

Commission of online travel agent to increase room occupancy at The-Ritz-Carlton Bali

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Abstract

Purpose: This study focuses on analyzing the commission given to online travel agent to the room occupancy at The Ritz-Carlton, Bali. The purpose of this study are to analyze the contribution of the commission of online travel agent to the room occupancy and find out which OTA (Online Travel Agent) that contributed the most to the room occupancy at The Ritz-Carlton, Bali.

Research methods: The methods of data collection applied for this research are observation, interview, documentation, and literature study. The data analysis techniques used are quantitative analysis techniques analyzed using SPSS Program to find out the influence of the commission given to OTA and qualitative descriptive analysis to interpret data information through words.

Results and discussion: The results showed that the commission for OTA contributed to the room occupancy and there was a positive and significant influence partially by giving commission to Agoda.com with Sig. value 0.029, Booking.com with Sig. value 0.020, CTRIP with Sig. value 0.018, and Expedia with Sig. value 0.014 to the room occupancy at The Ritz-Carlton, Bali. Besides, simultaneously by giving commission to Agoda.com, Booking.com, CTRIP, and Expedia positively and significantly influences the room occupancy with Sig. value 0.00. Those OTA give contribution about 56.6 percent toward the room occupancy at The Ritz-Carlton, Bali. The OTA that contributed the most in affecting the room occupancy is Expedia with the smallest significant value at 0.014. Expedia's room production directly contributes greatly to increasing room occupancy at The Ritz-Carlton, Bali because the percentage of commission fees to Expedia is effective as a motivation to provide high room production and also consistently increases every year

Conclusion: The suggestion given to management is the commission to each OTA needs to be evaluated more to maximize room occupancy as not to burden the hotel expenses.

Keywords: commission, online travel agent, room occupancy

introduction

The tourism industry has supported the potential and continuous growth sector. For the sixth consecutive year, the tourism industry has outpaced the growth of the global economy (World Travel & Tourism Council, 2017) and has been exceeding important economic sectors such as the oil exports, food production, and automobiles (UNWTO, 2016). Tourism is defined as an activity that involves traveling, in which people are out of their homes (Holik, 2016). Fifty percent of foreign tourists who came to Indonesia are those from the millennial generation (CNN Indonesia, 2019). The dominance of tourists aged between 15 to

44 years old, numbering more than 116 million tourists and is the productive age of developing countries (Husein et al., 2015). This phenomenon shows that the millennial generation is a great potential for various industries in the future and the tourism industry as well. Millennial generation behavior known as active socialists in online media and their daily lives are greatly influenced by technological and internet developments. Therefore, fast and accurate information is a form of information that is needed by the public along with the development of information technology. To be able to compete in this digital era, the hotel industry now makes extensive use of the internet for distribution channels.

The Ritz-Carlton Bali as one of the 5-stars hotel in Sawangan, Nusa Dua Area under the world-famous International hotel chains Marriott International is still competing tightly to build the properties to win the market especially in the Nusa Dua area. The Ritz-Carlton, Bali use online distribution channel as one of the strategies to gain more room sold every season by increasing the occupancy rate of its room. The phenomenon of online users has a significant influence on online hotel bookings, especially in changing the hotel business model to be more based on digital data (Wachyuni, Suci et al., 2018). Information technology as a marketing tool is crucial to the success of marketing lodging services in the digital era (Darma, 2018). This marketing activity is often referred to as Digital Marketing, it is an attempt to market a brand or product through the digital world or the internet to reach consumers and potential customers quickly and at the right time (Redtreeasia.com, 2018).

Gede Gunawan, Director of Market Management Indonesia, Agoda.com in (Jannah, 2017) suggested that to remain competitive in the industry no longer only rely on conventional marketing. The difference between online travel agents from offline travel agents is their production activities are carried out online or in real-time by prioritizing comfort and convenience for consumers so that the reservation process will be easier and faster. The choice of payment methods offered is diverse, ranging from ATM transfers, credit cards, internet banking, SMS banking, and mobile banking. The online travel agent also provides convenience in terms of room reservations with online reservation form facilities equipped with room availability that is easily understood and directly processed through the site to the destination hotel or restaurant. In general, the hotel in collaboration with an online travel agent makes monthly payments according to an agreed commission with a percentage calculation with the price of the room per night (Christanto, 2014).

