

# Strategic Marketing in Crisis (Covid-19 Pandemic): A Study at PrimeBiz Hotel Surabaya

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**Abstract:** COVID-19 pandemic has disrupted the global economy including the hotel industry locally and internationally. It has spread to practically every country in the world. While survival of hotel industry was at its stake, there was a need of research to know management response to this crisis and opted strategies for survival. The purpose of this research is to design a marketing strategy at PrimeBiz Hotel Surabaya that deals with Covid-19. This research was conducted using a qualitative approach based on case studies. This study uses triangulation methods to validate and view from various perspectives. The data collection procedure used in this study was in-depth interviews. The findings of this study indicate that the economic crisis brought on by the coronavirus had an effect on the hotel in Indonesia. Overall, the key findings imply that the PrimeBiz hotel improved and adjusted its marketing mix in response to the issue. The Indonesian PrimeBiz hotel required to alter its marketing mix as a result of the shift in consumer purchasing behavior, which was a significant factor. In order to prevent the virus from spreading, the Indonesian government and the Public Health Agency put in place measures like social exclusion, travel restrictions, and solid borders.

**Keywords:** strategic management, hotel industry, Surabaya hotels, Covid-19 impact, response, risk management

## A. INTRODUCTION

Organizations operate in a highly integrated global commercial environment (Alhawari et al., 2012). As a result, enterprises are more sensitive to unique and unexpected international events, such as a crisis, because they introduce new risks and create an unpredictable business climate. Companies that fail to adjust during a crisis may find it difficult to stay afloat, if they survive at all (Darbonnens & Zurawska, 2017). As a result of the corona-pandemic epidemic (Covid-19), the world is currently undergoing an economic crisis, which is affecting sectors. Indonesia is a tourist-friendly archipelagic country with abundant natural beauty. As a result of this benefit, the government may consider positioning it as a comparable sector of Indonesian

tourism to that of other countries. As either a conclusion, tourism is the most important business for boosting a country's foreign exchange profits because the resources needed to develop tourism are already available (Hakim, 2020).

The PrimeBiz Hotel Surabaya is one of the hotels that this epidemic has impacted. Although PrimeBiz is a midscale hotel located in the South Surabaya area, it must compete with other hotels to survive during and after the pandemic. Due to a significant decrease causing a widespread, the number of visitors decreased drastically compared to the previous year.

That is the most concerning matter for the hotel industry, particularly hotels based in Surabaya. Surabaya is a city where most visitors arrive for business trips. Therefore, it was a

**Table 1 Occupancy and Net Revenue Data from PrimeBiz Hotel Before and After**

Month	Sep-19	Oct-19	Nov-19	Dec-19
Occupancy %	54.10%	61.68%	67.23%	66.25%
Total revenue	1.518.172.016	1.615.123.147	1.883.343.988	1.791.938.238

Month	Nov-19	Dec-19	Jan-20	Feb-20
Occupancy %	71.44%	68.54%	55.34%	57.80%
Total revenue	1.199.167.227	1.256.617.960	1.013.648.042	865.707.231

Source: Hotel Internal Data

grave concern that significantly impacted hotel operations, particularly revenue. Data on occupancy and total net income for the preceding four (6) years before and after are provided in the Table 1.

According to occupancy and revenue data collected over the past six month before and after pandemic, the PrimeBiz Hotel is one of the hotels that has been negatively impacted and has been able to stay open despite the loss of revenue. In addition, the closure of the surrounding areas and the reduction in the number of available flights reduced the intention to travel to Surabaya. For this reason, the prime business hotel must develop a new strategy for post- epidemic operations to get the most out of existing resources.

The Covid-19 problem has undoubtedly upset the hotel sector. Over half of the country’s largest cities’ hotels are fighting to stay in business as a result of the severe impact, with most of them operating below the point at which most hotels can break even and pay off debt. Hotels would be wise to put the lessons they’ve learned from this year to use and get ready for the future of the industry beyond Covid-19 even though the hospitality sector is still having trouble with almost two-thirds of hotels operating at or below 50% occupancy and hoteliers are growing worried about the outcome of this New Year travel. It’s time to adapt and innovate

how hotels draw guests now that cleanliness and safety are more crucial than ever.

According to occupancy and revenue information for the previous four years, the PrimeBiz Hotel Surabaya saw a fall in business during the epidemic. Hotel PrimeBiz is one of the most adversely impacted hotels, according to occupancy and income data gathered over the previous four years, and has managed to stay open despite the loss of revenue. Furthermore, fewer people planned to come to Surabaya as a result of the closure of the neighborhood and the reduction in airline options. In order to maximize the potential benefits from the resources at hand, PrimeBiz Hotel must create a new plan for carrying out post-pandemic operations.

