

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The hospitality industry has been changed by globalization, economic growth, and technological advancements in various markets. The growing focus on sustainability in all aspects of life greatly impacts how consumers behave when it comes to hospitality services. To remain competitive in this evolving landscape, hospitality businesses must prioritize innovation and embrace digital technologies (Youssef et al., 2022).

The brand is precious because it fosters loyalty, positive perceptions, and attitudes. Nowadays, marketing and branding go beyond just acquiring new customers to focusing on cultivating customer loyalty as a crucial marketing objective (Arani & Shafiizadeh, 2019). With greater customer knowledge and access to information, companies are observing decreased customer loyalty. As a result, they understand that brands play a vital role in drawing attention and gaining esteem in today's fiercely competitive market. These findings suggest that companies must invest in building strong brands to stand out and drive customer loyalty in the highly competitive marketplace.

According to Liu and Hu (2022) emphasize the importance of providing a comfortable and welcoming environment for customers to improve their experience and shape their perception of the service's value, ultimately affecting satisfaction

and loyalty. Their research highlights the significant impact of environmental factors on consumer behavior in service settings.

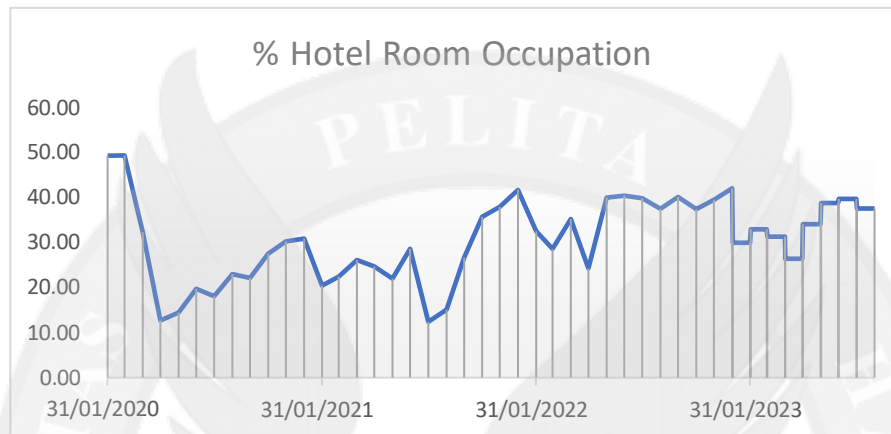
Indonesia is making efforts to promote its tourism sector in an attempt to boost national revenue. This focus on tourism stems from the considerable growth potential identified within Indonesia's tourist industry. Based on 2021 figures cited in Peta Jalan Indonesia Emas 2045 by Kadin RI, the contribution of tourism to the gross domestic product stands at 2.4%, surpassing Vietnam but falling behind Malaysia and Singapore, which registered 4.1% and 3.9% respectively.

During the unprecedented challenges of the pandemic, the hotel industry experienced a significant drop in revenue due to lockdowns and travel restrictions. Research by Frihatni et al. (2021) found that 25 hotels saw their revenue decrease by 13-49% from 2019 to 2020, leading to notable implications for employment levels within the sector. The occupancy rate of hotel rooms plummeted to just 15%, marking a substantial decline compared to previous years and resulting in the closure of 30,000 accommodation businesses in 2020, including establishments ranging from five-star to three-star hotels.

The tourism sector and the creative economy are bouncing back after the pandemic, although they haven't fully recovered to pre-pandemic levels. According to the Central Statistics Agency, foreign tourist visits in the first quarter of 2023 totaled 2.5 million visits—an increase of 508.87% compared to the same period in 2022. The International Air Transport Association predicts a significant growth in international travel for 2023, with the potential to surpass pre-pandemic levels by

2024. Sectors supporting tourism, such as accommodation and food services, as well as transportation, are also projected to grow by around 6.6 – 7.3% and 8.5 – 9.5 % respectively in 2023.

