

# The Role of Halal Tourism Promotion, Digital Marketing, and Islamic Corporate Governance in Achieving the Success of Hospitality Industry

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**Abstract.** This study aims to investigate the role of halal tourism promotion, digital marketing, and Islamic corporate governance in achieving the success of the hospitality industry. It was conducted based on a case study approach. The authors conducted an online survey involving 106 customers of a four-star hotel in Yogyakarta operated based on Islamic values. Three hypotheses were developed and tested using Structural Equation Modeling run by SmartPLS software. A Confirmatory Factor Analysis was used to determine the effect of halal tourism promotion, digital marketing, and Islamic corporate governance on the hotel's performance. The analysis results reveal that the hospitality industry's success was significantly affected by digital marketing and the implementation of Islamic corporate governance. Digital marketing positively affected consumers' perception of the hotel's performance. Similarly, the implementation of Islamic corporate governance also had a positive effect. Studies on the hospitality industry from an Islamic perspective, especially in Yogyakarta, are still lacking. This study contributes to the literature in the area by providing empirical evidence of the importance of digital marketing and Islamic corporate governance for the success of the hospitality industry.

**Keywords:** halal tourism promotion, digital marketing, Islamic corporate governance, hospitality industry

## 1. Introduction

Tourism is one of the strategic sectors that contributes to national income. According to the [1], international tourism experienced an 86% increase in the first quarter of 2023 when compared to the corresponding period in the previous year, indicating sustained robustness in the early months of this year. Approximately 235 million travelers ventured abroad during the initial three months, surpassing the figures from the same timeframe in 2022, marking a twofold growth.

Tourism can be divided into two categories: domestic and international tourism. It is said that domestic tourism occurs if residents travel still within their own country, while international tourism occurs when the trip involves two or more countries. Other terms are inbound and

outbound tourism. Outbound tourism is a trip made by citizens to other countries, while inbound tourism is a trip made by residents of other countries to visit their country. Various tourism development models are introduced worldwide to improve people's welfare, one of which is the concept of halal tourism.

Indonesia is a country that has the largest Muslim population in Asia, which makes halal tourism a necessity for Indonesia. According to the Global Muslim Travel Index (GMTI) report published by CrescentRating, which assesses the quality of halal tourism in terms of access, communication, environment, and service, the trend of halal tourism in Indonesia has increased. A number of tourist villages in Indonesia have won awards from the World Tourism Organization under the United Nations, UNWTO, one of which is Nglanggeran Tourism Village, Yogyakarta, which was selected as one of the 54 UNWTO Best Tourism Villages 2023. The development of halal tourism is an opportunity for the Indonesian people and can be utilized in various fields in Indonesia [2] As one of the most visited cities with numerous tourist

Yogyakarta plays a vital role in Indonesia's tourism industry. [3] stated that the Shariah Economic Community (*Masyarakat Ekonomi Syariah-MES*) invited business actors and the community to make several cities in Yogyakarta Islamic-based tourism cities. It will have a considerable economic impact on business actors and communities in Yogyakarta that will support Indonesia's economic development. From year to year, tourism in Yogyakarta has increased, marked by the number of hotels in Yogyakarta. In 2022, the Development Planning Agency of Yogyakarta [4] announced the increasing rate of the number of hotels in Yogyakarta, presented in Figure 1

Source :



**Fig 1.** Number of Hotel in Yogyakarta

Hotels are supposed to be places that provide functions as resting places, but many are used for other activities that have a negative impact. That makes Muslim consumers uncomfortable. So, a hotel with an Islamic concept is essentially needed. This study was conducted in a four-star hotel in Yogyakarta that brands itself with Islamic concept hotels by implementing Islamic values reflected in the provision of services and facilities. The target market of this hotel is the Muslim community. However, it still does not rule out the possibility that everyone can enjoy and stay at the hotel while following the regulations. As an Islamic values-based hotel, this hotel must carry out and plan their marketing carefully, especially in social media, while maintaining Islamic values. Following Islamic values and regulations becomes a necessity in planning digital marketing strategies that apply to the hotel but still provide aspects of satisfaction to its consumers

## **Literature Review**

### **Hotel Performance**

[5] states, "Performance is the result of work with the quality and quantity of an employee in carrying out the responsibilities given." Performance measurement is the most crucial component of a management control system. A company's performance appraisal will produce a number of data to help coordinate the decision-making process and provide a sound basis for company management to achieve its goals. High-performance companies lead to success in achieving their goals.

