



## Analysis of room rates setting in hotel daily operations

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### ABSTRACT

Hotels have a considerable influence in increasing regional tourism and the economy. The hotel itself means a service or service business operated and managed commercially and provided for everyone to receive services, such as rooms, accommodations, food and beverages, and other service facilities. In the tourism industry, especially in the hotel business, there is a term for room sales that has an important role as one of the elements of calculating income in hotels. The purpose of writing articles is to find out the problems that occur in setting room rates, the factors that affect setting room rates, the type of room rates, the purpose of setting room rates, and the method of determining the base price and sale price. The benefit of writing articles is to develop knowledge, especially about room rates and hospitality; to increase insight, knowledge, and experience in writing articles; to later be useful for education, especially for the hospitality industry. The method used in this writing is a qualitative method that produces information in the form of records or data, is descriptive, and tends to use analysis. Room pricing plays a major role in highly competitive businesses such as hotels because hotel room sales are the spearhead of a hotel business. Apart from the hotel having to maintain its profitability, the hotel also has to provide guests with balanced feedback according to the price paid by the guest. However, if the price setting of a hotel room is not driven by good planning and strategy, the business may fail.

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## 1. Introduction

Tourists who travel to a tourist destination certainly need services that can make their trip easier. Therefore, tourist destinations must have proper facilities for visiting tourists [1]. In this case, tourist destinations can offer products or services that can satisfy tourists. One is hotels, hotels play an important role in the tourism industry. A hotel itself means a service or service business operated and

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managed commercially and provided for everyone to receive services, such as rooms, accommodations, food and beverages, and other service facilities [2].

Hotels have a considerable influence in increasing regional tourism and economy [3]. The effects of room price determination are important because the offered price can return capital, cover hotel operating costs, and the benefits can be used for hotel development and help the local economy [4]. Usually, the price of a room rate varies, determined by the room size, room location, and facilities that the room has.

In the tourism industry, especially in the hotel business, there is a term for room sales or room sales. Hotel room sales are the spearhead of a hotel business because if a hotel is not supported by good sales, the hotel will not be able to sustain its survival [5].

Understanding Room Rate According to [6] price is one element of bauranism. While revenue-generating marketing is the easiest element in marketing programs to customize, product features, channels, and even communication require more time. Meanwhile, according to [7] the price is a component that directly affects the company's profit. States that Price is the amount of money charged for a product or service, or the amount of value that consumers exchange for benefits for owning or using the product or service [8].

Room Rates are room rates given to guests who intend to stay in a related hotel even though the prices of the rooms differ from one another, but all offered prices have their own market targets [9]. Price has a direct influence as a major role in creating value for customers and building relationships with customers. If the selling price is too low it can cause losses, on the other hand, if the selling price is too high it can make selling difficult. In setting the selling price should be appropriate, in the sense that it can provide the best benefits to the company and be tailored to the facilities and benefits that consumers will receive.

The purpose of writing articles is to find out the problems that occur in setting room rates, the factors that affect setting room rates, the type of room rates, and the purpose of setting room rates. The benefit of writing articles is to develop knowledge, especially about room rates and hospitality; to increase insight, knowledge, and experience in writing articles; to later be useful for education especially for the hospitality industry.

## **2. Method**

The method used in this writing is a qualitative method that produces information in the form of records or data, is descriptive, and tends to use analysis. Qualitative data is deep and detailed, or may be called length and width. As a result, qualitative data analysis is more specific, especially for summarizing data and incorporating them into an analysis path that is easy for the other party to understand. There are several qualitative methods, but in this writing it uses a qualitative method of literature study concerning the collection of library lists, reading, and recording using books buku books and other literature as the main object. This is intended to obtain information related to room rates and the dynamic of hotel room prices throughout Indonesia.

Data collection techniques are snowball sampling methods that involve primary data sources and nominate other potential data sources that will be able to participate in research studies. Primary data sources are respondents and informants. Respondents differ from informants. Respondents are the sources of data on diversity in symptoms, relating to feelings, habits, attitudes, motives and perceptions. Meanwhile, the informant is the source of data related to third parties, and data on moisturizing matters or common symptoms. This sampling technique can last menerus continuously

until researchers have enough data to analyze and draw conclusive results that can help make interesting research.

### 3. Results and Discussion

Factors affecting room price determination, including: Value-added rate, in everyday products price determination tends to be sensitive because price is the only strength that producers have. On the other hand, in hotel products the value-added role will be very useful because price sensitivity does not play a role; Information availability, in terms of hotel rates, guests who arrive, are not likely to find price information if they are already in the hotel. Especially because of psychological factors, aggression, and prestige. Therefore, bargaining cannot be done, there is only a price cut for certain groups or guests. Industrial pricing, usually determined by the existing industrial structure. Whether a hotel includes a monopoly or an oligopoly. If it's a monopoly it can set its own price without government intervention. While in oligopoly because there are several similar companies in the market, the price determined jointly is more advantageous because price fixing (price fixing agreement) is easy to do.

