

Business Strategy and Hybrid Models in Indonesia's MICE Industry Post Covid-19: Impacts, Policies, and Development Potential

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Abstract : This quantitative study uses SmartPLS3 to analyze the main issues related to the impact of the COVID-19 pandemic on MICE (Meetings , Incentives , Conventions , and Exhibition) business actors , as well as the role of the hybrid model in maintenance the sustainability of MICE activities in Indonesia. This study focuses on five representative cities that are the main targets of MICE activities according to the government's strategic plan, namely Jakarta, Bogor, Bali, Yogyakarta, and Malang. The COVID-19 pandemic that has hit various countries , including Indonesia, for more than a year , has brought major challenges . The tourism and MICE sectors are among the most affected , with many business actors forced to stop them operations and switch to alternative sectors such as culinary , agriculture , and plantations as a means of survival . However , the emergence of the hybrid model has become an important solution for the MICE sector . Some alternative solutions adopted during the pandemic include organizing virtual MICE events , virtual tourism , webinars , and meetings through platforms such as Google Meet and Zoom. Teleconferencing has also become an important tools to maintain engagement . These adaptations highlights the increasing dependability on advanced technology to ensure the sustainability of the MICE industry . The implementation of these activities requires high creativity and quality in order run well . This change emphasizes the importance of continuous innovation and utilization of technology by MICE industry players to navigate the ever evolving landscape .

Keywords : COVID-19, MICE, hybrid model, tourism , technology ,

1. INTRODUCTION

There are 16 MICE (Meeting, Incentive, Convention, Exhibition) destinations that have been determined by the Ministry of Tourism. However, only Jakarta and Bali are consistently included in the ICCA (International Congress and Convention Association) rankings. Meanwhile, Yogyakarta and Bandung only occasionally appear on the list. As one of the steps to revive MICE activities affected by the COVID-19 pandemic, the Ministry of Tourism and Creative Economy is holding the Indonesia Corporate Travel and MICE (ICTM). The five cities targeted for MICE activities based on the government's plan from mid-September to the end of December 2020 are Jakarta, Bogor, Bali, Yogyakarta, and Malang.

Jakarta and Bali consistently meet the criteria as international destinations due to their readiness to host global scale events. The development of MICE destinations involves various business actors who need support to improve the quality of their services. For example, in Batam City, MICE industry activities are one of the leading tourism sectors, where tourists can conduct business activities while enjoying the beauty of nature. To develop this potential, Batam needs the right strategy, including the development of attractions, accessibility, and amenities (3A), as well as improving local human resources who manage and support related

industries.

One of the main criteria for an international MICE venue is the distance between the meeting location and accommodation that is easily accessible on foot, as well as the presence of additional facilities such as entertainment, shopping, and culinary. However, the COVID-19 pandemic that has hit the world, including Indonesia, has brought major challenges to the tourism sector, including MICE. Bali, for example, as a major destination where most of the population depends on the tourism sector, has experienced losses of up to IDR 9.7 trillion per month. Many people have switched professions to the culinary, agricultural, and plantation sectors as alternatives during the pandemic.

The virtual concept emerged as a substitute for postponed and canceled activities. Online events, such as webinars and conferences, became an alternative, although they had limitations such as internet connectivity issues. As a solution, a hybrid model that combines virtual and face-to-face components began to be implemented by considering prevention and security strategies.

Based on Law Number 10 of 2009 Article 14, tourism business services include convention services, incentive travel, and exhibitions. Although still new in Indonesia, the MICE sector has great potential to provide economic benefits, such as creating jobs, increasing regional income, and driving growth in related sectors, including printing, hotels, souvenir companies, travel agents, transportation, and SMEs.

For example, Bogor Regency has diverse tourism potential, such as Gunung Mas Agrotourism which offers experiences from the planting process to the harvest of tea. Although it only has the main commodities of tea and coffee plantations, with the right promotion, this destination can attract local and international tourists.

The strategy to revive Indonesian tourism includes three main steps. First, supporting the short-term tourism industry through financial policies, product innovations such as digital tourism, and improving tourism management techniques. Second, implementing a pentahelix strategy with collaboration between academics, business actors, government, communities, and the media. Third, revitalizing the operations management system with a Total Quality Management (TQM) approach.

2. RESEARCH METHODS

In this study, a quantitative approach was chosen to find facts in the field after the data was collected. The data collected consisted of two main types, namely primary data and secondary data. Primary data was obtained directly from MICE business actors through the distribution of closed questionnaires. Meanwhile, secondary data came from literature studies, journals related to MICE business actors, internal data from MICE associations, websites, and various other written sources that support the research problems.

