



The Impact of COVID-19 Pandemic on Organizational Buying Behaviour: MICE in Three-Star Hotel from Indonesia

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Abstract. During pandemic, hotel is suffering from low occupancy rates that hotel cannot solely rely on the room sales. MICE as another product of hotel is identified as alternative revenue stream that can be focused on for hotel to survive. This study aims to analyze the impact of COVID-19 pandemic on organizational buying behavior of B2B segment for MICE in a hotel. In-depth interview as one of the methods of qualitative research was conducted for this research to five different B2B segments (Government, Logistic and Construction Company, Wedding Organizer, Event Organizer and Travel Agent). The result shows that Government is having hard time for MICE event due the strict regulation and the cut off in budgeting, Logistic and Construction also avoid MICE event due the budget efficiency, Travel Agent is less focused on MICE as the demand from client decreased. However, Wedding Organizer shift into intimate wedding event and how Event Organizer is helped by the emergence of virtual and hybrid event that's marked as new era of MICE event during pandemic. The customer during pandemic is focusing more onto the health certification and protocol, internet and budget, customer prefer hotel who can show the credibility in applying health protocol, ability to provide adequate internet bandwidth and offer affordable price.

Keywords: COVID-19. MICE · hotel · organizational buying behavior

1 Introduction

In 2017, 4.1% of Indonesia's total GDP was contributed by tourism sector, it made this sector to be one of the largest revenue contributor and key role in the development of Indonesia's economic [1]. In 2019, Indonesia rank 40th in Tourism and Travel Competitiveness Index, mark its 4th position amongst Southeast Asia country [2]. Bandung is the capital city of West Java province and claimed as one of the biggest cities in Indonesia that offer various tourism attraction such as heritage, culture, nature, culinary and fashion that makes this city to be one of the favorite MICE destinations.

COVID-19 pandemic in 2020 has become a calamity for tourism and hospitality industry. As the industry with mobility and direct interaction as the core activity, the ramification of pandemic is really felt badly [3]. Hotels are suffering from low occupancy rates due the strict regulation that prohibit people to travel. The occupancy rates of hotel

in Indonesia decreased by 28.66% [4]. During this situation, unprecedented recession is unavoidable to happen in hospitality industry [5].

Unlike any other crisis in past event such as SARS and financial crisis, COVID- 19 pandemic has caused the decrease of all types of demand simultaneously [6]. Hotel is having a hard time to keep the business afloat as the strict regulation prohibit people to travel and the fear to get infected also decrease the intention to travel. As the occupancy rates keep on decreasing, during this situation hotel should adapt into more diverse revenue model and stop rely on the short-term room sales revenue [7].

Hotel XYZ is one of three-star hotel in Bandung City that's affected badly that it had to completely stop its operation for 2 months due the low occupancy rate. Hotels has been so overwhelmed with the current pandemic condition, booking cancelation increasing, financial loss and uncertain demand makes hotels professionals feels under pressure on how to keep the business survive during this situation [8]. Some of the hotels tried to change its operation to the isolation place as the alternative to gain revenue. Hotel as a paid quarantine service appeared as the solution for hotel to survive during pandemic [9]. Different with most of the hotels, the management of hotel XYZ thought that the risk that will be generated from this move will affect badly for the hotel's image and employee's health in long term.

In this situation, Hotel XYZ can't rely on the room sales due the government strict regulation to travel and should focus on leveraging on alternative revenue stream. In Q2 of 2020, Hotel XYZ recorded a decrease in all their product except for MICE that unexpectedly increasing, mark this product as the 2nd highest revenue contributor in 2020. Seeing this opportunity, MICE is being prospected as the revenue stream that should be focused on during pandemic. Historically, B2B dominated hotel total sales revenue [10], B2B sales had boomed and developing into sophisticated collaborative and cooperative demand and complementary service during pandemic [11].

