



REPRICING AS STRATEGIES TO SURVIVE IN THE HOSPITALITY BUSINESS DURING THE PANDEMIC OF COVID-19 (Case Study at Wyndham Garden Kuta Bali)

Victor Bangun Mulia

Hotel Management Program, victor.bangun@pib.ac.id, Politeknik Internasional

*Corresponding Author(s) Email : victor.bangun@pib.ac.id

ABSTRACT

This study aimed at analysing the pricing strategy done by Wyndham Garden Kuta Bali as one of the strategies to survive during the pandemic. This was a qualitative research using interview and literature study to collect the data. The interview was done with the general manager of Wyndham Garden Kuta Bali, while literature study was done by analyzing several relevant literatures. Data gained from the interview and literature study were analyze qualitatively by doing data sorting and organizing. Based on the results of analysis, it was found out that pricing was done by the executive committee and owner. The re-pricing done by Wyndham Garden Kuta Bali affected the occupancy in which there was an increase in term of occupancy in 2022. Even though the increase was not that significant, it might be good indicator for the improvement of tourism and hospitality industry in Bali.

Keywords : hospitality, room rate, strategy, pricing strategy

Article History:

Recieved : March, 21,2022

Revised : May, 4, 2022

Accepted : June, 12, 2022

DOI :

<https://doi.org/10.55606/bijmt.v2i2>

1. INTRODUCTION

The Covid-19 virus pandemic first started in Wuhan City, Hubei Province, China. The Covid-19 virus spread very quickly in early 2020 throughout the world. Gradually almost all countries in the world were affected by the spread of this virus. Outside of China, the conditions for the spread of the Covid-19 virus were very severe in several countries in Europe and also later in America. In early 2020 the spread of this virus spread back to Asia, especially in Southeast Asia. The Covid-19 pandemic has had a huge impact, especially on the economic conditions in every country. That was no exception with Indonesia, which had a fairly high number of cases since the beginning of 2020 until now. From the aviation industry, services, tourism to world trade were experiencing disruption, in fact almost all over the world, tourism conditions stopped which was followed by the closing of borders in many countries and the absence of international flights. To limit the spread of this virus, many other countries have imposed travel bans. Indonesia itself imposed national-scale social restrictions or more commonly known as Large-Scale Social Restrictions (PSBB). This regulation aimed to reduce the community mobility by stopping the operation of transportation modes and more importantly, that people not leave their homes, especially for non-essential activities. This was done to be very difficult for the community, but on the one hand it could limit the spread of the Covid-19 virus (Agustina & Yoshinta, 2020). Other countries in Southeast Asia, such as Singapore, Malaysia and the Philippines, had implemented the same thing, namely social restrictions and the transportation system had been widely stopped, be it land, sea or air. With this condition indirectly, stopped the movement of tourists around the world, because every country around the world closed its borders with other countries.

In Indonesia, the government enforced and implemented health protocols that were widespread and mandatory for the entire community. The tourism industry in Indonesia has been experiencing a very hard and serious impact. With widespread social restrictions throughout Indonesia, the condition of the tourism industry must stop with the absence of international flights to Indonesia. The Indonesian Hotel and Restaurant Association predicted that the impact of the spread of the Covid-19 virus would be felt by all stakeholders, starting from hoteliers, restaurants, and also airlines with each condition in the company or hotel and restaurant. However, this condition was included in the case of force majeure so that it could not be avoided anymore (Rahma & Arvianti, 2020). According to Manek (2021), this large-scale social restriction had caused a decrease in tourists coming to Bali and at the same time had an impact on the decline in hotel occupancy rates in Bali.

Tourism in Bali experienced a significant decline, starting with the termination of international flight routes to and from China by the local government. As is known, the number of Chinese tourists was the third largest segment of tourists in Bali (Rahma & Arvianti, 2020). As a result of this condition, many hotel and restaurant business owners experienced a decrease in income and many decided to stop operating, including international five-star hotel companies that were forced to close their operations. According to Musadad (2021), with conditions where tourists and hotel guests were prohibited from traveling, the hotels experienced a decrease in room occupancy rates. This condition was seen in the situation that more and more people were afraid to even leave the house. Of course, this condition was very burdensome for hotel owners and managements in particular. So, with this condition, a special strategy was needed for hotels to be able to sell their products and services during the pandemic, among others, by reducing room prices and implementing health protocols.

