

CHAPTER 1 - INTRODUCTION

1.1. Background

Hospitality is part of the tourism sector that contributes to the state's revenue (Hassan et al., 2018) and it is the most profitable sector in the world economy (Popa et al., 2021). In Indonesia, it provided the largest GDP after palm oil industry (Kemenparekraf Indonesia, 2020). Hospitality industry is classified into two major groups: accommodation and food service (Bukhari et al., 2022). The accommodation includes hotels, motels or resorts and the food service includes food & beverages outlets like restaurants, bars or cafes.

As part of tourism sector, hotel industry has impacted by Covid-19 outbreak. Many restaurants, hotels, airlines or tourist attractions minimized their operations or even closed their operations (Stafford, 2020). Events have been cancelled or postponed globally, and hotel occupancy rates have fallen because of the Covid-19 pandemic (Choirisa, 2022). Hotels have made a number of changes to their operations to lessen the effects of COVID-19, including laying off staff, decreasing expenses, and concentrating more on online. Occupancy, average daily rates, and revenue per availability room have all decreased dramatically worldwide (Peterson, n.d.).

Indonesian Hotel and Restaurant Association (PHRI) said that the outbreak has destroyed almost Rp 85 trillion worth of Indonesia's tourism revenue, which Rp 70 trillion came from hotel and restaurant industry (The Jakarta Post, 2020). Since the outbreak began, the nation's overall hotel occupancy rates have decreased to 30% to 40% (The Jakarta Post, 2020). Hotel room rates and occupancy rates dropped as the demand for hotel rooms remained low.

Table 1.1 Number of Accommodation & Room in Indonesia

Year	Accommodation	Room	Occupancy Rate
2018	28,230	712,202	58.75%
2019	29,243	776,025	54.81%
2020	30,823	870,783	33.79%
2021	27,607	718,898	36.26%
2022	29,742	788,892	46.76% (Jan-Nov)

Source: (BPS - Statistics Indonesia, 2022)

Since the situation started to change as a result of the COVID-19 pandemic, the global economy has been growing steadily, with plans to continue operating under the same plans until the year 2022, despite the fact that they are not quite normal. As Table 1.1 shows that 29,742 businesses in 2022 have been approved for occupancy, increased 7.73% from the year 2021. Furthermore, 12.65% of it are classified hotels and 46,19% of it dominated by beds of accommodations of classified hotel.

With rising and dynamic competition, particularly in the accommodation industry, retaining customers is the increasingly crucial. The more time a customer spends with a firm, the more profitable that connection is for the business. Reichheld and Sasser (1990) in Sim et al. (2006) stated that nine service companies had a 25% to 125% boost in profitability with a 5% increase in customer retention. Long-term clients spend more money, refer more people to the business, consume less of the service provider's time, and are less price sensitive (Sim et al., 2006).

Based on Table 1.2 shows that classified hotels in Tangerang are dominated by 3- and 4-star hotels which some of them are in Accor. Accor is international hotel chain who has the largest portfolio of rooms in Indonesia according to Horwath HTL (2018). In Tangerang the brands are Novotel and Mercure for 4-star hotel, and then ibis, ibis Styles and ibis Budget for 3-star hotel. Several classified hotels in Tangerang are listed in Table 1.2 below with their average occupancy rates in the late five years.

Table 1.2 Average of Occupancy Rate of Star-Hotel Industry in Tangerang

Name of hotel	Star	Rooms	2018	2019	2020	2021	2022
Novotel Tangerang	4	266	88%	86%	64%	86%	76%
Mercure Alam Sutera	4	171	84%	77%	49%	59%	73%
Ibis Gading Serpong	3	208	66%	62%	41%	61%	59%
Ibis Styles Airport	3	251	82%	72%	20%	0%	3%
Ibis Budget Airport	3	186	84%	84%	15%	0%	5%
Bandara Hotel	3	225	46%	2%	-	-	-
Mercure BSD	4	160	-	7%	41%	65%	79%
Atria Paramount	4	172	74%	71%	45%	48%	52%
Arya Duta Lippo	4	190	80%	82%	36%	33%	52%
Golden Tulip	3	226	46%	57%	44%	63%	84%
Allium Tangerang	3	157	58%	53%	31%	-	-
Dprima Hotel Tangerang	4	157	-	-	-	41%	77%
Grand Zuri	4	132	85%	83%	58%	70%	75%