In relation to the hospitality industry, the success of hotel in performing their services could be measured using several indicators. According to [6], those indicators are as follows:

- Think about the company with each activity from a consumer perspective;
- Evaluate activities based on legitimate consumer performance measures;
- Think about all aspects of performance activities that affect consumers;
- Provide feedback to help the company identify problems to make opportunities for improvement

### **Halal Tourism Promotion**

According to [7], promotion is the selection and implementation of marketing strategies that are suitable and have a positive impact on the company in the long term and the future. Meanwhile, [8] stated that halal tourism refers to all tourist attractions that do not contradict Islamic teachings. In halal tourism, Islamic values and regulations regulate the distribution of tourism information, products, and services. It includes providing halal hotels, resorts, restaurants, travel, and promotions that follow Islamic values. Halal tourism promotion should not be done in any way that contradicts Islamic values.

Based on the Fatwa DSN MUI Number 108/DSN-MUI/X/ 2016, halal tourism promotion in the hospitality industry should follow several indicators. Among those indicators are as follows:

- The prohibition of access to pornography and immoral acts;
- The prohibition of providing entertainment facilities that lead to idolatrous, immoral, pornographic, and immoral behavior;
- Food and beverages served must be accompanied by a halal certificate from Sharia National Council of Indonesian Ulama Council (DSN MUI);
- The availability of adequate facilities, equipment, and facilities for the implementation of worship, including ablution facilities;
- The hotel managers and employees must wear clothes following Islamic regulations;
- The hotels must have operational standards and procedures to ensure the implementation of hotel services under Islamic principles;
- The hotels must use Islamic Financial Institutions to support their operation.

## **Digital Marketing**

[9] states that digital marketing promotes products and services through digital distribution channels. Digital marketing is also referred to as e-marketing and includes digital or online advertising, which sends marketing messages to customers.

Some indicators can be used to measure the implementation of digital marketing. [10] proposed six indicators for implementing digital marketing. They are accessibility, interactivity, entertainment, credibility, irritation, and informativeness.

## **Islamic Corporate Governance**

Islamic Corporate Governance (ICG) is one of the solutions to overcoming the operational weaknesses of any Islamic business institution [11] Applying Islamic corporate governance is critical in Islamic business institutions because it relates to the moral dimension of every business activity. In governing business institutions, Islamic corporate governance places importance on protecting all stakeholders' interests rather than shareholders per se. [12] stated that to follow the concept of Islamic corporate governance, the governance of Islamic business institutions should follow four characteristics. The characteristics are truthful (shiddiq), reliable (amanah), astute (fathonah), and transparent (tabligh).

In the hospitality industry, implementing Islamic corporate governance can be done in several ways. Firstly, it is truthful in providing information. Secondly, it is reliable in the sense that there is no doubt of the halal status of the services offered. Thirdly, it shows the ability to assess the situation or its customer's needs accurately. Lastly, it conveys all the necessary information to allow the customers to act accordingly.

## **2. Method**

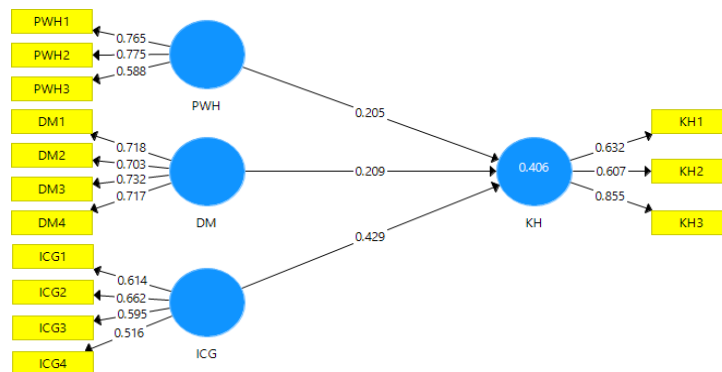
This study was conducted based on a case study approach. It applied an online survey utilizing a questionnaire that was distributed to the targeted respondents through Google Forms. The targeted respondents were the selected Islamic values-based hotel customers who visited the hotel for business, leisure, or other purposes. They were chosen using the convenience sampling method.

