

CHAPTER I

INTRODUCTION

1.1 Background of the Study

One of the tourism industry's supporting elements, hotels play a crucial part in the development of the industry's infrastructure and amenities. Businesses are competing more and more in the highly competitive hospitality sector. In order to stay competitive, hospitality businesses must respond quickly to any developments that take place. Hotels need to constantly focus on their people resources since they are a valuable asset to the industry. Without strong human resources, the hospitality sector cannot function efficiently. The hospitality industry is incredibly promising, as many successful individuals choose to launch hotel services. The hotel business as lodging accommodation has the same competition as other business. It's developing and increasingly more hotel buildings are in every place. Both are in big cities and in small cities. Business in hospitality has been considered a profitable business and has constantly experienced development.

According to Pratama (2018), customer satisfaction is significantly impacted by relationship marketing. There are numerous advantages for both businesses and customers when customer relationship building is prioritized and enhanced. In order to meet the goals of all parties concerned, relationship marketing is a strategy to find, build, and sustain relationships with customers and other stakeholders at a profit. Organizations must now prioritize building mutually

beneficial relationships with their clients in addition to maximizing profits, due to the imperative of fostering and preserving amicable and positive customer connections. Building positive, long-lasting relationships with customers is made possible by relationship marketing, which also serves as a major motivator for improving customer satisfaction. The idea of customer relationship marketing is crucial for bringing in and retaining customers in organizations. Building, preserving, and improving connections with customers has always been crucial to business. (Pratama, 2018).

According to Ningsih and Yudhaningsih (2019), customer satisfaction is significantly impacted by service recovery. Due to the complexity and diversity of the needs of the customer, errors are more common in-service operations. A range of mistakes occurred during the operation that led to a service failure. A service failure could involve a person not being available, a lengthy wait, etc. In order to mitigate the negative effects of a service failure on customers, the organization should do service recovery following the incident.

Negative word-of-mouth is more common among unsatisfied customers than among those who remain dissatisfied even after filing complaints. The significance of service recovery lies in its potential to influence customer satisfaction, which in turn can generate favorable word of mouth and draw in new business (Ningsih and Yudhaningsih, 2019). Companies can learn to successfully handle service failures once they happen, even if it is unlikely that they will be able to completely eradicate them. The process by which a business tries to

enhance a service delivery failure is known as service recovery and is commonly used to describe this response. (Ganita, 2019).

According to Sulaeman (2020), customer satisfaction is significantly impacted by promotions. In addition to increasing sales and profit, promotion fosters a brand's inclination, which in turn increases sales. Because sales and other elements of the marketing mix are closely related, it is crucial to understand how consumers respond to promotions in order to provide helpful approaches. In fact, elements of sales promotion can play a major role in attracting new customers. Promotions have the ability to influence consumers, boost sales and profits, and convince the majority of people who have never used the product to give it a try at least once. Marketers are crucial in introducing the product and fostering a favorable perception of it. The elements of the promotion mix have a positive relationship with growing sales, and since the combined effect of the components is greater than the sum of the parts, implementing all of the strategies at once can bring additional effect (Sulaeman, 2020).

Customer satisfaction is the sum of all people's inner feelings, which are separated into two categories: contentment and discontent. Both of these feelings of satisfaction and discontent are the outcome of service assessments that an organization provides to an individual in accordance with the expectations of the client. In order to please its visitors, hotels these days are always working to improve the quality of the services they provide. This is because a satisfied consumer is more likely to be loyal to a particular brand. When the customer's expectations are not fulfilled, the service quality is considered inadequate or

unsatisfactory. When the customer's perception and expectations align, the quality of service is deemed unacceptable or dissatisfactory. When the expectations are in the same line as the perception of the customer, the level of service quality is rated as acceptable. On the other hand, great service quality is awarded when the perception surpasses the anticipation.