Great Western	3	135	61%	59%	4%	0%	46%
Santika Bintaro	4	167	79%	80%	52%	73%	81%
Grand Serpong	4	292	67%	63%	35%	36%	35%
Olive Karawaci	3	106	65%	52%	20%	24%	36%
Sol Marina	3	134	62%	62%	42%	43%	50%
Grand Sol Marina Jatake	4	149	47%	48%	26%	36%	45%
Narita	3	98	60%	56%	4%	0%	0%
Days Hotel & Suites	3	119	54%	53%	48%	57%	67%
Amaris Tangcity	3	253	10%	6%	0%	0%	0%
Swiss Bell Airport	4	153	81%	78%	41%	49%	79%
Santika ICE BSD	4	285	17%	68%	34%	43%	52%
JHL Solitaire	5	126	14%	47%	34%	57%	59%
Sahid Karawaci	3	94	-	173%	-	-	-
Sahid Serpong	3	97	-	29%	69%	76%	86%
Swiss Bell Serpong	4	107	-	-	49%	63%	69%
Episode Gading Serpong	4	320	-	-	-	57%	67%

Source: (*Hotel Competition Analysis Novotel Tangerang 2018-2022, 2022*)

As business hotel, those three hotels generally have two types of customers, they are group and FIT. Group is type of customer who is usually get special rates. Meanwhile, FIT stands for Free and Independent Traveler or public guest who is usually get regular rates. 18% of their customers are FIT which is considered low (Mixed Analysis Report, Realta System 2022). In addition, growth of their FITs is still unstable as Figure 1.1 shows.

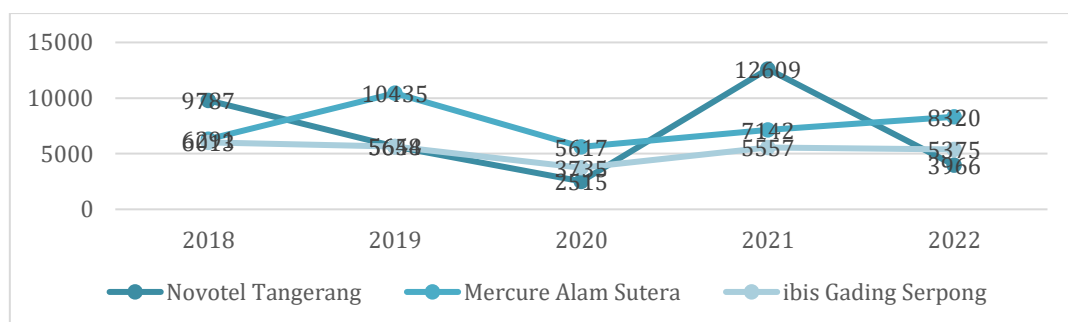


Figure 1.1 Growth of FIT Guests

Source: (*Mixed Analysis Report Novotel Tangerang 2022, 2022*)

But, after they dropped in 2020, FIT at Novotel Tangerang was stand higher in 2021 because of the hotel was become main choice for repatriation public guests of local or foreigner who should do a quarantine after their arrivals in Soekarno Hatta

International Airport due to Covid-19 issue. Somehow, the growth still not significantly increase though some FIT guests have free or paid membership. Using the paid membership, Accor Plus, they can get more benefit by staying at any Accor hotels. Here is the growth of membership recruitment in 2022 as Table 1.4 shows.

Table 1.3 Recruitment of Paid Membership Accor hotels in Tangerang

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Novotel Tangerang	0	0	32	54	26	23	33	29
Mercure Alam Sutera	0	0	13	9	6	10	15	65
ibis Gading Serpong	0	0	9	20	7	5	14	17

Source: (*Mixed Analysis Report Novotel Tangerang 2022, 2022*)

Table 1.4 Number of First Stays at Recruitment Membership Novotel Tangerang

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Number of first stays	21	17	27	23	52	26	40	18

Source: (*Distribution Delivery Report Novotel Tangerang 2022, 2022*)

Table 1.3 and Table 1.4 show that number of recruitments do not always show the higher number of first stay like what happened at Novotel Tangerang. It may cause by the customers do not stay at the hotel where offer them the paid membership. It indicates that Accor hotels in Tangerang not only compete with another group but might also compete within Accor.