The Ritz-Carlton Hotel Bali cooperates well with various online travel agencies to maintain the room occupancy. Four online travel agencies that have been continuously providing production for the last 3 years from 2017 to 2019 in sold the room; they are Agoda.com, Booking.com, CTRIP, and Expedia. The partnership between The Ritz-Carlton, Bali and the online travel agent is based on a contract agreement that consists of the price, children policy, payment policy, cancellation policy and also commission. Commission is as an incentive and remuneration paid to the online travel agent for services that have been sold by every online travel agent. Each online travel agent gets different commissions according to the contract in the range of 10-15 percent for each room sold per night.

The data for the last three years (2017 until 2019) shows that the online travel agent with high commission does not rule out the possibility to provide small production and vice versa. Expedia that given 15.5 percent commission can sold the highest room significantly every year, Booking.com that given 12.7 percent commission sold room increasingly every year, Agoda.com that given 12 percent commission from every room sold gave less contribution and decreased for every year than CTRIP that only given at 10 percent commission. On the other hand, by giving commissions those are too high for online travel

agents will also burden hotel expenses. Based on the background described above, this research will propose two questions (1) What is the contribution of commission to Online Travel Agent to the room occupancy at The Ritz-Carlton, Bali and (2) Which Online Travel Agent that contributes the most to the increasing of the room occupancy at The Ritz-Carlton, Bali.

Research methods

This research was conducted within 4 months carried out at the Sales and Marketing Department especially in Reservation Section by taking the object of online travel agent commissions and increasing the room occupancy at The Ritz-Carlton, Bali. The independent variables (X) in this research are Agoda.com's Commission (X_1), Booking.com's Commission (X_2), CTRIP's Commission (X_3), and Expedia's Commission (X_4) measured by the commission fee paid from the total room price sold. While, the dependent variable (Y) is the Room Occupancy (Y) at The Ritz-Carlton, Bali measured in the form of percentage.

Types and sources of data used are qualitative and quantitative data with primary and secondary data. The sources of data are primary data and secondary data. The method of sample determination is using purposive sampling technique which means sampling technique with certain considerations (Sugiyono, 2017) with the sample, namely Reservation Manager and Revenue Analyst at The Ritz-Carlton, Bali. Data collection methods in this study through observation, interview, documentation, and literature study.

The data analysis techniques used are mix method consisting of quantitative analysis and qualitative analysis. The quantitative analysis technique on this study though some analysis there are classical assumption test, partial correlation analysis, multiple correlation analysis, t-test, F-test, multiple linear regression analysis and determination coefficient test analyzed using the assistance of Statistical Package for the Social and Science (SPSS) Program version 25. While, the qualitative descriptive analysis technique used to interpreting the data collected through the explanations. The steps of the analysis are data reduction, data display, and conclusion drawing. The hypothesis that can be described in this study is based on the research concepts on the Figure 1 below.

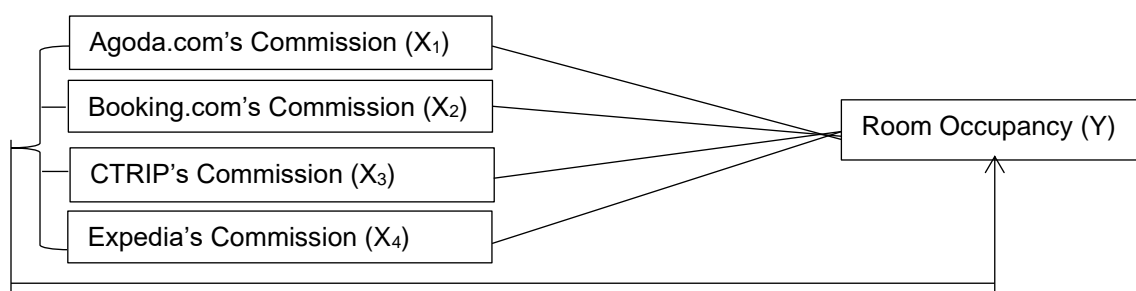


Figure 1. Research concept

Based on the Figure 1 above, the hypotheses to be tested based on the data obtained are as follows:

- H₁ : There is a partial and significant influence between giving commission to each Online Travel Agent: Agoda.com, Booking.com, CTRIP and Expedia to the room occupancy at The Ritz-Carlton, Bali.
- H₂ : There is a simultaneous and significant influence between giving commission to Agoda.com, Booking.com, CTRIP and Expedia to the room occupancy at The Ritz-Carlton, Bali.