The Karibia Boutique Hotel in Medan is the research object that the author has selected for this study. The 4-star hotel can be found in Medan, Sumatera Utara, Indonesia at Komplek Centre Point, Jalan Timor Blok J Nos. I–IV, Medan City Center. Being in the heart of Medan's city center offers visitors the convenience of being able to easily access various locations. This hotel is a boutique property with distinctive architecture and design. Next door, visitors may access Centre Point Mall, a retail center with a number of cafes serving food, beverages and a leisure area. The facilities and services offered by Karibia Boutique Hotel ensure a pleasant stay for guests. The hotel offers access to a vast array of services and room service, including a shared lounge / TV area, shops, coffee shops, and Wi-Fi in open zones. The Karibia Boutique Hotel has 167 bedrooms, which are all designed in high taste. Many of them provide convenience such as ironing facilities, writing desks, rooms with inter-room connecting doors available, internet access - WiFi, in-room safe. The hotel offers fantastic facilities, including a fitness center, steam room, sauna, massage and spa, to enable guests to loosen up after an action-packed day in the city. Karibia Boutique Hotel is your one-stop goal for quality hotel accommodations in Medan.

Some problems with relationship marketing at the Karibia Boutique Hotel can be seen as follows:



Based on feedback from the customer, this can show that there are some problems with relationship marketing. The hotel's refusal to amend the booking, despite the customer's timely notification of the mistake, demonstrates a lack of flexibility and empathy towards the customer's situation. This rigid approach undermines the customer's trust and creates a negative experience. The hotel's

The front desk team failed to effectively communicate with the customer. Instead of understanding and addressing the customer's concern, they sent a blunt email refusing the request. This approach lacks the finesse and courtesy expected in the service industry. By not accommodating a reasonable request, the hotel displays a shortsighted approach to customer service. This decision not only results in immediate dissatisfaction but also risks losing a long-term, loyal customer. The customer mentions that their family and relatives have supported the hotel for many years, indicating a potential loss of future business. The customer's dissatisfaction is not limited to specific incidents but extends to a broader perception of the hotel's business practices. The customer expressed concern that such an approach might reflect the overall business approach of the entire company or its owners. This indicates potential damage to the hotel's brand image. By not rectifying the mistake and offering a satisfactory solution, the hotel failed to turn a negative experience into a positive one. The customer clearly states that they would rather spend their money elsewhere in the future. This indicates a high risk of customer churn, where a previously loyal customer is now inclined to patronize a competitor.

Relationship marketing in the hotel industry is a strategic approach focused on building and nurturing long-term connections with guests. It goes beyond transactional interactions, aiming to create meaningful, personalized experiences that foster loyalty and repeat business. This involves understanding guest preferences, anticipating their needs, and providing exceptional service that

exceeds expectations. Some of the relationship marketing problems can be seen as follows:

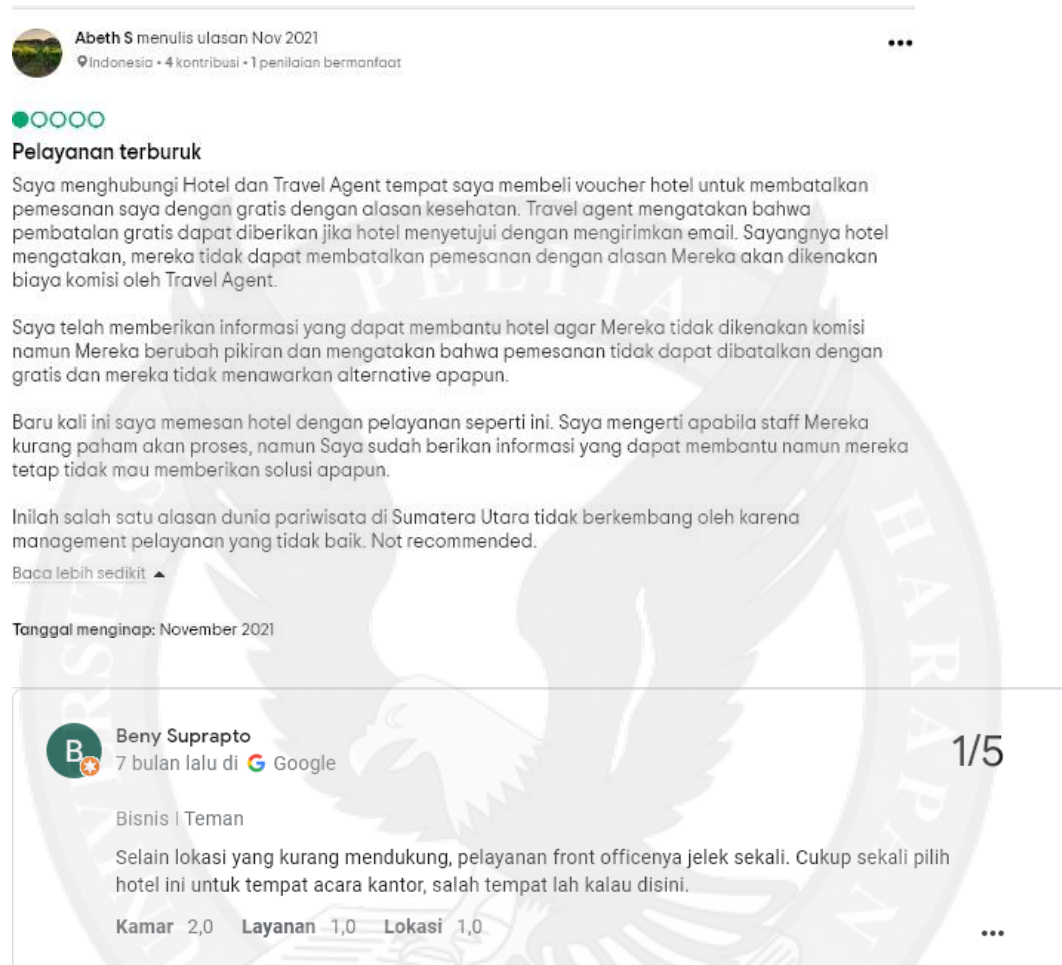


Figure 1.2. Problem of Relationship Marketing at Karibia Boutique Hotel.
Source: Google Review. (2023).

The exception provided highlights a significant problem in relationship marketing for this particular hotel. The guest expressed profound disappointment, citing several critical issues. The guest reached out to both the hotel and the travel agent, who was the source of the voucher, to request a free cancellation due to health reasons. The travel agent informed the guest that a free cancellation could be granted if the hotel agreed to it and confirmed via email. Unfortunately, the

The hotel initially declined the guest's request for a free cancellation, citing that they would incur a commission fee from the travel agent if they did so. The guest took the initiative to provide information to the hotel that could potentially help them avoid the commission fee. This indicates the guest's willingness to cooperate and find a mutually beneficial solution. Despite the guest's efforts to assist, the hotel ultimately changed their position and stated that the booking could not be canceled for free. Additionally, the hotel did not offer any alternative solutions, leaving the guest dissatisfied. Guests expressed their frustration and disappointment with the situation. They mentioned that while they understand that the staff might not be fully knowledgeable about the process, they have provided information that could have been helpful. The guest highlighted that experiences like this contribute to poor management of services in the tourism industry in North Sumatra, potentially hindering its growth and development. The service recovery at Karibia Boutique Hotel in this instance appears to have been unsatisfactory from the guest's perspective. The hotel's initial refusal, failure to offer alternatives, and the subsequent change in stance left the guest dissatisfied and led to a negative recommendation from the guest. The customer expressed frustration and disappointment with the experience, stating that this is the first time they have encountered such poor service with hotel bookings. They understand that the staff might not fully understand the process, but they feel they provided information that could have helped, yet the hotel still refused to offer any solutions. In the second picture it shows that Guests expresses dissatisfaction not only with the location but also with the front office service, which is a critical

touchpoint for guest satisfaction. The mention of the service being very poor indicates a severe lapse in service quality. The statement suggests a strong reluctance to consider this hotel for future events, indicating a loss of trust and confidence in the establishment. Overall, these issues severely undermine the trust and satisfaction that are essential for successful relationship marketing efforts. Guests need to feel secure, valued, and heard to establish a positive, long-term connection with a hotel, and the shortcomings mentioned here are detrimental to achieving that.