Due the limitation in financial capability and marketing resources, Hotel XYZ should be able to choose which segment in MICE market that is most profitable to aim. When the company is able to identify the profitable market segment it will give them the ability to reach the buyers effectively and efficiently, it can be achieved if the company manage to gain a better understanding of organizational buying behavior [12]. This research will identify the customer perspective regarding MICE during pandemic to gain a better understanding regarding which segments are more profitable and what strategies should be developed to maximize the revenue from segments selected.

2 Overview

2.1 Organizational Buying Process

The set of stages that consist of activities that performed in an organizational buying situation could be defined as organizational buying behavior [13]. In order to acquire product or service, an organization need to undergo several processes to meet their needs, this process is defined as organizational buying process [14]. Organizational buyers spend more financially and devote time in making decision due the complexity and intensive negotiation that include more than one person to make final decision [15, 16].

Organization buying process based on Hutt & Speh [12] started when individual in a company recognize the problem that can be solved when the company acquire specific product or service. Furthermore, the company will determine the characteristics needed in general before moving forward into more specific and detailed descriptions. Organization will move into searching the possible supplier candidates to see which one is fit more to its needs. During searching process, the organization will accept and evaluate some proposals from suppliers selected then the organization will choose one or several suppliers that could fulfill their needs alongside with the delivery routine. Once the organization consume and experience the product, they will review the performance as a benchmark whether they will continue using the supplier or not.

2.2 Organizational Buying Center

The decision in an organization is not made by one person but several people. The level of importance of purchase decision will also determine the number of people involved, the more complicated the situation then the largest the buying center [17]. There is complexity and intensive negotiation in buying process since more people included in buying centers [15].

Hutt and Speh [12] stated that buying center consist of: 1) Users as the party that use the product or service and give recommendations regarding the purchase. 2) Influencers is the one that provide information and define specification about the product and service. 3) Deciders as the one that choose the product and service and make the final decision. 4) Buyers are the one that arranging the terms of purchase and have formal authority to acquire the product and service. 5) Gatekeepers who controls the flow of information within the buying center.

2.3 Forces Influences Buying Process

Ćorić et al. [13] classified forces that affect buying process: 1) Flexibility and reliability 2) Communication 3) Top management support 4) routine purchase and 5) Buyer price sensitivity. Hutt and Speh [12] specifically mentioned some forces that affect the buying behavior of an organization: 1) Environmental forces such as physical, technological, economic, political, legal and cultural factors 2) Organizational Forces refer to the several decision makers in organization that act differently and have differ evaluation criteria and policies. 3) Group Forces refer to the group of people that involved in buying decision process with various levels of interest, authority, and persuasiveness. Each organizational have varies buying situation and that the groups of factors should be studied for different setting [18]. 4) Individual Forces is specified about the role of individual as a member or a group or individual as individual who has their own preference, motivation, and perception to analyze buying situations, decide, and act.

3 Research Method

3.1 Research Approach

Research approach used is qualitative research, it plays a vital role in B2B research to find out views on broader issues and gaining insight regarding market dynamics and perceptions, decision criteria and perceptions to understand the market [19].

3.2 Data Sources

The data used in this research are primary and secondary data. Secondary data is gathered through published and accessible information such as statistical organization, company background and documents. In order to analyze the organizational behavior, the researcher will use in- depth interview as the research method to gather primary data.

3.3 Collection

In-depth interview is conducted to 15 participants from 5 different segments of MICE in hotel: Government Segment, Corporate Segment (Logistic and Construction Companies, Wedding Organizer and Event Organizer) and Travel Agent Segment. The representative of each segment is selected based on the similarity criteria of current customer that Hotel XYZ has and in line with its target market. Those are small to middle size organizations from Bandung and Jakarta.

3.4 Data Analysis

The analysis of the data is used by research instrument is developed from theories from Hutt and Speh [12] regarding organization buying process, buying center and forces that influence the instrument of this research.