**Figure 1.1 Overall Hotel Room Occupation in Indonesia**



Source: databoks (2024)

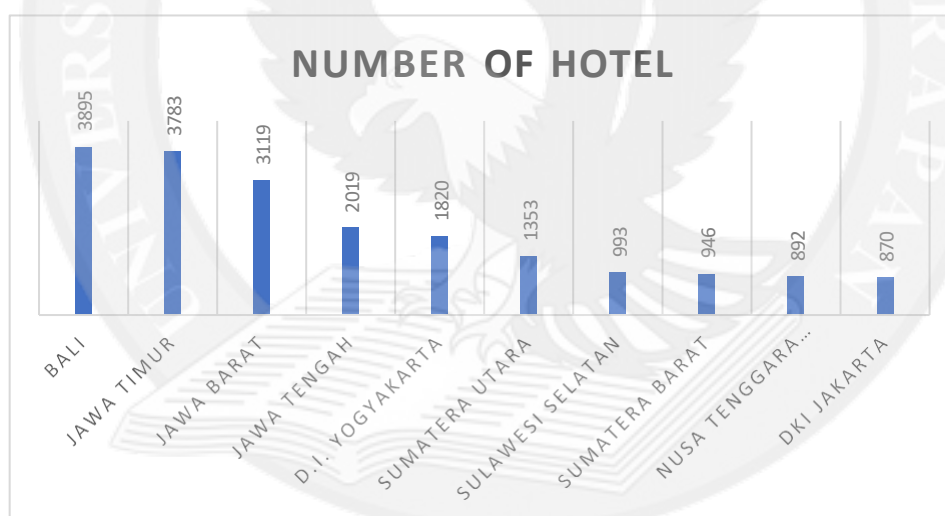
The changing environment of the hospitality sector, influenced by global connectivity, economic changes, and technological progress, requires a careful reassessment of marketing and branding strategies. In response to the ongoing impact of the pandemic on Indonesia's hospitality industry, hotels must not only adjust but also introduce new ideas. The combination of innovative marketing techniques, brand development, and the establishment of a hospitable hotel atmosphere is now essential for building brand advocacy and customer loyalty.

In the context of a recovering tourism industry and the need for hotels to stand out in a competitive market, this study aims to uncover the complex factors that contribute to hotel success, using Karibia Boutique Hotel as a case example. By analyzing how innovative marketing strategies, brand building, and the hotel

environment affects guest experiences; we intend to provide valuable insights to help hotels not only recover but also thrive after the pandemic.

Arga Citra Pertiwi, also known as Karibia Boutique Hotel Medan, is a renowned four-star establishment nestled in the vibrant heart of Medan City within the Center Point Complex on Jalan Timor Block J. The hotel prides itself on creating an atmosphere of genuine warmth, unparalleled friendliness, and exceptional comfort for its guests. With a commitment to providing sincere and attentive service along with all essential amenities, it seeks to ensure that every visitor's stay is truly memorable.

**Figure 1.2 10 Province with Highest Hotel Number in Indonesia**

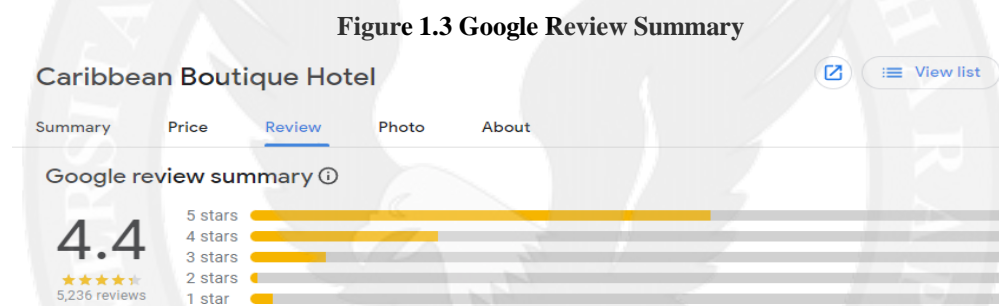


Source: Badan Pusat Statistik (2023)

From the analysis of the graph, it is apparent that Sumatera Utara occupies the 6th position in terms of the number of hotels in 2023. This suggests significant potential for expansion and development within the hotel industry. However, given the increasing competition, Karibia Boutique Hotel is strategically positioning itself

to gain a competitive advantage by implementing innovative marketing strategies and creating a distinctive and captivating hotel atmosphere.

We can also see from Figure 1.3 that the overall review for Karibia Boutique Hotel is quite positive, with a rating of 4.4 out of 5 from 5236 reviews. This indicates that Karibia has achieved high levels of customer satisfaction, which can be attributed to their strategic location and other factors. The hotel's dedication to excellent service and amenities likely contributes to its favorable reputation among guests.



Sources: Google Review (2024)

From the data illustrated in figure 1.4, it becomes apparent that a considerable number of guests are dissatisfied with the parking availability, forcing them to seek alternative parking options. This inadequacy has the potential to significantly erode brand loyalty and diminish positive recommendations.

### Figure 1.4 Parking limited complained

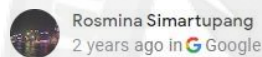


Parking area is very very limited. Often have to park at the mall next door even though the event is at the hote  
There is no collaboration with the mall to ensure free parking. What if you park all day for 3 days?

