



Conflict resolution between virtual Hotel Operator and MAKUTA Hotel using negotiation communication

Muhammad Arkaan Arief^{1*}, Muhammad Najih Farihanto²

^{1,2}Faculty of Literature, Culture, and Communication, Ahmad Dahlan University, 55166, Indonesia

*Corresponding author's email: arkaanaarief@gmail.com¹, muhammad.farihanto@comm.uad.ac.id²

ABSTRACT

Keywords

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This research based on the problem, namely the lack of negotiation and conflict resolution from VHO to one of their client and the trust from client is keep decreasing, therefore the cooperations between two parties collapse. This research categorized as qualitative research using descriptive methods, and using case study which is the researcher is the key instrument, the data collection is using data triangulation technique, using interview results between all the parties involved. This research approach uses a qualitative approach with interview and field observation methods, the characteristic of data analysis is inductive. The purpose of this research is to answer the question why VHO failed to maintain the collaboration with their client. The result of this study indicates there is several variabels causing VHO failed to maintain their sharing economy business with their client, VHO breaking several aggrement with their client and leads to deadlock at negotiation between both parties, therefore their client decided to terminate the cooperation with VHO.

1. Introduction

The Industrial revolution 4.0 is a phase that change people and enviroment and a lot of things. The main principle is combining machines, workflows, and systems by implementing an intelligent network in the process of work. This changes makes a new job opportunity, and creating more creative way for company to expand their business. With this technological breakthrough that's become global makes global competition became inevitable, including competition in hotel services and booking with applications, both device applications and websites. Nowadays there is online booking/reservation provider business, commonly known as Travel agent such as Traveloka, Tiket. Com, agoda, and VHO (Virtual Hotel Operator). In this research the author will focus on VHO.

With the happening of industrial revolution many things already evolving in short period of time, for example there is culture, enviroment, human behavior and also there is new type of business and that's include company that relying on tourism as source of profit. With digitalization era competition became global scale not just local anymore, this provide challenge to tourism business to keep their company afloat in this era. In response of this situation in Indonesia there is more variety of selection of new way to book room and also company that provides to improve accomodation business. There some reputable brand that develop their technology to maximise their productivity, income, efficiency and customer satisfaction. They also have provided information in their web or applications to their future guest, so they can see what all the facility and benefit if they book a room in their hotel.

VHOs basically have no assets in the form of hotels. This business concept develops like that of an Uber company in the field of transportation (GO-JEK if in Indonesia), but the VHO company collaborates with its partners to help promote the lodging on their platform. The VHO company sets a standard for its partners; then the lodging or rooms will be marketed under the name of the company (Kesharwani & Vivek, 2016).

VHO is a concept of investing in improving management, marketing and system in purpose to improving the quality of the budget hotel/accomodation offered under a partnership agreement with the VHO company. Hotels that already got a star or already big in the business they have knowledge about marketing, management and system also they have a team who already expert in their field , also have a lot of resource so they can compete in higher level. On the other hand budget hotel is the opposite, they lacking in resource, knowledge and manpower to develop or improving their accomodation, and this is where VHO offer aspects that budget hotels do not generally have, such as networks, knowledge, marketing capabilities which prevent these hotels from maximizing their occupancy rates. Besides, VHO companies will typically collaborate with budget hotel partners by providing several benefits, such as setting standards for clean and comfortable rooms, providing quality control , and training to their employees (Kesharwani & Vivek, 2016).

There is a new type of business that allows a person to gain profit from their own resource, the one that author meant is their rooms, home or even their whole hotel. This business is called sharing economy, there is another impletation of this business variety, take GO-JEK for example. They are a tranSPORTATION company and also delivery food services that doesn't have any transportation asset in their company to do the tradisional "transportation company". Same with Virtual Hotel Operator (VHO) and Online Travel Agent (OTA). Sharing economy business is when a person allows a company to manage their assets or resource, the main purpose is to improving their income and also to do a better promotion.

Nowadays, hospitality and tourism industry growth rapidly, as showed by the number of start-up companies that continue to join the market – both the markets with many players and niche markets that have not been covered by a number of businesses. Such conditions have allowed the VHO business model to develop as new option for both customer and hoteliers to market their rooms. First VHO that come in Indonesia is Nida rooms, and the largest aswell accroding to CNN Indonesia on 2016. The company aim to hotels that their occupancy rates are still not optimal.

