

CHAPTER I

INTRODUCTION

A. Research Background

The hotel industry is a sub-sector within the hospitality industry, which combines spatial and functional accommodation services with the services of food and beverage, including other related services. It is frequently described as a prime example of catering services due to its distinctive spatial, technical, technological, organizational, and personnel abilities. These capabilities enable the facilitation of full catering services, by incorporating accommodation, food & beverages, all within a single establishment (Djordjevic & Jankovic, 2015).

One of the related services that correlates with a hotel's ability to provide catering services is the Catering and Conference Services section under the Sales and Marketing Department. When acquiring clients for event services, each hotel tailors its approach based on its existing amenities, such as the number of rooms, the capacity of meeting spaces, the availability of required equipment, and the scale of catering services. Meeting client demands is crucial to effectively offering available facilities and ensuring a conducive working or celebrating environment for all event attendees (Patterson & Ashrapov, 2022).

Currently, hotels highly value events because it serves as an additional source of ample and consistent income (Patterson & Ashrapov,

2022), though in some cases especially for hotels whose volume of events could boost more revenue than its room occupancy, events such as business meetings, conferences, exhibitions, social events, and weddings, are the main source of revenue.

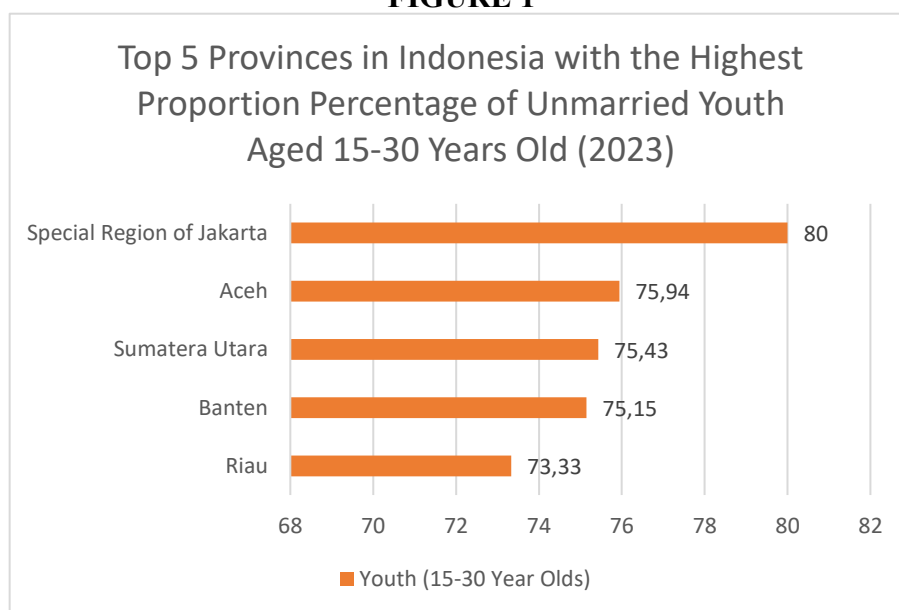
Marriage represents the joining of two people who have different interests but love, support, and help each other. They show this by enjoying life together as a couple (Özyiğit, 2017). A marriage does not only unify a couple, that is a husband and wife, but it also unifies both sides of families from the respective sides of either the bride and groom.

A wedding holds more significance than just a ceremony legally binding a couple. For some, it's a sacred ritual or carries deep cultural meaning for both them and their families. Others may prefer a personalized ceremony that truly represents their bond as a couple. Furthermore, the vows exchanged during the ceremony should extend beyond the wedding day, symbolizing their dedication to each other's relationship (Probert et al., 2021).