The hotel’s management made a concerted effort to reduce expenses in order to prevent budget overruns, which led to the layoff of about half of the whole employees. Despite this, the standard of service that is provided must be of the greatest caliber, and the hotel’s management needs to pay more attention to the issue of cost management in order for the company to continue financing its operating activities. The pandemic issue has forced suppliers of tourist goods and services to confront uncertainty and risk in order to maintain good connections with their customers. In many industrialized nations, including the United States and Singapore, there are numerous autonomous

authorities that can handle commercial crises. These organizations help create crisis management strategies, which are subsequently turned into rules for companies or other organizations that fall under them and are known as the “Business Continuity Plan” (Soetjipto, 2020). The PrimeBiz Hotel in Surabaya must therefore come up with a strategy for handling the problem in order to lessen the pandemic’s effects. Offering strong planning and execution processes for business continuity can achieve this.

A suggested technique for enterprises with limited resources (typically hotels) to deal with an economic crisis is marketing innovation (Naidoo, 2010). The adoption of a new marketing plan that involves modifications to product design, price strategy, packaging, and product placement is referred to as marketing innovation. (Varadarajan, 2018).

When a company, such as the hospitality industry, is hit by a crisis, marketing strategies may need to be updated and changed (Karlsson & Tavassoli, 2016). In such cases, firms must keep in mind that implementing a new marketing strategy should not result in lower marketing expenditures (Köksal & Zgul, 2007).

Reassessing the marketing mix and realigning the value offered to match customers’ modified demand as a result of the crisis (Karlsson & Tavassoli, 2016; Falk, 2013) could be a crucial first step in changing the marketing strategy. According to empirical evidence, marketing innovation activities have a favorable impact on the economic viability of hospitality organizations (Nieves & Diaz-Meneses, 2016).

An economic crisis brought on by the coronavirus epidemic has so far required unprecedented global measures (Fernandes, 2020). Every crisis is unique; therefore a firm cannot prepare it in advance on how to handle it. As a

result, companies encounter crises with a limited level of competence (Grewal & Tansuhaj, 2001). In light of this, the authors want for this study to give new knowledge about how Indonesian hotels in the hospitality industry might survive the current crisis as well as research that can help in the management of future crises.

The coronavirus outbreak has produced an economic disaster that has required unparalleled global reactions to date (Fernandes, 2020). Because each crisis is unique, a firm cannot prepare for it in advance, and as a result, companies respond with limited skill (Grewal & Tansuhaj, 2001). With this in mind, the authors expect that their work will contribute to a greater understanding of how hotels in Indonesia’s hospitality sector could survive the current crisis, as well as research that will aid in the management of future crises. Figure 1 depicts how hotels can adjust to an economic downturn by undertaking marketing innovation activities (changes in the four P’s of the marketing mix) to understand how they can stay afloat during the current downturn.



Natural disasters, technological catastrophes, and economic crises are just a few examples of the many types of crises that can strike without warning and in ways that no one could have predicted (Grewal & Tansuhaj, 2001). Decisions with low probability, ambiguity, and high consequences that are made under time constraints are considered crises by Pearson & Clair (1998). There are many ways that an economic crisis can have an impact on busi-

nesses, and if they are not properly managed, the consequences can be severe (Ghandour & Benwell, 2012). Due to a lack of consumer demand and the resulting competition, some businesses are forced to reduce production (i.e. supply).

Even if they don't have to lay anyone off or decrease their wages, some enterprises are compelled to close their doors for good. Financial losses might also occur as a result of supply chain disruptions (Ghandour & Benwell, 2012). Reduced output and a demand deficiency result in unemployment in the event of a supply disruption (Guerrieri, Lorenzoni, Straub, & Werning, 2020). A supply disruption could affect the business both internally and externally since the reputation and trust of stakeholders are at danger (Ghandour & Benwell, 2012; He & Ran, 2015). Supply shocks that initially affect only one business can swiftly spread to other industries during a pandemic.

## **B. LITERATURE REVIEW**

### **1. Hygiene and Cleanliness**

During the Covid-19 epidemic, things changed. Furthermore, because achieving a better level of cleanliness may necessitate investments in technology, equipment, and money, future research should evaluate how far different types of hotels should enhance their sanitation methods.