The questionnaire contained 14 statements for measuring the four research variables: three items for measuring hotel performances, three for halal tourism promotion, four for digital marketings, and four for Islamic corporate governance. Each statement was quantified using the Five-point Likert scale, ranging from 1 point (strongly disagree) to 5 points (strongly agree).

Primary data collected from 106 customers as the final sample were analyzed using Structural Equation Modelling run by Smart PLS 4 software. A confirmatory factor analysis was used to ensure the content validity of the construct listed in the questionnaire [13]. It also tested the effect of halal tourism promotion, digital marketing, and Islamic corporate governance on hotel's performance.

### 3. Results and Discussion

Figure 2 presents the research model resulting from the Confirmatory Factor Analysis (CFA) in Structure Equation Modelling. The values shown in the model are used to assess the validity of the questionnaire and determine the model fit.



**Fig 2.** Research Model

The data used in this research is primary. For sampling in this research, researchers used purposive sampling with the technique of distributing questionnaires/questionnaires with several criteria as follows:

Figure 2 shows that the validation results of each item indicated that the indicators of Hotel Performance construct had a loading factor above 0.5, namely KH1 =0.632, KH2 = 0.607, and KH3 =0.855. It suggests that each of these indicators is valid to describe the construct of hotel performance. Moreover, three Halal Tourism Promotion (PWM) indicators have a general loading factor above 0.5. Also, four indicators of the Digital Marketing (DM) and Islamic corporate governance construct have loading factor values above 0.5. As no value of the loading factor is less than 0.5, it can be concluded that the questionnaires used for measuring the four research variables were valid.

Figure 2 also reveals that the determination coefficient of the model, measured by the adjusted R-square was 0.406. It shows that 40.6% variation of the hotel performance can be described by halal tourism promotion, digital marketing, and Islamic corporate governance. Any other variables could determine the remaining 59.45 %.

Apart from using the adjusted R-square value, several other parameters could also be used to test the model's goodness of fit. [14] state that, in structural equation model analysis, the models' goodness of fit could not only be tested with a single statistical test tool. For this reason, it is necessary to use several models to assess whether the model matches the data. The results of validation using CFA (confirmatory factor analysis) in two sub-samples show that the factors in the study have a good match, as seen in Table 1.

**Table 1. Model Fit**

	Saturated Model	Estimated Model
SRMR	0.116	0.116
d_ULS	1.410	1.410
d_G	0.331	0.331
Chi-Square	203.054	203.054
NFI	0.356	0.356

Chi-square has criteria sensitive to sample size, so it must be equipped with other testing instruments. The smaller the chi-square value, the better the result and the significance probability. If the significance value is higher than 0.05 ( $p > 0.05$ ), it shows no difference between the model and the data.

As all the indicators were valid for measuring the four variables and the models' goodness of fit criteria were met, the model presented in Figure 2 could be used for explaining the effect of halal tourism promotion, digital marketing, and Islamic corporate governance on hotel performance. Table 2 summarized the relevant parameters used for describing the relationship between halal tourism promotion, digital marketing, and Islamic corporate governance with the hotel performance.

**Table 2. Path Coefficient**

	Coefficient	t-value	p-value
DM KH	0.205	2.528	0.000
ICG KH	0.209	4.997	0.000
PWH KH	0.429	1.406	0.160

Based on the value of each parameter presented in Table 2, this study reveals three research findings. Firstly, digital marketing (DM) positively impacts hotel performance (KH). As the hotel increases its efforts in conducting digital marketing, its success will increase. Secondly, Islamic corporate governance (ICG) positively impacts hotel performance (KH). A better Islamic corporate governance implemented in the hospitality industry will likely lead to success of the hotel to achieve better performance. Thirdly, halal tourism promotion (PWH) did not significantly impact hotel performance (KH).

#### 4. Conclusion

The findings in this study provide a test comparison between digital marketing and Islamic corporate governance that positively affects the performance of Grand Rohan Jogja Hotel to develop marketing strategies oriented to customer satisfaction. Meanwhile, the promotion of halal tourism does not affect the performance of the hotel being investigated. This study contributes to the upward literature on Islamic hospitality industry especially concerning the effect of digital marketing and Islamic corporate governance on the industry's success.

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