The research variables in this study consist of independent variables and dependent variables. The independent variable is the impact of COVID-19, which includes restrictions on activities, decreased income, and increased unemployment rates. While the dependent variable is MICE business actors in Indonesia, which involves aspects such as new adaptations, poverty eradication, re-planning of MICE activities, new normal implementation models, hybrid models, creative economic activities, government policies, roadmaps and strategies from the Ministry of Tourism and Creative Economy, and business strategies.

1. Sample Determination

The sample in this study was determined using the Structural Equation Model (SEM) parameters. Some guidelines used to determine sample size are as follows:

The Maximum Likelihood method recommends a large sample size, namely between 100 and 200 samples, with a minimum of 50 samples.

The number of indicators is multiplied five to ten times. In this study, there are 12 indicators. With an average multiplication of seven times, the number of samples produced is 84 respondents.

2. Statistical Data Analysis

After the data was collected, analysis was performed using Partial Least Square (SmartPLS3) software. Some statistical tests performed include:

R- Square (R^2):

Used to determine the influence of independent variables on dependent variables. An R^2 value of 0.70 indicates a strong influence, 0.50 indicates a moderate influence, and 0.25 indicates a weak influence.

a. Effect Size (F- Square):

Measuring the impact between variables. An f^2 value between 0.02 and 0.14 indicates a small impact, between 0.15 and 0.34 indicates a medium impact, and above 0.35 indicates a large impact.

b. Collinearity Test :

Using Variance Inflation Factor (VIF) to determine whether there is a collinearity problem. A VIF value greater than 5.00 indicates a collinearity problem, while a value below 5.00 indicates no problem.

c. Reliability Analysis :

Testing the reliability and validity of the construct with several indicators, such as Cronbach Alpha (value > 0.7), rho A (value > 0.7), Composite Reliability (value > 0.6), and Average Variance Extracted (AVE, value > 0.5).

3. Path Analysis

Path analysis is used to determine the influence on the 2 variables above . The influence can be unidirectional or opposite. If the value that appears is positive, then the influence is unidirectional, where an increase in the independent variable causes an increase in the dependent variable. Conversely, if the value is negative, then the influence is opposite, where an increase in the independent variable causes a decrease in the dependent variable.

This test also uses probability or significance values (P-Value) to determine whether the effect is significant. A P-Value of less than 0.05 indicates a significant effect, while a value of more than 0.05 indicates an insignificant effect.

With these steps, the study aims to identify the impact of the COVID-19 pandemic on sustainability and adaptation strategies implemented by MICE business actors in Indonesia.

3. RESULTS AND DISCUSSION

This study aims to identify the role model of Meeting, Incentive, Convention, and Exhibition (MICE) activities in Indonesia after the COVID-19 pandemic. The data used are primary data obtained through questionnaires distributed to representatives of MICE service business actors in five cities targeted for MICE activities based on the government's plan, namely Jakarta, Bogor, Bali, Yogyakarta, and Malang. The number of respondents who participated was 84 people, consisting of 50 female respondents and 34 male respondents. The majority of business actors are in the productive age range, namely 41-60 years, which shows that the MICE sector in Indonesia is dominated by experienced business actors.

A. Age Profile and Experience of MICE Business Actors

Most business players in the MICE industry have more than 8 years of experience, reflecting their capacity to address the various opportunities and challenges that arise in this sector. This long experience shows that they have in-depth knowledge and skills to adapt to the ever-evolving dynamics of the industry, including managing the impact of the COVID-19

pandemic that has affected almost all business sectors, including MICE.

The age range of MICE business actors is divided into several age groups that reflect the diverse professional backgrounds in this industry:

Age 0-25 years: 12%

Age 26-40 years: 18%

Age 41-60 years: 43%

Age over 60 years: 27%

From the data, it can be seen that the majority of business actors are aged 41-60 years, which indicates mature experience and a high level of maturity in decision making and planning MICE activities. However, business actors at a younger age (0-25 years and 26-40 years) also play an active role, bringing innovation and creativity in facing challenges in this industry.

In addition, the majority of MICE business actors organize MICE activities regularly, namely every month (35%), which shows that even though the challenges of the pandemic have hampered it, the Indonesian MICE industry continues to show a fairly high level of activity. The arrangement of MICE activities every two weeks (21%) and every week (14%) also illustrates that many business actors continue to strive for sustainability and consistency of events, even with adjustments to the model and format of the event according to current conditions.