By addressing these service recovery problems, the hotel can work towards creating a more positive and enjoyable experience for its guests, ultimately leading to higher guest satisfaction and loyalty. Service recovery at a hotel refers to the process of addressing and resolving issues or complaints raised by guests. Some problems with service recovery at the Karibia Boutique Hotel can be seen as follows:



Figure 1.3. Feedback on Service Recovery Problems at Karibia Hotel Boutique.
Source: TripAdvisor. (2023).

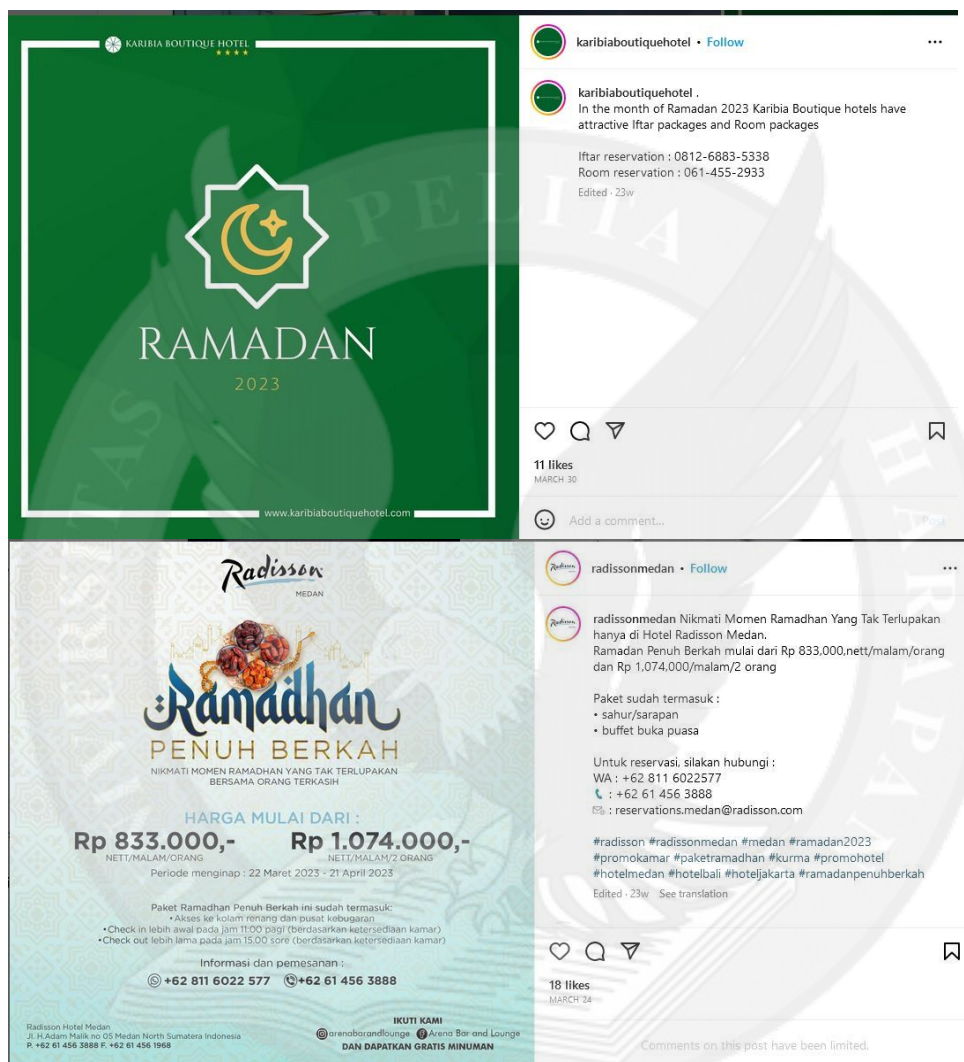
Based on the provided information, it appears that the service recovery at Karibia Boutique Hotel did not meet the guest's expectations. Firstly, the absence of room keys implies a fundamental security concern, making guests feel vulnerable and uncomfortable. Additionally, the mention of incomplete room

