

# The Role of Word of Mouth Marketing (WOM) in Increasing Customer Loyalty in the Hotel Restaurant and Café (HoReCa) Business

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**Abstract.** *The tourism industry is a potential business sector that has a large business ecosystem, for example, hotels, restaurants, and cafés (HoReCa). The HoReCa business in Indonesia is growing rapidly along with the development of the tourism industry in destinations such as Bali, Jogjakarta, Bandung, Jakarta and other areas. The HoReCa business competition is increasing due to the presence of new hotels, restaurants and cafés. However, many hotels, restaurants and cafes have closed due to being unable to compete. Word of mouth (WOM) marketing is one of the efforts to face HoReCa business competition. Several HoReCa businesses have managed to survive using traditional WOM because they can interact directly with consumers and create loyalty for customers. Loyal tourists will stay at the same hotels, consume food and drinks at the same restaurants and cafes as before. In addition, loyal tourists will stay longer in their destinations, spread word of mouth more actively, and engage in more intensive consumer activities. The research results show that traditional WOM is effective in building customer loyalty in the HoReCa business*

**Keywords:** HoReCa, Tourism, Word of Mouth Marketing, Loyalty

## 1. INTRODUCTION

One of the biggest and fastest-growing industries in the world is international hospitality and tourism (Ruel and Njoku, 2021). In 2022, the Ministry of Tourism and Creative Economy (Kemenperakraf) is targeting around 1.8 million - 3.6 million foreign tourists and the number of domestic tourists is targeted at 260 - 280 million. The tourism sector has made various contributions to the national economy, Gross Domestic Product (GDP), Regional Original Income (PAD) and created jobs. A significant portion of the GDP of many nations comes from the hospitality and tourist industries, which are becoming increasingly important. Possibly all nations in the world assist their travel and hospitality sectors (Burke, no date). The tourism industry has a large business ecosystem, including the hotels, restaurants and cafes (HoReCa) business in various tourist destinations such as Bali, Jogja, Bandung and Jakarta. Culinary and cafe businesses are developing in various tourist destinations in response to tourists. Likewise, the accommodation business is growing along with the development of digital technology, so many hotels and accommodations are affiliated with providers such as RedDoorz, OYO, Airbnb and others.

The continued increase in tourism growth and economic stability have encouraged business people to do HoReCa business. For example, doing business in the culinary sector which is currently popular in various cities such as Bandung City. The aim is to accommodate tourists' needs in terms of consumption. On the other hand, this growth has led to fierce competition. The HoReCa business competition is increasing due to the presence of new hotels, restaurants and cafés. However, many hotels, restaurants and cafes have closed due to being unable to compete. There are many factors that cause business bankruptcy, including expensive prices, less delicious food or drinks, or service that is less friendly and less than optimal. In the service industry, excellent service is the main and important factor. If the service

is less than satisfactory, hotel guests or restaurant and café visitors will not come back. Loyal tourists will stay at the same hotel, consume food and drinks at the same restaurants and cafes as before. Creating consumer loyalty is the essence of the HoReCa business. In facing HoReCa business competition, various promotion and marketing methods are carried out. Word of mouth (WOM) marketing is one of the efforts to face HoReCa business competition. Several HoReCa businesses have managed to survive using traditional WOM because they can interact directly with consumers and create loyalty for customers. Definition of customer loyalty is a customer's inclination to do repeat business with your business is shown by their level of loyalty. For service companies who focus mostly on intangible and experience-based services, word-of-mouth marketing is very important (Ishida et al., 2016).

This research aims to examine the role of WOM in promoting business and improving the quality of HoReCa services because the essence of these three businesses is friendly service, providing satisfaction for guests and consumers, and creating customer loyalty. Numerous earlier research has conclusively shown the links between WOM, customer happiness, and service quality (Lai et al., 2018). According to preliminary study, location happiness and place salient identification have an impact on one-to-one WOM (Šegota et al., 2022). Regarding WOM that will be researched is traditional WOM and eWOM because some customers are more interested in traditional WOM carried out person to person or direct delivery. Meanwhile, the use of eWOM is carried out on a wider scale, for example for foreign tourists abroad.

## **2. REVIEW LITERATURE**

### ***2.1 Word-of-Mouth Marketing***

Word-of-mouth (hereinafter WOM) has become a key topic in marketing literature (Šegota et al., 2022). WOM about a product or service is formed when customers talk to their friends about how they feel about it (Peng et al., 2020). WOM refers to casual verbal contact that occurs in person, over the phone, via email, on a mailing list, or through any other communication channel (Iqbal, 2018). WOM, which mostly consists of recommendations and information from friends, family, and other acquaintances, is a crucial factor in helping someone plan a vacation (Lai, et al., 2018). In the service sector, delivering excellent customer and client care is essential to fostering customer and client loyalty and positive Word-of-Mouth (Burke, no date). By recommending restaurants, cultural attractions, experiences, and activities to their friends and family, locals also serve as destination marketers. As a result, residents' perceptions of the effects of tourism as well as their intentions regarding WOM communication are significantly influenced by their image (Ishida et al., 2016). Consumers can better comprehend a product or service before using it to WOM recommendations (Iqbal, 2018).