This fact shows that the Indonesian MICE industry has strong resilience and continues to adapt despite facing a global crisis, while maintaining the sustainability and consistency of activities, both virtually, hybrid, and face-to-face.

B. Statistical Analysis

The data analysis process in this study was carried out using SmartPLS3 software to test the relationship between exogenous variables (the impact of the COVID-19 pandemic, government policies, and MICE potential) and endogenous variables (business strategy and hybrid model). This analysis aims to identify the extent to which external factors, such as government policies and the potential of the MICE industry, influence the decisions and actions taken by business actors in formulating their business strategies and in implementing post-pandemic hybrid models.

The results of the model testing show a fairly significant R-Square figure for both endogenous variables:

Square value for business strategy is 0.739 , indicating a **strong impact** of exogenous variables on the business strategy of MICE business actors. This means that more than

70% of changes in business strategy can be explained by variables such as the impact of the pandemic, government policies, and MICE potential.

The R-Square value for the hybrid model is 0.655, which also shows a **strong impact** although slightly lower than that of business strategy. This value indicates that about 65% of the changes in the implementation of the hybrid model can be influenced by the external factors studied.

Furthermore, the test results for the contribution of each exogenous variable to the endogenous variable provide more in-depth information as follows:

1. Government policy :

Government policies have a **significant contribution** to the business strategy of MICE business actors, with a value of **0.304**. This shows that policies implemented by the government, whether in terms of social restrictions, incentives for the industrial sector, or other policies related to health and safety, play an important role in shaping the business strategy of business actors.

However, government policy only **contributes slightly** to the adoption of the hybrid model, with a value of **0.080**. This shows that although government policy supports many aspects of the industry, its direct influence on the adoption of the hybrid model (a combination of face-to-face and virtual meetings) is relatively smaller compared to other factors.

2. MICE Potential :

The potential of the MICE industry **contributes more** to the business strategy of business actors, with a value of **0.484**. This shows that MICE business actors are highly influenced by market potential and industry prospects, such as opportunities to hold large events or expand international networks under normal conditions and post-pandemic adaptation.

On the other hand, the influence of MICE potential on the implementation of the hybrid model is also quite significant, although not as large as on business strategy, which reflects that business actors see the potential of MICE in the form of a hybrid model as a big opportunity, although it is not the main factor in their decision making.

Overall, the results of this test provide an overview that MICE business actors in Indonesia are greatly influenced by government policies and market potential in formulating their business strategies. Meanwhile, although government policies and MICE potential influence the implementation of the hybrid model, other factors, such as technology and market demand, also play an important role in the implementation of this model.

C. Findings and Recommendations

1. Impact of COVID-19 on Business Strategy

The COVID-19 pandemic has had a significant impact on the business strategies of MICE entrepreneurs in Indonesia. Many entrepreneurs do not have a specific strategy to deal with this crisis, but rather focus on survival and adaptation to the uncertain situation. For example, some MICE entrepreneurs have switched to alternative businesses, such as becoming YouTubers, opening virtual tours, or selling products online. This shift was made to maintain business continuity and reduce losses caused by social restrictions and the cancellation of face-to-face events. This survival strategy indicates that entrepreneurs prioritize flexibility and resilience in facing existing challenges.

2. Policy Government

Government policies play a very important role in supporting the recovery of the MICE industry. Some steps that have been taken by the government include providing certification training for business actors, regulations that support tourism promotion, and incentives for related industries. For example, policies that regulate health protocols at event venues or incentives for event organizers to encourage this sector to move again. In addition, more synergistic policies between the central government and local governments are also very much needed. This collaboration will strengthen the MICE ecosystem as a whole, especially in order to accelerate the process of adaptation and recovery of this sector post-pandemic. With the support of the right policies, it is hoped that the MICE industry can recover faster and more solidly.

3. Opportunity Hybrid Model

hybrid model (a combination of physical and virtual events) has emerged as a major opportunity for the MICE industry in Indonesia. Technology has opened up many new possibilities in event implementation, such as virtual tours, webinars, and online conferences. The implementation of events that combine physical and virtual presence provides greater flexibility for participants, who can join from any location without being limited by distance. However, the success of implementing this hybrid model is highly dependent on several factors, such as government policy support regarding digital infrastructure and increasing the capacity of business actors to adapt to the latest technology. Business actors must be ready to invest in the necessary technology and improve their skills to manage hybrid events, both in terms of technical and content delivery.