Budget hotel that already collaborate with VHO will share their hotel name with the VHO brand company, and also budget hotel will share their managerial duty to VHO aswell, such as room rates and travel agent occupancy. In terms of room rates (pricing) VHO will make a discussion with their partner to have an agreement on room rates. In collaboration both parties will make a lot of decisions together, in this case a good communication is highly needed to accomplish successfull collaboration, but a problem or conflict will always come in a partnership. Lobbying and negotiation skill is required to solve the problem that comes for both parties, in this case Makuta Guest House as the partner of OYO (Virtual Hotel Operator). Both sides already have a contract agreement on this collaboration.

Communication and trust is key element on this type of collaboration, therefore both budget hotel and VHO share their managerial duty. VHO in charge of promoting, pricing and system which will involving the owner and staff of their partner, the problem often appeared between OYO and Makuta Hotel is pricing and OYO applications for OYO's partner. OYO caught by Makuta Hotel staff changing room price without discussing it first with Makuta's staff, this cause the owner of Makuta hotel is declining in trust with OYO because this problem happen multiple times, also OYO application can't detect new booking because its server overloaded and as the collaboration still going OYO staff/ General Manager has agenda to supervising makuta hotel regularly but as the time goes they didn't supervise that often they relying on communication by phone with makuta owner rather coming to their partner property.

Discontent and distrust is gradually increase from makuta hotel owner because what they see how OYO handle this collaboration, and Makuta hotel express their thought to OYO staff/GM and they response with invitation to do online and offline discussion and also one of their top mangement staff is directly come to Makuta to convince the owner and increasing their trust to continue the collaboration.

Furthermore this research is to answer the question is lobbying and negotiation from OYO able to solve the problem and gaining trust from their partner? which is Makuta hotel. Author doing this research with qualitative method that produce descriptive data and collect the data in form of interviews and observation.

2. Method

Method used in this research is Qualitative method with case study approach. Qualitative research is a research method to explore and understand the meaning that some individuals or groups of people think come from social or human problems (Creswell, 2013). A case study is one of the most extensively used strategies of qualitative social research. Over the years, its application has expanded by leaps and bounds, and is now being employed in several disciplines of social science such as sociology, management, anthropology, psychology and others.

Yin (2009, p. 18) defines case study as an empirical inquiry which investigates a phenomenon in its real-life context. In a case study research, multiple methods of data collection are used, as it involves an in-depth study of a phenomenon. It must be noted, as highlighted by Yin (2009), a case study is not a method of data collection, rather is a research strategy or design to study a social unit.

Qualitative research is research that intends to understand phenomena about what is experienced by research subject, for example behavior, perceptions, motivations, actions, etc., holistically, and by means of descriptions in the form of words and language, in a specific context that naturally and by utilizing various natural methods (Moelong, 2017). Data collection techniques are carried with three methods which are, interview, observation, and documentation.

This research used qualitative with case study approach, case study is an empirical inquiry which investigates a phenomenon in its real-life context (Yin, 2009). The purpose of using this method and approach is to explain and explore how OYO solving the issues with their partner which is Makuta Hotel.

3. Result and Discussion

3.1 VHO

According to Wiastuti & Susilowardhani (2016), Virtual Hotel Operator (VHO) first began in India in 2015. VHO is the implementation of sharing economy business, when a company manages their clients' assets or resources, and do a collaboration with a contract. This is the same as Uber with a taxi driver, or someone who has a car and wants to make profit from it. This type of company spread across in Asia. VHO brand based on their application, and online database which is available to download on customers' smartphones. VHO doing a partnership with local accommodation business in Asia.

Customers can have easy access to hotel information such as inventory, pricing, and check the location of the hotel also customer can check what is the nearby tourism spot close to the hotel. Customer can see all of that information in just one screen view. VHO also provided easy payment methods to the customer, there is a variety of options of payment customer can choose for example they can pay at the hotel before they check-in to the room, via bank transfer or another method that the hotel provided.