## **3. Research Methods**

This research aims to examine marketing and how to retain customers by several HoReCa business managers or owners in the tourist destinations of Bali, Jogjakarta, Bandung and Jakarta. Each business actor in this tourist destination has special tips that are different from business actors in other places or locations. A study method called descriptive research describes the features of the population or phenomenon being examined. The "what" of the study topic is given greater weight than the "why" in this descriptive methodology.

Creswell defines a descriptive research plan as an investigation that outlines the features of a population or phenomenon under examination, mostly employed to understand a group or phenomenon. This includes gathering information via questionnaires, interviews, or direct observation. Data collection was carried out using case study methods and literature methods. Data uses secondary data originating from journal articles, internet media, research reports and others. The research results show that the majority of HoReCa business managers and entrepreneurs use traditional WOM and eWOM in marketing their products and services. This medium is considered effective and efficient compared to other promotional and marketing mediums. Several loyal restaurant and cafe consumers and loyal hotel guests get

information through WOM. Several foreign tourists stay at the same hotel or inn due to various considerations such as good and friendly service.

## **4. Results and Discussion**

### ***4.1 Tourist Destinations in Bali, Jogjakarta, Bandung and Jakarta***

Each tourist destination has its own characteristics, such as the city of Jogjakarta which is known for its richness in traditional Javanese art and palace buildings. In the city of Jogjakarta, there is an area for foreign tourists near Malioboro and the Tugu train station, namely on Jalan Sosrowijayan. In this area there are many cheap accommodations for back packer tourists. Some tourists, both domestic and foreign tourists who visit Bali are old tourists who have visited frequently or even stayed for a long time. The Bali tourist destination is known for its natural beauty, especially Kuta beach in Badung Regency which is popular in the world, traditional arts such as paintings, statues, architecture and carvings. The center for foreign tourists is in Kuta because the area has many complete facilities for foreign tourists. So far, Kuta sub-district has been visited by many foreign tourists. Badung Regency's Original Regional Income (PAD) from the tourism sector will reach IDR 5.6 trillion in 2023. This is the highest PAD in Bali while the target is IDR 5.8 trillion,

Meanwhile, Bandung and Jakarta are known as artificial tourist attractions because of their geographical conditions. Apart from that, the city of Bandung is also known for culinary tourism which provides various types of traditional and non-traditional food at various prices. The city of Bandung is also known for fashion, giving it the nickname Fashion City. Most domestic tourists who visit the city of Bandung intend to enjoy its culinary delights and shop for fashion products.

The city of Jakarta is visited by many domestic tourists from various regions to visit man-made tourist attractions such as museums, national monuments and the famous Ancol Beach recreation area. Most foreign tourists who visit Jakarta are just transiting or for business purposes. Cheap accommodation for back packer tourists is located on Jalan Prosecutor, Central Jakarta. However, now the legendary Jalan Prosecutor area is starting to fade because back packer tourists choose other places or use other accommodation facilities.

Kuta District in Badung Regency is the most densely populated area in Bali because there are many entertainment business places which cause very tight competition. Therefore, WOM is quite effective in attracting consumers and creating loyalty to customers so that customers do not switch to other places. The use of traditional WOM is also used by inn owners on Jalan Prosecutor in Jakarta, inn owners on Jalan Sosrowijayan, Jogjakarta, restaurant and café owners in Bandung City, and HoReCa owners in the Kuta area, Bali. Based on several research results, most visitors or tourists stay at the same accommodation, eat at the same restaurant, and drink at the previous café. A phenomenon that shows HoReCa customer loyalty.

### ***4.2 Hotel, Restaurant, Café Business (HoReCa)***

The tourism sector continues to grow positively and contributes to the national economy, foreign exchange and Regional Original Income (PAD). Temporary data shows that the foreign exchange value of tourism in 2022 has reached USD4.26 billion, a significant increase compared to 2021 which was only US0.49 billion. This sector also makes a positive contribution to the PAD of several tourist destinations such as Bali, Jogjakarta, Bandung and Jakarta. The tourism industry is the focus of The government's main role in efforts to restore the national economy after the Covid-19 pandemic.

The tourism industry has a large, interconnected, mutually supporting business "octopus" ecosystem. On the other hand, it has increased positive competition in terms of service and quality. HoReCa is the main business of the tourism industry. The hotel business continues to grow, both large five star hotels and small three star hotels. But almost all hotels use online booking services in collaboration with Traveloka, Booking.com, Red Doorz, OYO, Airbnb and others. The use of digital technology has made the booking process easier, with

many room choices and competitive prices. Many hotel owners find it difficult to set high prices because consumers have many choices of rooms and prices. The hotel business is getting tighter, prompting managers to look for other alternatives to sell their rooms. The presence of Airbnb, Red Doorz and OYO has beaten the traditional hotel business in various tourist destinations. The impact of technological disruption, namely the use of the Internet of Things (IoTs), has led to the presence of new entrances such as Airbub which rents out cheap accommodation facilities in the form of rooms, villas, apartments, residential houses and the like. Therefore, Airbnb has disrupted the previous hotel business that used traditional management.