Hygiene can refer to more than only sanitization. It can also refer to several areas of health care. When arranging vacations following the Covid-19 epidemic, customers are likely to be more concerned about basic health-care availability, such as how to get medical care if they become unwell. On a personal level, guests prioritize their health and cleanliness as lines of

defense against diseases, such as through a balanced diet and good sleep hygiene. The cleanliness of a hotel's guestrooms (such as bedrooms and bathrooms) is a key aspect in defining its reputation (Gu and Ryan, 2008).

### **2. Innovative Marketing in the Hospitality Sector**

New technologies, particularly the emergence of the internet, have had a tremendous impact on tourism and hotel marketing ideas in times of crisis, according to empirical data from a prior study (Campo et al., 2014; Nicolau & Santa-Mara, 2013). Since the internet's inception, businesses have had low-cost access to an endless number of customers (Consiglio et al. 2018; Campo et al. 2014). Web sites and social media activity for businesses are important tools for marketing services and products. Furthermore, using a website as a sales channel eliminates the need for intermediaries, saving money for the hotel and making it easier for customers to obtain information about the company or a product (Hjalager, 2010; Consiglio et al., 2018; Campo et al., 2014)

These marketing ideas developed from new technologies have proven to be a critical component for hospitality companies to remain competitive and grow sales (Scaglione et al. 2009). Marketing innovation efforts have a favorable impact on the economic viability of hospitality businesses (Nieves & Diaz-Meneses, 2016).

Furthermore, empirical findings from a study by Campo et al. (2014) demonstrated that hotels' ability to adapt during the 2008 financial crisis resulted in an increase in customer service quality, satisfaction, and value offer. These three terms are essential for maintaining and gaining a competitive advantage as well as financial profits (Medrano et al., 2016; Anning-Dorson et al., 2018).

As an outcome, companies who purposely restricted marketing innovation activities in the face of a crisis should reevaluate their decision and instead implement marketing innovation activities such as new process enhancements and new services (Campo et al. 2014). According to the conclusions of an empirical study, hospitality firms should focus marketing innovation in order to prosper in times of crisis. Companies in the company are primarily focused on implementing unique marketing ideas, followed by better pricing and increased promotional activities, according to the data (Pappas, 2015).

The most prevalent method was to rely on government aid, according to a report that looked into how hotel marketers dealt with the SARS epidemic in Toronto (when around 75% of the hospitality sector saw a dip) (Jayawardena et al., 2008). The most prevalent approach used by the corporation in order to acquire clients was to give price discounts. However, a few hotels provided their rooms for reasons other than accommodation, such as renting them out as offices (Jayawardena et al., 2008). In a crisis, solutions like the one stated can be more effective than standard price reductions, because price decreases do not enhance profit in the same amount. Companies must instead maintain marketing investment in order to remain successful in the long run (Köksal & Zgul, 2007). Since marketing innovation is defined as enhancements and essential modifications in the marketing mix, it suits the spending ability of hotels. Place marketing, product, and price are three options available to increase consumer value (Naidoo, 2010; Köksal & Zgul, 2007).

The marketing mix is the set of activities used by a company to promote its product or

brand in the marketplace. Another way to describe it is as the organization's blend of diverse marketing decisions for selling its products or services. Which could be employed to help the company innovate its way out of the effects of a recession? (Singh, 2012). It is a dynamic and inventive model that adapts to changes in consumer preferences, market competition, market conditions, and government legislation (Singh, 2012). When a crisis arises, managers in the firm must assess the standard marketing mix model and reshape it with marketing mix tools for marketing innovation (Naidoo, 2010).

### C. RESEARCH METHOD

This research was conducted qualitatively so that the way of thinking, knowledge and the author's perception is very influential. Qualitative research identifies goals certain things through techniques in interpreting a phenomenon in depth without rely on numerical measurements (Zikmund, 2015). Qualitative approach used because the discussion is quite broad in exploring various types of possibilities for the formulation of corporate strategy.

This type of research is descriptive with the aim of describe the actual challenges and problems faced by PrimeBiz Hotel in Indonesia. The author tries to describe the facts related to the problem investigated according to rational interpretation, explain relationships and derive implications and the meaning of a phenomenon that is being faced by PrimeBiz Hotel in Indonesia to provide an objective picture of the situation.

The hotel industry was jeopardized during the Pandemic. This study proposes to analysis of internal and external elements and chooses strategies for the survival of PrimeBiz hotels

located in Indonesia, particularly. Indonesia is one of the biggest countries in the world, which heavily relies upon visitors from across the country.

Interviews were conducted to obtain direct information and face to face with research sources. Resource persons have a role as a key informant and has access to some important company information related to strategies and policies as well as strategic resources in an effort to achievement of company goals. The resource person has occupied this position at least 2 years with positions in the core businesses PrimeBiz Hotel in Indonesia.