The customers are well informed because of technology. They can easily compare room rates, quality and the location of the hotel from a variety of services across accommodation brands and rarely book from phone call or come straight to the hotel to ask for a room. Because of the rapid evolution of technology it disrupts old business models. Due to global accessibility, there is a more robust connection among consumers, suppliers, and their network. This innovation leads to exponential progress for some organizations to grow their company. According to Oskam & Boswijk (2016), the ease of application on one's phone and capability to book a room without giving credit card information. Using Apple Pay or similar software gives Airbnb and VHO the advantage.

Indonesia welcomed 2.24 million foreign travelers in the first quarter of 2023, marking a 508.87 percent increase compared to just 369,180 international tourists in the same period the previous year. Judging by the data the number of foreign tourists (visiting Indonesia) continues to rise since last year, this is based from Margo Yuwono, head of National Statistics Agency (BPS). With the growth of travelers keep coming to Indonesia, the demand for affordable and clean accommodation gave birth to Virtual Hotel Operator (VHO) concept. There is some popular VHO brand such as OYO, Nida Rooms, Red Doorz, and Zen Rooms. Apart from ease of transportation and accessibility, the need for accommodation is increasingly easier and cheaper. The presence of VHO, such as RedDoorz and

OYO, provides convenience and helps travelers to find alternative places to stay, apart from the star hotels that have existed so far.

The increase in tourism business after the pandemic makes accommodation business back alive. With a lot of people looking for destination for holiday and traveling, accommodation business need to improve their business to maximize their profit from this situation. But if they want to improve their business, budget hotel owners lacking in resource, manpower, and knowledge. This is where VHO should step in. Small business is important to economic growth, An- on going challenge to small business owners is they need to cultivate a sustainable advantage (Bressler, 2012). Digitalization prospers organizations to stretch far beyond conventional markets. These companies increase at speed as their market. The outcomes are much faster, better and cheaper. VHO's have promising opportunities in the accommodation business, specifically sales increase and quality improvement.

The growing phenomenon of VHO is an innovative product in the hotel business that is driven by technology. Wiastuti & Susilowardhani (2016) stated, instead of viewing VHO as a disruption, it should be seen as an innovation. VHO is positively impacting the quality of products, creating more value, offering competitive prices, and making them accessible through various channels. It also provides easy payment and booking systems, as well as serving as an open forum for reviews and testimonials. Accommodations all over Indonesia are now embracing VHO, with over 1000 properties partnering with the platform. VHO is seen as a promising opportunity for the accommodation industry to not only increase sales, but also improve quality.

There are some key aspects of VHO role :

1. **Management Services:** Virtual hotel operators provide services such as reservations management, revenue management, guest services, and marketing for the hotels they oversee.
2. **Technology Integration:** They often leverage technology to streamline hotel operations, including online booking systems, property management software, and customer relationship management tools.
3. **Branding and Marketing:** Virtual hotel operators may work with specific hotel brands or develop their own unique branding and marketing strategies to attract guests and increase occupancy rates.
4. **Cost Efficiency:** By not owning the properties, virtual hotel operators can reduce their capital investment and instead focus on optimizing operational efficiency and profitability.
5. **Expertise and Experience:** They bring industry knowledge and expertise to ensure that hotels are run efficiently and provide excellent guest experiences.
6. **Revenue Sharing:** In many cases, virtual hotel operators and property owners share the revenue generated by the hotel based on agreed-upon terms.

Virtual hotel operators play a significant role in the hospitality industry, especially in cases where hotel owners may lack the expertise or resources to manage their properties effectively. This model allows property owners to benefit from the operator's expertise while maintaining ownership of the physical assets. It can be a win-win for both parties, as long as the contractual agreements are well-structured and mutually beneficial.

3.2 The Collaboration

The collaboration within OYO and Makuta hotel started on February 2019 until July 2023. The first negotiation OYO offers from 3 to 5 years contract to Makuta Hotel but the owner of Makuta Hotel refused, then OYO offer another contract with 1 year on agreement and automatically extend further year if there's no sign to end the contract. The beginning of the collaboration OYO demand several changes to the hotel, such as all room facilities must have AC, water heater, metal bin, pillow and decorations with OYO brand. In the agreement OYO promise Makuta Hotel to increase the hotel revenue with promoting on their brand which is OYO and they will fully manage the online booking quota with travel agents.

