

# Management Decision in Joining Hotel Network on Digital Marketing-Based For Financial and Non-Financial Impacts

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## ABSTRACT

The purpose of this study outlines the main reasons and factors driving management to join a hotel network on Digital Marketing-based. Besides, this research also wants to formulate the differences that occur before and after joining the hotel networking. This study uses a research design qualitative descriptive that is revealing facts, phenomena, variables, and circumstances that occur when the research is ongoing and presents it as it is. Data collection techniques by interviewing, observing, and studying literature. Furthermore, the data will be processed using descriptive and deductive methods in sequence. The results showed that companies that joined the budget hotel chain were facilitated because they could easily promote their hotel rooms. The facility in the hotel and website digital marketing is depending on the agreement. Today's competition isn't a competition between destinations, so businessmen must be able to take advantage of every opportunity. Each digital marketing has a difference in the distribution of fees or profits on the sale of hotel rooms. However, no significant impacts financial and non-financial in hotel grade 5 stars. Contributions from the study provide knowledge to stakeholders about the impacts received by conventional hotels that provide access to low-cost hotel aggregators to acquisition hotel rooms.

Keywords: hotel budget chain; financial; non-financial; improving process; profit

## 1. INTRODUCTION

The Indonesian government established a new program at the Ministry of Tourism, "Wonderful Indonesia" to reach the target of 20 million tourists in 2019 [12]. In line with this, Indonesia also has an equivalent program "Enchantment of Indonesia" which focuses on tourism on all the islands in Indonesia. Java Island is one of the many destinations of domestic and international tourists. Yogyakarta is one of the cities in Java which is a destination for tourists. The growth of the hotel industry is helped by advances in increasingly sophisticated technology. This technological development is utilized by many industries-a *start-ups* based *digital marketing* that work together with several hotels to offer and market hotel rooms *online*.

Hotels in Russia that joined the hotel chain for the period 2010 to 2011 and 2012 to 2013 can improve hotel ratings and financial growth as well as experience an increase [10].

Indications of the development of the hotel chain industry in America turned out to be a long-term commercial problem due to the *price-cutting* of hotel owner agreements with hotel chains [16]. The phenomenon of technological progress can not be avoided in business processes.

The positive impact of technological advancements helps many aspects of human life to meet daily needs. Information presented about business people in all industry segments can

be known through the internet. The internet is becoming one of the tools *full of power* to advance or destroy a business.

The development of this technology, in fact, affects the life patterns of *customers* who can easily move from one choice to another. *The platforms* that are provided to obtain satisfying needs are also varied and very much. Likely, the conditions that will be obtained from joining a-based hotel chain *digital marketing* will be more complex to experience, because it involves many parties and the internet as a medium to unite it.

Positive *financial* and *nonfinancial* impacts can increase significantly, but negative impacts are also likely to occur specifically for hotels that are classified as 5 and 4.

The background is the basis for the analysis of the reasons driving management to enter the hotel chain based *digital marketing*. Besides, it is important to know the impact that occurs in terms of financial and non-financial for the hotel.

## 2. LITERATURE REVIEW

### 2.1. Network (Hotel Chain)

The hotel chain is an association of hotel companies that have the same service level and a set of services and work the same approach to living and working under the supervision of their management network [12].

Hotel chains can also be referred to as branded hotel groups that are regulated together in a business rule known as a franchise or run by a single company [11].

Advantages and Disadvantages of Network Hotel

The advantages and weaknesses of the hotel chain are described as follows [9].

The ability to buy goods and services in large quantities at wholesale prices (discounts);

Human Resources. The hotel chain provides centralized training for specialists, which significantly reduces the costs of each chain member separately;

Promotion and advertising. National-level advertising campaigns - including newspapers, magazines, radio, and television - are a large part of an independent hotel budget;

Centralized ordering system. This allows individual members to combine their business chains;

Financing. Chains have an easier time to increase their capital and return it to develop or improve the efficiency of their work;

Accounting, market research, construction, and real estate systems are centralized operations. People who work in this area can do it

Disadvantages of the Hotel Chain

Some weaknesses of the hotel chain are as follows [12]:

Standardization leads to a monotonous direction;

The absence of a national and authentic touch drives some guests who want something new;

The process of introducing new technologies and management methods takes a long time due to the complexity of administrative staff;

Hotel chains put pressure on competitors, leading to slower progress in the industry;

Lack of individual approach and atmosphere of home comfort.

