization, storage controls, and deletion policies) consistent with applicable institutional and legal requirements.

4. Results and Discussion

4.1 Value-Innovation Decisions (ERRC Output)

The strategic design reconfigures prevailing hotel value logic through the Eliminate–Reduce–Raise–Create (ERRC) grid (Figure 1). The proposal eliminates (a) standardized, one-size-fits-all room layouts, (b) direct price-based competition with conventional hotels, and (c) recurring dissatisfaction arising from mismatched room expectations. It reduces reliance on excessive or non-essential amenities, overhead associated with non-value-adding room turnover, and costly post-check-in adjustments. It raises app-enabled personalization, guest satisfaction through improved functional fit, and differentiation anchored in experience-based value. Finally, it creates an app-based selection system for room layouts, flexible furniture modules that support optimized space utilization, and a clearly identifiable segment oriented toward customization-enabled hospitality.

4.2 Value-Curve Shift (Strategy Canvas Output)

The strategy canvas shows a deliberate divergence in the value profile of TailorStay relative to conventional hotels (Figure 2). Traditional hotel offerings typically emphasize standardized room layouts, tolerate inefficiencies linked to underused amenities, and rely on price-based competition as a primary lever. In contrast, TailorStay shifts emphasis toward personalized customization and improved space utilization, seeking to increase guest-perceived value while reducing inefficiencies associated with unused amenities and related operational waste.

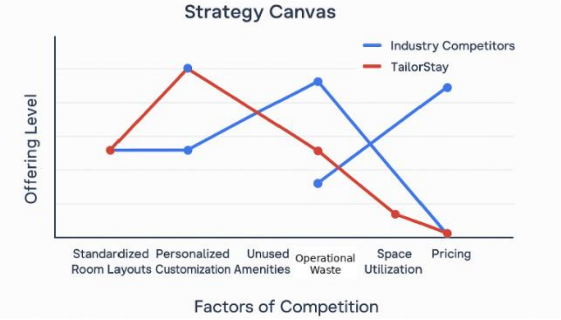

Figure 2 Strategy Canvas Comparing TailorStay vs Conventional Hotels.

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4.3 Buyer Utility Logic (Buyer Utility Map Output)

The buyer utility map locates the primary utility gains in convenience and customization across the customer experience cycle (Buyer Utility Map; see Table 1). At purchase, utility is created by enabling guests to select room layouts efficiently through the application, reducing the friction of communicating preferences through ad hoc requests.

4.4 Feasibility Output (Unit Economics and Break-Even)

Financial feasibility is expressed through a contribution-margin and break-even logic. Under the break-even assumptions stated in the proposal—fixed costs of ₱7,000,000, variable cost per booking of ₱1,500, and selling price per booking of ₱5,000—the implied contribution margin is ₱3,500 per booking, yielding a break-even volume of approximately 2,000 bookings. Beyond this threshold, incremental bookings contribute directly to profit in the simplified unit-economics frame.

A separate pricing discussion introduces a premium-case selling price of ₱7,500 per booking (with ₱1,500 variable cost) as a positioning scenario. This premium-case assumption is analytically separate from the base-case break-even computation, which is calculated using ₱5,000 as the selling price.

$$Q_{BE} = \frac{7{,}000{,}000}{5{,}000 - 1{,}500} = \frac{7{,}000{,}000}{3{,}500} = 2{,}000 \text{ bookings}$$

In support of the break-even computation, Table 2 summarizes the baseline unit-economics assumptions and their implications. Using a selling price of ₱5,000 per booking and a variable cost of ₱1,500, the implied contribution margin is ₱3,500 (a 70% contribution margin ratio). Under the assumed platform-level fixed costs of ₱7,000,000, the model reaches break-even at approximately 2,000 bookings, corresponding to break-even revenue of ₱10,000,000. At this threshold, total variable costs are ₱3,000,000 and total costs equal total revenue, implying that bookings beyond 2,000 contribute positively to operating surplus within the simplified unit-economics frame, subject to the stability of price, variable-cost containment, and the composition of fixed costs.

4.5 Discussion of Results

Interpreting the Value-Innovation Logic

The results indicate that TailorStay's differentiation mechanism is not a marginal enhancement of conventional hotel features but a reframing of what the "room" is—from a fixed product to a boundedly configurable service environment. The ERRC output (Figure 1) formalizes this shift by treating standardized layouts and price-led rivalry as factors to be de-emphasized, while elevating functional fit, perceived control, and experiential coherence as the new value anchors. This interpretation aligns with the literature's portrayal of hospitality as prone to competitive convergence: when many providers compete on similar levers, meaningful differentiation requires redesigning the basis of value rather than adding incremental features.