amenities without proper follow-up indicates a lack of attention to detail and a failure to meet guest expectations. This not only compromises the guest experience but also suggests a lack of responsiveness and professionalism on the part of the hotel staff.

Service recovery in a hotel plays a crucial role in restoring guest satisfaction and loyalty after a service failure or complaint. It involves a swift and effective response to guest concerns, aimed at addressing and resolving issues promptly. By acknowledging and taking responsibility for any lapses, hotels demonstrate their commitment to guest well-being and service excellence. The provided feedback highlights a significant problem in the hotel's service recovery process. This feedback signifies a failure to address the guest's concerns adequately, which is detrimental to effective service recovery. It is essential for hotels to not only rectify issues promptly but also to communicate their commitment to guest satisfaction and take proactive steps to prevent similar incidents in the future. This specific instance showcases a missed opportunity for the hotel to demonstrate its dedication to service excellence and potentially salvage the guest relationship.

Hotel promotions typically involve offering special deals or incentives to attract guests and encourage bookings. These promotions are designed to provide added value and enhance the guest experience. Promotion is a powerful tool to attract potential guests to a hotel. By offering special deals, discounts, and packages, hotels can entice more guests to book and thereby increase their occupancy rates. A satisfied guest who takes advantage of a promotion is more

likely to return in the future. This is an opportunity for hotels to build a loyal customer base and turn one-time guests into repeat visitors. The promotion at Karibia Boutique Hotel and other hotels can be seen as follows:



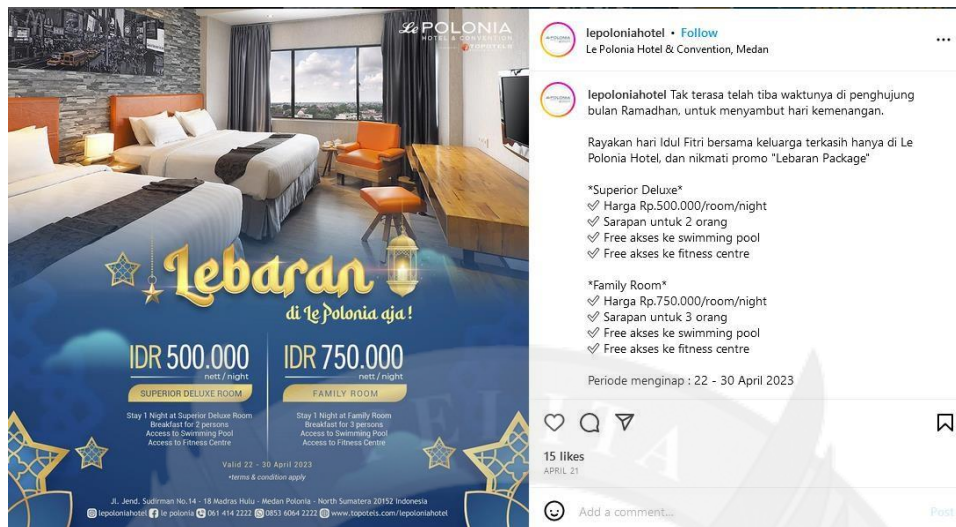


Figure 1.4. Promotion at Karibia Hotel Boutique and Other Hotels.

