



Increasing Room Occupancy and Room Revenue through Price Decision Strategy

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ABSTRACT

Purpose: The purpose of this article is to find out the pricing strategy implemented currently and the strategy should be implemented to increase room occupancy and room revenue at 5 star hotel in Kuta tourist area, Bali, Indonesia.

Research methods: The data analysis techniques used in this research are quantitative analysis technique, analyzed using path analysis in SPSS Program version 25 and the qualitative descriptive analysis to interpret data information through word based on the result and the real situation.

Findings: The pricing strategies implemented currently at the hotel are pricing strategy based on competitor, flexible pricing, and discount pricing. This strategy has a positive effect on room occupancy and room revenue. The flexible pricing is a profitable strategy to increase room occupancy and room revenue of the hotel.

Implication: The hotel must pay attention to the prices offered by the competitors, the flexible prices offered by the hotel website, the discount priced offered to the customers and reconsider pricing strategies that have proven ineffective to be implemented in the future.

Keywords: pricing strategy, flexible pricing, room occupancy, room revenue.

INTRODUCTION

Hotel is a company that provides rooms, food, drinks and other facilities for guests who want to pay a price by the facilities and services received without prior

special assistance (Sulastiyono, 2011). Besides rooms, the hotel researched is equipped with other facilities such as restaurants, meeting rooms, SPA, fitness centres, and other facilities needed by guests during their stay. Having complete facilities and prioritizing service quality to achieve guest satisfaction make the hotel able to compete with other hotels in the Kuta area by carrying out a variety of promotional strategies so that tourists are interested in choosing this hotel as their choice as a place to stay. A strategy itself is a long-term planning that has been prepared by an organization or individual that is useful for achieving goals and targets in business activities (Aithal, 2016).

Strategy is a link between how the plan to be carried out with the goals to be achieved by individuals or organizations in a company (Nickols, 2016). There is many types of strategy, the marketing mix is one of the strategies that is often used. A marketing mix is a tool for marketers consisting of various elements of the marketing program that is considered to implement the marketing strategy and positioning can be run well (Budi, 2013). The most famous and popular marketing mix of all that exists is called the 4 P's model. The variables are product, price, place, and promotion (Doyle, 2013). When a hotel maximizes the room occupancy and room revenue, the marketing mix strategy must be well established, especially the price issue. There are many hotels built, the more intense the competition that occurs between one hotel with another hotel to fill the available hotel rooms. One of the important things that the hotel need is set the room price to face the competition. Price is the amount of money that consumers must pay to obtain a product (Armstrong, 2014).

The importance of pricing strategy to be able to survive the intense competition, profit maximization, sales maximization, prestige and return of investment as desired (Lupiyoadi, 2013). Besides that, the purposes of pricing strategy in the hotel industry are profit oriented, volume oriented, image oriented, price stabilization, and maintain customer loyalty (Tjiptono, 2015). There are many types of pricing strategy implemented in the hotel that can be grouped into one of three orientations, namely cost orientation, demand orientation, and competition orientation (Assauri, 2010). By implemented an appropriate pricing strategy, hotel management can maximize the room occupancy and room revenue. Room occupancy is a condition and situation to what extent or how many rooms can be sold compared to the total number of rooms

that are capable of being sold (Sugiarto, 2011). While room revenue is the revenue earned by the hotel from the sale of rooms sold (Aneswari, 2012).

Based on the data at the last 3 years (from 2017 to 2019) shows that the room occupancy at the hotel in 2017 is 85,8 percent (5299 room night sold), in 2018 is 86 (5373 room night sold) percent and in 2019 is 87,3 percent (5390 room night sold). The room revenue in the past 3 years started from 2017 is IDR 10.479.210.231, in 2018 the room revenue is IDR 9.714.137. 515, in 2019 the room revenue is IDR 9.586.179. 509. It means, the room occupancy in the last years has increased but the room revenue in the last 3 years has continued to decline. This is due to the pricing strategy implemented by the hotel is not suitable and could not meet the expectations.

