

Parahyangan Catholic University Faculty of Social and Political Sciences Business Administration Undergraduate Study Program

Distinguished Accreditation SK BAN-PT No. 1842/SK/BAN-PT/Ak-PNB/S/V/2023

Crisis Strategy and Post-Pandemic Transformation of Horison Hotels Group

Undergraduate Thesis

By Kiara Bryna Sefaya 6082001216

> Bandung 2024



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Fakultas Ilmu Sosial dan Ilmu Politik Jurusan Administrasi Bisnis Program Studi Administrasi Bisnis Program Sarjana



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ABSTRAK

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Di masa krisis akibat pandemi COVID-19 yang melanda Indonesia, hampir semua sektor bisnis mengalami penurunan penjualan dan pendapatan yang signifikan. Pandemi COVID-19 telah membawa tantangan baru yang belum pernah terjadi sebelumnya, menyebabkan seluruh hotel di dunia mengalami penurunan pendapatan secara drastis akibat berkurangnya jumlah wisatawan dan pembatasan perjalanan. Namun, salah satu jaringan hotel terkemuka di Indonesia, Horison Hotels Group, telah menunjukkan ketangguhannya dalam bertahan di tengah pandemi COVID-19. Oleh karena itu, penelitian ini bertujuan untuk mengetahui bagaimana Horison Hotels Group menerapkan manajemen krisis dalam kegiatan operasionalnya pada periode sebelum, saat, dan setelah krisis. Selain itu, penelitian ini juga bertujuan untuk mengetahui bagaimana Horison Hotels Group mengadopsi prinsip-prinsip keberlanjutan, digitalisasi dan teknologi, serta ekowisata setelah pandemi COVID-19 mereda. Metode yang digunakan dalam penelitian ini adalah metode studi kasus kualitatif dengan Horison Hotels Group di seluruh Indonesia sebagai objek penelitian. Teknik wawancara yang digunakan dalam penelitian ini adalah wawancara semi-terstruktur memunhkinkan peneliti untuk lebih fleksibel untuk mengeksplorasi informasi lebih mendalam. yang terkumpul akan lebih bervariasi. Hasil dari penelitian ini menunjukkan bahwa dengan mengurangi biaya operasional, mengadopsi strategi "hemat energi", penurunan harga kamar, promosi di media sosial, dan menyediakan layanan pesan antar dari restoran hotel sangat penting dalam mempertahankan operasional dan membantu hotel untuk tetap bertahan selama dan setelah krisis. Lebih lanjut, penelitian ini menunjukkan dampak yang bervariasi di mana grup tersebut menerapkan digitalisasi dalam melakukan penjualan dan mengembangkan ekowisata. Namun, dalam usaha mengadopsi prinsip keberlanjutan, tidak terlihat perubahan yang signifikan. Terlepas dari manajemen krisis yang efektif, penelitian ini menunjukkan perlunya peningkatan dalam tindakan pencegahan dan strategi perencanaan di masa depan.

Kata Kunci: Hotel, Pariwisata, Manajemen Krisis, Keberlanjutan, Digitalisasi dan Teknologi, Ekowisata

ABSTRACT

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During the crisis due to the COVID-19 pandemic that has hit Indonesia, almost all business sectors have experienced a significant decline in sales and revenue. The *COVID-19* pandemic has brought new challenges that have never happened before, causing all hotels in the world to experience a drastic decline in revenue due to the reduction in the number of tourists and travel restrictions. However, one of the leading hotel chains in Indonesia, Horison Hotels Group, has shown its resilience to survive the COVID-19 pandemic. Therefore, this research aims to learn on how Horison Hotels Group conducts crisis management in its operations in the period before, during, and after the crisis. In addition, the research also aims to learn how Horison Hotels Group adopted the principles of sustainability, digitalization and technology, and eco-tourism after the COVID-19 pandemic subsided. The method used in this research is a qualitative case study method with Horison Hotels Group across Indonesia as the research object. The interview technique used in this study is a semi-structured that allows researchers to be more flexible to explore more indepth information. The results of this research show that by reducing operational costs, adopting "saving energy" strategy, reduction in room prices, promotions on social media, and providing delivery services from hotel restaurants were crucial in sustaining operations and helping hotels survive successfully during and after the crisis. Moreover, the study reveals varied impacts where the group adopted digitalization to increase sales and develop ecotourism. However, in terms of adopting sustainability principles, no significant changes were seen. Despite effective crisis management, the study highlights opportunities for improvement in preventive measures and future planning strategies.

