

Hotel's Sustainable Business Strategy During and Post COVID-19 Pandemic (A case study at Hotel Grage Resort Sangkan, Kuningan, Indonesia)

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ABSTRACT

The COVID-19 pandemic has had a significant impact on the hospitality industry, especially the Grage Resort Sangkan hotel in Kuningan Regency, which has had a decreased occupancy rate of up to 50 percent. This study aims to map the sustainable strategies implemented by the Grage Resort Sangkan hotel in Kuningan Regency during and after the Covid-19 pandemic. The qualitative method used in this study is a research method used with in-depth interview on stakeholders related to four aspects of management: marketing, production, human resource, and financing, also with the 9-elements business model canvas mapping approach including customer segments, value propositions, channels, revenue streams, key resources, customer relationships, key activities, key partnerships, and cost structure. The results of the study show that, when a pandemic occurs, the strategy taken is to lay off contract workers and work from home for permanent employees, change marketing strategies from offline to focusing on digital marketing, sell vouchers that are valid for up to one year. Meanwhile, moving further into the COVID-19 pandemic, hotels continue to use digital marketing strategies and continue to maintain health protocols, provide discount vouchers until stable income returns sustainably.

Keywords: sustainable strategy; hospitality; business model canvas

INTRODUCTION

The global tourism and hospitality industry has been significantly affected by the unprecedented global outbreak of COVID-19, Hotel service providers are among the most affected by the evolving Covid-19 (Le et al., 2021). They are taking appropriate strategies in response to the COVID-19 crisis which has presented significant challenges to the hospitality industry. Even though the consequences of the pandemic on hotel operations have been widely examined, the question of how hotel businesses can revive, innovate, and transform, in order to survive and recover, remains vastly under-researched (Le et al., 2021). There are two possible reasons why the epidemic has improved the problem of hotel information asymmetry (or price discrimination) in Taiwan's major cities. (Ye et al., 2023).

On the other hand, in the hospitality industry in Indonesia, following the World Health Organization's declaration of the COVID-19 pandemic, on April 2, 2020, the Indonesian government enacted Minister of Law and Human Rights Regulation No. 11 of 2020 concerning

the Temporary Prohibition of Foreigners Entering the Territory of the Republic of Indonesia. Meanwhile, the hospitality industry in West Java, especially in Kuningan Regency, was facing significant challenges due to the spread of the COVID-19 pandemic.

This phenomenon also contributed to the decline in the revenue of the hospitality industry, particularly in Kuningan Regency. Before the COVID-19 outbreak, Kuningan Regency, located in the Cirebon tri-border area and eastern part of West Java, was a tourist destination known for its famous natural attractions such as Mount Ciremai National Park and other natural wonders. The impact of the decrease in the number of tourists can be observed through the decline in regional revenue. In 2019, the region had approximately 4.5 billion Indonesian Rupiahs in Original Regional Income, but there was a decrease in 2020 to around 2.1 billion, mainly from the tourism sector. (Toibah, 2023).

Hotel Grage Sangkan is one of the best and most renowned hotels in the Cirebon tri-border region, located in Kuningan Regency. This hotel has gained fame and uniqueness due to its amenities, such as being the first to offer a spa and its proximity to tourist attractions. The hotel faced challenges in terms of declining occupancy during the COVID-19 pandemic and other operational issues.

This article aims to examine the strategies adoption during the COVID-19 pandemic and the sustainable strategies to be implemented by the management of Grage Sangkan Resort after the pandemic has passed, using a qualitative approach and the business model canvas as a case study. This research utilizes a qualitative case study approach, incorporating in-depth interviews and a review of literature from books and academic journals. The findings show that hotels with a more managerial approach have more proactively applied dynamic pricing strategies. (Piga et al., 2022). Meanwhile, in another study conducted in Bali, the impact of the pandemic on the tourism industry was significant, with almost all hotels ceasing operations. If any remained open, it meant they were only open for the quarantine of the COVID-19 patients. (Nuruddin et al., 2020).