The strategy canvas (Figure 2) further clarifies that the intended competitive position is not "more amenities," but better utilization of the same space through configuration. Conceptually, this matters because it reorients investment from visible but often underutilized features toward a mechanism that directly addresses heterogeneous use-cases. In other words, TailorStay's value curve proposes that "fit" can outperform "feature accumulation" as a driver of satisfaction and willingness-to-pay, particularly for guests whose stay purpose (work, rest, family, accessibility) makes room functionality salient.

Utility Mechanism: Why Customization Matters in Practice

The buyer utility map (Table 1) suggests that TailorStay's strongest utility gains occur where conventional hotels typically offer limited control: pre-arrival planning and room-use execution. The pre-arrival interface functions as a friction reducer by lowering uncertainty ("Will the room work for my needs?") and by converting implicit preferences into explicit configuration choices. Importantly, the model's persuasive logic does not require unlimited personalization; it depends on whether a bounded menu of options is "good enough" to meaningfully improve functional fit. This is a defensible design stance in hospitality operations, because reliability and repeatability are often more valuable than bespoke variability.

However, the same utility logic also surfaces adoption constraints that must be treated as central

to feasibility rather than as peripheral risks. If the platform experience is unreliable, if preferences are not executed correctly, or if guests perceive privacy or data-handling risks, the value proposition may reverse (i.e., customization becomes another point of failure). For this reason, the proposed model's competitiveness is likely to depend on operational governance as much as on interface design—especially in partner-hotel contexts where execution fidelity can vary across properties.

Operational Implications for Hotels in CALABARZON

Anchoring the setting in CALABARZON strengthens the practical relevance of the results but also sharpens operational trade-offs. In a populous and economically active region with high movement of travelers and mixed hotel segments, the proposal's bounded configuration approach appears well-matched to environments where properties must preserve turnaround times and standard service reliability. The results implicitly recommend that partner hotels treat TailorStay not as "interior redesign," but as standardized configuration kits: pre-defined layouts, furniture positioning rules, and checklists that housekeeping and room preparation can execute consistently.

Operationally, the proposal benefits from a key advantage: it can be implemented incrementally. Hotels could begin with a small number of room types (or floors) designated as configurable, using a limited configuration menu, and then scale only after confirming that turnover time, staff burden, and guest satisfaction outcomes remain acceptable. This staged logic also aligns with quality-management realities: execution errors in early rollouts can undermine trust quickly, so the operational model must be designed with error prevention and rapid recovery protocols (e.g., configuration verification steps) rather than assuming "perfect execution."

Economic Interpretation and Sensitivity

The unit-economics result (Table 2) provides a useful feasibility threshold: under the baseline assumptions, break-even at 2,000 bookings implies that the model's viability is highly sensitive to (a) contribution margin per booking and (b) the rate at which adoption scales across partner hotels. The result does not "prove" profitability, but it performs an important disciplining role: it forces the strategy to confront whether the customization mechanism can be executed with manageable variable costs and whether the platform can drive sufficient demand to amortize fixed costs.

Two implications follow. First, cost control is integral to the value proposition: if customization materially increases housekeeping time, staffing requirements, or operational error rates, variable costs will rise and the break-even volume will expand. Second, pricing posture should remain consistent with the perceived incremental value of customization. The feasibility computation applies a base-case selling price of ₱5,000 per night for break-even estimation (Table 2), while the later pricing discussion introduces ₱7,500 as a premium-case scenario contingent on credible execution and demonstrable satisfaction gains. Presenting both values clarifies an economically feasible pricing range under different operating conditions rather than implying a single fixed price point.

Theoretical and Practical Contributions

As a design-oriented study, the principal contribution is the integration of (1) Blue Ocean strategic logic with (2) service-design utility mapping and (3) feasibility discipline via unit economics. This combination strengthens the proposal's internal coherence: it connects "what to change" (ERRC), "how value shifts" (strategy canvas), "where utility emerges" (buyer utility/journey), and "what scale is required" (break-even). Practically, this integrated architecture can help hotels and platform operators avoid a common failure mode of innovation proposals: promising experience differentiation without operational and financial clarity.

Limitations

Several limitations follow directly from the method and should be stated plainly.

a. Non-empirical design basis. The results are design outputs derived from exploratory consultations and experiential synthesis, not from representative sampling or causal estimation.

b. Execution variability. Partner-hotel performance and operational maturity may differ widely; therefore, the model's realized value depends on governance and standardization, not solely on platform design.

c. Costing precision. The economic assumptions are indicative rather than

audited; actual variable costs and fixed-cost composition may differ materially, changing the break-even threshold.

d. Adoption constraints. Guest trust, privacy concerns, and technical reliability may moderate uptake, especially for app-mediated preference capture.

