Marketing Strategies Used by Hospitality Businesses in Times of Crisis of the COVID-19 Pandemic: Case Study

Finny Redjeki¹, Umi Narimawati², Sidik Priadana³
¹Universitas Sangga Buana, Bandung, Indonesia
²Universitas Komputer Indonesia, Bandung, Indonesia
³Universitas Pasundan, Bandung, Indonesia
Email: finny@usbypkp.ac.id

Abstract

A crisis is a state of tension that occurs at an unexpected time and significantly affects business continuity. The tourism sector is susceptible to being impacted by its multi-purpose structure—natural disasters, terrorist incidents, epidemics, political tensions, economic fluctuations, etc. By creating a problem, it can cause the accommodation business to lose tourists at any time. Developing new products, shifting to alternative tourism markets, and reducing costs may be options for businesses. However, because every crisis is different, managers must determine the most appropriate strategy for the problem. Effective crisis management is made possible by strategic control. With the application of smart strategic management, crises can be turned into opportunities. With the Covid-19 outbreak, many hotel businesses have had to reconsider their marketing strategies. In this research, a case study was conducted at the four-star Prime Park Hotel in Bandung. This study aims to determine how hotels are affected by the Pandemic and determine what kind of marketing strategies they employ in dealing with this crisis. It has been observed that Hotel Prime Park, whose customer base consists of foreign tourists arriving from the Far East on package tours before the Pandemic, was negatively affected by domestic and international travel restrictions that started with the Pandemic. Hotel management has mostly followed a market share strategy and cost reduction, and customer acquisition.

Keywords: Tourism Crisis, Marketing Strategy, Hospitality Business, Covid-19.

A. INTRODUCTION

Crises generally interfere with the current flow of everyday life and daily routine and can have very negative consequences. Due to the tourism sector's multi-purpose structure, the level of exposure to crises is relatively high (Milburn et al., 1983). Pforr & Hosie (2008) defines the tourism crisis as follows; This is when the tourism sector is severely damaged due to internal reasons such as wrong policies, administrative errors, or external causes such as economic changes, terrorist incidents, natural disasters. In
general, crises are classified as financial crises, political crises, terrorism, crises related to natural disasters, ecological problems, biological emergencies, social situations, and technological crises; Many factors are influential in crisis formation and can have many positive/negative consequences (Offe, 1976).

Considering the implications of the situation in terms of tourism, the industry’s image and business institutions’ adverse effects can be felt for a long time. Still, the positive results may not always be visible (Pennington-Gray et al., 2009). The tourism crisis threatens the business world’s vital activities in the tourism sector and gives the impression that tourism areas are not safe (Ritchie, 2004). The demand reduction is the most crucial feature of the crisis faced in tourism. When tourists observe too many risks associated with a tourist destination, they can delay their travel plans (Scott, Laws, & Prideaux, 2008; Wang, 2009).

The crisis led to the cancellation of reservations, events such as congress and tourism fair and caused the tourism sector to be negatively affected (Cro & Martins, 2017). For example, after the Twin Towers attacks in the US on September 11th, 2001, 60% of vacation reservations were canceled. Due to the foot and mouth epidemic in the UK, 5.43 million consumers changed their travel plans, and 2.9 million people canceled their trips. The UK tourism industry lost an estimated £ 3 billion in 2001 (Leslie & Black 2006). Even a small country like Brunei lost around 30,000 (15%) tourists and $ 15 million in the year following swine flu (Haque & Haque, 2018). As a result of the SARS outbreak, in April 2003, the hotel occupancy rate in Hong Kong fell to around 10% (Fung, Tsui & Hon, 2020). With the Covid-19 outbreak, the number of tourists coming to Spain during the first 9 months of 2020 fell 74.9%, from 67 million to 16.8 million.