METHOD

This research utilizes a qualitative approach, specifically the case study method. Qualitative research is preferred because it primarily focuses on processes and meanings that cannot be measured quantitatively. (Cadena, 2019). The study was conducted between late 2022 and early 2023 at the Grage Sangkan Resort in Kuningan. Respondents were chosen purposefully from the internal staff of the Grage Sangkan Resort, ensuring representation, and were interviewed extensively. Through the use of case study method, the study examines the hypothetical anticipations of novice hotel entrepreneurs. (Erkuş & Terhorst, 2021).

The management of crises and disasters in the hospitality industry, particularly in dealing with the COVID-19 pandemic, represents a challenging strategy. This sector is highly vulnerable to a wide range of external factors, making it particularly susceptible to adverse impacts. (Pine & McKercher, 2004). The effect of crises on the tourism industry can be intricate, as it depends on factors such as the nature, duration, and magnitude of the crises (Backer & Ritchie, 2017). This study discusses the use of Business Model Canvas as strategies adoption during the COVID-19 pandemic.

The Business Model Canvas is a valuable tool and methodology in the field of strategic management, employed for the purpose of documenting or creating business models for various companies or organizations. (Awaluddin et al., 2022). According to Osterwalder and Pigneur (2010), the business model canvas is a business model that describes the rationale of how an organization creates, delivers, and captures value that uses nine basic elements, namely: (1) customer segment, (2) value proposition, (3) channels, (4) customer relationship, (5) revenue streams, (6) key resources, (7) key activities, (8) key partnerships, and (9) cost structures. (Osterwalder & Pigneur, 2010).

RESULT AND ANALYSIS

In prior research conducted in Bali prior to the Covid-19 impact, the occupancy rates remained consistently high, mainly because of the arrival of guests through group bookings (Nuruddin et al., 2020). At Rinjani Hill Hotel, the COVID-19 pandemic began to take hold, and this had a direct impact on the hotel's income. The adoption of health protocols within the hotel serves as a mean to retain customer loyalty (Krisnahadi et al., 2020). Enforcing health protocols within hotels is a way to retain customer loyalty.

Hotel Grage Resort Sangkan is a renowned presence in the Cirebon tri-border region, especially within Kuningan Regency. Its history dates back to April 17, 1998, when it first opened its doors as a SPA called Aqua Medic Pool, specializing in hot water massage therapy. Over time, it evolved into the Hotel Grage Resort Sangkan Kuningan that we know today. (Asriani et al., 2021). Over time, there have been significant developments, including the expansion of facilities and the adjustment of room numbers to align with trends and corporate requirements. What initially consisted of only 28 rooms has now grown to include 79 rooms, along with the addition of a semi-Olympic swimming pool, a mini water park pool, and the introduction of a jogging track.

Figures 1. Meeting Room at Hotel Grage Resort Sangkan Kuningan



The primary business of Hotel Grage Resort Sangkan Kuningan encompasses the hotel itself, alongside additional ventures such as a shopping mall and residential properties, with a total workforce of 76 employees. However, this study will specifically concentrate on Hotel Grage Resort Sangkan. Grage Resort Sangkan Kuningan's vision, mission, and strategy are encapsulated in the motto "Grage is the best." This entails delivering rapid service and striving to become one of the premier hotels in the Jawa region. The strategy revolves around consistently providing excellent and prompt service while maintaining high standards of cleanliness and organization.

The COVID-19 pandemic has had an impact on the hotel's vision and mission, motivating the team to enhance cleanliness, hygiene, and the quality of their workforce. The business operations have been greatly affected by the COVID-19 pandemic. As a result of the pandemic, the hotel's previous maximum occupancy of 100% could only be achieved at 50%, and visitor numbers were limited to 50% based on the company's pre-established standards. This has resulted in several impacts on Grage Resort Sangkan Kuningan's business, mainly on the marketing aspect, the production aspect, human resource management, and the financial aspect.