Results and discussion

The contribution of commission to online travel agent to the room occupancy at The Ritz-Carlton Bali

To find out the contribution of commission to online travel agent and the online travel agent that contributed the most to the room occupancy at The Ritz-Carlton Bali, the data examined and analyzed through some steps of quantitative analysis using Statistical Package for the Social and Science (SPSS) Program version 25. The first step should be done the classical assumption test and the first test is normality test. The result of normality test of the data in this research through Kolmogorov-Smirnov Test of Normality and the result described as Table 1.

Table 1. The Result of Normality Test

Description	Unstandardized Residual
Kolmogorov-Smirnov Z	.068
Asymp. Sig. (2-tailed)	.200 ^{c,d}

(Source: Data processing result SPSS 25, data processed, 2020)

Based on the Table 1, it shows that the significance value is at 0.200 and it can be concluded that the data has been distributed normally because the value of Asymp. Sig. (2-tailed) is higher than 0.05 ($0.2000 > 0.05$). The next test continued by heteroscedasticity test and the result as Table 2.

Table 2. The Result of Heteroscedasticity Test

Table 2: The Result of Heteroscedasticity Test					
Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6,272	2,389		2,626	,013
Agoda.com's Commission	-,001	,026	-,007	-,038	,970
Booking.com's Commission	,021	,012	,323	1,793	,083
CTRIP's Commission	-,056	,029	-,364	-1,952	,060
Expedia's Commission	,002	,007	,047	,262	,795

a. Dependent Variable: ABRESID
(Source: Data processing result SPSS 25, 2020)

Based on the Table 2 shows all of the results of significance values for independent variables are more than 0.05 or ($\alpha > 0.05$). It can be concluded that the data do not have heteroscedasticity symptoms. After heteroscedasticity test is multicollinearity test that can be seen as Table 3 below.

Table 3. The Result of Multicollinearity Test

Model	Coefficients ^a		
	Collinearity Statistics		
	Tolerance		VIF
1			
Agoda.com's Commission		,849	1,178
Booking.com's Commission		,827	1,210
CTrip's Commission		,771	1,296
Expedia's Commission		,826	1,210

a. Dependent Variable: Room Occupancy
(Source: Data processing result SPSS 25, 2020)

Based on the Table 3, it shows that all the results of tolerance values were lower than 0.10 or Tolerance > 0.10 and the VIF value were lower than < 10 or VIF < 10 means that between all variables there is no multicollinearity symptoms happened. After multicollinearity test, there is autocorrelation test with the result as Table 4 below.

Table 4. The Result of Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,784 ^a	,615	,566	8,69374	1,345

(Source: Data processing result SPSS 25, 2020)

Based on the Table 4, it shows the result of Durbin-Watson value is at 1,345. It means that the value is in between -2 until +2. The basis decision making used is $-2 \leq DW \leq +2$ and based on the result, it can be concluded that no autocorrelation happened on the data used. The next step is correlation pearson product moment and the result is as Table 5 below.

Table 5. Correlation Pearson Product Moment

Coefficients ^a			
Model	Correlations		
	Zero-order	Partial	Part
1			
Agoda.com's Commission	,403	,379	,254
Booking.com's Commission	,548	,403	,273
CTRIIP's Commission	,588	,409	,278
Expedia's Commission	,481	,423	,290

a. Dependent Variable: Room Occupancy

(Source: Data processing result SPSS 25, 2020)

Based on the Table 5, the results of correlations partial values shows that there is a positive and weak relationship partially between the Agoda.com's commission and room occupancy at The Ritz-Carlton, Bali. Besides that, there are a positive and moderate relationship partially between the Booking.com's, CTRIP's, and Expedia's commission and room occupancy at The Ritz-Carlton, Bali. After partial correlation through correlation pearson product moment, there is multiple correlation with the result as Table 6 below.