4. MICE Industry Potential

The MICE industry in Indonesia has great potential to grow, especially through technology-focused innovation. One example of innovation that can be utilized is virtual tours, which allow tourists to visit tourist destinations online, without having to physically travel. For example, the concept of virtual tours implemented by the Google Arts & Culture platform, which allows visitors to explore various cultural and tourist sites around the world, can be adapted to promote destinations in Indonesia. In addition, technology-based tourism promotion can also be expanded by using digital applications and platforms to attract local and international tourists. This potential can be maximized if there is cooperation between MICE business actors, the government, and the technology sector to create a more interactive and engaging experience for participants and visitors. By utilizing these innovative opportunities, the MICE industry in Indonesia can become more competitive and ready to face future challenges.

D. Post-Pandemic Strategy Recommendations:

The MICE industry in Indonesia needs an adaptive and sustainable strategy post-pandemic to ensure effective recovery and sustainable growth. Some recommendations that can be implemented by Indonesian business actors and the government in facing challenges and taking advantage of post-pandemic opportunities include:

1. Improving Human Resources (HR) Capacity in the MICE Sector through Health Protocol-Based Training and Certification (CHSE)

Training and capacity building of human resources are key to ensuring the successful implementation of MICE activities that are safe and in accordance with health protocols. In the post-pandemic context, it is important for business actors and staff involved in the MICE industry to obtain certification based on the Health, Safety, and Environmental Protocol (CHSE). This certification not only provides assurance to event participants that the event is held with high safety standards, but can also increase public trust in the MICE industry. Therefore, training programs for business actors and workers in the MICE sector need to be expanded to include an in-depth understanding of the CHSE protocol as well as the ability to manage events that are safe, comfortable, and in accordance with applicable government policies.

2. Strengthening Technology-Based Tourism Promotion to Support Virtual and Hybrid MICE Activities

Technology has become key in adapting the MICE industry to the new post-pandemic conditions. Therefore, technology-based tourism promotion strategies must be further encouraged to support virtual and hybrid events. The government and business actors need to collaborate to build platforms that facilitate the promotion of MICE destinations and events digitally. This can include the use of social media, mobile applications, and websites that are easily accessible to potential event participants. Virtual tours, webinars, and interactive presentations should be introduced as promotional methods that can reach a wider audience, both domestically and internationally. This technology-based promotion not only allows participants to experience MICE remotely .

3. Integrating the Annual Event Calendar between Government and Business Actors to Increase the Attraction of MICE Tourism in Indonesia

To enhance Indonesia's attractiveness as an international MICE destination, better coordination between the government and business actors is needed in designing and integrating the annual event calendar. This collaboration will help to create a well-organized event schedule, avoid overlapping events, and maximize the potential of tourists visiting for MICE activities. The government can work together with MICE associations, hotels, and related service providers to design an annual agenda that includes various types of activities that are relevant to global trends, such as international conferences, exhibitions, or cultural events. In addition, implementing an integrated event calendar can increase the involvement of various other tourism sectors, such as transportation and accommodation, to support the smooth running of MICE events and introduce Indonesia as a very attractive business tourism destination.

4. CONCLUSION

Based on the discussion above, it can be concluded that the COVID-19 pandemic has generally had an impact on the MICE business strategy in Indonesia. Most business actors in the MICE sector admit that they do not have a specific plan to deal with the COVID-19 pandemic. This is exacerbated by government policies related to restrictions on activities that limit the operations of the MICE sector. Therefore, steps to facilitate regulations in the MICE sector are urgently needed. MICE business actors need alternative solutions during the pandemic to survive.

The COVID-19 pandemic has also had an impact on the implementation of the hybrid model run by MICE business actors in Indonesia. Several tourist destinations and industries have started implementing digital promotions by inviting tourists to visit, but physically they remain at home. This is a good business opportunity for MICE business actors in the future. However, what needs to be considered is how government policies can support regulations that allow this technological approach to continue to be implemented and developed in the future.

The researcher's suggestion regarding the impact of the COVID-19 pandemic is that MICE sector business actors can gain an overview of alternative strategies to deal with the ongoing pandemic. Business actors need to adapt to changes and find ways to utilize technology and hybrid models as relevant business solutions. On the other hand, the government needs to consider this input in the MICE industry recovery program that is adjusted to current potential. In addition, closer coordination with regional heads is essential to strengthen the MICE ecosystem throughout Indonesia.

For further research, these results can be used as initial data that can be developed with new findings, as well as adding insight into scientific sources in the MICE field. Future researchers can deepen the analysis related to technology adaptation, government policies, and the role of business actors in the recovery of the MICE industry post-pandemic, thus producing more specific and applicable recommendations for the development of this sector.

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