OYO and Makuta Hotel agrees on splitting the income of each transaction, OYO will get 27% on online booking and 10% on walk-in guest. OYO also give daily stock of amenities such as soap,

toothpaste, toothbrush, shampoo and also welcome drink. There is a person in charge on each close region that OYO's partner located and that role is called Area General Manager (AGM). AGM duty is to make sure their partner knew about the system on OYO app and answer their partner if there is any problem to be solved, AGM also in charge of discussing with the owner to establish the room rates.

With all of this agreement Makuta Hotel duty is only accepting guest and directing them to their room. The collaboration starting good on the early years of collaboration according to the owner. Its true they (makuta hotel) have some confusion about how the application work and plotting the guest to their rooms but as times goes they can handle it by themselves. Inside in this collaboration with OYO Makuta Hotel stating there is several problems with OYO. The first one is communication, every OYO partners have an AGM. AGM have responsibility to certain area that have their partners, for example in region C there is three to four partners in there so AGM responsibility is to help all of them, and sometimes come to their partners properties to answer if they need help. Inside of OYO there is system changed that the partnerst didn't knew, OYO changed their system and became centralize based company which that means AGM doesn't have the authorities to make action like they used to do before. Before the system changed AGM can discuss with hotel owner about room rates and immediately changed it if the owners doestn agree with the price, now they need permission from upper management to changed the price. This changes makes a lot of time to solve a problem, because the owner need to wait the decisions being made by the upper management from OYO.

The other problem is about room rates agreement. In the agreemeent OYO and Makuta Hotel agreed to have minimal and maximum rates but it can changed by the seasons, in high season (holiday seasons and long weekend) of course they can set the room rates higher but in the opposite if in low seasons they need to set the price lower. According to Makuta Hotel owner OYO changed the room rates by their own and without discuss it with makuta hotel ownear first. This action is not what they agreed in the agreement, because of that Makuta Hotel ownear send a complaint to OYO but unfortunately the problem didn't solve that quickly and because of that there is a lot of people who can book a room with such a low prices. This problem makes makuta hotel owner begin to distrust the OYO management. This problem ususally can be solved really quick with the help of AGM, but as I explain they didn't have much power like they used to have, they cant change room rates again like before. This problem happens several times and that's cause makuta hotel owner keep decreasing their trust to OYO. Makuta Hotel didn't feel appreciated because OYO keep breaking the agreement.

OYO tries to keep their Makuta Hotel as their partner, they realize that their partner is unhappy with the situation, they try to lobby and re-negoitiate with the owner to stay with them and promising this problem wont happen again, according to makuta hotel owner they try to lobby with come to their property and via online discussing and try to cooldown the situation. Makuta hotel owner willing to continue their collaboration with OYO, but there is another problem emerge in the collaboration which is overbooking

Overbookings, or double bookings, happen when a hotel sells more rooms than it has available for a given night. Many hotels do this deliberately to offset last-minute cancellations or no-shows and avoid losing revenue and occupancy. Of course, it can also happen by accident. The most common cause of unwanted overbookings is when inventory availability fails to update on some distribution channels, and they don't close on time. Then reservations can continue coming in despite the hotel being full. This problem occurred when OYO already in charge of booking occupancy in Makuta hotel, which is absurd. This problem makes customer blaming the hotel because there is no room available in their property when the guest already book a room and came to the hotel, so Makuta hotel have a responsibility to search a room to this guest to gaining the trust back even though thats not guarantee will happen. This problem also happen several times within the collaboration.

Makuta Hotel begin questioning if it is worth it to continue the collaboration with OYO after the problem keep coming, and OYO also stop giving their amenities (soap, shampoo, toothbrush and toothpaste) to their partner. On top of that communication to OYO begin slow in response aswell, but its understandable, because the one who communicates with partners is their lower management staff, and they cant do anything to solve the problem because the one causing problems is from the central office. Makuta hotel owner is stuck with no option to solve their problem that keep happening, they only can tell the problem to lower management staff from OYO, and OYO executive only give

promise and do lobbying to make the collaboration afloat. Event their CEO Mr. angkut showed up in Makuta hotel to meet the owner because he heard there is a situation in Makuta hotel. This happened accidentally because the CEO have a meeting in the same city as makuta hotel because of that he decide to stopped by. The situation didn't get any better and Makuta hotel trust keep declining with this collaboration with OYO, after some thought they decide to end the collaboration with OYO.

