

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Over the past years, the rapid development of the internet has changed the business scope of many industrial sectors, including the tourism industry. Nowadays, many young travelers utilize the existence of the internet to choose travel destinations, accommodation, and transportation that are used through Online Travel Agencies (OTAs). Trust and price factors are two important things that are often taken into consideration by young consumers in evaluating purchases through OTA (Setyawan & Auliandri, 2019). In Indonesia itself, transaction through traditional travel agents has decreased, nearly 60% of transportation ticket and hotel reservations have used online booking through OTA, such as traveloka, Tiket.com, and booking.com. The Popularization of the Internet that connects physical and virtual 66object has led to a disruptive innovation on the whole advertising ecosystem formed by media, agencies, and advertisers (Petrovic, 2017).

Online Travel Agency (OTA) is an internet-based marketplace that specializes in providing information about travel necessities and allows customers to book those travel-related services. OTAs are the third party intermediary that collaborates by marketing **the actual service providers' products and services.** (Oktaviani et al, 2020).

Disruptive innovation is the process by which a smaller company—usually with fewer resources—moves upmarket and challenges larger established businesses. OTA began in the mid-1990s, offering the freedom of travel through the advent of low-cost carriers (Phocuswire, 2018), with the internet being hardly accessible around that time and the traditional travel tour program seems more profitable to the conventional travel agencies, OTAs was given the new market share without much competition given from the conventional travel agencies. Around ten years later, with more interactivity and consumer powers obtained from the internet, disruption in the industry has occurred and OTAs became the **leading travel agencies in today’s travel marketplace.**

As the leading intermediaries in the travel agency business sector, OTA users in Southeast Asia have been shown to grow significantly and has reached 30 million USD transactional value per year in 2019 as shown from figure 1.1:

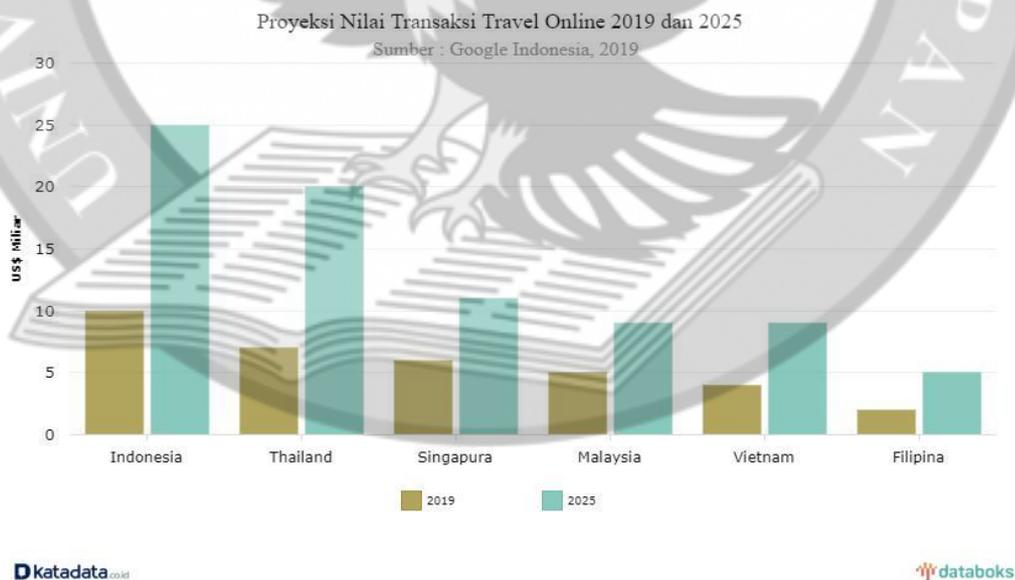


Figure 1.1 Southeast Asia OTA Transactional Value and Projection Source: Jayani, databoks.katadata.com (2019)

In Indonesia alone, the transactional value through OTA has reached 10 million US\$ in 2019 and with the average growth rate from 2015 – 2019, In 2025, transactions through OTA in Indonesia are projected to grow 2.5 times more with a transactional value of 25 million US\$ per year (Jayani, 2019).

Odua Weston Hotel Jambi is a 3-star hotel located in Jambi, the capital city of Jambi Province. Odua Weston Hotel Jambi is under the management of Topotels group, a hotel management group that was founded in March 2012. In 2020, Topotels had a joint venture and is now under the name of PT HMJ International Indonesia, a member of HMJ (Hotel Management Japan) International, one of the largest multi-branded hotel operators in Japan. With the brand of "Odua", Odua Weston Hotel Jambi emphasizes the simplicity of hospitality basics of being fresh, comfortable, and affordable. (Topotels Corporate Profile, 2020)

Cooperation with OTA has been proven to contribute to the room sales of Odua Weston Hotel, Jambi as shown from the figure as follow:

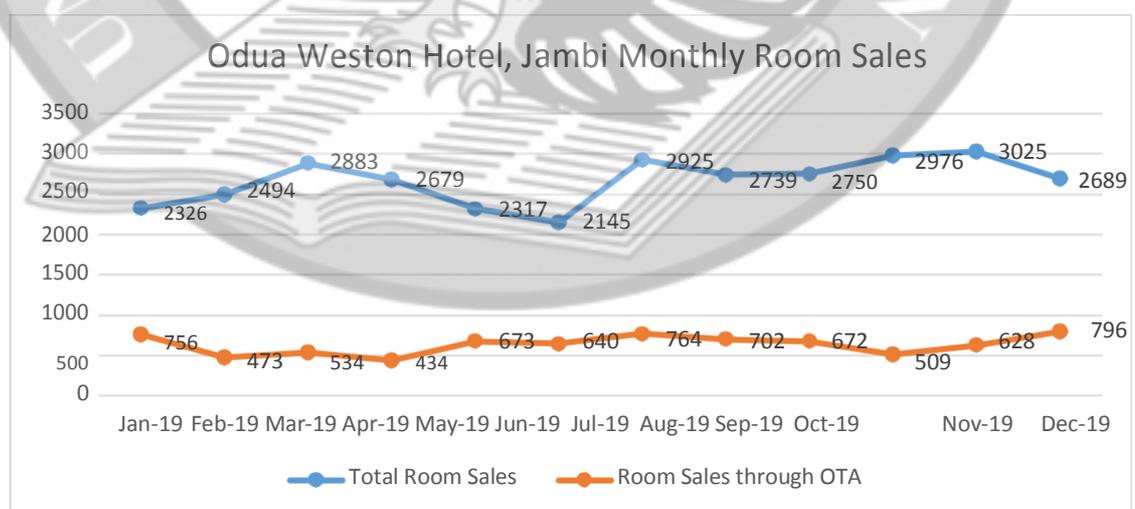


Figure 1.2 Odua Weston Hotel, Jambi Room Sales, Period: January – December 2019

Source: Prepared by the writer (2021)

From the figure shown, OTA contributes an average of 20% of rooms sold monthly in Odua Weston Hotel, Jambi from January until December 2019. This **a consistent amount of OTA sales' contribution** has shown that room sales through OTA segmentation in the hotel industry are promising.

Aside from the sales potential of Online Travel Agencies, some fees have to be paid by the establishments that are collaborating with the platform. The number of fees is mutually agreed by both parties before the collaboration started and sometimes are **'requested to be increased' when an OTA brand** believed that they have the majority of the market and contribute much to the sales of the establishment. Sometimes, aside from the fees, OTA also creates certain discount events that asked establishments to further lower their prices in order to participate, thus further decreasing the revenue gained by the establishments from that sales.

OTA as the leading intermediary in travel services that holds account for most of the travel services-related transactions nowadays seems could bring profit to the lodging industry that collaborates with it. Yet, there is only little to be understood on how OTA works and what can the accommodation management do to maximize the opportunity of the cooperation. To fully explore and understand how the co-operation works and what action should be taken to get as much profit for the establishment as possible, **this research is conducted under the title 'The Pricing Strategy and Sales through Online Travel Agency (OTA) at Odua Weston Hotel, Jambi'.**

1.2 Problem Formulation

This research is conducted in order to understand how cooperation with OTA works and what kind of effort can be done by Odua Weston Hotel, Jambi management to increase their room sales through cooperation with OTA. As such, this research attempts to answer several questions:

- a. What is the nature of the collaboration between Odua Weston Hotel Jambi with OTA?
- b. What are the pricing strategies the management of Odua Weston Hotel Jambi used during its collaboration with OTA?
- c. Does the pricing strategy affect the performance of the room sales through OTA?

1.3 Research Focus

This research focuses on the collaboration between Odua Weston Hotel, Jambi, and OTA and is limited in several aspects. First, the object of the research only includes the room sales performance of Odua Weston Hotel, Jambi, and its cooperation with OTA. Second, the cooperation method between the hotel and OTA is discussed only from the perspective of the hotel.

1.4 Objective of the Research

According to the problem formulation and background of the study, this research is conducted to achieve the following objectives:

- a. To understand the nature of the relationship between the collaboration of OTA and Odua Weston Hotel Jambi.

- b. To identify the pricing strategies that Odua Weston Hotel Jambi uses during its collaboration with OTA.
- c. To understand how the pricing strategy affects room sales through OTA.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

This research offers several theoretical benefits which are relevant for academic purposes:

- a. This research is expected to provide knowledge and insight regarding the effects of digital technology on the hospitality business sector.
- b. This research may be used as general reading material for people who are interested in hospitality management.
- c. The result of this research may contribute to updating the existing theories.

1.5.2 Practical Benefit

Several practical benefits can be applied:

- a. For the writer, this research might be used as an assessment material for future employers.
- b. For hotel management, this research may be used as a reference for future strategic sales & marketing decision-making.

- c. For the OTA (Online Travel Agency), this study might show how well their digital platform has penetrated the hospitality industry and what opportunities can be considered to improve the performance of the agency.
- d. For other researchers, this research may be utilized as additional information for future research into similar or related subjects.