According to Puspita et al (2021), the Covid-19 pandemic had a significant impact on the closure of more than 1,642 hotels around April, or around 49% of the total number of hotels in Bali. In Badung Regency, in March 2020, there were around 1,781 workers who were laid off. However, there were also many hotels, flight, tour and travel industries that did not close their businesses and were forced to cut their business operations by downsizing the number of employees, and also working hours according to their needs and many were part-time workers. Based on data from the Bali Central Statistics Agency, that in May 2020, the total room occupancy rate was at 2.02%, both for star and non-star hotels.

The condition of the hotel industry in Bali, which experienced a very low occupancy rate, many hotel management had to lay off employees due to high operating costs and no incoming income. The hospitality industry in Indonesia, especially in Bali, was faced with the condition that their hotels made significant changes to be implemented in their business to implement health protocols for staff and hotel guests (Gursoy & Chi, 2020). Various ways were used by hotel management to remain open even though on a very limited scale. Star hotels, which before the pandemic sold high room prices, now had to be forced to make cuts by providing discounts for staying guests.

According to Wu et al (2020), before the pandemic, the hotel management made changes to the selling price of hotel rooms, mostly from several factors such as trends, events, and hotel rating classifications. However, in terms of cutting the selling price of rooms carried out by hotel management, it had the impact of increasing room occupancy rates, this was considered by some accommodation service companies as less effective. This was an indication that the business had no prospects and the quality of service had decreased (Janssen, 2007). 2021). For the hotel industry to be able to go through a critical phase such as the Covid-19 pandemic, the management must carry out a strategy to reduce the costs, ensure that the products and services to be sold meet the demand of new market segments, and increase the effectiveness in communication (Manek, 2021).

One of the hotels that implemented promotions or made room rate adjustments is Wyndham Garden Kuta Bali. Wyndham Garden Kuta Bali is located at Jalan Pantai Kuta No. 99X, Legian, Kuta, Badung Regency, Province. This location is a strategic location for tourists because it is easily accessible from other tourist destinations. The promos carried out by Wyndham Garden Kuta Bali could represent the price adjustment strategy carried out by hotels in Bali to ensure hotel operations can run. Adjustment of room prices and other facilities at the hotel will have an impact on the hotel financially and in other aspects. Based on this phenomenon, this research was conducted to see the impact of these adjustments. The results of this study can later become input for hotel management in determining strategies to ensure hotel operations can run well.

2. LITERATURE REVIEW

In implementing a pricing strategy, the priority is to maximize hotel revenue through the sale of hotel room products and other services that are the flagship of the hotel itself. Pricing strategy is a regulation adopted by a company for the products and services offered (Bonnici & Cannon, 2014). According to Cahyani et al (2020), the purpose of pricing strategy is to focus on profits, volume from sales, and getting customer loyalty. There are three common practices carried out by companies in determining prices, namely cost-based pricing, competition-based, and total revenue generated.

During the current pandemic, many hotels in Bali were implementing new pricing strategies that had never been carried out before. However, even though hotels were doing room price reductions where with the aim of increasing hotel occupancy, there was still an opinion that this had not been a superior strategy done by hotel managers in increasing revenue. This opinion or perception is widely interpreted by consumers that companies or hotels that provide price reductions are experiencing difficulties in business (Janssen, 2021).

The pricing theory used in this study is the pricing strategy proposed by Sammut-Bonnici & Channon (2014). Sammut-Bonnici & Channon (2014) stated that there are six strategies that can be applied by company managers in determining the price of products or services. The six strategies are as follows.

1. Markup pricing is a pricing strategy by adding margin to the initial capital for a product and service. This pricing strategy is very often found in business.
2. Target return on investment pricing which is a pricing strategy used when the capital spent is large. Pricing using this strategy involves a given percentage of return on investment.
3. Perceived value pricing which is a pricing strategy by setting prices to maximize the value of a product or service offered.
4. Competition-based pricing which is a pricing strategy based on prices used by competitors.
5. Penetration pricing is also known as promotional pricing. This strategy sets the price of the product or service in a temporary time.
6. Skimming pricing is used to maximize profits by maintaining the highest price of a product or service needed by the market.

Sammut-Bonnici & Channon (2014) also mentions five components that are worth considering in determining the price. Here are the factors that should be considered by management in determining prices.