Keywords: Hotel, Tourism, Crisis Management, Sustainability, Digitalization and Technology, Ecotourism

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Bandung, 12 June 2024

Apple.

Kiara Bryna Sefaya

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CHAPTER 1

INTRODUCTION

1.1 Background of the Problem

In December 2019, the World Head Organization (WHO) first announced the discovery of a virus that can be transmitted through respiratory droplets found in the city of Wuhan, Hubei Province, China. This virus is called Corona SARS-CoV-2 which requires everyone around the world to minimize physical contact between each other. The impact of the virus extended beyond China reaching into over 180 countries and causing social and economic impacts as well as behavioral and lifestyle changes. The effects of the spread of the virus also shook almost all industrial sectors worldwide. No one had ever expected that in the future all companies would have to prepare to fight for their survival in facing the crisis in the new era of business.

There are relatable similarities between the journey of a business entity and the life of entities in the natural environment as theorized by Charles Darwin. Charles Darwin (1859) quoted from dictionary.cambridge.org defines Darwinism as about how organisms experience changes and development over millions of years. Organisms that can adapt to their environment become the ones that succeed the most, while those that fail to adapt will become extinct. If this is viewed from the point of view of a business entity, companies who always have a strategy to change their business path according to the needs of the environment or market will be more capable of surviving and developing, and will ultimately be able to generate greater profits. Eventually, the life cycle of a business is similar to a living being; there is birth, growth, and crisis. As time goes, businesses and living things will evolve, face challenges, and have to find ways to adapt in an environment that is constantly changing.

As the theory of Darwinism by Charles Darwin states, the ability to adapt is a key component of success. The success of a business is not determined simply by the size of its assets, the scale of its operations, or the management's skill, but by its ability to adapt to an ever-changing environment. In an uncertain and dynamic business world, where external factors such as changes in market preferences, technology, and economic conditions, can change unexpectedly, business that are able to adapt and respond quickly to changing market dynamics will be the most likely to survive. Adaptability allows companies to plan strategies, develop new products or services, and find innovative ways to stay relevant. Therefore, an adaptable strategy is essential to support long-term business sustainability and success.

Every industry in the world has been affected by the sudden appearance of the COVID-19 pandemic, especially the education, manufacturing, airlines and tourism sectors. At that time, the education sector was affected due to drastic changes that required schools and universities to conduct virtual and online learning for an uncertain period of time. While in the manufacturing sector, there were disruptions in shipping logistics and the global supply chain which resulted in a lack of supply of raw materials as well as a decrease in product demand due to an unstable economy. Airlines as the main transportation globally experienced a drastic drop in passenger numbers and revenue due to border closures and stricter protocols compared to before the pandemic. The last sector, the tourism industry, has been the most affected due to global travel restrictions resulting in a drop in revenue for the country's economy.

It has been two years since COVID-19 entered Indonesia in 2020, the tourism sector in Indonesia is still the most affected sector by the COVID-19 pandemic. Chairman of the Indonesian Employers Association (Apindo), Hariyadi Sukamdani, quoted from CNBC Indonesia, Sandi (2022) even stated that the tourism sector is the main sector affected. COVID-19 has caused a reduction in the number of domestic and foreign tourist visits, which has affected the decrease in revenue for the Indonesian tourism industry. According to the Ministry of Tourism and Creative Economy (Kemenparekraf, 2021), due to wider social restrictions and the closing of domestic and international routes, the country's revenue in the tourism sector decreased by 20.7 billion Indonesian Rupiah. During the pandemic, global tourist arrivals experienced a drastic decline of 58%-78% or 847 million Rupiah.