**Table 2 The Interview Dimensions and Questions**

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**Questions, Marketing Manager, General Manager**

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- Q1 : Could you please tell us how the Corona-virus is affecting your company?
- Q2 : What do you think about the long-term impacts of this crisis in your business?
- Q3 : What impact has the coronavirus had on your marketing strategy?
- Q4 : What is your strategy for remaining competitive and, as a result, continuing to sell your product or service?
- Q5 : Do you give special attention to frequent customers during this crisis?
- Q6 : Do you think lower prices will attract more customers? In contemporary times of economic difficulty?
- Q7 : Do you use the initial price for quality products, or do you offer quality products to a reduced price?
- Q8 : Can you please tell us about your new plan for promotion and advertising?
- Q9 : Are you promoting more or less than before the economic crisis (derived from Covid-19)?

Q10: Are you considering any new distribution channels for your products and services?

#### **D. RESULT AND DISCUSSION**

The main objective of the research topic was to ascertain what creative strategies hotels employed to get around the coronavirus's challenges. Almost every sector has been hit by the financial crisis, including Indonesia's hospitality sector. The findings of this study indicate that the current economic crisis brought on by the coronavirus has an effect on hotels in Indonesia. According to the study, businesses have three chances to survive: financial resources, government assistance, and/or finding new ways to apply their expertise. Hotels usually have a limited amount of resources; therefore they can't rely on financial reserves to survive a recession when revenues fall. Instead, many hotels are forced to rely on government aid, which is not the long-term solution that will be most profitable. Therefore, the most desirable course of action is to combine subsidies with reallocation and novel approaches to capitalize on the company's strengths.

In general, the findings of this paper's research are consistent with earlier studies' suggested measures for organizations facing a crisis in many ways. It does, however, highlight some distinctions. None of the companies examined have attempted to lower their distribution costs, as an example of how actual tactics deviate from theory. Everyone had made adjustments in their consumer distribution network, but not to save money; rather, the alterations were done to get around government regulations. According to prior study, businesses should focus their marketing efforts on areas where they are a strong competitor. International clients are im-

portant to businesses in the hotel and tourism industries. Furthermore, due to the current situation, these customers are completely unavailable. This underpins the crisis' singularity, which necessitates certain singular responses. An execution of a marketing innovation plan, in turn, can provide the distinctive measures. To withstand this crisis, measures such as facilitating reservations, payment, and refunds, as well as redirected marketing efforts and a long-term focus, will be critical.

## E. CONCLUSIONS

There is a possibility that the widespread fear caused by Covid-19 will have long-lasting effects on travel. After the recent outbreak of a public health crisis, it will be necessary to implement tactics that are both effective and efficient in order to restore travelers' confidence and assist businesses in recovering in a timely manner. The hotel industry's capacity for resiliency and sustainability can be strengthened