Sources: Google Review (2024)

There are also some negative reviews about the lighting and room cleaning service. This reviewer also mentioned something about the price being too high for this hotel experience. Additionally, many guests have complained about the slow Wi-Fi connection in their rooms.

### Figure 1.5 Bad hotel environments

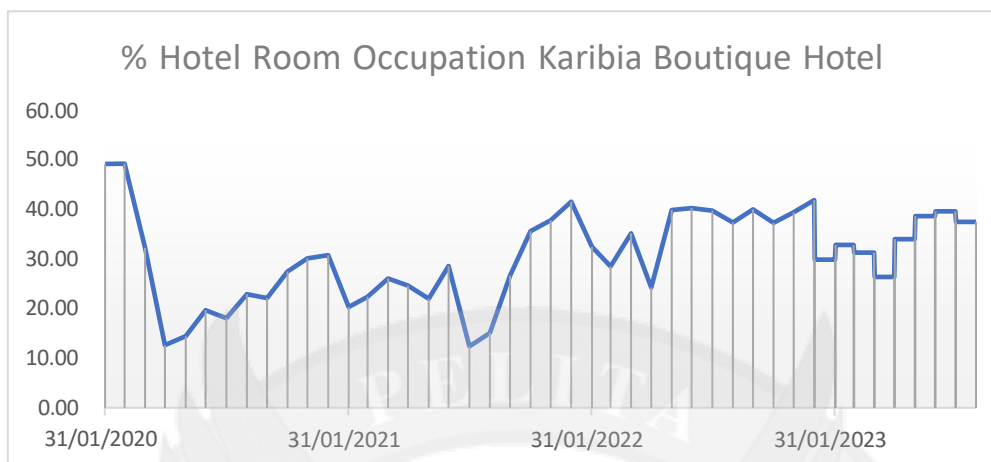


Solo

staycation here 3 days 2 nights, not really, firstly, there is no lighting from outside, secondly it is only cleaned once, even then you have to talk first before cleaning it, the food is boring, the feeling is that a 3 star hotel is better than this, in the same class the price is 500 thousand per day from the Ministry of Tourism, it's not worth it if every night you are served only fried rice, at noon you eat fried fish, crackers, capcai, you only drink water...  
#Kemenpar #Kemenkes

Sources: Google Review (2024)

From the data presented in chart 1.6, it is evident that the occupancy rate has not fully recovered to pre-pandemic levels. In contrast, figure 1.1 illustrates that overall hotel occupancy in Indonesia has almost reached its pre-pandemic levels. This discrepancy highlights a concerning trend for Karibia Boutique Hotel, suggesting that it may be lagging behind its competitors in the industry's recovery efforts.

**Figure 1.6 Karibia Boutique Hotel's Occupancy Rate**

Sources: Karibia Boutique Hotel, Medan (2024)

The writer assesses the brand's popularity by filtering 4-star hotels in the Traveloka app. The results can be found in Table 1.1. It's clear that Karibia Hotel doesn't fare as well as its competitors in the same category. Therefore, it's important for Karibia Boutique Hotel to enhance its marketing efforts (due to its prime strategic location at the center of a business hub) and improve its hotel environment to boost customer satisfaction and loyalty, encouraging satisfied customers to recommend the hotel to others.

**Table 1.1 4-Star Hotel in Medan Comparison**

| Hotel Name                      | Popularity | Total Review |
|---------------------------------|------------|--------------|
| The Reiz Suites                 | 8,8        | 315          |
| Grand Central Premier           | 8,7        | 162          |
| Adimulia Hotel Medan            | 8,7        | 7800         |
| Hotel Santika Premiere          | 8,7        | 6800         |
| Four Points by Sheraton         | 8,5        | 6200         |
| Aryaduta Medan                  | 8,5        | 6600         |
| Radisson Medan                  | 8,5        | 1500         |
| Hotel Emerald Garden            | 8,5        | 5600         |
| Hotel Grandhika Setiabudi Medan | 8,4        | 3900         |
| Hermes Palaca Hotel Medan       | 8,3        | 4900         |
| Grand Sakura Hotel              | 8,5        | 2400         |
| Karibia Boutique Hotel          | 8,3        | 3800         |

|                                |     |      |
|--------------------------------|-----|------|
| Grand Inna Medan               | 8,2 | 2200 |
| Travellers Suites              | 8,2 | 925  |
| Selecta Hotel Medan            | 8,2 | 184  |
| Royal Suite Condotel           | 8,2 | 912  |
| De Paris Hotel                 | 8,1 | 562  |
| Danau Toba Hotel International | 7,9 | 6100 |
| Grand Antares Hotel            | 7,8 | 652  |

Source: Traveloka (2024)

Karibia Boutique Hotel tried to promote its Spa services through Deal Java and also utilized Instagram ads for advertising on social media during the COVID pandemic. However, despite these efforts, they didn't see a significant improvement in brand loyalty. Nonetheless, there are numerous opportunities for marketing innovation that could be explored to attract more customers. These include enhancing the hotel's website SEO, managing guest reviews effectively, implementing a loyalty program, fostering collaborations with other businesses, and delving into various other strategies for customer engagement and retention.