The purpose of this research is to find out the pricing strategy implemented currently, the effect of pricing strategy to increasing room occupancy and room revenue, and the strategy should be implemented to increasing room occupancy and room revenue of the hotel.

RESEARCH METHODS

The object of research is a scientific goal to get data with specific goals and uses something objective, valid, and reliable about something (Sugiyono, 2016). The object of this research is a pricing strategy in increasing room occupancy and room revenue of the hotel. The independent variable (X) in this research are pricing strategy based on competitor (X1), flexible pricing (X2), and discount pricing (X3) that count the average room rate sold in units of rupiah per night obtained from the price of the room sold either publish rate or contract rate determined by the pricing methods at the hotel in the period of of 2017-2019. The intervening variable is room occupancy (Y1) that shown by the amount of room occupied on a certain period and measured in the form of a percentage and the dependent variable is room revenue (Y2) that shown by the total hotel revenue derived from the room sold, where the sales are classified into monthly revenue and annual revenue, which units are used in rupiah.

Types and sources of data used are qualitative and quantitative data together with primary and secondary data and purposive sampling techniques with a sample. Data collection methods in this research are observation, interview, documentation,

and literature study. The data analysis technique used is mixed method by using quantitative and qualitative. The quantitative analysis technique on this research will be analyzed with classical assumption test and path analysis by using SPSS Program version 25 than explain with descriptive qualitative based on the result.

FINDINGS

The Pricing Strategy Currently Implemented

In order to create room prices that are in line with travellers' expectations, it is necessary to determine appropriate room prices so as to maximize room occupancy and room revenue. Pricing strategy that is implemented at the hotel currently are as follows: firstly, the pricing strategy based on competitor. it is the setting room prices when the management always pay attention to competitor prices with similar industries. The second is flexible pricing, this strategy is when the occupancy is above 80 percent, the room rate will be setting higher than before. The last pricing strategy is discount pricing, this strategy is implemented by giving a discount rate to the client who has contract rate with the hotel and give discount rate to the associate who already join as a member.

The Effect of Pricing Strategy to Increase Room Occupancy and Room Revenue

The effect of pricing strategy to increasing room occupancy and room revenue of the hotel in this research would be examined through some tests of quantitative analysis and interpreted using descriptive qualitative technic. The test that would be used for the data in this research are as following details.

1) Classical assumption test

The first test that would be used for the data in this research is normality test. The result of Normality test of the data in this research is described in Table 1.

Table 1. The Result of the First Normality Test
(Source: Research Data Processed, 2019)

Description	Unstandardized Residual
Asymp. Sig. (2-tailed)	0,200

Table 1 shows the significance value is at 0,200 in condition that the value is higher than the alpha rate at 0,05 ($0,200 > 0,05$). Referring to this result, it can be concluded, the residual of the regression model in this research has been distributed normally.

Table 2. The Result of the Second Normality Test
(Source: Research Data Processed, 2019)

Description	Unstandardized Residual
Asymp. Sig. (2-tailed)	0,200

Table 2 shows the significance value is also at 0,200 in condition that the value is higher than the alpha rate at 0,05 ($0,200 > 0,05$). Referring to this result, the writer can conclude if the residual of the regression model in this research has been distributed normally. The test continued by multicollinearity test with the result as table below (Table 3).

Table 3. The Result of the First Heteroscedasticity Test
(Source: Research Data Processed, 2019)

Model	Significance
Pricing strategy based on competitor	0,435
Flexible pricing	0,328
Discount pricing	0,196

Table 3 shows the significance value for all variables are higher than 0,05 ($X1 > 0,05$), ($X2 > 0,05$), and ($X3 > 0,05$). Referring to this result, the writer can conclude that this research has no any concerns relating to the heteroscedasticity.

Table 4. The Result of the Second Heteroscedasticity Test
(Source: Research Data Processed, 2019)

Model	Significance
Pricing strategy based on competitor	0,787
Flexible pricing	0,952
Discount pricing	0,180
Room occupancy	0,436

Table 4 shows the significance value for all variables are higher than 0,05 ($X1 > 0,05$), ($X2 > 0,05$), ($X3 > 0,05$) and ($Y1 > 0,05$). Referring to this result, the writer

can conclude that this research has no any concerns relating to the heteroscedasticity After this heteroscedasticity test, the data analyzed through the multicollinearity test that is resulting as table below (Table 5).