Marketing Aspect

There have been notable shifts in marketing strategies. Initially, marketing was predominantly conducted offline through methods such as door-to-door sales, distributing leaflets in public areas like malls, and making in-person visits to institutions. However, during the pandemic, there was a shift towards digital marketing, utilizing digital brochures for promotions, such as selling room vouchers or "book later" deals with a one-year validity. This digital marketing approach continued even after the COVID-19 pandemic, with active promotion of the hotel's services through platforms like Instagram, email, WhatsApp, and online ticketing providers.

On the other hand, in building partnerships with institutional customers, whether governmental agencies or corporations, the customer relationship process used to involve physical visits to their offices for presentations and collaboration. Typically, monthly meetings were scheduled to align with the institutions' official calendars. However, this changed when COVID-19 struck, as all institutional visits were restricted. Instead, the adoption of virtual meeting applications like ZOOM and Google Meet introduced a new way of establishing and maintaining relationships with potential institutional clients, a practice that began before the pandemic and continues to this day. Furthermore, in cases where there is an urgent need for in-person meetings, health protocols such as antigen testing, and necessary documentation must be completed beforehand. As an alternative, the use of WhatsApp and email has proven to be effective communication channels to complement the ongoing digital marketing efforts.

On another note, in the service process, including marketing, the hotel has obtained CHSE certification, which stands for Cleanliness, Health, Safety, and Environment Sustainability. CHSE protocols are among the guidelines provided by the Ministry of Tourism and Creative Economy to ensure that Indonesian tourism aligns with these four aspects. Additionally, employees undergo regular health checks, typically conducted every two weeks.

Production Aspect

During the pandemic, there were increased expenses due to various factors that needed to be addressed while providing hotel services, with a primary focus on hygiene. This included the use of disinfectants, hand sanitizers, and the routine changing of masks every two hours. Additionally, the hotel's occupancy capacity was restricted by the government. This had a significant impact on operations, as it resulted in limitations on staff members, with certain facilities such as swimming pools and the spa being temporarily closed. The closure of the spa during the COVID-19 pandemic has persisted until now, while the swimming pool has only recently reopened, approximately within the last week. Hygiene practices were maintained, with an even greater emphasis on safety and thoroughness, compared to the pre-COVID-19 era.

New practices were adopted, ensuring that masks or face shields were consistently worn during work activities, and employees carried hand sanitizers. Multiple handwashing stations were set up to promote personal hygiene for both staff and visitors. The impact was significant, as it necessitated the use of gloves, face shields, and masks, with a reduction in the number of employees as per company standards during the COVID-19 pandemic.

Human Resource Management

As the COVID-19 pandemic took its toll and paralyzed the tourism sector, it resulted in the closure of operations. Consequently, some hotel staff transitioned to a work-from-home setup. Meanwhile, contract employees faced job terminations as a necessary step to ensure the financial stability of the hotel business. On the other hand, permanent employees had to endure and embrace multifaceted roles to cut down on expenditures, showcasing their commitment to the company.

Financial Aspect

The COVID-19 pandemic brought about substantial limitations in the tourism sector, including a 50% capacity restriction for tourist activities, which included hotel occupancy. There were even instances where hotels had to completely shut down following government regulations concerning crowd control. Additionally, other hotel services, such as meeting facilities designed for full capacity, were restricted to 50%, leading to a reduction in revenue from both individual guests renting rooms and institutional clients who typically held meetings and seminars at the hotel. Consequently, this had an adverse impact on the hotel's earnings and the salaries of its employees.

In contrast, before the COVID-19 pandemic, the hotel experienced stable revenue. However, when compared to the pandemic period, there was a significant and sharp decline due to visitor restrictions. On a positive note, revenue gradually improved as the COVID-19 situation eased and economic and tourism conditions began to show signs of improvement.