The Coronavirus (Covid-19), which began appearing in Wuhan, China, in December 2019, spread around the world in 2020 and caused a severe decline in the flow of international tourists. In a UN World Tourism Organization report on the impact of Covid-19 on the tourism sector, it was stated that the number of foreign tourists fell by 440 million people in January-June, and there was a loss of 460 billion US dollars. Touristic Union International AG (TUI), the world’s largest tour operator, announced that in the period between June and early August, bookings fell 81 percent compared to 2019. According to the World Travel and Tourism Council, 197 million tourism workers worldwide are estimated to be unemployed in this sector.

Due to the Covid-19 outbreak, it has become almost imperative for tourism businesses to revisit their strategies. This global epidemic crisis can lead to downsizing or even bankruptcy of companies. But having a plan can help save time, energy, and other resources (Scott et al., 2013). This is only possible with effective strategic management. To respond to any crises, it is essential to understand the context in which they occur. Because every situation is different, the strategies to be implemented may also be different. Having one system may not always work. For this, businesses must take a proactive approach, develop strategies, take the necessary precautions before
harm and risks occur, and prevent material and moral injury. In the study, the marketing strategy adopted by the four-star accommodation facility "Prime Park Hotel" in Bandung during the COVID-19 pandemic period was investigated.

B. METHOD

The "case study" method, a qualitative research method, is used in this research. The semi-structured interview technique was used for data collection. The research object is, the four-star hotel business "Prime Park Hotel" in Bandung has been selected. A meeting was held with the hotel front office manager on 09.12.2020.

The answers given to the semi-structured interview form during the meeting with the hotel front desk manager are as follows;

• How has the Covid-19 outbreak affected your hotel? “Since our hotel is an international business, I can say that the travel restrictions that started with Covid-19 have had a negative impact on us. We have a large customer base originating from the Middle East, Far East and domestic markets with package tours. However, we experienced a large drop in the number of guests arriving from overseas with travel restrictions. Likewise, at the start of the epidemic, the restrictions on travel between cities, the cancellation of organizations and events implemented in our country had a negative impact on us”.

• How has the Covid-19 outbreak affected the occupancy rate of your hotel? “The majority of our hotel customers consist of our guests who come from within and outside the country. Before the Pandemic, our hotels generally operated at 80% occupancy. As the pandemic increases, I can say that this figure has decreased by 40%. The main reason for this decline is evident from the significant drop in our customers from overseas, along with travel bans. If we look at the level of domestic tourists coming from a country, there is no difference with the pre-pandemic period”.

• What are your crisis management efforts regarding the Covid-19 outbreak? “As is well known, the Pandemic began to emerge in December 2019. In January 2020, we met the necessary criteria and received a certificate of safe tourism. We contacted a chemical company and focused on sterilization. We set up an isolation room in our hotel. We provide hygiene training to our staff. By providing the necessary equipment (masks, protectors, disinfectants, etc.), we explain the steps to be taken in the event of an incident and assign our personnel to serve in the isolation room. We communicate with our stakeholders and inform us that our hotel is safe and that the necessary precautions have been taken. We take time off for personnel who work in several departments by providing short state sponsored employment benefits. There were no personnel layoffs or closure of departments because of the crisis”.

• What marketing strategy did you primarily employ? “We have intensive marketing efforts for the Far East, European and South American markets. We don’t concentrate on one market. We work to move to new opportunities considering every possibility and
every innovation. We closely follow events and organizations in and around Bandung. As it can be held for activities such as meetings, events and congresses in our hotels, we have advertising work in this area. We also have a brand as a business. We always carry this brand forward. By keeping up with current technology developments, we are also developing our strategy in digital media. We promote our hotels actively using social media”.

- What marketing strategies did you employ against the Covid-19 crisis? Can you provide information about the results? “We are increasing our advertising and promotional activities. Points that we have highlighted and continue to emphasize in this promotion; It is known that our hotels are hygienic and safe and all kinds of precautions have been taken against the Covid-19 epidemic. In addition, due to the decrease in the number of guests arriving from abroad, we are increasing our efforts for the domestic market. We strive to keep our room sales prices constant. However, the increase in costs with Covid-19 is reflected in the selling price of our rooms, and we are constantly working to raise prices. We are below the occupancy rate we expected in the first quarter of this year. With the start of the summer, we have achieved the best we can achieve in this crisis environment”.