Figure 1 - Overview of consequences and actions brought by the COVID-19 pandemic

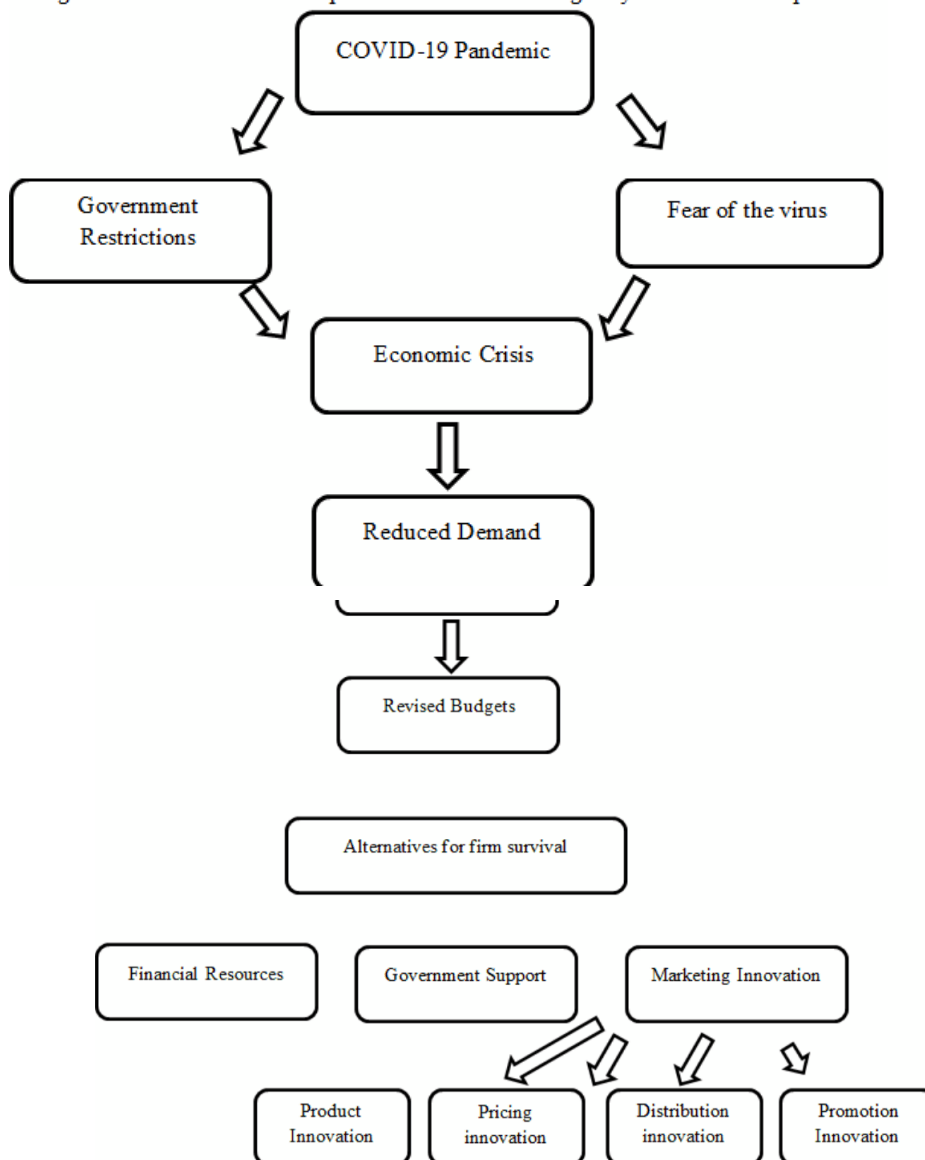


Figure 1 Overview of Consequences and Actions Brought by the Covid-19 Pandemic

by attending to a variety of customers' consumption requirements and taking active actions to transform challenges into opportunities. These initiatives are aligned with expected developments in market demand, such as the preservation of the environment, contactless services, and the health and wellness of travelers.

The actions made by hotels in reaction to the outbreak and the market's fluctuating demand show a number of areas where professional knowledge should be improved. By reflecting on evolving visitor expectations and industry recovery plans, the academic community can contribute to theoretical development in hotel marketing and management. This will aid in the promotion of good improvements in industry practices in the aftermath of the pandemic.

The findings of this study contribute with some novel discoveries due to the fact that the most recent financial crisis, which was caused by the Covid-19 epidemic, is distinct from prior financial crises in several respects. The limits imposed by the government are the most notable factor that contributes to the one-of-a-kind nature of the situation and have rendered it nearly difficult for certain industries to operate. Because of this, businesses have been driven to use novel and creative methods in order to get around the challenges caused by the constraints. As a result, this study has provided with fresh material that has the potential to direct future research on the issue of either the economic crisis or marketing innovation.

In addition to the findings that have to do with the fact that the current crisis is distinct from earlier crises in many aspects, the study has also verified a significant portion of the

findings of the studies that came before it. One of the most important findings of this research, which also validates findings from earlier studies, is the susceptibility of hotels to damage during an economic downturn. This is made clear by the fact that the corporations that were questioned have been compelled to make cuts to their budgets as well as employee positions. The fact that the empirical evidence does not fit the theory in a number of instances is almost certainly something that can be explained by the effects of what it is that makes this crisis exceptional.

The Covid-19 outbreak has caused significant disruption to the operations of hotels all across the world, threatening some of them with extinction. The moment has come for academics and industry professionals to take a close look at the effects of this catastrophe and investigate ways to improve business procedures. Researchers may find that empirical data gathered from important stakeholders are helpful when investigating and analyzing phenomena of interest in order to formulate appropriate predictions. Depending on the studies research aims, future research may utilize focus groups, in-depth interviews, surveys, scenario-based experiments, digital analytics, or a mixed-methods approach to collect data to address the challenges presented in this article. These techniques can be used to collect information in order to solve the challenges stated in this article. In a summary, Covid-19-induced changes in passenger behavior, as well as hotel marketing and management strategies, necessitate additional academic investigation. It is our genuine hope that the study routes indicated in this publication will throw light on relevant subjects of interest and encourage further investigation.



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