1. Corporate image or image owned by the company;
2. Geography or location of the company;
3. Discounts or discounts for certain products or certain times;
4. Price discrimination;
5. Price sensitivity.

3. METHOD

Based on the approach and type of data used, this research is included in qualitative research so that it produced descriptive data in the form of words. The data analyzed in it were descriptive and not in the form of numbers as is the case in quantitative research. According to Arikunto (1998) qualitative research is intended to collect information regarding the status of an existing symptom, that is, the state of symptoms according to what they were at the time the study was carried out.. Therefore, qualitative research can uncover phenomena in a subject that wants to be studied in depth. This research used qualitative data gained from interviews, the results of literature or documentation studies, and observation results. The data were obtained from two data sources, namely the primary data source and the secondary data source. The primary data in this study was the management of Wyndham Garden Kuta Bali. In this study, the secondary data were various sources, ranging from books, online journals, articles, news and previous research as a support for data and complementary data.

This study used three research instruments to collect the data needed in the study, namely observation sheets, interview guides, and notes. In this study, the techniques used to collect data were:

1. Interviews to find problems that must be researched and also if the researcher wants to know things from respondents in more depth. The interview was conducted with the general manager of Wyndham Garden Kuta Bali.
2. Observations done by visiting Wyndham Garden Kuta Bali directly;

3. Literature Studies were carried out by examining the results of previous research and relevant theories to obtain the right conclusions or phenomena that occur.

The data obtained were analyzed using several stages of analysis. The stages or procedures of data analysis follow the data analysis procedures in qualitative research proposed by Leavy (2017), namely preparing data, conducting initial readings, coding data, categorizing data, and interpreting data.

4. FINDINGS & DISCUSSION

Wyndham Garden Kuta has changed the selling price of rooms as a strategy to survive in the midst of a pandemic. In determining the latest room rates, the management of Wyndham Garden Kuta Bali considered several factors, namely the economic situation of the community, government regulations regarding tourist mobility, competitor rates, and also the brand image of Wyndham Garden Kuta Bali. Based on this, Wyndham Garden Kuta Bali considers two important factors in pricing according to Sammut-Bonnici & Channon (2014).

- a. Brand image was one of the factors influencing the determination of prices or rate at Wyndham Garden Kuta Bali. However, in the condition of the Covid-19 pandemic, Wyndham Garden Kuta Bali did not use brand image as the main consideration in determining prices. Based on the results of the interview, Wyndham Garden Kuta Bali focused on the target market so that the target can be achieved.
- b. Discounts were also one of the factors that were considered and also one of the marketing strategies carried out by Wyndham Garden Kuta Bali. Wyndham Garden Kuta Bali provided several discounts to staying guests, especially discounts on Food and Beverage.

This factor determined the rate of hotel rooms owned by Wyndham Garden Kuta. In determining the new rate, Wyndham Garden Kuta Bali applied a penetration price strategy or a pricing strategy that was applied temporarily or for a certain period of time (Bonnici & Channon, 2014). Wyndham Garden Kuta Bali set hotel room rates to be enforced for three months. Then the price will be revised according to existing conditions, such as the emergence of a government regulation. Later, however, Wyndham Garden Kuta Bali determined that adaptation of the promotion would take place within two weeks. This applied to weekend promos.

The price adjustment had an impact on the room occupancy rate and hotel revenue. Low room rates were considered to be able to attract guests to stay at Wyndham Garden Kuta Bali. However, the implementation of this new rate did not significantly change the operations of Wyndham Garden Kuta Bali. The room rate adjustment imposed by Wyndham Garden Kuta Bali had an impact on room occupancy rates and hotel revenue. However, the impact was not significant. In the first year, 2021, there was no significant impact or increase on the room occupancy rate at Wyndham Garden Kuta Bali. According to interviews with informants, the increase in the room occupancy rate at Wyndham Garden Kuta Bali in early 2021 was still below 10%.