Source: Karibia Boutique Hotel, Radisson Hotel and Le Polonia Hotel. (2023)

From the figures, this can show the promotion at Karibia Boutique Hotel, Raddison Hotel and Le Polonia Hotel. Based on the information provided, there are a few potential weaknesses in the promotion offered by Karibia Boutique Hotel. The promotion is described in general terms as "attractive Iftar packages and Room packages." Without specific details about what is included in these packages, potential guests may find it difficult to assess the value and benefits of the offer. This lack of information could deter some potential customers who are looking for transparency and clarity. Unlike other hotels, Karibia Boutique Hotel does not provide any specific pricing or details about what is included in the packages. Potential guests may be hesitant to book without knowing the cost or understanding what they will receive in return. This lack of transparency can lead to uncertainty and may result in potential guests exploring other options. The promotion period is not specified. Without clear start and end dates, potential guests may not know how long they have to take advantage of the offer. These lacks

of clarity could lead to missed opportunities and potential guests seeking promotions with more defined timeframes. Without specific details about the promotion, potential guests may have a harder time comparing it to other offers from competing hotels. This could make it more challenging for Karibia Boutique Hotel to stand out and attract guests, especially if other hotels provide more comprehensive information about their promotions. By not providing specific details about their promotion, Karibia Boutique Hotel may miss out on the opportunity to effectively market and advertise their offerings to a wider audience. Potential guests may not be enticed to consider the hotel if they don't have a clear understanding of the benefits they would receive.

Karibia Boutique Hotel has a promotion with attractive Iftar packages and Room packages for Ramadan 2023. Specific details about the promotion are not provided, but the hotel is offering both Iftar and Room packages, providing flexibility for guests to choose based on their preferences. The promotion may include special amenities or services related to Iftar and room stays, which could enhance the overall guest experience. Radisson Medan is conducting a promotion with "Nikmati Momen Ramadhan Yang Tak Terlupakan" (Enjoy Unforgettable Ramadan Moments) with prices starting from Rp 833,000 nett per night and Rp 1,074,000 per night for two people. The hotel offers clear pricing details, providing transparency for potential guests. The hotel offers both sahur (pre-dawn meal) and buffet buka puasa (iftar) in the package, ensuring that guests have their meals covered during Ramadan. Le Polonia Hotel conducts promotion with "Lebaran Package" to celebrate Idul Fitri. The hotel provides two rooms

options (Superior Deluxe and Family Room) with different pricing, accommodating varying guest preferences and group sizes. The hotel offers breakfast for a specified number of guests, as well as free access to the swimming pool and fitness center, adding value to the stay.

Some competitors conduct attractive promotions while the Karibia Boutique Hotel does not conduct promotions. The attractive promotion from competitors can be seen as follows:

Karibia Boutique Hotel • Follow
Karibia Boutique Hotel

karibiaboutiquehotel ★★★★★
INDEPENDENCE DAY

Start from IDR 578.000,- net/night
terms & conditions apply *

Facilities:

- 1 pax lunch / dinner choice menu NUSANTARA
- Welcome Drink
- Breakfast for 2 paxs
- Wifi
- Fitness centre
- Free Pick up / Shuttle to Railink Station

#hotelmedan #promohotelmedan #packagehotelmedan
Edited · 10w

18 likes
AUGUST 4

radissonmedan • Follow
Hotel Radisson Medan

radissonmedan Embrace the Spirit of Merdeka at Radisson Hotel Medan

Celebrate Indonesia's Independence Day in style with our exclusive Merdeka Package! Immerse yourself in luxury and patriotism as we commemorate the nation's freedom.

Package for one (1) night stay inclusive of :

- Room breakfast for 2 adults and 2 children below 6 y.o.
- Dinner bowl for 2 persons
- Ice cream cup for 2 persons
- Drink voucher for 2 persons

Package for two (2) nights stay inclusive of :

- Room breakfast for 2 adults and 2 children below 6 y.o.
- Access to the swimming pool and fitness center

Rate starts from Rp 888,000,-nett/night
Stay period : 17 - 31 August 2023

Radisson Medan
For reservation, please contact :

18 likes
AUGUST 13



Figure 1.5. Promotion at 17 August.
Source: Instagram. (2023).