4 Result and Discussion

4.1 Government Segment

Every year institutional government need to conduct annual meeting, coordination meeting or large-scale division meetings where these activities involve thousands of participants and require a hotel with a large capacity of ballroom. This segment does not have specification in type of star hotel or geographical location, for them the most important aspects are the hotel fit with their pagu (appointed budget) and have easy access.

In doing MICE, not only a grand ballroom that can accommodate until 500 participants, but they also need small meeting rooms, this segment expects hotel to have more advance facilities such as LCD and projector to support the event. With the length of stay could be more than one day, they also pay attention to the room service and comfort.

In searching hotel, they often survey or use online media like website and online travel agent. In searching process, there are several hotels selected will be compared to

finally choose one as the final hotel, the final decision depends on the director whether to choose the same hotel or modified their buying decision by adding new criteria.

In evaluating the hotel product and service, this segment would determine whether the price they spend is on a par with the service they receive, they will evaluate the responsiveness of hotel to accommodate their needs either during meeting or their stay in room. The participant also added that since they stay in various hotel, the evaluation criteria no longer only ballroom and service but also variation of food the hotel serve.

Institutional government is mostly having centralized decision-making type as Director or BOD as decider is having the biggest involvement in setting criteria as well as making final decision of hotel. The director usually selects PIC or create a committee to gather information and propose hotel recommendation for MICE. The director put so much trust to the PIC or committee team to provide them information and the criteria might vary per individuals. Information is gathered from hotel salesperson, local resident, and employees' opinion regarding hotels before the director making final decision. It could be affected by the BOD or team personal experience in hotel such as cleanliness and food and it will affect the intention to repurchase.

Government segment is really affected by the economic aspect as the budgeting in a year is getting cut off due the COVID-19 accompanied with the strict regulation (PSBB, PPKM) to prohibit big scale gathering and business travel, it decreases their purchasing power that led into efficiency. In solution, they rely on the online meeting software like Google Meet and Zoom to handle small and middle scale meeting.

4.2 Logistic and Construction Segment

The needs to hold MICE usually started when the organizations need to hold meeting with client, annual meeting with BOD or conduct the training for the employees. This segment needs a huge capacity of hotel's ballroom that's accessible and close to the office location. Besides easy access and parking place, they expect the service to be proper, accompanied with adequate facilities, cleanliness, and comfort. The concern of cleanliness during pandemic also makes CHSE becomes the specification they need in choosing a hotel.

In searching of potential supplier, this segment does survey, looking at the OTA review or from the information from salesperson who visit the organization. They analyze the price and facilities before selecting some potential hotels as recommendations to BOD to choose. BOD is having the highest power in decision making, while committee team is more into gathering information. The way they evaluate the hotel is mostly referred to the service, cleanliness, and food the hotel serves.

Government's strict regulation of social distancing also become the major reason the company halted to conduct MICE event. However, looking at the decrease of COVID-19 cases they intend to reactivate MICE in 2022. As the pandemic also affect the organizations financial condition that force the organizations to be more efficient in control their spending. As the solution, this segment relies on Zoom to hold virtual meetings within organizations.

As an organization, this segment is having centralized and decentralized hierarchy that differs in the scale of MICE event, if the meeting is with BOD the criteria and decision would be made by BOD but the smaller meeting scale would be handle and

decided by team. During pandemic, this segment pursuing low-cost sources as their strategy in choosing the hotel as they value hotel that could offer them low price and approach them directly.

The respondent that mostly the influencer in the buying center of this segment stated that salesperson becomes the most trustable individual in giving information about the hotel. The personal criteria also affect the way they recommend the hotel, besides the facility and price, the past experience that will affect the future intention to use the hotel.

4.3 Wedding Organizer Segment

During pandemic, wedding organizer is difficult to get a permit to hold wedding in hall that led into the hotel as the first option for wedding venue, hotel offer a proper permit and stricter health protocol that make hotel is preferable. WO needs hotel in strategic location, either it's close to the client's location or located in the central of the city. In the process, WO expect the hotel to coordinate well and trust them as a partner. Specifically, WO wants a hotel with adequate ballroom capacity with maximum 400pax accompanied with huge parking and flexibility in terms of coordination. Since pandemic cause people be more efficient in spending, affordable is preferable by the client.