C. RESULT AND DISCUSSION

1. Overview of Marketing Strategies in Times of Crisis

In our globalized world, national and international businesses in the tourism market are increasing day by day. In a market where there is an environment of severe competition, it is tough for the tourism business to survive. Competition is experienced at the national level and the international level (Suryawati & Osin, 2019). Marketing strategy, which is a new marketing necessity, becomes more critical in crises, has a high level of uncertainty, and threatens a business’s existence. Each crisis process can produce different results. According to market conditions and the opportunities of the companies they operate in (Sudana, 2010), tourism companies must follow different strategies. During a crisis, a leaner and more efficient corporate mindset is needed. Businesses must withdraw from markets where they are weak to strengthen markets where they are strong leaders or competitors (Ang, 2001). In times of crisis, a marketing strategy’s goal must once again be to answer consumer demands and needs. When tourism businesses act with this awareness, they can increase their sales and profits by making appropriate marketing mix changes. To be successful, consumer behavior must be examined appropriately (Amalia, 2016). Strategies should include long-term decisions and actions, and periodic evaluations of the implemented systems should be made. Also, managers must decide on the right marketing strategy for their business, considering future marketing needs, competitive factors, environmental factors, strengths, and weaknesses of the tourism business. After that, the marketing strategy
must be decided, and the marketing approach must be implemented according to this strategy (Dahles & Susilowati, 2015).

Gilbert (1990) examines marketing strategies used in the tourism industry under three headings: consumer-oriented, competition oriented, and trade-oriented. Middleton et al. (2009) discuss the marketing strategies that hotel businesses can implement in crisis times in five parts.

1. Growth strategy: The objective of businesses is to grow and increase their market share. Companies can diversify their growth strategies and select and implement the most suitable growth strategies, intensive growth, or complementary growth.

2. Market share strategy: The strategy applied when determining target markets can be examined under four headings. In an undifferentiated marketing strategy, businesses try to have the entire target audience. In differentiated marketing, products are presented, differentiating them for each market segment. In a concentrated marketing strategy, there is a concentration on only one market segment. Finally, niche marketing is made possible by focusing on a limited market made up of a few customers and competitors.

3. Product life cycle strategy: Like every good and service, a tourism product also has a period of beginning, development, maturation, and decline. Businesses can make a difference by making a difference or emphasizing reliability to extend this period.

4. Competitive strategy: This is a strategy that deals with competitors in the market. It is possible to check it under four headings. Market leaders, industry-leading businesses apply them. Companies that are competitive in the market don’t hesitate to implement innovation by taking risks. Market audiences follow trends in the sector by avoiding unnecessary risks. Smaller markets are realized by implementing a special needs specialization strategy in areas where large firms do not enter.

5. Cost reduction and customer acquisition strategy: This is achieved by reducing the cost/profit ratio of the tourism company as much as possible. Three conditions must be met for this; To reduce product quantity, reduce product quality, and eliminate the cost-increasing factor in business. When the literature is reviewed, tourism companies’ different marketing strategies in crises can be seen.

Judging from the results of his research, it can be seen that in the aftermath of the 2008 global crisis, hoteliers around the world are trying to develop new products that can attract consumers’ attention in response to the declining demand for tourism. He also revealed that they focused on avoiding the effects of the crisis by reducing existing products’ prices and selling credit (Campo et al., 2014).

