THESIS

ENHANCING THE INTEGRATION OF RATES AND OFFERS BY SALES & MARKETING DEPARTMENT TO ACHIEVE REVPAR INDEX AT ANDAZ BALI WITHIN THE COMPETITIVE SET

POLITEKNIK NEGERI BALI

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I hereby declare that the thesis entitled "Enhancing the Integration of Rates and Offers by Sales and Marketing Department to Achieve RevPAR Index at Andaz Bali within the Competitive Set" is truly free from plagiarism. Shall in the future proven that there is plagiarism in this scientific paper, then I am willing to accept sanctions in accordance with the implemented regulation.

Thus, I made this statement letter to be used properly.

Badung, 06 July 2024

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PREFACE

Praise and gratitude the author prays to Almighty God because of His blessings and grace the author was able to complete the thesis entitled "Enhancing the Integration of Rates and Offers by Sales and Marketing Department to Achieve RevPAR Index at Andaz Bali within the Competitive Set".

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Dwi Noer Kumalasari

ABSTRACT

This research examines the integration of rates and offers by the Sales and Marketing department of Andaz Bali to achieve the targeted Revenue Per Available Room (RevPAR) Index within its competitive set. Amid intense competition in Bali's hospitality industry, particularly following the reopening of international borders post-pandemic, this study focuses on Andaz Bali, a luxury resort established in 2021. The hotel faces the challenge of improving its RevPAR index performance amidst established competitors like W Seminyak, Hotel Indigo Seminyak, and InterContinental Bali, Sanur. Through quantitative descriptive analysis and qualitative approaches, this research explores how Andaz Bali can enhance the integration of its rates and offers to secure its market position and improve RevPAR performance. The study compiles data from STR (Smith Travel Research) reports covering the period from June 2022 to May 2023, revealing that while Andaz Bali achieved a high Market Penetration Index (MPI) of 107.7%, its Average Rate Index (ARI) was 91.3, indicating underperformance in room rates compared to its competitors. The RevPAR Index of 98.2 during this period shows that Andaz Bali fell slightly short of its target of 100. The qualitative analysis further delves into the hotel's strategic pricing initiatives and offers. These include dynamic pricing for transient markets, targeted offers for loyalty program members, and tailored packages aimed at capturing different market segments such as domestic travelers and guests from key international markets like the United States, Australia, and South Korea. The findings suggest that Andaz Bali can further enhance its performance by refining its pricing strategies and offers, especially during peak seasons where it underperformed. The development of a focused model for integrating rates and offers will help maximize both occupancy and ADR, thereby improving overall RevPAR performance. The study concludes with recommendations for the Sales and Marketing department to drive business growth and achieve the desired competitive advantage.

Keywords: RevPAR Index, Hotel Pricing Strategy, Competitive Set, Sales and Marketing, Hospitality Industry.

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CHAPTER I

INTRODUCTION

1.1 Background

Statistic Research Department states that in 2021 there were 15,069 rooms in 5-stars hotels and 18,191 rooms in 4-stars hotels in Bali, Indonesia (Yahya, 2022). Most of high-rated hotel rooms in Bali is located in Badung Regency. In total, there were 46,302 thousand rooms classify as star-rated hotels on the island.

Based on the research, the percentage of occupancy in Bali is considerably low with average 12.53% in 2021 for star-rated hotels. Compared to 2020 with 28.71% occupancy in average, the decline numbers were mainly caused of the pandemic situation which greatly impacted to tourism in Bali.

In general, each hotel has to have their unique selling proposition (USP), also called unique selling point in their business model. It is the marketing strategy of informing customers about how one's own brand or product and service is superior to its competitors (in addition to its other values). The USP must be a feature that highlights product benefits that are meaningful to consumers. USP focuses on explicit claims of uniqueness involving an objectively verifiable product attribute or benefit-in-use. Hotel brand exemplifies a complete set of physical and socio-psychological characteristics and principles. The brand built on the hotel's reputation for efficient service, consistency and quality. All of these features have great influence upon consumers' perception of the brand and the meaning they attribute to it. Ultimately, brand perceptions affect consumers' buying decision.