Karibia Boutique Hotel Medan prides itself on creating an atmosphere of true warmth, unmatched hospitality and exceptional comfort for its guests. So marketing innovation and the hotel environment are very important in the prototype brand experience of a hotel which will influence loyalty and recommendations from customers who stay and feel the atmosphere of the place they choose as their place of stay. One of the causes of several factors mentioned is a narrow parking environment and less attractive innovation from the hotel which makes customers consider their loyalty and recommendations. Customers



of Karibia Boutique hotel will be tested as sample to be examined and find out the research result

This research seeks to offer practical recommendations for Karibia Boutique Hotel. The goal is to foster an environment where creative marketing approaches, strong branding efforts, and favorable hotel settings work together to drive increased brand recognition and long-term customer loyalty. Through this investigation, our aim is ultimately to influence strategic developments within the hospitality sector and assist hotels in establishing resilient footholds amidst evolving market conditions. This study will discuss with the title **“The Influence of Marketing Innovation and Hotel Environment Towards Brand Recommendation and Brand Loyalty Through Brand Prototype at Karibia Boutique Hotel, Medan”**

## **1.2 Problem Limitation**

This research has limitations such as:

1. This study relies on the data that is available, and any limitations in the accuracy or completeness of the data may affect how comprehensive the analysis can be.
2. The findings of this study may not apply universally to all types of hotels or different geographic locations.

3. This study is based on information available until 2023. Any developments or changes in industry dynamics after this date may not be fully reflected in the analysis.
4. The focus here is primarily on internal factors within hospitality. External elements like government policies, geopolitical events, or unforeseen economic shifts are not extensively explored but could impact the findings and recommendations of the study.
5. The recommendations and insights provided by this study are tailored specifically to the hospitality industry. Applying them to other sectors would require additional considerations and adjustments.

### **1.3 Problem Formulation**

Here are the problems of formulation that the writer has found during the research

1. Does marketing innovation (MI) have an influence on the brand prototype (BP) at Karibia Boutique Hotel, Medan?
2. Does hotel environment (HE) have an influence on the brand prototype (BP) at Karibia Boutique Hotel, Medan?
3. Does brand prototype (BP) have an influence on the brand recommendation (BR) at Karibia Boutique Hotel, Medan?
4. Does brand prototype (BP) have an influence on brand loyalty (BL) at

Karibia Boutique Hotel, Medan?

#### **1.4 Objectives of The Research**

Here are some objectives of the research to solve the problem that's been found, which are:

1. To investigate how marketing innovation (MI) has a positive influence on the brand prototype (BP) at Karibia Boutique Hotel, Medan
2. To analyze how the hotel environment (HE) has a positive influence on the brand prototype (BP) at Karibia Boutique Hotel, Medan
3. To assess how brand prototype (BP) has a positive influence on the brand recommendation (BR) at Karibia Boutique Hotel, Medan
4. To assess how brand prototype (BP) has a positive influence on brand loyalty (BL) at Karibia Boutique Hotel, Medan

#### **1.5 Benefits of the Research**

According to the objectives and problems found during the research, the benefits are:

##### **1.5.1 Theoretical Benefit:**

1. Contributes to the development of theoretical understanding in marketing innovations, hotel environments, and brand prototypes within the hospitality

industry.

2. Expand the existing knowledge base in fields such as hospitality management, marketing, and branding by introducing fresh perspectives and conceptual frameworks.
3. Lays a groundwork for future researchers to delve into related areas and expand on these findings, thus enriching ongoing academic discussions.

#### **1.5.2 Practical Benefit:**

1. Presents actionable suggestions for Karibia Boutique Hotel based on research discoveries that can serve as a practical roadmap for strategic enhancements.
2. Offers practical insights for other hotels and businesses in the hospitality sector to improve guest experiences, reinforce brand presence, and gain sustainable competitive advantages.
3. Supports the implementation of research results in real-world settings by guiding hotels toward effective strategies to foster brand loyalty and promote active recommendations.