In their research, Karagiorgos et al. (2011) revealed that the hotel business in Athens, where the European and Middle Eastern markets are dominant, began to look
for alternative markets to compensate for the cancellation of reservations and the low occupancy rates they encountered as a result of the crisis. Businesses generally make marketing initiatives for the Middle East and Baltic countries and develop alternative markets such as sports tourism. On the other hand, the domestic market's efforts have stepped up, and some hotels have limited price discounts for individual bookings. In times of crisis, accommodation businesses spend their limited budgets on alternative markets for promotional and advertising activities. They provide concert and entertainment facilities to increase business appeal by using messages that emphasize safety in their promotional activities. In short, they tried to implement all strategies except growth and competition strategies.

Ertas et al. (2021), investigating the effects of the crisis that occurred as a result of the terrorist attacks in Istanbul in 2016 on hotel businesses and business crisis management, determined that companies lowered their accommodation prices to achieve occupancy rates and shifted to a different market less affected by terrorism like the Middle East. Gurtner (2016), who presented similar results, stated that after the terrorist attacks in Bali, businesses discounted shifted to a niche market and promoted more to the domestic market. He also found that technology and social media platforms were used more in the promotion.

Ghaderi et al. (2012) revealed that the most common tourism business strategy in Penang, one of Malaysia's essential destinations affected by various regional and global crises, is to shift attention to regional and middle entry markets—and trying to develop domestic tourism. They stated that although the primary business market was the UK, Australia, China, Indonesia, and Singapore, after the crisis, they directed their target markets to Middle Eastern countries, Japan and Taiwan, and they carried out advertising campaigns for specific groups. Such as young managers, retirees, families, and students.

A study conducted on four and 5-star hotels in Spain, del Mar Alonso-Almeida (2013) determined that businesses offer different products to increase their share in the tourism market in crisis times. During the crisis period, it was revealed that most business actors, by lowering product prices, implemented strategies to maintain market position by not avoiding competition with competitors and switched to promotions to benefit from the crisis. Situation. The idea of concentrating on one market was frowned upon. Businesses that claim they can take a break from advertising and promotional activities have attached importance to different sales and distribution techniques and the internet due to low direct marketing costs.

To not be affected by the crisis experienced between 2001-2008, the 5-star hotel business in Belgium turned to alternative market opportunities. It implemented a market share strategy with a focus on domestic travel. This hotel and holiday village business continuously assesses the environmental conditions that will affect the tourism market and hotel management to prevent crises. Most companies diversify their target
market, focusing on online marketing strategies and turning to group sales. It was said that the new market was chosen as an alternative market, where the business focus on that market decreased because tourists in Europe, America, the Far East, Australia, Russia, Canada, and Balkan countries were affected by terrorism incidents, generally countries in the Middle East. Besides, it has been determined that Ukraine, India, China, Central Asia, South Africa, and South America have been designated as new target markets.

At work, terrorist attacks and European social media of experienced political tensions from business remain in Russia's emerging crisis. The more effectively they use and market the distinctive features of the purpose and the impression that it is a safe place in Europe. It has been observed that businesses do not prefer their strategy to focus on new products and different market segments in the short term. Following the September 11th terrorist attacks in the United States, Taylor & Enz (2002), in a survey of 1,033 general hotel managers, concluded that with the decline in business and leisure travel, the most widely used marketing strategy was for local markets and local activities.

An example of a product life cycle strategy is Gippsland after the Black Saturday forest fires in 2009. In a study investigating Gippsland tourism marketers' responses after these wildfires, they found that marketers were pursuing a strategy that focused on the beauty of renewed landscapes, taking advantage of the public interest in growing back burnt land. An application that will serve as an example for a product life cycle strategy was carried out in Thailand following the tsunami crisis in December 2004. Businesses, politicians, travel and tourism providers located on Thailand's Andaman Coast aim to attract tourists to the region with a newly created discount entertainment package strategy. Hoteliers interviewed for this study stated that low-cost tour packages are useful the short term but ineffective for long-term marketing promotion.