Apart from offering competitive prices, some hotels provide friendly service and excellent service which aims to create customer loyalty. In hospitality and tourist intelligence, a holistic approach that integrates the internal and external environments with customers' wants (or preferences) is required (Ruel and Njoku, 2021). According to one Spa entrepreneur in Kuta, creating hospitality for consumers requires direct interaction between consumers and the waiter or Spa owner. Friendly service is the key to the success of the Spa business and an effort to compete with other Spa businesses. The spa business is mushrooming in Bali, where there are many spas along the roads in Kuta. Consumers are mostly tourists from various countries who want a relaxed atmosphere with massage services to relieve fatigue or tiredness. Some Spa visitors come in groups asking to be served at the same time, they don't want to take turns or wait long. To anticipate this, Spa facilities must be increased so that they can serve guests simultaneously and at the same time. This is a form of service to consumers. Apart from hotels, culinary businesses such as restaurants are also becoming popular. Like hotels and cafes, restaurants also have various types, such as large restaurants, medium restaurants, restaurants or small restaurants. In Kuta there is the popular and legendary Warung Made, which has been in business for 54 years. Many consumers are loyal customers. Apart from size or scale, there are also restaurants that serve special food such as Padang food, Javanese food, Sundanese food, Chinese food, Korean food, European food and others. The culinary business is a business that is growing along with changes in the lifestyle of eating outside the home.

In recent years, café businesses of various sizes, especially coffee drink products, have mushroomed in various cities such as Bandung City, Jogjakarta City, Jakarta City, and the popular destination Kuta. Coffee drink products are sold at various prices, which are adjusted to the market segment, quality and taste. . In recent years, coffee has become a national drink in Indonesia. Coffee drinks are sold in cafes located in urban centers, shopping centers, public places such as train stations, airports, city parks and so on. Even several small cafes are located in small streets to serve lower class consumers with different quality coffee or instant coffee in sachet packaging.

#### *4.3 Word of Mouth (WOM) Communication/Marketing*

One of the most important sources of market information for customers is WOM, or interpersonal communication regarding goods and services amongst consumers (Lee and Youn, 2015). WOM is widely defined as "any information communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services or their sellers," according to Hennig-Thurau and Walsh (2004) (Cho and Chan, 2016). One of the most important aspects in understanding client demand, acceptance of service, and other behavior is conducting marketing research (Islam, no date). HoReCa's business is not just about the quality of hotel rooms, the taste of food in a restaurant, and the taste of coffee drinks in a café. HoReCa's friendly and excellent business service is an important factor that can create loyalty for customers. Satisfied and loyal customers will return to hotels, restaurants or cafes that have provided friendly and excellent service. Customer satisfaction and WOM are considered to be critically dependent on perceived service quality (Lai, et al., 2018).

In addition, they will also convey positive things - such as satisfaction with the service or taste of the food or drink - to other people. This process is known as WOM communication/marketing. WOM about a product or service is formed when customers talk to their friends about how they feel about it (Peng et.al., 2020). WOM intentions are known to be

correlated with tourists' perceptions of the place (Ishida et.al., 2016). WOM, which mostly consists of recommendations and information from friends, family and other acquaintances, is a crucial factor in helping someone plan to vacation (Lai et.al., 2018). WOM media is a traditional marketing media that has long been used by various HoReCa companies. Now WOM is developing using internet or digital technology known as electronic WOM or electronic Word of Mouth (eWOM). eWOM has become a key topic in marketing literature (Segote et.al., 2022). eWOM disseminated through online forums is generally regarded by consumers as having greater credibility than adverts from marketers (Cho and Chan, 2016). While eWOM is comparable to traditional forms, it has some distinct features as well. For example, it frequently happens between individuals who have never met before (such as strangers or fellow customers) and can be anonymous (Lee and Youn, 2015).

Some potential consumers trust WOM media more than advertisements or promotions made by companies. This shows that WOM and eWOM marketing are very effective in marketing HoReCa. With digital technology, eWOM is becoming more efficient, economical and has a very wide reach. Consumers or customers who are satisfied with the service of a hotel, restaurant or café will create positive WOM, namely telling positive things to colleagues, relatives, students and other people.

## CONCLUSION

The tourism industry such as the HoReCa business continues to grow and develop, giving rise to intense competition. Traditional WOM and eWOM media are still relevant in the current competitive marketing context in the HoReCa business. The use of WOM media is considered to be efficient and effective compared to print or television promotional and marketing media because with WOM there is direct interaction between sellers, managers or business owners and consumers or guests. Traditional WOM media is personal in nature with face-to-face interactions with potential consumers.

Positive WOM is conveyed by HoReCa consumers or guests who are satisfied with the hospitality and service they receive. Satisfied consumers or guests will become loyal customers and convey positive WOM. Many factors cause the HoReCa business to decline or even go bankrupt, as has happened to several hotels, restaurants and eateries, and cafes in the tourist destinations of Bali, Jogya, Bandung and Jakarta. One factor is service that is not good or does not satisfy consumers and customers.

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