

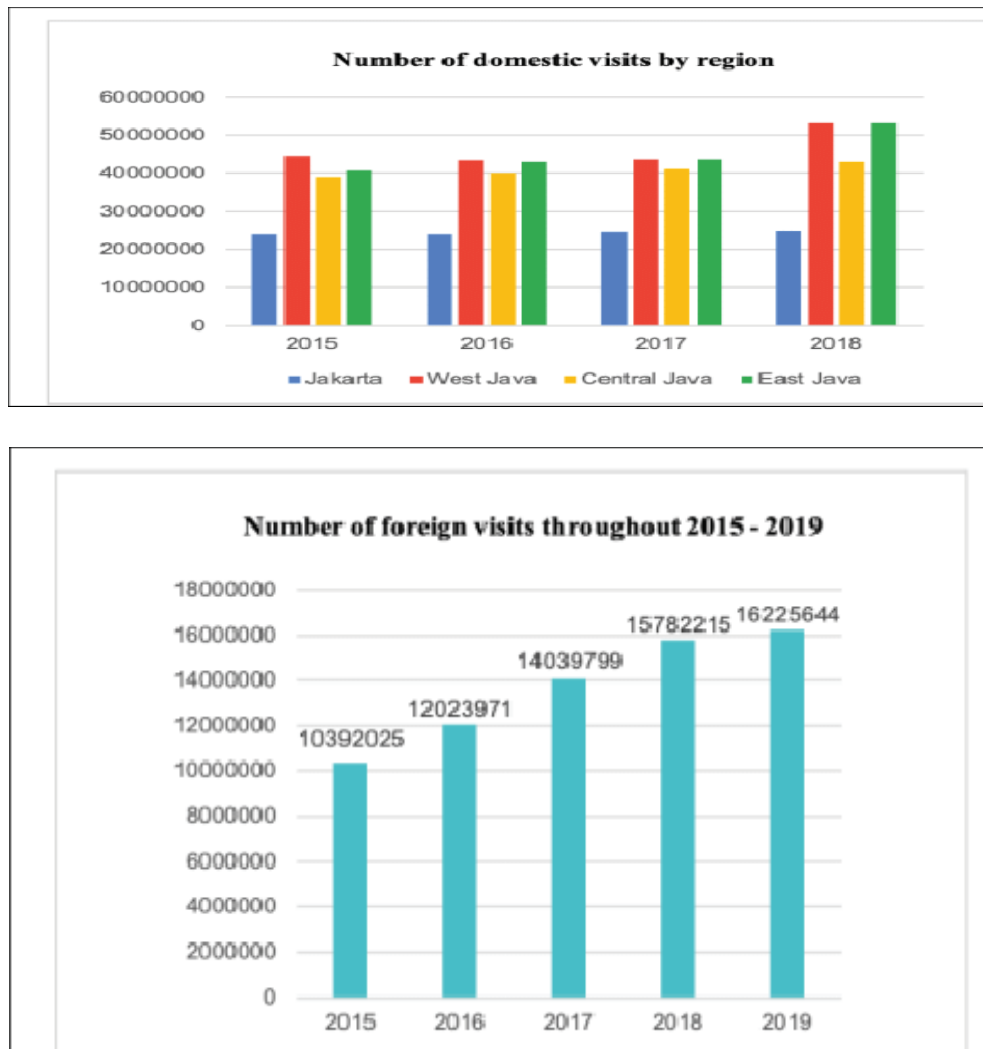
CHAPTER 1

INTRODUCTION

1.1 Background

The hotel industry plays a significant role in the service sector. The hotel industry is a branch of the hospitality sector that focuses on offering lodging services to clients. There are many different hotel kinds, and they may often be divided into groups based on size, purpose, service, and price. Limited service, mid-range service, and full service are the typical divisions of service levels. One being the lowest rating and five being the highest, the star rating system may be more recognizable to some customers. Business, casino, spa, extended stay, bed & breakfast, and other functions are included in some of the categories. Up to the outbreak of the coronavirus (COVID-19) pandemic in 2020, the hotel and resort industry's global market size grew. After that, the market size drastically decreased (statista). As a result of several countries being under complete or partial lockdown, the coronavirus pandemic (COVID-19) has significantly impacted the hotel business. Every government has implemented travel restrictions, including closed borders and no domestic or international flights. Events worldwide have been rescheduled or canceled since the year 2020 began. Among them are the Olympic Games, the UEFA EURO 2020, and the ITB Berlin, the world's largest travel expo, expected to draw more than 150,000 people shortly (Hakim, 2020). With the constraints on businesses and millions of workers facing layoffs, it is not unexpected that many business functions and trips have been canceled due to concerns about the coronavirus. People are also hesitant to schedule vacations for 2020 and even 2021 because of the Pandemic's future concerns. The Pandemic has particularly hard hit the hotel industry. Some hotels have lost up to 90% of their bookings, while others have been forced to close their doors. Canceled reservations and a lack of bookings have cost hotels revenue. However, it worsens this situation since it is still uncertain; most cash-strapped hotels cannot see a way out of their cash-flow problems. Indonesia is an archipelagic country abundant in the natural beauty that is both unusual and enticing to visitors. As a result of this advantage, the government can use it as a sector of the Indonesian tourism business that is no less attractive than that of other nations. The government conducted several promotions, such as creating the "Wonderful Indonesia" campaign in 2016 (Tedjakusuma, 2018), aimed at foreign and domestic tourists visiting the Indonesian islands. As a result, tourism is the most

influential industry for increasing a country's foreign exchange earnings because the resources required to promote tourism are available within the country (Hakim, 2020). This campaign is demonstrated by the number of foreign tourists visiting the country that has consistently climbed over the last five years (2015-2019). Table 1.1



