

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

OYO Rooms, commonly known as OYO, is a network of budget hotel and hospitality services in India. It was founded in 2013 by Ritesh Agarwal and has since grown to more than 8,500 hotels in 230 cities in India, Malaysia, Nepal, China and Indonesia (Oyo Company, n.d).

OYO Rooms has a multi-brand approach with offers tailored to change the needs of today's travelers. OYO in SMART Segmentation are promoted in Medan because neighborhood hotels are in the middle segment targeted at millennial tourists who want premium economic accommodation. In this study choose SMART Segmentation because most of the customers interest in SMART Segmentation that provides standard hotel service quality with affordable price.

Many studies have examined how the aforementioned online review features influence the level of usefulness of online reviews. Some have investigated how a single or combination of these features affect psychological variables such as brand, trustworthy, and behavioral variables such as purchase intention (Priansa, 2016).

The availability of Online reviews assist Customers collect information before purchase in order to raise awareness. Online reviews provide customers with real experience, and a reference to understand the products. Because, OYO guests cannot give a review before check-out from certain OYO property. Some scholars

believe that the driving force of customers to search online reviews to get information, with lack of available information could influence the customers' perception in trustworthy property. Therefore, searching online reviews behavior of customers before purchase is an important step. Meanwhile, online reviews can improve customer perception of lodging facilities and products, attract customers caring potentially, and increase customer loyalty and sense of attraction to the property, which allows customers to make better lodging decisions (Yudik, 2015).

Customer learning refers to the process that customers acquire knowledge, experience, skills, and improve their purchase behavior constantly during the purchase. Customers' attitudes are affected by the quantity and ratings of online reviews. When customers want to purchase thing, they are hinted by the positive or negative comments, they will like or dislike the goods. When high-quality reviews emerging, customer impulse will continue to get strengthened. When low-quality reviews emerging, customer impulse is reduced. After their purchase, the quality of service is recognized by customers. When there is demanded to purchase again, they will make a repeat purchase. Online reviews of credibility and usefulness adoption process can be understood as a kind of customer learning behavior. So, observing customer purchase process from the point of customer learning becomes very necessary (Alma, 2015).

Experience lodging refers to the hotel that customer cannot obtain accurate information from product information before the purchase, such as price, facilities, and service. That experience good is more dependent on online reviews and customer tend to use online reviews while decide to stay the lodging. Currently, the reviews systems of different e-commerce sites are not exactly the same. But they

are all involved in logistics rating, services rating, description rating and comment review. On OYO product pages, websites offer customers the chance to post reviews with content in the form of numerical star ratings (ranging from 1 to 5 stars or 1 to 10 stars). We can find a variety of information related to online reviews, such as pictures reviews, additional reviews, positive reviews, moderate reviews, negative reviews, cumulative reviews, and others (Priansa, 2016).

Customer purchase interest can be affected by online review which can be seen from there are many compliment, suggestion and complaint from costumer that trigger an impression of the hotel or product and level of disappointment and enjoyment are seen from giving star satisfaction. When new customers want to choose a hotel that is worth the stay, definitely the customer will see an online review and make a decision whether to be interested in reserve a lodging. Hence, online reviews from previous customers are influential in the decision of customer purchase interest (Zhang, 2015).

From the previous experience, the author ever stayed at one of the OYO property in Medan. Before deciding to reserve one of the rooms from OYO's properties, the author firstly see the online review of the property. From an online review the writer can judge whether the property is worth the stay in terms of cleanliness, facilities, and services because it is known by many people that OYO property offers a very cheap price compared to other lodging. Therefore, the author wants to find out whether online review has an important role in customer purchase interest to reserve a lodging.

From the description that has been there before, it encourages researchers to discuss in the thesis under the title **“The Analysis of Online Review towards Customer Purchase Interest in SMART Segmentation of OYO in Medan.”**

## **1.2 Problem Formulation**

With the topic entitles “The analysis of Online Review towards Customer Purchase Interest in Smart Segmentation of OYO in Medan” this research will discuss about:

1. Are the online reviews of OYO Medan according to reality?
2. How to improve the responses or reviews from OYO’s guests?
3. How can online review increased customer purchase interest of OYO Medan?

## **1.3 Research Focus**

Due to limitation of time and budget, this research will be limited on the discussion about the Influence of Online Review towards Customer Purchase Interest in SMART Segmentation of OYO in Medan. This research is also limited based on researcher’s knowledge and findings. It is limited at OYO in Medan, having its address at BETAHIVE Co-working Space Jl. Abdullah Lubis no. 48, Medan.

#### **1.4 Research Objective**

The objectives of the research are as follows:

1. To find out online reviews on OYO Medan are according to reality.
2. To improve online reviews from customer of OYO Medan.
3. To link the effect of online review with customer purchase interest at OYO Medan.

#### **1.5 Benefits of the Research**

From observing this research, it will increase writer's critical thinking and express the opinions and ideas while analyzing the effect of online review toward customer purchase interest.

##### **1.5.1 Theoretical Benefit**

The author hopes this research could give theoretical benefit to readers as follow:

1. To give better understanding of Smart segmentation by paying attention to online reviews from customer.
2. To give better understanding on how online review can affect customer purchase interest.
3. To become references for future research with related topics.

### 1.5.2 Practical Benefit

By identifying this research, it will give practical benefits as follow:

1. To give recommendation or insight to OYO Medan on how online reviews are according to guests' experience.
2. To give advices on how to maintain and improve the positive reviews from customer.
3. It will help OYO company to know the truth about customer purchase interest based on online reviews.