Table 5. The Result of the First Multicollinearity Test
(Source: Research Data Processed, 2019)

Model	Tolerance	VIF
Pricing strategy based on competitor	0,963	1,038
Flexible pricing	0,963	1,038
Discount pricing	0,997	1,003

Table 5 shows the tolerance value of all variable are higher than 0,10 ($X_1 > 0,10$), ($X_2 > 0,10$), and ($X_3 > 0,10$). The VIF value of all variable also less than 10, ($X_1 < 10$), ($X_2 < 10$, and ($X_3 < 10$). Referring to this result, the writer can conclude that there is no multicollinearity symptom happen in this research.

Table 6. The Result of the Second Multicollinearity Test
(Source: Research Data Processed, 2019)

Model	Tolerance	VIF
Pricing strategy based on competitor	0,572	1,749
Flexible pricing	0,556	1,799
Discount pricing	0,892	1,121
Room occupancy	0,754	1,326

Table 6 shows the tolerance value of all variable are higher than 0,10 ($X_1 > 0,10$), ($X_2 > 0,10$), ($X_3 > 0,10$) and ($Y_1 > 10$). The VIF value of all variable also less than 10, ($X_1 < 10$), ($X_2 < 10$, ($X_3 < 10$), and ($Y_1 < 10$). Referring to this result, the writer can conclude that there is no multicollinearity symptom happen in this research.

Table 7. The Result of The First Autocorrelation Test
(Source: Research Data Processed, 2019)

Model	Durbin – Watson
X_1, X_2, X_3	1,821

Table 7 shows the Durbin-Watson value is at 1,821 in condition that DW value between dU and 4 – dU. Referring to this result, the writer can conclude if there is no autocorrelation symptom happen in this research because dU value (1,6539) < DW value (1,821) < 4 – dU (2,3461) or 1,821 is between 1,6539 and 2,3461.

Table 8. The Result of The First Autocorrelation Test
(Source: Research Data Processed, 2019)

Model	Durbin-Watson
X_1, X_2, X_3, Y_1	1,754

Table 8 shows the Durbin-Watson value is at 1,754 in condition that DW value between dU and 4 – dU. Referring to this result, the writers can conclude if there is no autocorrelation symptom happen in this research because dU value (1,7245) < DW value (1,754) < 4 – dU (2,2755) or 1,754 is between 1,7245 and 2,2755.

2) Path Analysis

Path analysis is considered closely related to multiple regression. It is an extension of the regression model, the researchers use to test the fit of a correlation matrix with a causal model that they test. Path coefficient indicates the direct effect of one variable (assumed to be a cause) on another variable (assumed to be the effect). Many (psychological) studies involve the analysis of mediating and/or moderating effects.