There are prospective financial profits and customer interests in hotel branding. Robust brands are thus significant to encounter the challenges of extremely unpredictable marketplace nowadays. In order to improve their competitiveness, hotels need to generate exclusive features that differentiate their products from those of their contenders. An exceptional food quality from hotel restaurants can be a tactical methodology to their branding undertakings in order to guarantee that they are better able to deal with inconsistent market forces. (Bakir et al., 2017)

In regards to the above explanation, one of the luxury resorts in Bali is Andaz Bali. Andaz Bali is located in Sanur, Denpasar City. It opened in April 2021 with a total of 149 rooms. Andaz Bali is a 5-star hotel and competing with other hotels which located in Bali in general. Two approaches to understanding competition are explained by Smith, Porter, Radyhina on behavioural approach and Edzhwarth, Cournot, Robinson, Chemberlain on structural approach (Melnyk & Yaskal, 2013).

On the behavioural approach, the definition of competition is varied from identifying peculiarities and strategies of the business entities' behaviour in a rivalry for financially efficient demand; the business entities' motivating with the aim of providing competitiveness at the market which this approach lies in the consumers' capital thought the maximum satisfying of their needs. Other than that, neglecting the fact that competitive rivalry takes place not only for the most financially efficient demand but also for monopoly over the distribution markets, raw materials sources, achievements of scientific progress, qualified labour force, etc.

While on the structural approach, the definition of competition is also varied from the impersonal market mechanism does not depend on the activities of certain individuals and business entities, it shows only the market structure and conditions of its functioning are the prime importance. The competition is considered as mechanism of social production regulation which leads to interbranch migration of productive factors. The competitive market is marked with numerous buyers of similar products. And when the volume of sales within such a market is so small that it is not able to influence the product price.

Andaz Bali has identified its competitive set which was approved by Hyatt Corporate and Owner. There are four hotels which identified as competitors: W Hotel and Hotel Indigo located in Seminyak area, Como Uma located in Canggu area, and InterContinental Bali in Sanur area. These competitors are selected based on the location which are in the immediate area geographically (Bali), targeting similar market segments (i.e. leisure), and providing similar products and service at similar prices. Andaz Bali is thriving as a new comer in the market which currently on going to achieve the targeted the RevPAR index. Since it was opened in April 2021, Andaz Bali officially registered its need to Smith Travel Research (STR), a third-party company founded in 1985 which provides premium data benchmarking, analytics and marketplace insights for the global hospitality industry.

Due to pandemic situation, the competition in the market was hard to define. When International Market finally opened start on May 2022, Andaz Bali has set its competitive sets which are approved by stakeholders and submitted to STR. From June 2022, it received the report. As a new hotel opened, hotel is on ramping

up mode, identifying which markets are potential and which comp set to determine its performance. The RevPAR Index goal set is at 100 as hotel's KPI which fair in determining hotel's performance.

Andaz Bali started to utilize STR in June 2022 onwards. This research is compiling one year data until May 2023. Andaz Bali outperformed its competitive set by winning the market penetration index at 107.7. From 1st June 2022 to 31st May 2023, Andaz Bali was sitting at 61.2% occupancy while comp set sitting at 56.8%.

In terms of Average Rate Index (ARI), Andaz Bali was underperforming compared to its competitive set. From 1st June 2022 to 31st May 2023, Andaz Bali's Average Daily Rate was at USD 264.81 while competitive set was at USD 289.96; the result for Average Rate Index was at 91.3 where Andaz Bali's ADR was at USD 25.15 lower compared to its competitive set.

For the Revenue Per Available Room (RevPAR) was at USD 162.69 which was USD 3.03 lower compared to competitive set. RevPAR can be determined by multiplying the occupancy percentage by the average daily rate for the same period. It was resulting the Revenue Per Available Room Index at 98.2 which was below the target set at 100 as per hotel's KPI.