Makuta hotel end their collaboration with OYO on July 2023, despite OYO tries to solve the problem with lobbying and discussion they cant keep the collaboration going. Negotiation is a bargaining process with discussing to achieve an agreement within two parties (Ulinuha 2023.) mean while Robbins (2003) defining negotiation is a process within two parties that changed product or services and try to achive a deal/agreement within them. When negotiating there is certain type of solution or output depending on the result, there is win-win, win-lose, lose-win and lose-lose.

1. Win-win : two parties met their objectives by helping each other and optimize value creation
2. Win-lose : Returning to the Win side of the matrix, once we have defined and can focus on our business objectives, we can set the strategy. With Win-Lose, the strategy is simply to meet your objectives at the expense of the other party's objectives. We consequently compete with our "opponent" for the biggest share of the existing value.
3. Lose-win : Lose-Win is often the result of lacking the courage to drive for your own objectives and giving in to the other party's wants. On occasion, playing a short-term Lose can be used constructively as part of a long-term strategy.
4. Lose-lose : Scenarios comes from focusing on the wrong objectives or from broken relationships

In this scenario the collaboration within OYO and Makuta hotel goes from win-win to win-lose, which can be seen by the collaboration going time by time. On the early years both parties benefitting eachother from the collaboration but after some times the collaboration begin to change to win-lose. According to Makuta hotel owner OYO changed the room rates and became very low because OYO executive see the occupancy rate became low on their partners because of that they set the price low to attract customer but this happens in low season, OYO partners already knew if in the low season (non holiday month) there will be less customer and they understand the situation and they doesn't need to change the price, but OYO change the room rates without asking first to Makuta hotel owner, when Makuta hotel owner ask why OYO drop the prices so low OYO says there is a downfall on occupancy with a lot of their partner cause of that OYO executive need to act fast to gain customer with dropping the price extremely low. Makuta hotel owner upset and disappointed with this answer, Makuta hotel owner feels OYO only see from their perspective to solve this problem and didn't discuss it first with hotel owner, and hotel owner see this as disrespecting act, and this time Makuta hotel owner cant tolerate it anymore.

3.3 Discussion

In this case big company like OYO have a lot of resource and also huge team to run their business. Also they have a lot of knowledge in terms of negotiation but, how skillful the negotiator if there is no longer trust in the negotiation or in the collaboration then there will be no solution and will hit a wall.

There is several research about VHO and collaboration with VHO, but author didn't find in dept research that talk about VHO and how is the collaboration going. The other research that author find only discuss the outer part of VHO and customer satisfaction. For example there is a research from Andrianto Prasetya Nugroho, Sri Rahayu Hijrah Hatib which is discuss Analysis of Online Travel Agent, Peer-to-Peer accomodation, and Virtual Hotel Operator platforms which discussing about user satisfaction on repurchase intention on OTA, Peer-to-Peer accomodation, and VHO.

There is another resarch from Fitri Kusumawati which discuss Virtual Hotel Operator trends in Yogyakarta, this research discuss the increasing of OYO partners in Yogyakarta because of the growth of tourism in Yogyakarta, and why customer choose OYO as their place to stay in Yogyakarta city.

Based on the data and by several research there is positive impact on having VHO to collaborate with hotel owners, but also need to underlined that there is also some problem that might happen in

the collaboration, in this case we can review what happen between OYO and Makuta hotel. If there is no problem occurred between Makuta hotel and OYO there's a chance the collaboration still going, in this case OYO need to fix their system and find a way to keep the trust from their partner. According to Makuta hotel owner if OYO always discussing about room rates and the overbooked didn't happen they will continue the collaboration within two parties. OYO need to be more open in terms of perspective and find a better way to solve problems with their partners.

4. Conclusion

Based on the research that author already done, VHO unable to do conflict resolution between their partner which is Makuta hotel. Despite their effort to do lobbying and negotiating, the collaboration still fall apart. In this research indicates that the one makes collaboration fall apart isn't the lack of negotiation skill by the VHO but system failure and lack of understanding. When OYO start to change their system to centralization the problems start to rise. That system makes the one who understand what happen in the "field" can't do anything much, cause of that the problem didn't solve and the partner already have a trust issue with OYO. No matter how good the negotiator or how tempting the offer if there is no trust and understanding in the collaboration it will still fall apart, and that whats happens inside the collaboration within OYO and Makuta hotel.

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