In Indonesia, weddings are renowned for being extravagant no matter the social class, whether it be upper class, middle class or lower class. This phenomenon largely stems from the profound cultural and socio-economic significance a wedding celebration holds. According to Maria Sarjani Siregar, T., Dohar, A., Inaya, N. et al on their journal about The Beauty of Wedding Culture in Indonesia (2023) wedding ceremonies in Indonesia showcase the rich diversity of the country's ethnic groups and religious beliefs. They are characterized by vibrant and colorful traditional

attire, with each region having its distinct style. The festivities are a visual spectacle, featuring traditional dances, music, and cuisine typically arranged by the groom. Wedding customs and practices differ based on the couple's region, religion, and cultural background. The majority of the ethnic groups perceive weddings as communal celebrations, not only as a symbol of life's joy but also due to various socio-economic factors. These factors may include the reinforcement of social bonds, the display of familial prosperity, and the preservation of cultural heritage. It is evident from the study conducted by Kurniawan & Samir (2019) supported by Susenas data in the IFLS East working paper, regarding regions located in eastern Indonesia that tend to hold weddings with high expenses and dowry values for the sake of family prestige.

Accordingly, since Indonesian weddings are lavish affairs, they require large teams to manage the grand celebrations. The members of a wedding team usually consist of the hotel salesperson, wedding organizer, catering, cake vendor, decoration vendor, music vendor, lighting vendor, ushers, photographers, videographers, make-up artists, masters of ceremony, and many more.

FIGURE 1

Source: *Badan Pusat Statistik*, March 2023

Figure one above shows, the results of the percentage of the top 5 provinces in Indonesia with the highest proportion of unmarried youth aged 15-30 years old. Based on the data from *Badan Pusat Statistik* Jakarta, the population of Jakarta youths 2023 came to about 2 million people. Out of this total, 1,7 million people, or 80% of the youth population in Jakarta, remain unmarried.

The economy has experienced a consistent 5 percent year-on-year growth for five consecutive quarters. Although this performance is strong, especially considering global uncertainty, it falls short of the 6-8 percent growth rates required to achieve high-income status as envisioned in Indonesia Vision 2045 (International Bank for Reconstruction and Development / The World Bank, 2023). However, it is worth noting that Indonesia has ascended to an upper-middle-income country status, rebounding from its dip to lower income during the pandemic. This resilience demonstrates the potential for growth towards attaining higher

income brackets. This is particularly relevant for Hotel X Jakarta's market, which targets upper-middle to upper-class clientele. This assertion is supported by previous data indicating that an average 1,7 million people, or 80% of the youth population in the Jakarta, aged 15-30 years old as of 2023 were unmarried, suggesting a significant market segment ripe for expansion. Carter and Duncan in *Wedding Paradoxes: Individualized Conformity and The 'Perfect Day'* conveyed that weddings, particularly lavish and costly ones, have gained increased prominence in contemporary times. The modern wedding is often seen as a symbol of personalization and choice, reflecting the unique preferences of the couple. However, traditional elements still play a significant role (2017). This indicates the potential that the Wedding market actually bears for hotels whose specialty and revenue relies more towards event sales rather than room sales.

Hotel X Jakarta is one of the hotels that falls under the category of those who are better at generating more revenue from events rather than room sales proven by the available facilities at Hotel X Jakarta. Hotel X Jakarta, though famed as an ultra-luxurious brand under Accor, only has 173 rooms in total, whereas for the event venues, Hotel X Jakarta has one of the biggest ballrooms in Jakarta being able to host 3.000 pax with 2.520m³ in size, and other meeting room spaces rounding up to approximately 638m³ in size.

To effectively manage an establishment of the scale and stature of Hotel X Jakarta, a highly skilled workforce is imperative, chosen people must be able to encompass both proficient hard skills and refined soft skills.

While soft skills are commonly undervalued in general contexts, they are of utmost importance within the hospitality industry, particularly within the realm of Sales and Marketing. Soft skills, often associated with an individual's intellectual intelligence, form a crucial aspect of their contribution to organizational success. These skills enhance interpersonal effectiveness and prepare individuals to be embraced by others, thereby fostering both tangible and psychometric achievements in their careers (S & Devi, 2020). Organizations that interact directly with their customers tend to be more successful when they provide effective training to their staff to utilize their skills proficiently (Matteson et al., 2016).