"There is an impact, but not significant. In the first year running, the increase was only single digit, less than 10%. At the end of the year, like December, there was an increase to 15%." (interview, 2022)

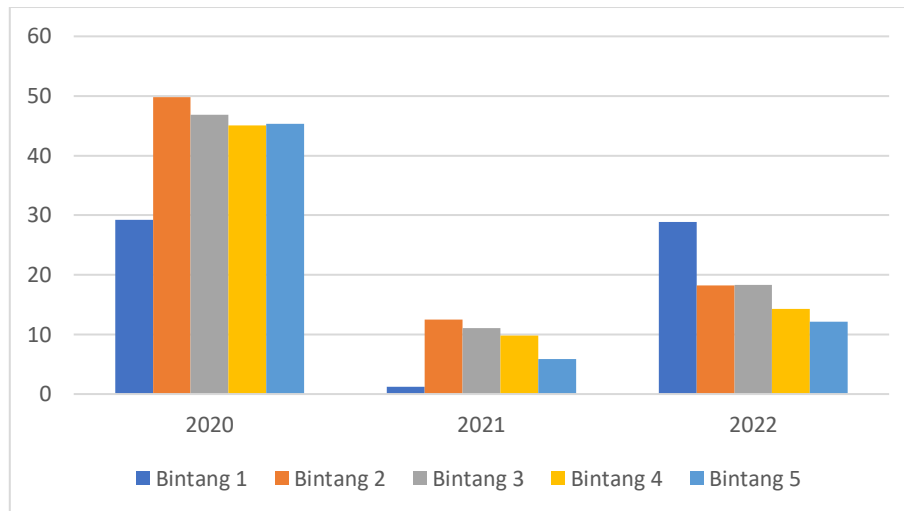
Based on the results of the interview, it appeared that the end of the year is a good opportunity for the hospitality industry to sell rooms. However, in the midst of a pandemic and with the sudden issuance of government regulations, the room occupancy rate at Wyndham Garden Kuta Bali also affected the hotel room occupancy rate. This situation was last from 2020 to 2021. The condition of the hospitality industry in 2021 was worse than the conditions in 2020. This was due to changing regulations.

"The year 2021 is similar to 2020. The year 2021 is actually worse than 2020 because PPKM will go up and down."

In 2022, the conditions at Wyndham Garden Kuta Bali has been improving. The room occupancy at Wyndham Garden Kuta Bali reaches 30% on average per month. Wyndham Garden Kuta Bali's occupancy rate can help hotel operations.

"In 2022, the occupancy rate increases to 30-45 % and at least it is enough to pay salaries/electricity without asking for funds from the owner."

The results of the interview showed that the room occupancy rate in Bali, especially at Wyndham Garden Kuta Bali increases in 2022. The increase in the room occupancy rate in Bali in 2022 was also proved by the data issued by Central Statistics Agency for Bali Province in 2022. In February 2022, the average room occupancy rate for all hotel classes was 14.86% while in January 2022, the hotel room occupancy rate reached 20.71% for all classes. The following is a comparison of room occupancy rates in February in 2020, 2021, and 2022.



Gambar 6.1 The Comparisson of Room Occupancy in February 2020, 2021, 2022

Source: <https://bali.bps.go.id/indicator/16/230/1/tingkat-penghunian-kamar-tpk-hotel-bintang-menurut-kelas-di-provinsi-bali.html>

The graph above shows that in February 2020, tourism conditions in Bali were still running well as evidenced by the relatively high room occupancy, which was the percentage of 29.32% to 49.84%. However, in 2021, the hotel occupancy rate in Bali decreased drastically. In 2022, the room occupancy in Bali increased due to the ease of tourist travel, both in Indonesia and the world.

In 2022, all-star hotels, from one to five-star hotels, experience an increase in room occupancy. Wyndham Garden Kuta Bali is one of the four-star hotels in Bali. Based on the results of interviews, it was found that the room occupancy rate at Wyndham Garden Kuta Bali in 2022 per month reaches an average of 30% to 40%. In February 2022, the occupancy of four-star hotels was 14.28%. However, Wyndham Garden Kuta Bali can reach 30-40% per month. This indicates a good increase in the room occupancy rate at Wyndham Garden Kuta Bali which can reach twice the average occupancy rate of four-star hotel rooms in Bali.

5. CONCLUSION

In making price changes, the management of Wyndham Garden Kuta paid attention to two factors, namely the company's image and discounts. Price adjustments have an impact on room occupancy rates as well as hotel revenue. Although the increase in the room occupancy rate did not occur significantly, it is a good indication of the world of hospitality in Bali.

6. ACKNOWLEDGEMENT

This research happened because of the support from many parties. I would like to thank Politeknik Internasional Bali you're the support in terms of suggestions and research grant. I also appreciate the participation of general manager of Wyndham Garden Kuta for being the key informant of this research. Last but not least, the research would love to gratitude for the love shown by all the family.

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