According to chapter 14 section (1) of Law Number 10 of 2009, tourism business generally consists of 13 business entities such as: tourist attractions, tourism areas, tourist transportation services, travel services, food and beverage services, provision of accommodation, organization of entertainment and recreation activities, Meeting, Incentive, Convention, and Exhibition (MICE), tourism information services, tourism consulting services, tour guide services, water tourism and SPA. These businesses began to make changes in their business operations as a way to adapt to the new business era. For instance, due to the restrictions on dining in restaurants, many food and beverage service business owners have come up with new breakthroughs such as "Dine in Car". This trend was created so that diners can order and enjoy their food while it is still warm without having to worry about virus contagion from physical contact.

MICE, a sector that focuses on large-scale national and international meetings in the form of conferences, seminars and exhibitions, is transitioning to online operations supported by high-quality video calling applications such as Google Meet and Zoom. Tour travel agencies have also begun to adapt by creating virtual tours as an alternative to traveling during a pandemic. In this tour, tourism areas and travel agencies invite people to take virtual walks in real time and are given information about what activities can be done, so later on they already know what to prepare once they are allowed to visit these tourist destinations. The entertainment and recreation organizers such as Synchronize Fest have also begun to organize virtual music concerts to entertain the public and also to support musicians affected by the pandemic.

During the pandemic period, of all these sectors, the hospitality industry, which is a major economic contributor to the tourism sector, is one of the sectors that has been struggling to transition to the new business era, especially in terms of business digitalization. This is due to the fact that the hospitality industry provides room services that can only be experienced through in-person interactions. Therefore, the hospitality sector has experienced the greatest impact during this pandemic. The downturn in tourist arrivals has caused the occupancy of hotels in Indonesia to also drop. In January-February 2020, the occupancy was still at 49.17% and 49.22%. But in March it dropped to 32.24%, and worsened by April, with occupancy at only 12.67%. (Kemenparekraf & Baparekraf RI, 2021).

In addition, as a result from the decline in tourist visits, it has led to a significant decrease in revenue and has caused many hotels to temporarily close their operations. on April 3, 2020, the Chairperson of the Indonesian Hotel and Restaurant Association (PHRI), Hariyadi Sukamdani, quoted from liputan6.com (Komarudin, 2020), also stated that there were 1,139 hotels in Indonesia that had decided to close temporarily since April 1, 2020. Nurhayati and Novita (2021) assessed that the decrease in tourist crisis occurred, due to the closure of access for foreign tourists and also the implementation of the closure policy for the tourist attraction itself.

The large decline in the number of foreign and domestic tourists in 2020 represents the direct impact of travel restrictions caused by the COVID-19 pandemic. Based on data from the Indonesia Central Bureau of Statistics (BPS), as shown in Table 1.1 below, in 2020, the number of foreign tourist guests showed a decrease of 80.10%, and domestic tourists by 49.52%. Although in 2021 the number of foreign tourists continued to drop to 71.11%, there were signs of recovery from domestic tourists which showed an increase in hotel occupancy by 28.98%.

Type of Tourists	The Number of Foreign and Domestic Guests in Star Hotels, 2019-2021 (Million)			
	2019	2020	2021	
Foreign Tourists	11,31	2,25	0,65	
Domestic Tourists	71,45	36,05	46,51	
Total	82,76	38,30	47,16	

Table 1.1 Hotel Room Occupancy Rate

Source: Indonesia Central Bureau of Statistics (2021)

Domestic and international travel restrictions certainly had a significant crisis impact on the hospitality industry. Simón-Moya et al. (2016) in Thanapotivirat (2021), define a crisis as any form of disruption, whether large or small, internal or external, technical or economic, that impacts the individuals involved, organizations, or social activities. The crisis experienced by the hospitality industry is also inevitable to large hotels that have been widely known and reputable such as Horison Hotels. Despite having more than 67 hotel units across 11 regions in Indonesia, Horison Hotels are equally faced with the same challenges of maintaining operational sustainability and finding ways to continue attracting guests in the midst of these uncertain times. Although most Horison Hotels are strategically located close to the local tourist destinations in several cities in Indonesia, Horison Hotels are not spared from the impact of the COVID-19 pandemic and remain affected by the decline in the number of guests staying and the stoppage of business revenue.