Furthermore, factors that also affect room price determination are: Room availability and demand, hotel room prices will usually increase if demand increases but there is little availability. However, the price of a hotel room will decrease if there is little demand but there are many rooms available; Hotel locations usually have beautiful views and complete facilities tend to be more expensive; The type of hotel room, each room in a hotel, usually has different facilities, is natural for a hotel room to have complete facilities The agreement between hotels, as business strategies are usually made favorable prices to each other; certain days (special), room prices will increase as on national big days, religious big days demand also increases.

The influencing factors for final price determination include: Psychological pricing, this policy is usually used for the sale of goods at the retailer level. In this method, the price is set with odd numbers, for example Rp 9,999, -; The company's price policy, the price determined must be consistent with the company's price determination policy. Many companies form pricing departments to develop pricing policies and make and approve pricing decisions. The goal is to ensure that the entrepreneur uses the customer's appropriate price and is profitable to the company; The impact of the price on other parties, management should also consider the reaction of the other parties to the specified price, such as how does the competitor react to the price? Whether the government will intervene and prevent handling the price.

According to [10] there are two types of pricing goals: profit-oriented goals. Profit-oriented goals can be achieved in short-term or long-term periods; sales-oriented goals. This is to increase the sales volume, the determination of the company's price on the sales volume over a certain period of time, for example one year or three years. Management aims to increase sales volume by providing discounts or other aggressive pricing strategies despite having to suffer short-term losses.

Meanwhile, according to [11] the purpose of price determination is as: price determination to achieve income on investment. Usually, large returns from an investment have been determined in percentage and price determination from the goods it produces is required; price determination for price stability. This is usually done for companies that happen to be in control of prices. Price control efforts are aimed primarily at preventing price wars, especially in the face of declining demand; price determination to maintain or increase its share in the market. If a company acquires a certain area of market share, it must try to maintain it or develop it; price determination to deal with or prevent competition. If a new company tries to enter the market for the purpose of knowing at what price it

will set the sale; price determination to maximize profit. This goal is usually a role model for every business venture. It seems that profit-making efforts have an unfavorable connotation as if they are bullying consumers. But it's only natural. Every effort to survive requires profit.

The type of room rate in general According to [12] : The "per-room room rate" is the room price seen as a unit price rather than the number of guests who occupy the room. In this case, rooms are differentiated by type, facilities, location, view etc.; room rates per person tariff are charged according to the number of guests occupying the room; room rates per publication are sold according to publication; room rates per-confide. What is meant by "tarif" is the price of the room charged to certain parties in accordance with the agreement that has been agreed upon.

The type of room rate specifically according to [13] : Seasonal rates are "musiman" room prices, depending on the situation and conditions that occur in the field affected by peak season or room occupancy Prices at peak season (medium occupancy rate) are more expensive than during low season Weekend rates are applied from Friday night to Sunday night, but there are also hotels that only apply Saturday and Sunday night; Group rates are used for the group's guests, usually special offers from the hotel to provide special prices when we purchase a hotel. The room is free of charge/free; Family plans include room prices for one family without taking into account extra beds and children 12 years of age under no additional charge if they are free of charge. her parents; Commercial rates are the price of rooms reserved for guests who have frequently stayed at the hotel;

Airlines rates are the price of rooms that are beneficial to the airline, room rates are applied to pilots, co-pilots, flight attendants, or passengers if they are cancelled or delayed [14]. There are also airline companies that make deals with hotels and usually receive special prices that are included in the ticket; Travel agencies rates are based on special agreements between travel agents or travel agencies with hotels in accordance with the contract rate; Day rates are the price of the rooms [15].The rate of the hotel's use of rooms less than one night (approximately 12 hours) usually does not stay at the maximum check out at 18:00; overflow rates are the price of rooms sent by other hotels because the hotel in question is experiencing full house (all rooms are closed).The hotel is usually booked by a fully book hotel with a cheaper special price offer; the flat rate is applied to the group's guests regardless of the type of room, one price for the group's guests to stay at a single hotel; Package rate is the valid price. These include honeymoon packages, wedding packages, new year packages, Ramadhan packages, Christmas packages, and long-stay packages; Corporate rates are prices for companies or individuals who have cooperated or agreements with hotels; Government rates are the price applied to guests from government agencies.