Changes on Business Strategy

Regarding the changes on business strategy, when represented in a business model canvas, they can be outlined as follows:

Table 1. Business Model Canvas Hotel Grage Resort Sangkan Kuningan

Key Partners	Key Activities	Value Proposition	Customer Relationship	Customer Segment
Local Government Mass and electronic media Government agencies, communities Health Department , Online travel agents such as Traveloka , PegiPegi , Tiket.com , and Booking.com	<ul style="list-style-type: none"> • Room promotions • Meeting room • SPA (closed during the COVID pandemic) • Operational activities are carried out by the security, engineering, housekeeping, food & beverage, marketing, front office, operations, operational director, and accounting divisions. • All operational service activities were closed during the pandemic. • Permanent employees work from home; contract employees were terminated. • Full-time employees are working, and additional staff as needed. 	Having an Aqua Medic Pool, which is the only one in Kuningan, West Java. CHSE certificate, A sufficient number of rooms with the best service.	<ul style="list-style-type: none"> • Conducting regular visits to institutional customers. • Performing door-to-door marketing and direct marketing in crowded malls, city centers, and other locations. • Maintaining communication with customers through telephone and telemarketing. • Communicating via WhatsApp, phone, and email. • Intensifying customer communication and outreach through Zoom meetings, WhatsApp, and social media marketing. 	Local and international tourists Local and central government Corporations, entrepreneurs Significant decrease in the number of visitors Gradual increase in visitors post-pandemic
	Key Resources	Channels		
	Skilled and professional human resources, hotel buildings and all facilities, standard operational procedures for all activities.	Direct visits to institutions and consumers, offline marketing in malls, recreational centers, and engagement with tourist communities. Social media, print media, electronic media for promotional activities like Instagram, WhatsApp, local and national electronic media, email, telephone, as well as online ticket booking applications.		

Cost Structure	Revenue Streams
<ul style="list-style-type: none"> • Employee base salary • Offline and online promotions and operational maintenance • Taxes • Electricity • Water • Telephone • Internet • Health-related expenses, hand sanitizers, antigen tests, and other support. 	<p>The largest revenue comes from room sales, meeting rooms, and the SPA, but they were closed during the pandemic.</p> <p>Other revenue is generated from shuttle services, massages, and the Water boom swimming pool.</p> <p>Revenue from all services began to reopen after the COVID pandemic.</p>
<p>Color keys:</p> <ul style="list-style-type: none"> • Black signifies activities before the pandemic • Red signifies activities changes during the pandemic • Blue signifies strategies continued post-pandemic 	

Source: Processed by Author (2023)

Customer Segments

Before the pandemic, Hotel Grage Sangkan catered to a diverse customer base, including government and corporate clients, community members, and tourists seeking accommodations or event spaces. However, the pandemic led to a substantial decrease in business due to government regulations and reduced operational activities. With the pandemic's easing, the hotel experienced a gradual rise in visits from local tourists, institutions, and the community.

Value Proposition

Hotel Grage Sangkan Resort Kuningan distinguishes itself by offering an exceptional value proposition, including the exclusive Aqua Medic pool, a natural hot water massage therapy with a high sodium content, an amenity not available in competing hotels. Furthermore, the hotel boasts spacious rooms, extensive facilities, a spa, and holds CHSE certification.

Customer Relationship

Pre-pandemic, Hotel Grage Sangkan focused on cultivating positive customer relationships through initiatives like partnership visits and marketing activities in high-traffic locations, including popular tourist spots in the Cirebon and Kuningan regions. The hotel prioritized customer satisfaction by soliciting guest feedback, which was made accessible in guest rooms through comment cards. As the pandemic situation improved, customer engagement and service extended to social media, particularly Instagram, facilitating direct feedback and assessments of customer satisfaction. The hotel also maintained a regular practice of updating monthly promotions and disseminating information about ongoing offers through various channels, including Instagram, WhatsApp, and telemarketing.