WO do online and offline consideration to search for the hotel and review the layout and facilities. Once WO searching for potential hotel based on the client's criteria, they will analyze the price and capacity of ballroom and catering. However, in partnership case this segment is looking more into the hotel performance and the mutual benefits (rates and fee). Hotel selection process is mostly affected by this parentsip as WO will tend to recommend their hotel partner first to the client. During pandemic, even with lower capacity, WO could still hold event up to 4 times in a week. The biggest power in making final decision for WO segment it the client itself, WO only recommend some hotels based on the client's criteria. Each individual in marketing team has their own criteria in choosing hotels, the bad experience, trust and sales' attitude becomes major factor WO whether WO owner wants to continue to use the hotel service or not. These factors are having major role in affecting client in choosing hotel.

Economic forces caused by the pandemic makes the client of WO is searching for more affordable hotel, as the buying power is decreasing WO also decrease the price of wedding package that it leads into lower revenue. As intimate wedding is preferable during pandemic, the use of technology is helping WO more as the promotional media but wedding through streaming platform is still rarely requested. The regulation for COVID-19 makes WO stick into intimate wedding.

WO as an organization put flexibility as essential aspect as WO with the hotels are mostly having mutual benefit though flexible partnership. Besides the good rates and fee, the decision to still coordinate with same hotel in the future event depend on how proper hotel manage events and how the trust is build based on the communication with salespersons. WO is not too attached in certain hotel since they tend to keep exploring new value and follow the client's request.

4.4 Event Organizer Segment

Event organizer needs hotel to accommodate the big scale MICE event from client since MICE also help them to bigger their target market, during pandemic MICE event has developed into online, offline and hybrid type. Besides the ballroom with high capacity and loading dock, non-technical aspect such as sales fast response also important for them to choose a hotel. Specifically, besides LED and ballroom's capacity, the height of the ceiling and pillar also being considered as it will affect the layout and comfort of the event. Non-technical aspect is about the prestige about the hotel should be representative with the people invited.

Different with offline event, virtual event will rely on the sufficient internet bandwidth and how the salesperson fast response to the request. The frequency of MICE that EO handle is increasing during pandemic as the virtual and hybrid event become the solution for big scale meeting. In searching hotel during pandemic, mostly EO does survey or searching information from the banquet or salesperson before receiving proposals and analyze the price and facilities. In other occasion such as partnership, this segment focusing on the mutual benefit such as good rate.

With the information gathered, EO will compare several potential hotels and left one or 3 options for client to choose. The routine of EO for MICE event will depend on the client's request itself, once the purchase is made, EO will determine the hotel performance through technical and non-technical aspect such as banquet service and support, IT support alongside with the equipment that hotel provide.

In EO segment, client own the biggest influence in buying center, as the team from EO's responsibility is to gather information about the hotel and manage the flow of information, by the end the final decision will be up to client whether to refuse the options, choose one the best or completely let the EO to choose for them. The economic forces affect the client's buying power as EO becomes more selective to assessing client financial ability to complete the payment. However, the shift of consumer preference toward MICE event, create opportunity as virtual and hybrid MICE event emerge and many of their client also stated even once the pandemic ends, they will still stick to the virtual event due the efficiency and budget. The online MICE event also possible because of the technology support so even when PPKM still regulated, EO still possible to hold MICE event during pandemic.

During pandemic the strategic priorities of EO is more into develop fewer and deeper relationship with hotels and focus on the hotel's capabilities to offer for the business outcomes. EO staying flexible in possible partnership and build relation with hotel, for now they focus on hotel who can provide affordable price and high internet bandwidth. EO stated that during pandemic they prefer 3-star hotel as MICE venue option since it could fulfill the internet and budget-mindset criteria. EO usually has its own team to do survey and discuss together to decide which hotel that's suitable for their needs. Each people in team criteria and past experience also becomes major factor in shape buying behavior as chemistry and sales bad attitude are two factors that affect intention to use the hotel again.