Customer Relationship Marketing is defined as all marketing efforts aimed at establishing, developing, and sustaining fruitful relationships to retain key customers and encourage future repeat transactions with them, while also evaluating the lifetime value of customers based on past transactions (Malhotra & Agarwal, 2021). In this context, the hotel salespeople in charge of Wedding events are the ones having to nurture relationships firsthand, either with walk-in clients or wedding vendors who act as bookers or referrers for clients who are still uncertain about the venue to conduct their wedding at. In total, there are about 250 wedding vendors who have worked closely with Hotel X Jakarta or are listed in their wedding vendor roster.

Indeed, Hotel X Jakarta explicitly includes the things stated above in the job description of Wedding and Social Events team members, particularly for the role of Assistant Director of Weddings and Social

Events. Such as for the point of Client Relationship Management, the responsibilities follow “Cultivate and maintain strong client relationships, serving as the main point of contact and addressing client needs; Provide exceptional customer service, addressing inquiries, concerns, and requests promptly.” For the point of Vendor Coordination, “Collaborate with external vendors and suppliers, negotiating contracts, and ensuring services align with event specifications; Maintain relationships with preferred vendors and oversee vendor performance.” The responsibility for Client Expectations and Personalization being, “Balancing the diverse and often high expectations of clients while ensuring a personalized and unique event experience can be challenging, requiring careful communication and customization.” (Job Description of Assistant Director of Weddings and Social Events at Hotel X Jakarta, 2024)

Stated by the Assistant Director of Wedding and Social Events at Hotel X Jakarta “It's really important for us to maintain relationships with vendors because if there are any issues or requests from clients that the hotel can't fulfil, there will be someone to mediate, and usually, it's the vendors, such as wedding organizers, decorators, or others, so they also help us out. The most important thing is to maintain relationships with vendors, and it's also important to maintain relationships with clients because if the relationship is strong, anything can still be discussed (or figured out).” (Author’s Processed Data, 2024).

Within this framework, the individuals recognized as customers are both walk-in clients, and wedding vendors, as they serve as intermediaries

who arrange bookings and give recommendations for wedding clients who are unsure of where to hold their wedding. The wedding vendors are pivotal figures and play an important part in the clients' decisions to choose Hotel X Jakarta as their wedding venue.

As mentioned by the head of Grace Wedding Planner and Organizer on a pre-research interview with the author, "Hotel X Jakarta is pretty good, actually really good, at maintaining its relationship with all wedding vendors in general, and personally with Grace Wedding Planner and Organizer. Generally (for all wedding vendors), they hold regular events, whether it's yearly or every few months, where all wedding vendors are invited. Every time Hotel X Jakarta hosts a vendor gathering, they really appreciate all the vendors and make sure everything is well thought out and tailored to the preferences of the wedding vendors. So, everyone feel like the gathering is (like) a reunion, and it makes everyone feel very happy. That's what the Hotel X Jakarta Wedding and Social Events Team do in general (for all wedding vendors). Personally, with Grace Wedding Planner and Organizer, besides communicating and being active in discussing clients or not, we always support each other with the sales team (Weddings and Social Events Team) or the Hotel X Jakarta team (in entirety). The relationship and communication are good, so all the support is felt in every job or event done by Grace Wedding Planner and Organizer. Sometimes, if Grace Wedding Planner and Organizer need help from Hotel X Jakarta, we get a pretty fast and really helpful response from Hotel X Jakarta." (Author's Processed Data, 2024)

Due to the established trust between Hotel X Jakarta and wedding vendors and Hotel X Jakarta's reputation in the wedding industry, in particular Grace Wedding Planner and Organizer, the head of Grace Wedding Planner and Organizer stated that when a tougher situation or a more unique case of clients come up, they will always choose Hotel X Jakarta, and refer the clients to Hotel X Jakarta. This is because they know that Hotel X Jakarta will always deliver the best and are able to personalize and customize everything according to the clients' needs. Many cases from them having worked together often have shown and made GWPWO even more certain that Hotel X Jakarta could face any challenges or obstacles hand-in-hand with wedding vendors to answer (or to provide a solution, in order to give the best for their clients).