Implications for Future Validation

The results provide a clear agenda for the next research step: a bounded pilot in CALABARZON that measures adoption rate, execution fidelity (configuration accuracy), turnover time impacts, guest satisfaction outcomes, and realized unit economics under real operating constraints. Such validation would convert the present work from a coherent strategic design into evidence-backed managerial guidance.

5. Conclusions and Recommendations

5.1 Conclusions

This study developed a strategic-design proposal for TailorStay, positioning bounded, pre-arrival room-layout customization as a value-innovation pathway for hospitality settings characterized by standardized offerings and price-led competition. The ERRC grid, strategy canvas, and buyer utility mapping jointly support a shift from amenity accumulation toward functional fit and experiential control, while the unit-economics layer identifies break-even feasibility under stated assumptions as a baseline constraint for implementation.

5.2 Recommendations

1. Pilot bounded configurations before scaling. Implement TailorStay initially using a small configuration menu (e.g., productivity, relaxation, family, accessibility) and a limited number of rooms or partner properties to validate execution fidelity and turnover-time effects.

2. Standardize execution protocols and verification. Develop partner-hotel checklists, setup templates, and a simple verification step (e.g., pre-check-in confirmation) to reduce configuration errors that could undermine trust and perceived value.

3. Treat pricing as scenario-based rather than fixed. Present pricing as a base-case and premium-case structure tied to execution maturity and segment targeting, ensuring consistency between break-even assumptions and monetization logic.

4. Refine unit-economics inputs using real operating data. Replace indicative cost assumptions with pilot-derived measures, separating platform-level costs (development, staffing, marketing) from per-booking costs (configuration labor time, wear-and-tear, transaction costs).

5. Embed privacy and reliability safeguards as design requirements. Ensure preference capture is transparent and minimal, with clear data-governance provisions, and prioritize platform stability and responsiveness to prevent customization from becoming a new friction point.

5.3 Implications of Research Findings

Implementation Implications

For CALABARZON hotels, TailorStay's practical implication is that customization should be implemented as standardized variation, not bespoke redesign. Hotels can operationalize the model by identifying a subset of rooms as configurable, investing in modular or movable interior elements where feasible, and enforcing repeatable setup protocols aligned with housekeeping workflows and safety/accessibility requirements. The platform should function as a coordination mechanism that limits choice to executable options and reduces ambiguity in implementation, thereby protecting service reliability while offering differentiated functional-fit value.

Managerial Implications

Strategically, the model implies that hospitality differentiation may be strengthened by shifting investments from amenity imitation toward mechanisms that improve the guest's core room experience. Operationally, it implies that governance and standardization are central to innovation success in partner-based models. Financially, it implies that innovation proposals in hospitality should be disciplined by explicit unit economics early—because margins, turnover time, and scale strongly determine viability.

Research Implications

Future work should empirically test adoption and impact through a bounded pilot, measuring (a)

willingness-to-pay or conversion uplift, (b) satisfaction and complaint rates attributable to configuration fit, (c) operational burden and error rates, and (d) updated break-even thresholds under observed costs. Such validation would strengthen the evidence base for room-layout customization as a scalable differentiation strategy and clarify boundary conditions under which customization produces net value.

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7. Tables

Table 1. Buyer Utility Map

	Customer Productivity	Convenience	Customization	Environmental Friendliness	Risk Reduction	Fun & Image
Purchase			Guest efficiently select room layouts via an app			
Delivery		Seamless Check in with pre-configured room preferences				
Use		Guest personalize furniture arrangements, workspace setup, and relaxation zones				

Table 2. Baseline unit-economics assumptions and break-even implication (TailorStay)

Item	Symbol	Value	Classification / basis
Selling price per booking (per night)	(P)	₱5,000	Per-booking revenue assumption
Variable cost per booking	(VC)	₱1,500	Per-booking execution/transaction cost assumption
Contribution margin per booking	(CM = P-VC)	₱3,500	Derived
Contribution margin ratio	(CMR = CM/P)	0.70 (70%)	Derived
Fixed costs	(FC)	₱7,000,000	Platform-level fixed cost assumption
Break-even bookings (volume)	(Q_{BE} = FC/CM)	2,000 bookings	Derived
Break-even revenue	$TR_{BE} = Q_{BE} P$	₱10,000,000	Derived
Break-even variable costs	$TVC_{BE}=Q_{BE}VC$	₱3,000,000	Derived
Break-even total costs	$TC_{BE} = FC + TVC_{BE}$	₱10,000,000	Derived