As a way to support economic recovery, especially so that businesses in the hospitality industry such as Horison Hotel can bounce back from the downturn during the COVID-19 pandemic, in June 2020, the Indonesian government finally began implementing the "New Normal" policy. The policy is implemented to enable the tourism industry and communities to resume normal activities to boost economic and social sustainability, while implementing health protocols to prevent virus transmission. In the new normal period, hotels in Indonesia can return to their normal operations, but in order to attract more tourists in the pandemic era, hotels all over Indonesia must change some operational procedures in their business.

There are several hotel businesses in Indonesia that have benefitted as some hotels are specifically chosen to serve temporary quarantine for passengers flying in from overseas. On December 28, 2020, the Head of the COVID-19 Handling Task Force, Doni Monardo, as quoted from bnpd.go.id (Arifin, 2020) stated that with a cooperation agreement between the COVID-19 Handling Task Force and the Indonesian Hotel and Restaurant Association (PHRI), passengers, both Indonesian citizens (WNI) and foreign citizens (WNA), who arrive from abroad at Terminal 3 of Soekarno-Hatta Airport can take part in temporary quarantine at hotels that have been recommended and selected. This has led to an increase in occupancy and revenue for several hotels in the cities of DKI Jakarta and Tangerang due to their proximity to Soekarno-Hatta International Airport. With the mandatory quarantine of international passengers, hotels that are involved in the program have been able to fill their previously empty room occupancies. However, it turns out that not all hotels are willing to serve as temporary quarantine facilities and prefer to only accept healthy guests, one of which is Horison Hotels. The reason Horison Hotels chooses to only accept guests in good health is based on considerations where guest safety and comfort remain a top priority, so that it can attract guests who are looking for a guarantee of safety during their stay. For this reason, it poses a challenge for hotels that choose to not participate and remain focused on the regular guest market that seeks an environment free from health risks.

The COVID-19 pandemic has drastically changed the perspective of the hospitality industry, where safety and hygiene are now top priorities for guests (Marlinawati, 2023). In the new normal era, hotels need to adopt various adaptation strategies to rebuild customer trust. Hotels are expected to improve their service quality during the pandemic to meet guest demand, especially regarding hygiene, health, and safety protocols (Indrianto & Sugito, 2020). Especially the emerging trend of "staycation" where tourists are on vacation but only staying in the hotel room because visiting tourist destinations are not yet permitted to avoid causing crowds. Therefore, by ensuring high standards of hygiene and safety becomes the key to attract customers in this era.

According to Nufaisa et al. (2020, p. 6) cited in Raditya (2022) the tourism sector is the most affected sector and the first sector to be affected by the COVID-19 pandemic and it is predicted that the tourism sector will also be the last to fully recover. As a result, the hospitality industry as part of the tourism industry is also affected as well. The shifting perspectives of the hospitality industry, where safety and hygiene are now the top priorities for guests as well as the demand to minimize contact, adds a huge challenge to the hospitality industry that relies heavily on direct interaction with customers. Especially, the crisis due to the massive COVID-19 pandemic is a new crisis experience that no one ever anticipated. For this reason, the hospitality industry needs to plan a crisis management strategy and implement more innovative adaptation to resolve the crisis in order to reduce the negative impact.

Ardianto (2013) stated in Yanuar et al. (2022) the practice of crisis management in a company is essential because it allows the company to provide an organized response when experiencing a crisis. The crisis management formulation is very important to implement to ensure the continuity of hotel operations in the midst of high uncertainty. Restrictions on social interaction in the public have limited the hotel's ability to operate normally. When services are unable to be provided directly, hospitality industry players must find new ways to maintain operations and create revenue. The pandemic has caused Horison Hotels Group to experience a decline in sales, but the resilience shown by Horison Hotels Group can be seen as the business continues to operate and is even able to open new branches during the pandemic. The survival and resilience of Horison Hotels Group is an interesting and important thing to learn further considering that many hospitality businesses have experienced a significant drop in performance during the COVID-19 pandemic. The difficulties faced by the hospitality industry has attracted the researcher's interest to study on how the hospitality industry, especially Horison Hotels Group in Indonesia, as part of the most affected industries during the COVID-19 pandemic, implements effective crisis strategies to adapt and survive the pandemic conditions with the limitations they have compared to businesses in other sectors. Thus, this research is titled "Crisis Strategy and Post-Pandemic Transformation of Horison Hotels Group".