There were previous researches in regard to competitive set. Megayanti did her research in Identification of Competitive Set at The Ritz Carlton Bali. Wijaya has shared his research in regards to Accommodation Business Competition in Bali focusing on Competitive Strategy for Star Hotel in Sanur. Another research was done by Mohammed on Competitor Set Identification in the Hotel Industry which

was focusing on a case study of full-service hotel in Hong Kong, and Hsu did her research on Using RevPAR Index to Classify the Market of Taiwan's International Tourist Hotels.

This is applied research with quantitative descriptive analysis and qualitative method with the purpose on enhancing the integration of rates and offers by Sales and Marketing department to achieve RevPAR Index at Andaz Bali within the competitive set.

The result of this research is an offer of model and recommendation related to the revamped sales and marketing role in integrating rates and offers to achieve RevPAR index at Andaz Bali within the competitive set which also can be applied not only at Andaz Bali but at other similar hotels.

1.2 Formulation of Problems

Based on the background, the formulation of the problem in this research is as follows:

1. How does the Sales and Marketing Department integrate rates and offers to achieve the RevPar Index at Andaz Bali?

2. What is the model of rates and offers integration in achieving RevPAR index at Andaz Bali within the competitive set?

1.3 Objectives of the Study

Based on the problems as the focus of this research; the objective of this research are as follows:

1. To enhance the integration of rates and offers by Sales and Marketing department to achieve RevPar index at Andaz Bali.

2. To develop the model and recommendation related to the integration of rates and offers by Sales and Marketing department to achieve RevPAR index at Andaz Bali within the competitive set.

1.4 Significances of the Study

Based on the problems as the focus of this research; this research offers benefits as follow:

1.4.1 Theoretical Significance

From this research, it will explore the knowledge of enhancing the integration of rates and offers by Sales and Marketing department, business competition, competitive set, and RevPAR index in a hotel.

1.4.2 Practitioners Significance

a. For the student/researcher

This research will offer the benefits for students in understanding the sales and marketing integration, strategies on rates and offers, business competition, competitive set, and RevPAR index in a hotel.

b. For Politeknik Negeri Bali

This research is expected to be used as a source of supporting information and can be a reference for future research related to sales and

marketing integration strategies on rates and offers, business competition, competitive set, and RevPAR index.

c. For the industry

This research as a guidance to understand how to enhance the integration of rates and offers by Sales and Marketing department to achieve RevPAR index within competitive set.

CHAPTER VI

CLOSING

6.1 Conclusion

The enhancement of the synergized performance between rates and offers is presented in the following. There are two types of RevPar Index achievement over the 12 months, firstly, below 100 covers, and above 100. In the month of June, July, August, and September, Andaz Bali were underperformed compared to its competitive set. While the remaining months were outperforming its competitive set at 100.2 index and above.

There are two options in achieving the targeted RevPar Index in one year period. Firstly, to increase the RevPar Index for the months with below 100, secondly to increase the RevPar Index that has achieved 100, as a compensation in case the RevPar Index performance below 100 cannot be increased.

Andaz Bali should identify which months that it can aggressively offer more attractive rates and attractive offers in order to win the market share, and eventually outperforming its competitor set and achieve the desired RevPar Index.

6.3 Recommendation

In order to winning and outperforming the competition by achieving RevPar Index above 100, Andaz Bali has to enhance the integration of rates and offers. Identifying which market and segment could book first to drive volume and then

yield the revenue by focusing in selling higher room categories and increase the selling rate and generate higher average daily rate in the resort.

By determining the booking window and booking pace, Andaz Bali can focus in driving the volume of business or occupancy by securing group businesses in advance, confirming advance purchase business by transient segment, especially the loyalty member program's rate and offer.

Once business on the book is forecasted above pace compared to same time last year, Andaz Bali can start yielding by focusing in driving business by selling higher room categories with higher average daily rate.

Andaz Bali can also focusing in maintaining rate integrity during the identified high demand periods on certain months (high season in July and August, and peak season in December).

When Andaz Bali can way outperforming its competitive set in the identified period, the RevPar Index performance on those months should be able to compensate the performance in the lower months and eventually will give positive result on full year performance.

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