TABLE 1
WEDDING TARGET ACHIEVEMENTS IN TERMS OF QUANTITY AND
REVENUE SEEN FROM THE SOURCE OF SALES 2021-2023

DESCRIPTION		2021	2022	2023
Target Number		52	60	75
Actual Number		64	75	75
Variance (%)		23.08%	25.00%	0
* In Billions of Rupiah				
Target Revenue		50.000.000	52.000.000	68.000.000
Actual Revenue		30.000.000	55.000.000	76.000.000
Variance (Rupiah)		-20.000.000	3.000.000	8.000.000
Variance (%)		-40.00%	5.77%	11.76%
* In Billions of Rupiah				
Source of Revenue	Vendor	10.000.000	22.000.000	26.000.000
	%	33.33%	40.00%	34.21%
	Walk-in	20.000.000	33.000.000	50.000.000
	%	66.67%	60.00%	65.79%

Source: Author's Processed Data, 2024

Based on the data presented above. It should be acknowledged that 2021 was still amidst the pandemic or post-pandemic period. Despite this,

there is a noticeable pattern of revenue growth. Initially, the revenue was underachieving, totaling Rp 30.000.000.000 out of the target revenue of Rp 50.000.000.000, which already combined revenue from the segmentation of walk-ins and referrals from vendors. However, this trend shifted to overachieving in 2022 and 2023, with combined revenue from walk-ins and vendor referrals surpassing expectations, yet underachieving for the walk-in segmentation by itself. It is reasonable to speculate or question why the achievement of wedding revenue for both 2022 and 2023 cannot be solely attributed to walk-in clients. As it happens, it can be observed that in this case, the revenue solely generated by the salespeople or the walk-in segment could only account for 60% of the targeted revenue for 2022, which amounted to only Rp 30.000.000.000 out of Rp 52.000.000.000. Similarly, in 2023, it could only contribute towards 65.79% of the target revenue, amounting to only Rp 50.000.000.000 out of Rp 68.000.000.000. Meanwhile, during the same period, wedding vendors acting as referrers were able to contribute an average of 37.10% to the wedding revenue for the years of 2022 - 2023. This significantly aided in meeting and even surpassing the targeted revenue, a feat that the salespeople alone were unable to accomplish if solely relying on the walk-in segment.

The correlation between Customer Relationship Marketing as a foundational theory and achieving wedding revenue is hypothesized to lie in assessing its potential effectiveness across different customer segments. It is thought that Customer Relationship Marketing applied to vendors may significantly contribute to revenue generation because it underscores the

importance of maintaining solid relationships between the sales team and vendors to ensure continued referrals. This way, vendors, acting as intermediaries or bookers, are more inclined to recommend Hotel X Jakarta to their clients as an ideal venue for their wedding. The head of Grace Wedding Planner and Organizer or GWPWO for short, even stated that with such effective collaboration and responsiveness, successful events are achieved, illustrating good marketing practices and mutual benefits for GWPWO and Hotel X Jakarta (Author's Processed Data, 2024).

For walk-in clients, it is uncertain how effective Customer Relationship Marketing will be. The hypothesis is that the effectiveness of CRM in this context may depend on the salespeople's ability to cultivate strong relationships with clients and wedding vendors, potentially securing referrals and bolstering revenue. However, it remains uncertain whether personalized marketing strategies and tailored experiences would be necessary to enhance CRM effectiveness for walk-in clients, potentially fostering lasting relationships and driving revenue growth.