(www.nasional.kontan.co.id, 2020).

The above description indicates that tourism is an important industry that should be considered for development, especially given that Indonesia has abundant resources. Therefore, it is possible to conclude from Table 1.1 that the number of tourists has increased over the last five years (2015-2019). As a result, the tourist industry is one of the most important sources of revenue for the country's economy, accounting for a predicted 5.5 percent of Gross Domestic Product in 2019. (nasional.kontan.co.id, 2020).

The tourism industry sector is expected to become a flagship program shortly to increase the number of tourists visiting the country. Because of the rapid development of the tourism business, it must be supported with supportive aspects that allow for safe and beneficial tourism activities. Accommodation, particularly hotel accommodation, plays an essential role in tourism activities, mainly supporting factors. Because of the increasing number of tourism locations that are beginning to appear, the demand for lodging, food, and beverage providers is becoming increasingly vital. Without hotels, tourism activities will not run as efficiently as otherwise (Spillane, 1994). The expansion of the hospitality business in Indonesia has shown signs of improvement from time to time. However, at the beginning of 2020, it was experienced a precipitous decrease spread named covid-19. To be precise, commencing in March 2020 resulted from coronavirus, also known as the Covid-19 Pandemic. Whisnutama, the Minister of Tourism and Creative Industries, has been one of the industries that the Pandemic has particularly hard hit. According to the Central Statistics Agency data, the number of international tourists in 2020 is lower than in 2019 (Anggi, 2020).

COVID-19's economic ramifications are an exception compared to earlier pandemics like the outbreaks in global history, including Spanish Flu and annual influenza. The sharp trade and industry shock have great outrage, reflected in the high joblessness rates of many affluent countries. The World Bank has forecast that the consequences of the COVID-19 Pandemic will lead globally to decrease by 2 percent. The International Monetary Fund (IMF) says that this indicates a significant potential for economic crises following the initial financial shock (2020). In order to control this financial crisis, the World Bank believes that a prompt policy reaction is important. They exemplified in East Asia to flatten the curve of infection and lessen the economic effect enabled by global lockdowns. East Asia has developed a hybrid strategy of social and economic measures to help ease the healthcare system's load and the economic expenses of fatalities.