1.2 Problem Identification

The hospitality industry is essential and inseparable from the tourism sector, which is one of the contributors to economic growth for Indonesia. Purwowidhu (2023) stated that the tourism sector is a pillar of the Indonesian economy and is a major foreign exchange contributor. Therefore, crises that affect the tourism sector such as the COVID-19 pandemic are important to study through empirical research to understand the impacts and to provide useful insights on effective crisis management strategies that can be adopted by hospitality industry when they encounter similar crises in the future.

Horison Hotels Group as one of the major players in the hospitality industry in Indonesia provides an interesting subject for research. Although the COVID-19 pandemic has successfully shaken the tourism and hospitality industry, Horison Hotels Group managed to survive through the crisis and is still operating. Through analysis using the framework from Coombs (2019) published in Nurhayati and Novita (2021), crisis management is divided into three stages of approach, namely the pre-crisis, crisis, and post-crisis. By referring to the background of the problem that has been described, the researcher will formulate the research problems into three periods of time based on the research framework shown below:



Figure 1.1 Stages of Crisis Management Source: Modified from Coombs (2019)

- How did Horison Hotels Group manage to overcome the impact of the crisis caused by the COVID-19 pandemic?
 - a. Pre-crisis: How did Horison Hotels Group detect, prevent and prepare for a potential crisis due to the pandemic?
 - b. Crisis: How did Horison Hotels Group recognize the risks of the crisis and what strategies were implemented to manage the crisis?
 - c. Post-crisis: How did Horison Hotels Group prepare for the recovery phase and how do they plan for the future?

Aside from studying the conditions experienced by Horison Hotels Group and their adaptive behavior in dealing with the crisis due to the COVID-19 pandemic, researchers will ask additional questions, specifically:

2. How has Horison Hotels Group adopted the concepts of sustainability, technology and digitalization, and the rise of eco-tourism activities, through a comparison of before and after the COVID-19 pandemic based on the Hande Oguz (2022) framework?

By studying these three aspects, it can help researchers to get an understanding of the statement given by Oguz (2022, pp. 299-307) in his book chapter entitled: The Future of Post-Pandemic Tourism and Hospitality Industry: A Comprehensive Assessment, which states the existence of a new era for the tourism and hospitality industry after the pandemic is over. Oguz also emphasized, to build the new era of the tourism and hospitality industry, there are three important issues that must be implemented in the future of business, which are sustainability, digitalization and technology and the rise in eco-tourism activities.

The authors are interested in applying the Oguz's (2022, pp. 299-307) framework in this study because it is believed to be suitable for the statement of the upcoming new era of the tourism industry that not only provides benefits to its internal management but also a positive impact on the environment. Comparisons between the pre- and post-pandemic periods will also help researchers to identify significant changes to Horison Hotels Group's operations. Therefore, this study can help researchers to see the application of these three principles to the post-pandemic condition of Horison Hotels Group and to study the transformation carried out by Horison Hotels Group to prepare for a more sustainable and digital future by using the following framework:



Figure 1.2 Post-Pandemic Transformation of the Tourism Industry

Source: Modified from Oguz (2022, pp. 299-307)

1.3 Research Objectives

In accordance with the main issues that have been formulated in problem identification, the objectives to be achieved through this research are:

- To learn about the crisis management implemented by Horison Hotels Group due to the COVID-19 Pandemic
 - a. Pre-crisis: To learn about the detection and prevention actions taken by Horison Hotels Group to face a potential crisis due to the pandemic.
 - b. Crisis: To learn about the risks faced by Horison Hotels Group and the strategies implemented to manage the crisis.
 - c. Post-crisis: To learn about the actions taken by Horison Hotels Group for recovery and the plan for the future after the pandemic.
- 2. To compare the implementation of the principles of sustainability, digitalization and technology, and the rise of ecotourism activities by

Horison Hotels Group before and after the COVID-19 pandemic, by using Oguz (2022) framework.