The product life cycle strategy is also being implemented in the Maldives affected by the tsunami that occurred in 2004. Universal Resorts, one of the Maldives' accommodation businesses, has tried to announce that they are not affected by the tsunami and that they are safe by allowing more than fifty journalists to visit the company. Them, look at their situation and makeup stories about their impressions. Using various media, they organized a particular promotional campaign for Valentine's Day on February 14th and used the slogan "the most romantic place in the world" for the Maldives.

Ortega (2016), in an online survey conducted with a total of 291 hotel revenue managers from various parts of the world, revealed that businesses were affected by the economic crisis in 2008. Managers stated that hotels experienced a decrease in occupancy, average daily income, and income per room. Because the decline in demand has brought significant pricing power to customers, some businesses have chosen to
develop packages that hide hotel services from room rates and implement promotions. Some companies focus on building strategic partnerships or developing alternative markets.

2. Impact of the COVID-19 Pandemic on the Hospitality Sector in Indonesia

The Covid-19 outbreak will affect the entire world in 2020, causing crises in many sectors. The tourism sector is also one of the sectors most affected by this epidemic. Travel restrictions, curfews have significantly affected national and international tourist flows and created a crisis for the accommodation business. Therefore, the accommodation business actors must reconsider their marketing strategy. When several studies of the marketing strategies adopted by the accommodation business during the crisis period in the literature are examined, it is seen that the most widely used method is the market share strategy. Next comes the product life cycle and cost reduction, and customer acquisition strategies. A competitive scenario is then used. These businesses are going through a successful crisis period with their marketing strategies. The most crucial thing in this process is determining the most appropriate design for the company and situation.

Prime Park Hotel, which is the subject of research, is a four-star hotel that has been operating in Bandung for decades. Until recently, this hotel continued its life. After the meeting, it was determined that Prime Park Hotel, which was implementing a pre-pandemic market share strategy, made some changes in its design with the Pandemic's start. It appears that implementing a product life cycle strategy always emphasizes reliability in hotel promotions and makes a difference by making a difference. The hotel customer base, which consists of different overseas markets such as East Asia, the Middle East, and Europe, has declined due to the travel ban that started with the COVID-19 Pandemic. For this reason, hotel management changed the differentiation of their market strategies and focused on the domestic market, in other words applying a concentrated marketing strategy. The increase in the number of tourists coming from within the country and around proves this strategy's truth.

One of the striking results of this research is that hotel companies have lowered their rooms' selling price during times of crisis, including Prime Park Hotel Bandung, which also reduced room prices to survive. Besides, to reduce costs, several departments' staff is taken on leave by providing short work allowances, which are assisted by the state with the BLT program. By implementing cost reduction and customer acquisition strategies, the hotel has achieved its expected occupancy rates in the short term. The four-star hotel, which is the subject of the study, has been protected from the Pandemic's negativity with the marketing strategies implemented and has reached the level of meeting occupancy expectations in the holiday season period. As can be seen in this research and many studies, the most critical issue that needs to be addressed after a crisis in the tourism sector for different reasons is that businesses can
choose suitable strategies for themselves and the environment and implement them with care.

D. CONCLUSION

A crisis is a state of tension that occurs at an unexpected time and significantly affects business continuity. The tourism sector is susceptible in terms of being impacted by the crisis because of its multi-purpose structure. The COVID-19 Pandemic has developed into a multidimensional problem that impacts all fields, including the tourism sector, especially hospitality. The travel ban has resulted in a decrease in the occupancy rate, which affects the hotel’s income. It takes the right marketing strategy where the crisis can be used as an opportunity.

In this study, the research object was the Prime Park Hotel, one of the four-star hotels in the city of Bandung, which was also affected by the COVID-19 Pandemic. Hotel management has mostly followed a market share strategy and cost reduction and customer acquisition. To maintain the continuity of the hotel, the government makes policies such as lowering room rates. Lay off some employees in several departments while still providing short work allowances, assisted by the state through the BLT program and the like. It is hoped that with customer acquisition costs and cost reduction, hotels can last for the short term until the COVID-19 Pandemic can end.

REFERENCES