The global travel and tourism industry is still feeling the effects of COVID-19's proliferation and widespread travel bans. President and CEO of the World Travel and Tourism Council Gloria Guevara wrote in an open letter that the outbreak threatens "50 million employment globally. During China's 41-day COVID-19 lockdown from January 22 to February 29, impact and infection rates were reduced, allowing the country to recover from the Pandemic's first shock quickly. Singapore, too, has been sufficient to retain the epidemic at home. COVID-19 experience stems from its substantial contact tracing system, which was developed in response to the SARS epidemic in 2004-05. Travel and tourism have both suffered as a result of the COVID-19 outbreak. Between March and December 2020, international tourist arrivals plummeted by 84%, according to data from UNWTO. Many studies calculated the probable economic implications of a tourism decline in 2021 based on a range of predictions for tourist arrivals (Fotiadis & Huan 2021).

Being the second largest city after Jakarta Surabaya In recent years, Surabaya has affirmed its leading role in the country's economy with the continuous increase in investments, especially the foreign direct investments. Business in Surabaya, then, has been filled with many foreign investors. According to a report by the Ministry of Planning and Investment, the food industry (UKM) of small-medium enterprises (SMEs) is the largest contributor to the investment spike. Service sectors such as hotels and restaurants have also contributed significantly to the burgeoning investment (cekindo 2020).

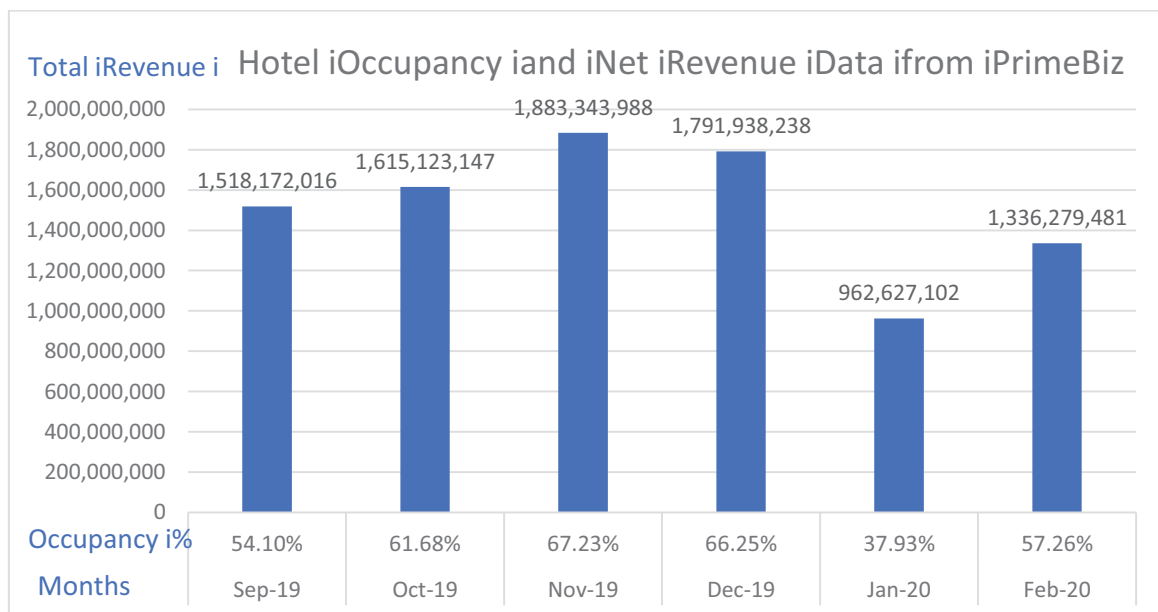
PrimeBiz Hotel Surabaya, a hotel in the moderate price range that has been in operation since 2017, is one of the establishments that have been negatively impacted. In light of the various challenges that hotels encountered during the pandemic, PrimeBiz Hotel Surabaya is required to come up with a solution to the problem of developing a new strategy for dealing with the situation COVID-19 pandemic. During the COVID-19 pandemic Indonesia (PHRI) recorded 1,226 hotels that were closed due to the corona virus pandemic (data PHRI 6 April 2020). As a result, more than 150,000 employees were threatened with being laid off or temporarily stopped working, on the other hand no guests and the health protocol was very straight. It was very difficult for foreign or local visitors travelled due to the strict health procedural requirements and most countries were locked down as