Responding to the competition, keeping existing customers—particularly for FIT guests—become more important to manage hotel's sustainability and growth (Saad & Kamel, 2021). It is because it will be more cost-effective than picking up the new customers (Cheraghalizadeh & Dědková, 2022). To be different among the competitors a hotel should develop better customer experience (Kavitha & Haritha, 2016) because it has positive effect on customer retention (CR) in certain -star of classified hotels (Al-Hashem, 2022). Tight competition in hotel industry drives the companies to improve their CR through marketing activities. Retention in hotel industry also depends on the positive business image through customer recognition, flexibility and standardized services using promotion (Khan, 2013).

On other hand, visual communication design (VCD) influence customer experience (CE) through several dimensions such as sensory, communication, behavior and engagement (Ismail et al., 2011). This can be beneficial for hotels to build deeper connection with their customers. To grab customer's attention, exploring visual communication is important since it can influence how guests engage to the hotel through visual content (Sohrabi et al., 2022).

At Accor hotels, VCD for hotel promotion can be for several products such as rooms, meetings, food and beverages or social marketing activities of hotel and Accor's promotion or information. VCD at the hotel found at several area such as rooms, food & beverages (F&B) outlets (restaurant, bar), outside the lobby, inside lobby, lift/elevator. Most design used in those hotels are static graphics which the output can be in printed or digital form. The printed form includes poster, flyer or banner. Digital form includes e-poster, e-flyer, e-banner. The digital form is usually supported by digital devices such as digital signage or television. A hotel graphic designer regularly produces dozens of designs every month depends on the moment. The high season includes school holiday in June to September or December to January and long weekend. Another hand, peak seasons includes larger public national holidays such as Eid Mubarak, Christmas and New Year. The function is to evoke the awareness of the guests in the hotel to be aware of what kind of hotel's offer that exists while they are staying or will exist in the future.

Table 1.5 Media of Visual Communication Design at Selected Three Hotels in 2022

	Novotel Tangerang	Mercure Alam Sutera	Ibis Gading Serpong
Printed welcome banner	Available in front of the lobby and can be viewed from 2 perspectives. Good accessibility for people who cross the lobby and cross the area nearby the lobby. During this year they display 3 designs and will add 1-2 design more until the end of 2022. All designs represent different hotel promotions.	Available nearby the lobby. Only can be viewed from 1 perspective. Good accessibility for the people who enter the area of hotel only.	Available 1 side of banner nearby the lobby. Good accessibility for the people who enter the area of hotel only.

Digital signage	Available at lobby, landing ballroom, lift, landing lift and restaurant.		
	Brand video (lift). Hotel promotions (lobby, landing, restaurant).	Brand video and hotel promotions	Brand video and hotel promotions
In room TV	Available at rooms. Only hotel directory & long-term promotions are displayed.		
Printed poster	Rarely found at hotel but each public floor has at least one poster to share the available promo.		
Flyer	The use of printed flyers is diminished. Printed flyers only for exhibition not for regular marketing.		
Researcher's comment	These three hotels have the similar application in utilizing the visual communication design at their hotel area. The designs used to be static one. Unless the brand videos that talks about the brand and group in general. For the hotel promotions, once the design is created, they just displayed it on all medias in the hotel from the beginning until the promotion expired.		

Source: Researcher's observation

According to previous studies, VCD influences CE through their visual elements (Bleier et al., 2019; Brasov & Manic, 2015; Tilak, 2020). VCD has significant impact on CE (Kiyomarsi et al., 2021; Kujur & Singh, 2020) and does not have significant impact on CE (Ismail et al., 2011) in hospitality industry. Previous studies also stated that CE has positive impact on CR (Fernandes & Pinto, 2019; Gao et al., 2021; Kalungu, 2019) in different industry outside hotel. Though CE does not insignificant effect on CR (Das et al., 2018; Handaruwati & Wibowo, 2020; Juanna et al., 2021). In addition, VCD has significant impact on CR (Adiele & Opara, 2014; Akerejola et al., 2020) and does not have significant impact on CR (Hanaysha, 2017). Number of literatures from previous studies that analyze the impact of VCD, and CE on CR is still limited. Therefore, this research will emphasis the impact of VCD on CR through CE in the hotel industry.