Table 6. The Result of Multiple Coefficient Correlation

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics Sig. F Change
1	,784	,615	,566	8,69374	,000

b. Dependent Variable: Room Occupancy

(Source: Data processing result SPSS 25, data processed, 2020)

Based on the Table 6, shows that all independent variables are positively correlated as the value of sig. F Change is $0.000 < 0.05$ and the R value at 0.784 which is between 0.60-0.799, indicates that interpretation of coefficient correlation strength is strong. Therefore, it can be concluded that there is a positive and strong correlation simultaneously between Agoda.com's, Booking.com's, Expedia's, and CTRIP Commission to the room occupancy. The next step is t-test to determine the hypothesis partially the influence of each independent variable to the dependent variable that verified through comparing the result of t_{count} with t_{table} and significance value < 0.05 . The result of t-test shows as Table 7 below.

Table 7. The Result of t-test

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	39,155	4,329		9,044	,000
	Agoda.com's Commission	,106	,046	,276	2,283	,029
	Booking.com's Commission	,051	,021	,301	2,455	,020
	CTRIP's Commission	,130	,052	,316	2,494	,018
	Expedia's Commission	,032	,012	,319	2,601	,014

a. Dependent Variable: Room Occupancy
(Source: Data processing result SPSS 25, 2020)

Based on the Table 7, the result shows that the entire hypotheses are accepted means that there is a simultaneous and significant influence between giving commission to Agoda.com, Booking.com, CTRIP, and Expedia to the room occupancy at The Ritz-Carlton, Bali. The next step is F-test to know whether all independent variables simultaneously affecting the dependent variable significantly by comparing the result of F_{count} with F_{table} and the result of significance values is lower than 0.05 for all of the independent variable with the result as the Table 8 below.

Table 8. The Result of F-test

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	3747,309	4	936,827	12,395	,000 ^b
Residual	2343,017	31	75,581		
Total	6090,326	35			

a. Dependent Variable: Room Occupancy

b. Predictors: (Constant), Expedia's Commission, Agoda.com's Commission, Booking.com's Commission, CTRIP's Commission
(Source: Data processing result SPSS 25, 2020)

Based on the Table 8, the results shows that the Sig value is at $0,000 < 0.05$ and it shows that the value of F_{count} is at 12.395 and the F_{table} is at 2.66 means the value of $F_{\text{count}} < F_{\text{table}}$ means that there is a simultaneous and significant influence between giving commission to Agoda.com, Booking.com, CTRIP and Expedia to the room occupancy at The Ritz-Carlton, Bali. The next step is the multiple linear regression analysis to identify the influence significance of commission given to Agoda.com, Booking.com, CTRIP and Expedia toward the room occupancy at The Ritz-Carlton, Bali. Based on the result of the analysis, the model of multiple linear regressions in this research described as follows:

$$Y = a + b_1.X_1 + b_2.X_2 + b_3.X_3 + b_4.X_4 \dots\dots\dots(1)$$

$$Y = 39.155 + 0.106X_1 + 0.051X_2 + 0.130X_3 + 0.032X_4 \dots\dots\dots(2)$$

Based on the multiple regression model above, it can be concluded that the constant value at 39.155 determines that the room occupancy at The Ritz-Carlton, Bali would be 39.15 percent in the condition the value of commission given to Agoda.com, Booking.com, CTRIP, and Expedia is 0. Coefficient value of Agoda.com's Commission at 0.106 determines that the room occupancy at The Ritz-Carlton, Bali would increase at 0.10 percent if the commission fee given to Agoda increasing at IDR 1,000,000 with the assumption that the Booking.com, CTRIP, and Expedia's commissions keep stagnant. Coefficient value of Booking.com's Commission at 0.051 determines that the room occupancy at The Ritz-Carlton, Bali would increasing at 0.05 percent if the commission fee given to Booking.com increasing at IDR 1,000,000 with the assumption that the Agoda.com, CTRIP, and Expedia's commissions keep stagnant. Coefficient value of CTRIP's Commission at 0.130 determines that the room