Membership rate is the price for guests who have joined the club or are members of the hotel, which usually costs an annual fee depending on the type of membership that follows; long-stay guest rate is the price for guests who stay relatively long, generally at least 12 nights; Complimentary rate is a non-refundable hotel or room rates in order to promote hotel facilities or other reasons; the Internet rate is the price applied to guests booking via the internet/website/e-mail; Promotional rate codes are rates offered to guests during short stays and guests are also required to promote occupancy to others. For example, early bird rates (earlier offers available at a lower price) are guests staying for 3 days but paying enough for one day, etc. These rates also typically use marketing techniques such as adding free Wi-Fi facilities for 24 hours, breakfast and welcome drink on their promotional sheets; incentive code. The rate code offered to any individual who belongs to a special group, association or membership card holder such as credit cards, amex, VISA or master will receive a discount for the rack rate. This rate usually gives a reference to a potential business whose services are used by a particular community; Early-Bird rate is a type of rate that is only open 1 day before arrival so you have to book a room within a long period of time before you arrive at the hotel. For example: open only when 7

days before arrival, 14 days before arrival, 30 days before arrival; Best available rates are the lowest discounted rates available for a certain number of days or special days to be offered to each guest by front desk receptionists.

Dynamic best available rates are different types, such as: Dynamic best available rates, a different rate level in each room according to a specific facility or classification set by the company, promotion of this type can be flexibly adjusted and closed according to management; Daily bests can be adjusted. The rate of each room in a predetermined daily time period, is independent of the room-room category of rooms. This rate is set based on the day of the week or may also correspond to the seasonal day with the most hotel room demand in a particular city; the House use rate is a type of room rate that is free to a person or hotel staff, but with the intention of supporting the hotel's activities and needs; This is the type of fare used as a requirement to install a hotel equipment or system in accordance with the hotel management agreement and the group or company that helps the hotel. These rooms will be marked as dummy rooms, paymaster rooms and group master rooms; Virtual rate or follow rates are special rate codes that are derived from other set group rate codes.

The method of determining the base price is a way to account for the elements of cost into the production base price [16]. The company is in the process of production from processing raw materials to products, so it will spend the cost that will be charged to form the selling price of the product. There are several methods for determining the selling price as follows: Full Costing, in the full cost method, the factory overhead costs both fixed and variable are charged to the product produced on the basis of the tariff determined at the beginning. It can be concluded that this full costing method can be used by hotels because hotels are seasonal companies and are right to use during low season; Variable Costing, also known as marginal costing because it only accounts for costs proportional to the volume of sales, so that the cost of a hotel can be calculated does not produce marginal income. This method provides cost information that matches the behavior of its financial statements.

The method of determining the selling price, in the determination of the selling price, must be able to cover the full cost by generating the company's expected profit so that the profit obtained corresponds to the investment invested to produce the product or service. The price determination must also be in accordance with the facilities or services provided. The method of determining the sale price is as follows: The determination of the sale price with Cost Plus Pricing is to determine the sale price by adding a certain percentage of the desired profit to the purchase price; the determination of the sale price with Cost Type Contract is a product or service contract for which the buyer agrees. This allows you to purchase a product or service at a price based on the actual total cost. Cost Type Contract the sale price charged to the customer is calculated based on the actual full cost incurred to produce and market the product; The determination of the sale price of the product or service produced by the company regulated by Government Regulations, the sale price of the product and the service is determined by the cost of the product or service. Special Order Pricing (Special Order Pricing) is an order received by a company outside the company's regular order. Usually, the customer who makes this special order asks for a price below the normal selling price, often the asking price is below the full cost, because usually the special order covers a large amount [17].

Potential room revenue is a tool used by front office managers to evaluate the effectiveness of staff in selling rooms [18]. The potential income a company wants is usually called the maximum potential income, meaning the estimated income level is the highest range or a maximum achievement to achieve [19]. The average ideal rate of a room is a way to sell the room at the best appropriate rate between the facilities acquired by the guest and the amount of fees paid by the guest.

How to increase the Average Daily Rate: Determining the best price of a room, the price plays a big role in the average daily rate figure in the hotel. If the price is too high for the target market, the hotel will not attract guests too much to stay in the available rooms. On the other hand, if it is too low, it may get many orders, but the profit and average daily rate obtained by the hotel will not be able to be maximized. Determining the most appropriate price for the Hotel can be difficult, if you don't know what factors affect it. One of them we have to start from analyzing expenditure costs, competitor prices and occupancy rates in different periods or seasons. Consider using dynamic pricing to achieve maximum profit and price;

Improving guest service, improving the quality of service can be done in various ways such as, improving communication, providing useful information to guests, preparing welcome drink, and providing the best service hospitality to each guest and not discriminating against hotel guests because the more happy the guest is, the more Starting the upselling service, upselling is a sales technique that encourages guests to make extra payments for a service that will improve their overall holiday experience. This may have been quite surprising to the guests at first, but in its application many of the guests were willing to pay more for the following: the process of checking in early or checking out beyond deadlines, airport pick-ups or transport services during their stay, birthday, anniversary, or wedding packages, local tours, etc. Continuing monitoring of the movement of competitors can be helpful, but when it comes to average daily rate, it is important to know how many rates are given to guests. For example, tiffs or prices are lower than competitors, but overall rating scores are higher. This is an indication of an opportunity to improve the room price strategy.