In essence, this study sets out to explore the intricate dynamics of wedding revenue generation, particularly focusing on the application of Customer Relationship Marketing (CRM) within Hotel X Jakarta. The research is motivated by a fundamental concern regarding the effectiveness of customer relationship marketing in achieving targeted revenue goals, especially in light of the varying contributions from vendor referrals and walk-in client engagement. By prioritizing relationship-building, Hotel X Jakarta hopes to solidify its position as a top choice for couples from the

upper class seeking an unforgettable wedding experience at a luxurious hotel. Furthermore, by fostering collaborations with vendors, the hotel might enhance its reputation and create a network of advocates who endorse its services within the industry. This could lead to Hotel X Jakarta profiting considerably from these relationships by generating revenue through various channels. Additionally, maintaining strong relationships with vendors might result in favorable terms for the hotel, such as discounted rates on services or special treatment, further increasing profitability. This potentially creates a positive cycle where satisfied clients and vendors enhance Hotel X Jakarta's reputation, attracting more customers and business opportunities.

However, the walk-in segment presents its own set of challenges and opportunities. While walk-in clients may not have the same level of loyalty as those referred of vendors, they represent an even more substantial portion of potential revenue. Although, according to the Assistant Director of Wedding and Social Events at Hotel X Jakarta, by prioritizing relationship building with (walk-in) clients, the customer lifetime value and loyalty is favorable, proven by the number of times a parent marries their children off at Hotel X Jakarta throughout many years, which could be one to four couples or one to four children (Author's Processed Data, 2024). This doesn't directly translate into achieving the targeted yearly revenue though. Capturing this segment to achieve the targeted yearly revenue will have to require robust Customer Relationship Marketing. By maximizing the effectiveness of Customer Relationship Marketing for walk-in clients,

so they can confirm their bookings at Hotel X Jakarta, thereby contributing to increased wedding revenue and moving closer to achieving the yearly targeted revenue goals, Hotel X Jakarta might be able to further enhance its revenue generation capabilities and solidify its position in the competitive hotel wedding market.

Therefore, the title of this research is decided to be **“Evaluating Customer Relationship Marketing on Increasing Wedding Revenue: A Case Study of Hotel X Jakarta”**

B. Research Questions

Based on the research background presented above, the main focus of this research are to find answers pertaining to questions as such:

1. How effective are Customer Relationship Marketing on increasing wedding revenue?
2. How does the Hotel X Jakarta wedding sales team implement customer relationship marketing to foster their relationship with clients?
3. What are the outcomes of evaluating Customer Relationship Marketing on increasing wedding revenue?

C. Research Purposes

The purpose of the research is to examine things as such:

1. To explore the methods employed by the Hotel X Jakarta wedding sales team in implementing customer relationship marketing to cultivate relationships with clients.
2. To assess the effectiveness of Customer Relationship Marketing in driving an increase on wedding revenue at Hotel X Jakarta.
3. To evaluate the outcomes of implementing Customer Relationship Marketing in terms of their impact on boosting wedding revenue at Hotel X Jakarta.

D. Research Limitations

The limitation of this research is the source at Hotel X Jakarta is not able to give actual detailed number of figures, and therefore the author is only able to utilize the given estimation of said figures.

The author is also not able to take client information because of confidentiality purposes, and so the subject later on in Chapter 3 will majorly be on the Wedding Sales Team of Hotel X Jakarta, and Wedding Vendors who have worked together with Hotel X Jakarta.

E. Research Benefits

1. Theoretical Benefits:
 1. The author would grasp a better and deeper understanding on how using customer relationship marketing could increase wedding revenue.

2. This could be a source or material of further studies for the readers on customer relationship marketing in hotel related sales and marketing.

2. Practical Benefits:

1. This research could be a foundation or an example for other hotels, of using customer relationship marketing as effort to increase revenue.
2. This research could become a source of information and used as reference regarding customer relationship marketing particularly in the hospitality industry.