1.2. Research Problem and Gaps

Since the unstable average occupancy rates and low FIT rates as business hotels in Tangerang, it is suspected that those three hotels (ibis Gading Serpong, Mercure Alam Sutera and Novotel Tangerang) have not been maximizing their VCD as the driver to create CE. The frequency of design they have is considered low and the content is not varied enough. Thus, if the design can impact on CE, it can impact on CR as well which enhancing CR will be an effective way to increase hotel's revenue. In addition,

there are evidence gap in several previous studies and limited research has addressed how important it is to VCD for CR through CE. Thus, it is important to analyze how far VCD will impact CR through CE in hotel industry.

1.3. Research Questions

- 1.3.1. How far does visual communication design (VCD) impact on customer experience (CE) in the hotel industry?
- 1.3.2. How far does customer experience (CE) impact on customer retention (CR) in the hotel industry?
- 1.3.3. How far does visual communication design (VCD) impact on customer retention (CR) in the hotel industry?

1.4. Research Objective

- 1.4.1. To analyze impact of visual communication design (VCD) on customer experience (CE) in the hotel industry.®
- 1.4.2. To analyze impact of customer experience (CE) on customer retention (CR) in the hotel industry.
- 1.4.3. To analyze impact of visual communication design (VCD) on customer retention (CR) in the hotel industry.

1.5. Research Context

This research is conducted at several hotel brands of Accor in Tangerang including ibis Gading Serpong, Mercure Alam Sutera and Novotel Tangerang. The respondent will be the FIT or public hotel guests of each hotel that can be male or female from millennial generation who have hotel experiences. Millennial is to be expected will represent 50% tourist demand and consumption market by 2025 (Kadieva & Filipova, 2017).

1.6. Scope and limitation

This research has some limitations. Supporting academic literature that explaining about the relationship between visual communication design and customer experience and retention in hotel industry is still limited. On the other hand, this research focuses

on the customer experience that can be achieved through several in-hotel channels such as welcome banner, poster, flyer, digital signage and television. It means the suitable respondent for this research is the one who experience the visual communication design right in the hotel they visit.

1.7. Significance of Study

1.7.1. Hotel management in Accor

Understanding the relationship between CE and customer retention would help Accor's hotel management develop better customer retention strategies and deliver better goods and services, resulting in sustainable performance of their hotels in the future.

1.7.2. The researchers and academicians

This research can be another literature for the academicians to support their future research of related topic in hotel industry.

1.8. Structure of Study

This research structures are as follows:

- 1.8.1. Chapter 1. This is part of introduction which explains several things start from why this research need to be conducted, research problems, research questions, objectives, context, scope and limitation and significance of the study.
- 1.8.2. Chapter 2. This is part of literature which explore about all variables used in this research. The exploration is from grand theory to previous studies by academicians by summarizing and synthesizing them to develop hypothesis. The hypotheses were analyzed further in a proposed research model.
- 1.8.3. Chapter 3. This is part of methodology of the research which explain more about the model, design, context, unit analysis, data collection, research sampling and variables. This chapter describes how the dimensions and indicators becomes the questions for the questionnaire of this research. In addition, validity, reliability, confirmatory analysis and ethical considerations are also described here.

- 1.8.4. Chapter 4. This is part of results and discussion that comes from the collected data from questionnaires. This chapter will discuss the relationships and hypothesis between variables used in this research as mentioned in Chapter 2. The descriptive analysis was conducted using the statistical program SPSS, and the structural equation model was ran using Lisrel.
- 1.8.5. Chapter 5. This is part of conclusions and recommendations which includes summary of results and discussion in chapter 4. This chapter also offer some recommendation for future researcher or academicians to develop the finding and discussion in the future.