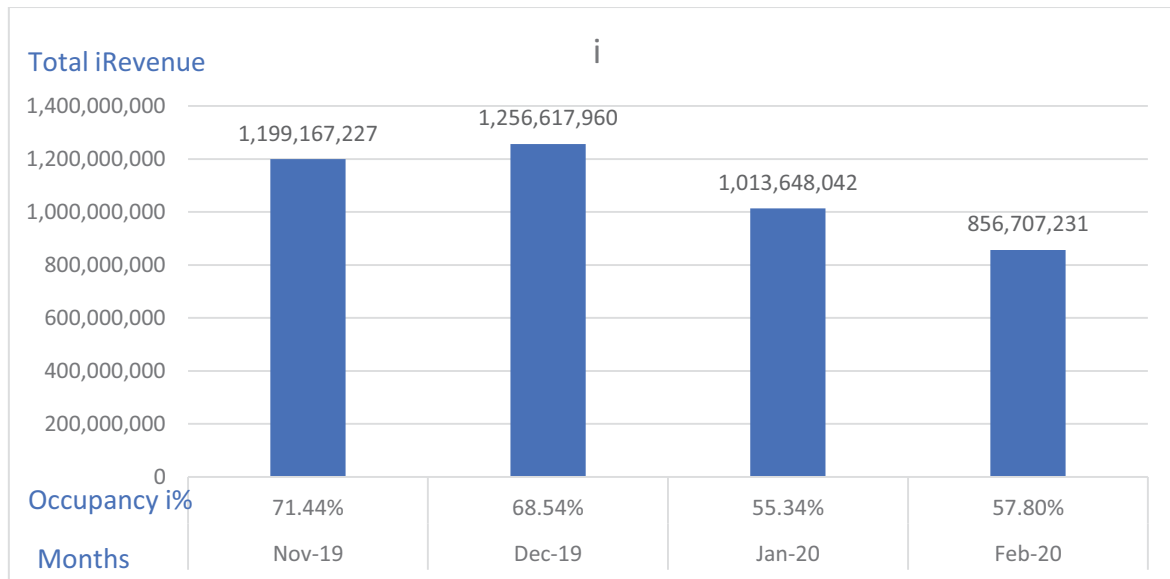
well. It was difficult to apply for making a research in the hotels at that time. Many hotels were collapsed or closed due to not be able to pay for cost operation such as to pay for worker salary, electricity, maintenance because there were no guests stayed that generate the income for the hotel. PrimeBiz Hotel Surabaya that was struggling to stay afloat while continuing to do business in order to help the community in that difficult position. That is why I started to make a research in this hotel. To know what strategy this hotel conduct during COVID-19 pandemic that could make this hotel sustain in its operation.

The PrimeBiz Hotel Surabaya is one of the hotels that this epidemic has impacted. Although PrimeBiz is a midscale hotel located in the South Surabaya area, it must compete with other hotels to survive during and after the Pandemic. Due to a significant decrease causing a widespread, the number of visitors decreased drastically compared to the previous year. That is the most concerning matter for the hotel industry, particularly hotels based in Surabaya. Surabaya is a city where most visitors arrive for business trips.

Data on occupancy and total net income for the preceding four (6) years before and after are provided in the following table:

Hotel Occupancy and Net Revenue Data from PrimeBiz before and after (Table 1.2).





Source: Hotel Internal Data

According to occupancy and revenue data collected over the past six month before and after pandemic, According to occupancy and income data collected over the last four years, PrimeBiz Hotel is one of the most negatively affected hotels and has managed to remain open despite the loss iof revenue. In addition, the closure of the surrounding areas and the reduction in the number of available flights reduced the intention to travel to Surabaya.