1.4 Research Object

1.4.1 Profile of Horison Hotels Group

As one of the leading players in the hotel chain industry in Indonesia, the object of this research is Horison Hotels Group all across Indonesia. As stated in Horison Hotels Group's official website, MyHorison.com, Horison Hotels Group is part of a management company called Metropolitan Golden Management (MGM). Metropolitan Golden Management was founded on May 22, 2003 as a hotel management and project management company in Indonesia that focuses on providing operational services for hotels, apartments and shopping centers. Until now Metropolitan Golden Management has operated 67 hotels with a total of around 6700 rooms and owns several hotel brands under their management including Horison Grand, Horison Ultima, Lux Camp by Horison, Horison, Arcadia by Horison, Aziza Hotel by Horison, Horison Inn, @Hom Hotel by Horison, Horison Express (Horex) and Erbe Style by Horison.

Horison Hotels Group comes with a mission of "We bring together people, brand and technology that enable heartfelt experiences for our customers, positive working environment for our associates, high values for hotel owners, and valuable benefits for the community." Horison Hotels Group offers various types of accommodation, ranging from the luxurious to the economical. Horison Hotels aims to be a hotel that can serve the needs of both business and leisure travelers, with a focus on comfort, attentiveness, and high-quality service.

1.4.2 Differentiation Concept for Each Unit in Horison Hotels Group

The differentiation of Horison Hotels Group's brand concept is adapted to various factors, including price, facilities, service level, and target market. The following differentiation classification describes the different types of each hotel:



Figure 1.3 Market Segment Differentiation of Horison Hotels Group

Source: https://myhorison.com/v2/aboutus

First Differentiation Segment: Luxury Hotel

Grand Horison Hotel is a five-star hotel that targets the luxury market by providing superior services and facilities. Grand Horison offers a luxurious and executive stay for guests who demand a high level of comfort.

Second Differentiated Segment: Upscale Hotel

Horison Ultima is a four-star hotel that targets the upscale market. Although it is not as luxurious or as high-class as a luxury hotel, Horison Ultima still offers a quality stay experience but at a more affordable price than Horison Grand.

Third Differentiated Segment: Glamour Camping

This concept offers a unique experience where guests are provided with a comfortable stay as comfortable as a hotel room surrounded by the beauty of the natural environment. Lux Camp by Horison is a glamour-camping (glamping) that offers comfortable accommodation in the middle of nature in the form of tents with facilities such as comfortable beds, furniture, and room service.

Fourth Differentiated Segment: Mid-scale Hotels

Horison, Arcadia by Horison, Aziza Hotel by Horison, and Erbe Style Grand Horison Hotel is a three-star hotel that offers comfort and proper facilities at affordable prices. The target market for these hotels are mid-scale business or leisure travelers. These hotels also provide medium-sized meeting room facilities for business conferences.

Fifth Differentiated Segment: Economy/ Low-Cost Hotel

Horison Inn, @Hom Hotel by Horison, and Horison Express (Horex), are a concept of differentiation to target a market that seeks very affordable prices but still offers good service value. These two-star hotels emphasize simple accommodation for guests who are looking for budget accommodation.

1.5 Benefits of Research

This research is expected to provide benefits and uses for various parties, including writers, Horison Hotel, business literature, and policy makers.

1. For the Author

As a learning tool to increase the author's understanding of how the hospitality industry manages crises during a pandemic. Likewise, it can help her to be able to improve her skills in research, academic writing and analysis.

2. For Hospitality Business Management Practitioners

The expected benefits of the results of this study can be a strategic guide for hotel business managers to be able to face challenges and develop contingency plans when a similar crisis occurs in the future.

3. For Business Literature.

This research is expected to provide new insights in business literature by providing a new understanding of crisis management in Indonesia's hospitality industry, especially during and after the pandemic, and become a reference for further research.

4. For Policy Makers

The results of the study are expected to be a reference for policy makers to support the recovery of the post-pandemic hospitality industry, so that later it can help policy makers to better understand the needs and challenges experienced by the hospitality industry so that policies implemented in the future become more effective and responsive.