Example of room rate case: First, during low season, Hotel Jentra Dagen located in Malioboro, Yogyakarta often gets requests from guests to give more room price cuts than Hotel offers. The guest is in the group's guest category that rents more than 10 rooms with a demand frequency of 10% of the total rooms sold each month. Before making a decision, the General Manager asked accounting and marketing manager for consideration. The marketing party argued to accept guests so that the room sales target is met. Meanwhile, the accounting side is still uncertain because on one hand the accounting side suggested to reject the price cut request because it is less than the total calculated room cost, but on the other hand the accounting side also agrees with the marketing side because they want to use empty rooms during low season. In the end, the decision so far taken by Hotel Jentra Denan was to still accept guests who asked for the special price cut.

The resolution of these problems depends on the policy of the Jentra Dagen Hotel, they prefer to meet the room sales target, but suffer losses because the set price is less than the calculated total room cost or stick to the set price, but the room sales target is not fulfilled. In the end, the decision so far made by Hotel Jentra Denan is to continue to accept guests who ask for this special discounted rate.

Second, the problem faced by Alana Hotel in Padang, West Sumatra is competition due to the large number of hotels in Padang City. The Alana Hotel management is required to be able to face the competition. However, the price of rooms offered by Hotel Alana has always changed and continues to increase but not followed by the increase in facilities, services needed and expected by consumers according to the price paid. So, this can affect the consumer, where it is likely that if the consumer is dissatisfied, he or she can switch to a competing hotel at any time.

The solution to this problem is that the Alana Hotel management must adjust the price depending on the target market for the local community and the price must be in accordance with the facilities owned by the Alana Hotel. Meanwhile, regarding the problem of competition for the number of hotels in the city of Padang, Hotel Alana must have the courage to offer something unique and different compared to competing hotels in order to attract guests to visit the Alana Hotel.

Third, the problem faced by Hotel Great Diponegoro by Azana in Surabaya, East Java is that the front desk agent changed the room rate on the wholesaler website as well as online travel agent according to the existing selling plan, but the room rate on the wholesaler website or online travel agent did not change, causing complaints from the parties. Hotel management is required to immediately address the problem because prices are a sensitive issue for consumers.

The solution to this problem is that the hotel management is required to immediately resolve the problem by repairing damage to the wholesaler's website and online travel agents so that if the front desk agent changes the room rate prices on the wholesaler's website or online travel agents, they can immediately adjust because prices are a sensitive issue. for consumers. The hotel management can ask the EDP (electronic data processing) to correct the error. According to Ron Weber, EDP auditing is the process of collecting and assessing evidence to determine whether a computer system is capable of securing assets, maintaining data correctness and achieving company organizational goals effectively and using company assets sparingly.

Room pricing plays a major role in highly competitive businesses such as hotels because hotel room sales are the spearhead of a hotel business. Apart from the hotel having to maintain its profitability, the hotel also has to provide guests with balanced feedback according to the price paid by the guest. However, if the price setting of a hotel room is not driven by good planning and strategy, the business may fail. Competition and pressure are always haunting in determining the right room rate in terms of income and in terms of guests. Hotel business operators must be proactive in determining room prices and following applicable market trends.

Setting the price of a hotel room is about earning as much income as possible from each room. Residential rates also play a role in determining room prices. Unsold rooms produce nothing, so setting room prices to maximize occupancy can often be a better tactic than setting room prices to maximize profits individually.

#### **4. Conclusion**

In the tourism industry, especially in the hotel business, there is a term for room sales or room sales. Hotel room sales are the spearhead of a hotel business because if a hotel is not supported by good sales, the hotel will not be able to sustain its survival.

Goal in determining price: Goal is profit-oriented. Profit-oriented goals can be achieved in short-term or long-term periods; sales-oriented goals. This is to increase the sales volume, the determination of the company's price on the sales volume over a certain period of time, for example one year or three years.

Room pricing plays a major role in highly competitive businesses such as hotels because hotel room sales are the spearhead of a hotel business. Apart from the hotel having to maintain its profitability, the hotel also has to provide guests with balanced feedback according to the price paid by the guest. However, if the price setting of hotel rooms is not driven by good planning and strategy, the business can fail. Competition and pressure are always haunting in determining the right room rate in terms of income and in terms of guests. Hotel business operators must be proactive in determining room prices and following applicable market trends.

Setting the price of a hotel room is about earning as much income as possible from each room. Residential rates also play a role in determining room prices. After all, unsold rooms produce nothing, so setting room prices to maximize occupancy can often be a better tactic than setting room prices to maximize individual profits.

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