The COVID-19 crisis has undoubtedly shocked the hospitality sector. Over half of the country's largest cities' hotels are fighting to stay in business as a result of the severe impact, with most of them operating below the point at which most hotels can break even and pay off debt. Hotels would be wise to put the lessons they've learned from this year to use and get ready for the future of the industry beyond COVID-19 even though the hospitality sector is still having trouble with almost two-thirds of hotels operating at or below 50% occupancy and hoteliers are growing worried about the outcome of this New Year travel. It's time to adapt and innovate how hotels draw guests now that cleanliness and safety are more crucial than ever. From occupancy and income data for the last six years, PrimeBiz Hotel Surabaya experienced decline in revenue during the pandemic the closure of the surrounding area and a drop in the number of flights available triggered a decrease in traveling intention to Surabaya. Because of this, PrimeBiz Hotel must develop a

new strategy for conducting post-pandemic operations in order to reap the most significant possible benefits from available resources.

The hotel's management worked diligently to cut costs in order to avoid budget overruns, which resulted in the termination of roughly half of the overall workforce. Despite this, the level of service that is being offered needs to be of the highest possible quality, and the management of the hotel needs to pay increased attention to the topic of cost management so that the business can continue to finance its operational activities. As a result of the crisis caused by the pandemic, tourist product and service providers are now needed to face uncertainty and risk in order to retain positive relationships with their clients. There are many independent bodies that can deal with business crises in several developed countries, such as the United States and Singapore. These bodies play a role in formulating strategic steps to deal with crises, which then become guidelines for business people or institutions that fall under it and are referred to as the Business Continuity Plan (Soetjipto, 2020). As a result, the PrimeBiz Hotel in Surabaya needs to devise a plan for responding to the crisis in order to limit the impact of the pandemic. This may be accomplished by offering robust planning and execution processes for business continuity.

1.2 Problem Statement

Since marketing innovation is a strategy used by businesses to adjust to changing consumer demands, it encompasses innovations in advertising, distribution, promotion, and price. The effective use of that form of innovation will assist businesses in better meeting client needs, which will help them acquire a competitive advantage. The firm can employ the marketing mix (also known as the 4Ps) to satisfy customers and maintain market competitiveness. It is an essential tool for businesses in the hospitality sector to use in order to adapt to changes in the marketing environment and discover new methods of marketing in order to remain competitive and successful. How the Prime-Biz Hotel may adapt to a downturn in the economy by engaging in marketing innovation activities (modifications to the four Ps of the marketing mix).

Specifically, this study will investigate ways to overcome the challenges that Prime-Biz Hotel Managers confront and the strategies they take to remain competitive. What strategies are adopted by the prima biz hotel to survive in this pandemic?

1.3 Research Objective

Because of reduced mobility, economic loss, and strategic examination of how management looks into the possibility of survival is important. As a result of the thesis mentioned above, the purpose of this study is to evaluate the trend in the risk of revenue losses at Primebiz Hotel Surabaya in the immediate term. Additionally, the pattern of the low number of consumers before and after COVID-19 will be investigated in this research. What strategy was chosen to ensure customer happiness while also ensuring the sustainability of the company.

1.4 Research Benefits

- 1) This study will help the hotel industry know about the hotel industry through cases in management approach.
- 2) This study will discuss the case of Primebiz hotel strategy to intervene better to counter future pandemics.

1.5 Writing system

The systematic discussion of this research is as follows:

CHAPTER 1 INTRODUCTION

This chapter explains the background and importance of a marketing strategy in PrimeBiz Hotel Surabaya, problem formulation, research objectives, research benefits and writing systematics.

CHAPTER 2 LITERATURE REVIEW

This chapter reviews the literature and related studies of relevance to the present study. Through this chapter, readers can become familiar with reading the pros. Related and previous studies presented in this chapter give future readers and researchers an idea of the proposed system.

CHAPTER 3 RESEARCH METHODS

This chapter contains the research approach used, research design, types and sources of data, data collection procedures, data analysis techniques and research limitations.

CHAPTER 4 ANALYSIS AND DISCUSSION

This chapter contains an overview of the object of research which includes profiles organization; as well as the results of the analysis and interpretation of the data obtained in the study and the results of the marketing strategy for PrimeBiz Hotel Surabaya.

CHAPTER 5 CONCLUSION

This chapter contains conclusions from the results of the discussion as well as various suggestions for further research and recommendations for the benefit of further researcher.