Karibia Boutique Hotel offers a package that includes 1 pax lunch/dinner, welcome drink, breakfast for 2, WiFi, fitness center, and free pick-up/shuttle to Railink Station. While this is comprehensive, it may not stand as much in terms of variety compared to the Radisson Hotel package, which includes breakfast, dinner, ice cream and drink vouchers. The Grand Inna Hotel also offers a unique promotion focused on coloring contests, which can attract families with young children. Karibia Boutique Hotel's starting price is IDR 578,000 net/night. In comparison, Radisson Hotel offers a package starting at IDR 888,000 net/night, which includes more amenities like dinner, ice cream, and drink vouchers. This might make the Radisson Hotel's packaging seem more attractive in terms of value for money. Radisson Hotel offers packages for both one-night and two-night stays, giving guests more flexibility in choosing the duration of their stay. Karibia Boutique Hotel's promotion does not mention options for different lengths of stay.

Radisson

The hotel's promotion explicitly mentions that the package includes breakfast for 2 adults and 2 children under 6 years old, making it more family-friendly. Karibia Boutique Hotel's promotion does not highlight any specific offerings for children. Radisson Hotel offers access to a swimming pool and fitness center for guests to stay for two nights, providing extra value and a leisure option. The Karibia Boutique Hotel only mentions a fitness center, potentially missing out on attracting guests looking for more recreational facilities. Karibia Boutique Hotel's promotion does not highlight any particularly unique features or experiences that set it apart from its competitors. In contrast, Radisson Hotel emphasizes luxury and patriotism, while Grand Inna Hotel offers a creative coloring contest.

Based on the data, the writer decides that relationship marketing, service recovery and promotion will affect customer satisfaction and the writer will write the research in the form of final paper with the title “**The Effect of Relationship Marketing, Service Recovery, and Promotion on Customer Satisfaction at Karibia Boutique Hotel**”. The writer hopes that this research can improve customer satisfaction for the hotel and have a positive effect on customer satisfaction.

1.2 Problem Limitation

The researcher will only employ relationship marketing, service recovery, and promotion as independent variables and customer satisfaction as the dependent variable in this study due to the restricted number of sources available. The research object is Karibia Boutique Hotel Medan.

1.3 Problem Formulation

In light of the study's backdrop, the following questions are the focus of this research:

1. Does relationship marketing have a partial effect on customer satisfaction at Karibia Boutique Hotel?
2. Does service recovery have a partial effect on customer satisfaction at Karibia Boutique Hotel?
3. Does the promotion have a partial effect on customer satisfaction at Karibia Boutique Hotel?
4. Do relationship marketing, service recovery and promotion have an effect on customer satisfaction at Karibia Boutique Hotel simultaneously?

1.4 Objective of the Research

Based on the background of the study above and problem formulations, the objective research is as follows:

1. To know the effect of relationship marketing on customer satisfaction at Karibia Boutique Hotel partially.
2. To know the effect of service recovery on customer satisfaction at Karibia Boutique Hotel partially.
3. To know the effect of promotion on customer satisfaction at Karibia Boutique Hotel partially.

4. To understand the effects of relationship marketing, service recovery and promotion on customer satisfaction at Karibia Boutique Hotel simultaneously.

1.5 Benefits of the Research

The benefits of the research are divided to 2 (two), which are:

1.5.1 Theoretical Benefits

The benefit is that this research can be used to improve the better understanding of effects of relationship marketing, service recovery and promotion on customer satisfaction at Karibia Boutique Hotel. In addition, the writer hopes that this research can have an impact and be useful for the future research that is similar to this topic.

1.5.2 Practical Benefits

1. For the writer

This study can deepen the writer's comprehension and expand their knowledge of significance of customer satisfaction related to relationship marketing, service recovery and promotion.

2. For Karibia Boutique Hotel.

This research is expected to give recommendations to Karibia Boutique Hotel to improve customer satisfaction with relationship marketing, promotion and service recovery.

3. For the research

Future researchers will find this research to be a valuable source of additional information, especially with regard to the research topic.