Channels

Before the pandemic, the channelling process primarily relied on in-person visits to institutions and consumers for promotional purposes, as well as offline marketing in malls, recreational venues, and interactions with tourist communities. However, as the pandemic persisted and continues to affect operations, the channelling process has evolved to place a greater emphasis on digital and electronic media. This includes leveraging platforms like Instagram, WhatsApp, various electronic media outlets at local and national levels, email

marketing, telephone communications, and online ticket booking applications such as Traveloka, Tiket.com, PegiPegi, and others for promotional activities.

Cost Structure

Apart from the usual operational expenses detailed in the Business Model Canvas above, the pandemic prompted a cost-cutting strategy. This included reducing electricity and water consumption, as well as employee salaries, to prioritize essential expenses and minimize overall costs. Additional expenses related to health measures were incurred to align with government regulations and adapt to the pandemic situation, serving as an extra component of ongoing expenditure. It's worth noting that these costs have decreased since antigen testing is no longer required.

Key Activities

The primary function of the hotel revolves around marketing its complete range of services, encompassing hotel rooms, ballrooms, seminar facilities, swimming pools, and the spa. However, during the COVID-19 pandemic, nearly all these services were suspended. In response, the hotel's management implemented strategies to control operational expenses, including enabling some employees to work remotely and discontinuing the contracts of those with temporary employment status. Nevertheless, as the pandemic showed signs of improvement and occupancy rates and customer visits increased, employees gradually resumed their normal work routines.

Key Partnership

Prior to the pandemic, partnership strategies were implemented in a conventional manner, involving the establishment of partnerships with local government bodies and institutions through face-to-face presentations and direct client visits. Collaborations with individual customers, including tourists, were formed in conjunction with local tourism operators in the Cirebon and Kuningan regions. However, the situation changed significantly when the pandemic emerged, prompting the hotel to forge new partnerships with entities like the Health Department, online media proprietors, and online hotel booking platforms like Traveloka and Tiket.com.

Key Resources

Key resources encompass all the assets, personnel, standard operating procedures, capital, and other elements possessed by the hotel that remain unchanged regardless of the pandemic situation.

Revenue Stream

Revenues from room rentals, ballroom reservations, and swimming pool usage witnessed a sharp decrease during the pandemic. Nevertheless, an aggressive digital marketing approach in managing customer relationships led to a gradual improvement in revenue conditions, particularly in the context of the ongoing "new normal."

CONCLUSION

The COVID-19 pandemic may have ended, but it has imparted crucial lessons on adaptation and business continuity for Hotel Grage Sangkan Resort in Kuningan regency. The strategies for adaptation and sustainability, particularly in the realm of marketing, have predominantly centered on digital marketing tactics via digital platforms like Instagram, WhatsApp, and email marketing, which were not fully leveraged before the pandemic. On the production side, the hotel temporarily halted customer services during the pandemic, leading to efficiency measures involving reduced operational costs and employee salary reductions. However, with the pandemic gradually waning, a phased approach to boosting productivity has been enacted in tandem with the resurgence of tourism in Kuningan and its environs.

In the realm of human resource management, strategies such as Work from Home and employee terminations were adopted to enhance efficiency during the pandemic. As the pandemic subsided, some employees transitioned back to working regular hours. Meanwhile, the pandemic dealt a significant blow to the hotel's financial health, prompting a need for cost-saving measures. However, from mid-2022 onward, there has been a gradual improvement in the financial situation.

The depicted business canvas reflects a shift in strategy during the pandemic, with a focus on efficiency, digitalization, and stringent health regulations. These strategies persist, particularly in optimizing digital marketing channels and instituting new health protocols, which have become standard practice in service delivery, even without antigen or PCR testing.

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