4.5 Travel Agent Segment

Travel agent who provides MICE event in their service needs adequate ballroom capacity as a venue as they mostly handle big scale meeting, incentive, and exhibition. This segment focusing on the hotel who have high capacity, specifically up to thousands, and the supporting facilities such as breakout room, LCD and projector and stable internet connection. Specifically, this segment put more attention to the CHSE and location of the hotel that should be easy to access by the participants.

The frequency of MICE before pandemic is not frequent that it only 3 – 7 times per year but the scale is big. The need of hotel depends on the client's request, during the high cases period many of the client avoid MICE doing survey directly to the hotel is necessary even when they have their own database. Assessing the hotel's website and social media they do also to get additional information especially for new hotel.

The price and facilities in the proposals of each hotel would be analyzed to see which one fit with client's budget meanwhile mutual benefit such as good rate also the major factor in creating partnership. Once several hotels being assessed, TA will recommend up to 3 hotels before client making final decision. The evaluation process focused on the sales and banquet's responsiveness in handle even before, during and after the event ended.

The biggest influence in buying center of TA segment lies on the client as the MICE team in organizations only gather and process the information from the database before the client makes final decision.

The pandemic has caused the shift of consumer preference and the segmentation for TA also, the number client is increasing due the needs of hybrid MICE event as the solution to hold MICE during PPKM period. Travel agent really value trust with the hotels in cooperating and priority on the good rates the hotels could give them. As an organization, TA assessing the credibility of the hotel that's proven from CHSE and good rating in OTA.

In the MICE team that each TA owns, the criteria mostly created by team after receiving information from the client, since the client is unique, MICE team adjust the hotels profile from various individual criteria on each member that consist of capacity, price and facilities such as internet, sound system and free hall for tenant.

5 Conclusions

Pandemic has caused the positive and negative impact on the demand of MICE event; government segment is affected badly due the cut off in budgeting and prohibition to gather. Logistic and Construction segment also halted the MICE during pandemic due the urge to efficiently managing their budget and planning to reactivate MICE in the next year. Travel agent segment also impacted badly by the COVID-19 as the demand decreased and they tried to focus on other market. However, EO and WO segment could be able to adjust with current condition with the used of intimate wedding type and the application for virtual and hybrid event that indicates new era of MICE during pandemic.

Based on the findings in this research, recommendation for hotel are:

- Hotel should manage the marketing resource properly, deciding on which segment(s) are more profitable and focusing on them are better than go with full-market coverage targeting strategy, selecting all segments will require the company to fulfil all distinctive needs of all.
- Based on the research result, EO and WO segments are two segments that could still be able to hold the MICE event during pandemic. Targeting these two segments could be the alternatives revenue for hotel during pandemic.
- For EO segment, hotel can focus on the internet- mindset and budget-mindset, the preference of this segment to three-star classified hotel should be the advantage that hotel should improve the internet bandwidth and transforming their medium meeting rooms into a basic studio since EO stated that hotel now is head-to-head with studio as the venue of virtual event.
- For WO segment, hotel could start to form partnership to increase the tendency to be choose by the client since WO will recommend hotel partner first. Focusing on the mutual benefit and fee to WO also important to increase repurchase intention.
- The strategies that could be applied for those segments are the maintenance and application of stricter health protocol to increase the trust. Hotel also should form annual gathering event to strengthen relationship and increase the awareness. In addition, the partnership also should be developed by creating event and wedding package with them. Salespersons in hotel also play important role in satisfaction of EO and WO, as responsiveness and flexibility are two important factors for each segment, sales department should be divided into specific segment so salesperson could focus on handle certain segment.

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