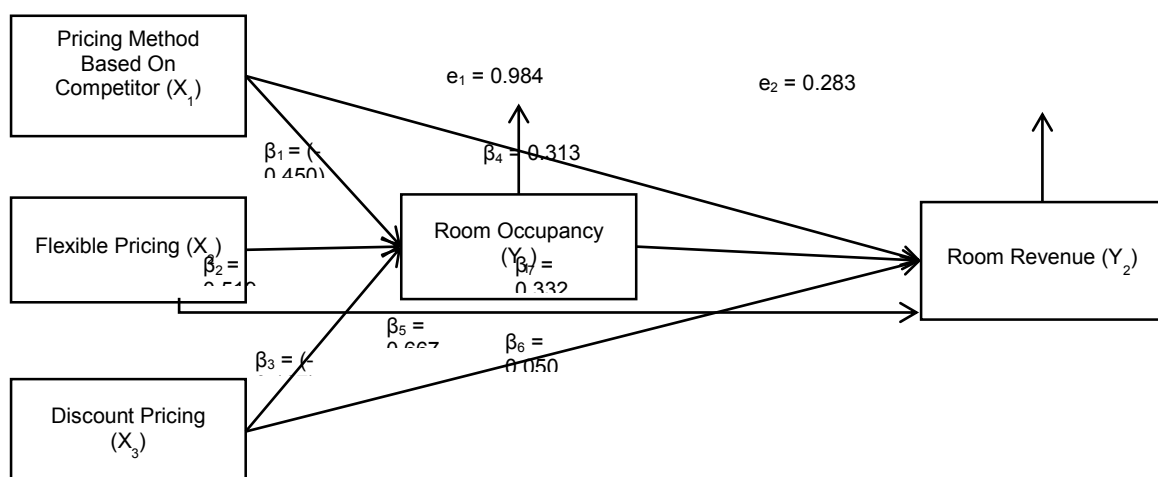


Figure 1. The Result of Path Analysis

When analysing the mediator, there are two effects involved namely direct effect which means the effect from independent variable directly to dependent variable and indirect effect which means the effect from independent variable to dependent variable that goes indirectly through mediating variable. The diagram of path analysis is described as the figure below (Figure 1).

The relationship and influence between variable pricing strategies based on competitors, flexible pricing, discount pricing, room occupancy, and room revenue are described as follows.

Table 9. The Result of Direct Effect, Indirect Effect, and Total Effect of Path Analysis
(Source: Research Data Processed, 2019)

Variable Effect	Direct Effect	Indirect Effect	Total Effect
X1.Y1	-0.450	-	-
X2.Y1	0.519	-	-
X3.Y1	-0.167	-	-
X1.Y2	0.313	$(-0.450) \times 0.332 = -0.1494$	$0.313 + (-0.1494) = 0.1636$
X2.Y2	0.667	$0.519 \times 0.332 = 0.1723$	$0.667 + 0.1723 = 0.8393$
X3.Y2	0.050	$(-0.167) \times 0.332 = -0.0554$	$0.050 + (-0.0554) = -0.0054$
Y1.Y2	0.332	-	-

1) The effect of pricing strategy based on competitor toward room revenue through room occupancy

Pricing strategy based on competitors has a positive and significant effect on room occupancy. Referring to the Table 8, the direct effect of value of the pricing strategy based on competitors toward room occupancy is -0.450. That means, if the hotel management sets the room rate from the pricing strategy based on competitors is getting higher, it will affect negatively towards room occupancy because there are many competitors with the same type and quality that is equal to the hotel, especially in Kuta area.

If we take a closer look at the direct effect of pricing strategy based on competitors toward the room revenue which is at 0.313 and the value of indirect effect is -0.1494. In this case, the room occupancy doesn't affect pricing strategy based on competitors in increasing room revenue, due to direct effect of pricing

strategy based on competitor's variable to the room revenue is valued positive, whereas the indirect effect of pricing strategy based on competitors to room revenue through room occupancy is valued negative ($0.313 > (-0.1494)$). This case could happen because the hotel is the market leader in Kuta area. To create the image of hotel as the market leader, the hotel should set the room rate higher than other 5 stars hotels including their competitors in Kuta. Based on the total effect of pricing strategy based on competitor toward room revenue through room occupancy is at 0.1636. The value is positive, It means that the pricing strategy based on competitor in general affect the room occupancy and room revenue positively. Then the higher prices has been set-up from the pricing strategy based on competitors will lead to the lowering the room occupancy but still increasing the total revenue and create a good image of the hotel among competitors.