Poor service at one hotel affects the image of the entire brand;

Needs additional fees for membership fees.

## 2.2. Digital Marketing

The behavior of most hotel visitors is bound by technology. This behavior is one of the changes that underlie management and marketing strategies in the hospitality industry [10].

Experian Marketing Service supports the above research which states that in the future managers may be able to think and plan digital-based marketing strategies [6]. *Digital marketing* disrupts the industry and changes the way businesses find *customers*. The benefit of *digital marketing* is to search for data about user behavior and achievement campaigns in *real-time* [9].

Sawicki (2016) defines *digital marketing* as a form of exploitation of digital technology that is used to form channels that can increase corporate goals more effectively in getting or reaching needs *customers'* [17].

## 2.3. Financial

Finance is synonymous with profit margins, returns on assets, and cash flow [1]. Measurement of financial performance uses valuation based on financial information to assess organizational and management performance. Financial oversight emphasizes the role of *plan-do-check-act*. Financial oversight summarizes the financial results of operations and compares them with planning results.

## 2.4. Non-financial

The size of a company's success is measured from perspective financial and nonfinancial. Nonfinancial includes measures from the customer side, internal processes, and learning and growth [5]. Some experts say that currently, factors nonfinancial are drivers that drive factors financial.

## 2.5. Competitive Advantages

*Competitive advantages* are the highest attraction that companies can give to *customers* compared to competitors in similar industries [24]. The competitive advantage of a business unit is important to have due to the uncertainty of the competitive environment [25]. Strategies that can be taken to deal with uncertainty in the business unit environment, namely by innovating products, expanding product lines, and creating excellence from products/services produced.

## 2.6. Improving Process

The business process is a sequence of work that becomes a unified and mutually sustainable aim to achieve certain objectives of the entity [23]. Business process improvement is done to provide added value to *customers* so that companies must think about how their business processes are owned. The hope is that business processes that are following the strategy can be to customers and achieve productivity improvements from the goal of improving *financially*.

## 3. RESEARCH METHODS

This research uses a descriptive qualitative research design. Qualitative descriptive is a case study that focuses on research on a particular unit of various phenomena. Descriptive qualitative research interprets and tells the data concerned with the situation that is happening, attitudes and views that occur in society, the contradiction of two / more circumstances, the relationship between variables, differences between facts, influence on a condition, and others [4].

Usually, this research activity includes collecting data, analysis data, interpreting data, and ending with a conclusion that refers to analysis data.

Primary data were obtained from interviews conducted by researchers with the Chairperson of the Indonesian Hotel

Association (PHRI) of the Yogyakarta region, marketing manager, and financial manager. Secondary data was obtained from the hotel website as the object of research, from the BPS website, previous studies relating to the research topic.

**4. DISCUSSION**

The development of Yogyakarta province as one of the tourist areas is considered to greatly affect the other tourism industries especially after DI Yogyakarta received a platinum award in Indonesia's Attractiveness Award (IAA) in the field of tourism. The results of interviews conducted with the hotel manager stated that this condition has a positive influence on the hotel and increased the number of visitors in DI Yogyakarta. This condition was also helped by the emergence of new tourist destinations in DI Yogyakarta.

**4.1. Hotel Chain in based Digital marketing**

No.	Digital Marketing	Number of visits
1.	Traveloka.com	15.75 million visitors
2.	Tiket.com	5.56 million
3.	Booking.com	3.97 million
4.	Pegi-peg.com	2.97 million
5.	Agoda.com	2 40 million

The development of hotel chains in Indonesia is increasingly developing following technological developments. The utilization of technology is used to support the promotion of products and services. The following is a list of star hotels in Yogyakarta which are included in-based hotel chains *digital marketing*.