occupancy at The Ritz-Carlton, Bali would increasing at 0.13 percent if the commission fee given to CTRIP increasing at IDR 1,000,000 with the assumption that the Agoda.com, Booking.com, and Expedia's commissions keep stagnant. Coefficient value of Expedia's Commission at 0.032 determines that the room occupancy at The Ritz-Carlton, Bali would increasing at 0.03 percent if the commission fee given to CTRIP increasing at IDR 1,000,000 with the assumption that the Agoda.com, Booking.com, and Expedia's commissions keep stagnant. The result of determination coefficient test by the value of R square (R^2) at 0.615 calculated to as following details:

$$D = R^2 \times 100 \text{ percent} = 0.566 \times 100 \text{ percent} = 56.6 \text{ percent} \dots \dots \dots (3)$$

The result indicated that the contribution of commission fees given to Agoda.com, Booking.com, CTRIP and Expedia simultaneously affecting the room occupancy at The Ritz-Carlton, Bali at 56,6 percent and the leftovers at 43.4 percent affected by the other sources that is not researched in this thesis.

Online travel agent that contributed the most to the increasing of the room occupancy at The Ritz-Carlton Bali

The online travel agent that has the most contribution to the increasing of the room occupancy at The Ritz-Carlton, Bali can be shown by the online travel agent that has the lowest significance value which is Expedia with the Sig value at 0.014. Agoda.com has significance value at 0.029, Booking.com at 0.020, and CTRIP at 0.018. All the travel agents researched on this thesis has contribution to the room occupancy, however Expedia gave the most contribution because the amount of percentage of commission fee given to them also the highest and the contribution of room sold always increasing every year. It is effective for them as the motivation to sell the room and by the reputation; features and strategy that they have that succeed the business. Therefore, it will be affected directly to the increasing of the room occupancy The Ritz-Carlton, Bali. It means that the management of the The Ritz-Carlton, Bali need to extend and maintain the cooperation with Expedia and use the same strategy to do cooperation with the other potential online travel agent.

Conclusion

The conclusion can be obtained such as there are four top online travel agencies that continuously gave contribution for the last 3 years from 2017 to 2019 in selling the room, there are Agoda.com, Booking.com, CTRIP, and Expedia. The result of analysis showed that the contribution of giving commission to Agoda.com has a positive and partially significant influence on the room occupancy at The Ritz-Carlton, Bali at 0.106. The reason is because Agoda.com gave the contribution of the room occupancy and increasing the commission fee will increase the motivation to sell the rooms. The contribution of giving commission to Booking.com has a positive and partially significant influence on the room occupancy at The Ritz-Carlton, Bali at 0.051. The reason because Booking.com gave a good and consistent contribution to the room occupancy every year. The contribution of giving commission to CTRIP has a positive and partially significant influence on the room occupancy at The Ritz-Carlton, Bali at 0.130. The reason because by the small percentage of commission at the moment, CTRIP can still make a good contribution to room occupancy and expected to increase for the next year. The contribution of giving commission to Expedia has a positive and partially significant influence on the room occupancy at The Ritz-Carlton, Bali at 0.032, the reason because the high contribution of rooms sold by Expedia and Expedia received the highest percentage of commission by The Ritz-Carlton, Bali. The contribution of giving commission to Agoda.com, Booking.com, CTRIP, and Expedia has a simultaneous and

significant influence on the room occupancy at The Ritz-Carlton, Bali at 56.6 percent and the leftovers at 43.4 percent affected by the other sources that is not researched in this research. The online travel agent that contributed the most to the room occupancy at The Ritz-Carlton, Bali is Expedia with the smallest significant value at 0.014. Expedia's room production directly contributes greatly to the increasing of room occupancy at The Ritz-Carlton, Bali because the percentage of commission fee to Expedia is effective as a motivation to provide high contribution of room sold and consistently increasing every year.

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