2) The effect of flexible pricing toward room revenue through room occupancy

Flexible pricing is the second set up from the pricing strategy that's used by the hotel management. The management sets the price that's tend to be low prices or standard prices when the occupancy hotel is still below 80percent, but when the demand is getting higher and more than 80percent, therefore the price will be automatically getting higher than previously. Based on the test results, it's known that the flexible pricing strategy based on competitors has a positive and significant on room occupancy. Stated on the Table 8, all the test results are positive and significant. The direct effect value of the flexible pricing towards the room occupancy is 0.519, the value of direct effect pricing strategy based on competitor toward the room revenue is 0.667 and the indirect effect is at 0.1723. In this case, room occupancy also influencing the flexible pricing in increasing room revenue. Based on the total effect of flexible pricing toward room revenue through room occupancy is at 0.8393, the value is positive and it means the flexible pricing is generally give positive effect in increasing room occupancy and room revenue of the hotel. This could happen due to the internal party in hotel on controlling the strategy and looking over the situation and any certain circumstances. If the room occupancy on a certain day has exceeded 80 percent, therefore the management will increase the room rate on website. One of the examples is when the holiday season welcoming the New Year's Eve that will come eventually in two months, then the hotel management will increase the room rate by two times of the standard prices due to the level of occupancy of the rooms on that specific date had already filled more than 80

percent, therefore the other 20 percent of occupancy will be filled with the higher prices as to increase the hotel's room revenue. Hence it can be concluded that the hotel management sets the room rate based on the flexible pricing higher, therefore it will increase the room occupancy and room revenue.

3) The effect of discount pricing toward room revenue through room occupancy

Discount pricing is the third pricing strategy that implemented by the hotel management. Based on the test results, it is known that discount pricing has a negative and significant effect on room occupancy. Based on the Table 8, the direct effect value between the discount pricing toward room occupancy is -0.167, this means that if the hotel management gives more discounts it will negatively affect room occupancy. If seen from the direct effect value of discount pricing toward room revenue is 0.050 and the value of indirect effect is -0.0554. In this case, room occupancy does not affect discount pricing in increasing room revenue because the direct influence between variable discount pricing on room revenue is positive while the indirect effect of discount pricing on room revenue through room occupancy is negative ($0.050 > (-0.0554)$). This can happen because the hotel provides the discount of room rate but with a percentage that is not too high around 5-10 percent so that the room rate is still standard and has a positive effect on room revenue. Based on the total effect of discount pricing toward room revenue through room occupancy is at -0.0054. The value is negative, It means the more discounted rate offered by the hotel give negative effect to the room occupancy and room revenue. The discount pricing will decrease the room occupancy and even room revenue.

The Strategy should be Implemented to Increase Room Occupancy and Room Revenue

The flexible pricing has the biggest total effect of the pricing strategy that is implemented at the hotel, it is at 0.8393. Flexible pricing is a pricing strategy that is managed directly by the hotel's internal management. The management can increase the price of the room when the room occupancy rate is above 80 percent so that the remaining 20 percent can be filled with high room prices. Flexible pricing can increase the room occupancy and room revenue maximally. In addition, when viewed from the total effect in the previous discussion, pricing strategy based on competitors has a total effect is at 0.1636. This value is smaller than the total effect of flexible pricing and is still positive.

However, if the hotel management wants to establish a pricing strategy based on competitors as a pricing strategy, then the hotel will have a good hotel image in the eyes of competitors, but this strategy cannot increase room occupancy and room revenue to the maximum. Meanwhile, based on the results of the analysis above, the last pricing strategy that is the discount pricing was not in line with management's expectations. This strategy actually has a negative of the total effect, it is -0.0054 which means that if the hotel management implemented this pricing strategy there will be a decrease in room occupancy and room revenue of the hotel.

CONCLUSIONS

The price decision strategy implemented currently at this hotel is divided into 3 pricing strategies; those are: pricing strategy based on the competitor, flexible pricing, and discount pricing. Regarding the effect of pricing strategy to increasing room occupancy and room revenue of the hotel, the conclusion are described as follows: The higher room rate from the pricing strategy based on competitor set, it can decrease the room occupancy but it can increase the total of room revenue. The higher room rate from flexible pricing set, it can increase room occupancy and room revenue at the hotel. The more discounted rate offered by the hotel will decrease the room occupancy and even the room revenue.

The strategy should be implemented to increase room occupancy and room revenue of the hotel is the flexible pricing. Flexible pricing has the biggest total effect of the pricing strategy, when compared with 2 other pricing strategies implemented.

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