The *digital marketing* or *online travel agent's* most popular(OTA) hotel chains are Traveloka, Agoda, and Tiket.com. Both of these *platforms* are felt to be most suitable for users *customer* in Indonesia

Table 2. Number of Digital Marketing Visitors

Traveloka provides complete features with some hotels that are almost registered throughout Indonesia with all hotel grades. A variety of payment methods that make it easy for *customers* to pay. Besides, Traveloka provides many travel combinations ranging from picking up *customers* to other travel combinations. Apart from the side *customer*, hotel management is also assisted with several

interesting programs that are often offered by Traveloka to hotel management. This offer was felt to be very helpful to provide an attraction for management. So that management will focus on improving quality and service while the marketing side will help.

**4.2. Benefits of Digital Marketing**

The results of interviews and observations conducted with marketing managers, financial managers, *sales marketing*, and *e-commerce managers* mention the benefits of *digital marketing* or OTA as follows:

- Help book hotel rooms and other hotel facilities.
- The visitors are aware of the existence of hotels in several cities.
- Access can be done anywhere without special terms and conditions.
- Measuring the competence, excellence, and position of each hotel in similar industries.
- The hotel can map more who will become and is being its main competitor.
- The payment of hotel rooms can be done with many payment methods making it easier for *customers* to transact.
- OTA payments are also made directly to the hotel following the price specified in the contract.

**4.3. Weaknesses of Digital Marketing**

- In addition to the advantages described above, there are weaknesses faced by the hotel. These weaknesses such as:
- Confirmations are often late from the side *customer* to hotel check-in.
- The complaints of the customer indicated digitally on the platform review so difficult to muffle the bad news and hoaxes.
- Difficult to identify the profile of *customers* who will stay overnight.
- Sometimes the system often *down* or delay.
- The price war that occurred between OTA caused an influence on the image of the hotel that merged.
- In addition to the advantages and disadvantages mentioned above, interesting things happen in 5-star hotels. The management feels that *digital marketing* or OTA is only involved because they want to follow current *trends* and *styles*. They feel this is not a necessity but a necessity during industry 4.0. This results in them being very selective in choosing *digital marketing* or OTAs that propose to collaborate with them.

**4.4. Financial and Nonfinancial Impacts**

In addition to the benefits and weaknesses obtained, the other side that arises from the influence of OTA is *financial* and *non-financial*. The results of interviews with hotel management mention the two impacts as follows. OTA or *digital marketing* affects sales growth for 3 and 4-star hotels around 10-20% every year. This condition is

different in a 5star hotel because they focus on the website and corporate customers. But not 5 stars. This is due to differences in focus *customers* targeted by 5-star hotels. Hotels in grade stars 3 and 4 will massively conduct price observations on *the platform* OTA. Conditions cause the hotel must be able to raise or lower prices at any time because of war openly.

In addition to the financial impacts found non-financial impacts, namely:

Frequent carried out *training is* in the use of technology-based applications and *training* to improve quality due to OTA requirements.

Customers only know them from *the digital marketing platform*. This resulted in the hotel website itself being left behind and the hotel becoming dependent on sales through OTA.

The image becomes affected due to discount or promo wars that are often carried out by OTA.

## 5. CONCLUSION

The conclusions obtained from the results of the discussion above about management's decision to join a-based hotel chain are *digital marketing* as follows:

*Digital marketing* or OTA helps management to promote, market and sell their facilities without having to aim *customers* directly at them.

There is a difference in terms of *financial* and *nonfinancial* for 3 and 4 star hotels, but not 5 star hotels due to differences in *segments* market owned.

## 6. RECOMMENDATION

What should be a big consideration for every hotel that joins a-based hotel chain *digital marketing* or OTA is *bargaining power*. The competition that occurs is not only experienced by the hotel but also fellow OTAs that exist today. So that competition that is not manifested by OTA has a significant impact on the existence of actual or real hotels.

It is important for every hotel party to observe the development of existing OTA with promotions and programs that they always offer so as not to interfere with the sustainability of the hotel in a real way.

In addition, the government is also important to fight actively to oversee the movement of *digital marketing platforms* or OTAs in the business competition that they do, so that competition remains conducted in a healthy and avoid speculation.

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