

# CHAPTER I

## INTRODUCTION

### 1.1. BACKGROUND OF THE STUDY

Since World War II ended, our civilization has been going on an upward slope into what we know as globalization. The world has transformed more quickly than ever before, with thousands and millions of breakthroughs and inventions aiming at bettering humans' everyday lives. The presence of technological advancements is also indisputable; they have shaken the traditional settings of almost all aspect of our lives, from transportation to communication to business and economy. Things have been changing so quickly that even the elderly, our parents and grandparents, are forced to face these changes.

Here is an illustration. Instead of writing letters, people now communicate through social media. Instead of taking a cab, people now use Uber. Instead of using pagers or fax machines, companies now use computers and the Internet. Instead of booking airline tickets manually, mobile applications for online bookings are now easily accessible and commonplace. Helpful as they may be, these changes are often still subject to controversy. Many still think that technology is a threat, which may just be true, somehow. Cabbies feel threatened by Grab, for example. In developing countries like Indonesia, demonstrations and riots associated with this are not rare.

Here, we can see an evident shift in the market's general behavior, and a new phenomenon called sharing economy. In short, sharing economy refers to a condition in which people share their own belongings and services related to these belongings at a price that is usually lower than their alternatives. Rather than letting their properties lie around unused, people can now maximize the utilization of their cars and earn extra money. Uber and GrabCar are examples of sharing economy in the transportation service sector, where car owners can drive passengers from one place to another using their own cars – and at a much cheaper price than taxis.

In the hospitality and tourism sector, there is a phrase called P2P (Peer-to-peer) Accommodations, which refers to the sharing economy of lodging spaces. Just as Uber or GrabCar has affected the traditional transportation service providers' business, P2P platforms like Airbnb might be doing the same thing. The company, Airbnb, Inc., has been quite popular nowadays, especially among more casual travelers and backpackers, for its convenience and relatively cheaper price. According to Forgacs & Dimanche (2016) and Oskam & Boswijk (2016), the number of travelers who prefer P2P accommodations to traditional lodging services is increasing considerably. Oskam and Boswijk even named Airbnb as the "future of networked hospitality businesses". Furthermore, Dolnicar (2017) stated in her book *Peer-to-peer Accommodation Networks* that Airbnb is the only pioneer in the P2P accommodation networks sector that has "radically changed the short-term accommodation sector".

Despite what experts have stated, has this phenomenon become evident among Medanese people when staying abroad, especially the millennials? The millennials are notorious for their desire for convenience and everything instantaneous, and they are the generation that is the most exposed to technological advancements. As the third-biggest city in Indonesia, any technological innovation should develop rapidly in a city like this – indicating that those of the millennials generation, which equals around 750,000 people in Medan as of 2013 (Badan Pusat Statistik Kota Medan, 2013), should have accepted this trend as quickly as it has emerged. Therefore, this final paper will discuss about "The Impacts of Peer-to-peer Accommodations on Medan's Consumer Preference for Hotels".

## 1.2. PROBLEM LIMITATION

There are many factors that affect travelers' preferences for staying in hotels. These factors may be political, economical, social, technological, environmental, or legal (PESTEL) (Pratap, 2018). As explained in the background of study, technology is one of the most unpredictable factors, because it keeps changing and developing every day. Therefore, due to the limitations of time and budget, the writer has decided to limit the research to peer-to-peer accommodations as the independent variable, which is one of the examples of how technology has started to change the hospitality industry, with Airbnb as a company that represents it, as the writer believes that Airbnb may be one of the best-known P2P platforms among the research subjects.

The writer has also chosen to take the consumer preference for hotels as the dependent variable, as hotels here represent the traditional business of accommodation services that have been disrupted by the emergence of this sharing economy. In addition, the writer has decided to focus specifically on Medanese people as the population, since the writer is interested in their responses and attitudes towards this emerging trend. The population will be further limited to only those in the millennial generation (age 20 to 35 as of 2019), as the writer believes that those of this generation experience much more exposure towards technology than those outside of it.

In addition, this research is structured around the indicators of each variable. On the journal *Drivers and Barriers of P2P Accommodation Stay* (2016), Tussyadiah and Pesonen proposed four drivers and three barriers of online collaborative consumption. The writer has decided to use three of these drivers, which are economic benefits, sustainability, and community. As for the indicators or drivers of consumer preference for hotels, the writer has been inspired by Young, Corsun, and Xie's research *Travellers' Preferences for P2P Accommodations and Hotels* (2017), in which there were 15 influence factors. These factors have been concluded into three, which are location and safety, facilities, and the customers' desire for isolation and minimum contact.

### **1.3. PROBLEM FORMULATION**

Airbnb has become so booming in the last few years in some countries. In Japan, for example, the platform was so huge and impactful that the government had to enforce new laws that limit the criteria for Airbnb hosts (Deahl, 2018). With Japan as an example, it piqued the writer's interest: Airbnb may be new to Medanese people, but how is it doing in Medan so far? Airbnb may provide cheaper and more convenient alternatives to conventional hotels, and millennials are a generation notorious for seeking both these qualities.

Therefore, from this condition, the writer has drawn three research questions underlying the problems to be answered in this research, which are:

1. How familiar are Medanese millennials with peer-to-peer platforms (Airbnb)?
2. Between those two choices (peer-to-peer accommodations and hotels), which one would they choose, and why?
3. How has peer-to-peer accommodations (Airbnb) impacted Medanese millennial's preferences for conventional hotels?

### **1.4. OBJECTIVES OF THE RESEARCH**

Determining a research's objectives is a crucial step any writer should do at the beginning of a research. This ensures that the research is directed and prevents it from straying too far from its original scope. The research objectives also aim to answer all the questions listed in the problem formulation. As for this research, the objectives are as follows.

1. To look into whether Medanese people are already familiar with peer-to-peer platforms like Airbnb.
2. To compile data on their preference between staying in peer-to-peer platforms and staying in hotels.
3. To inquire into whether peer-to-peer accommodations (Airbnb) have impacted Medanese people's preference for staying in hotels when travelling abroad.

## 1.5. BENEFITS OF THE RESEARCH

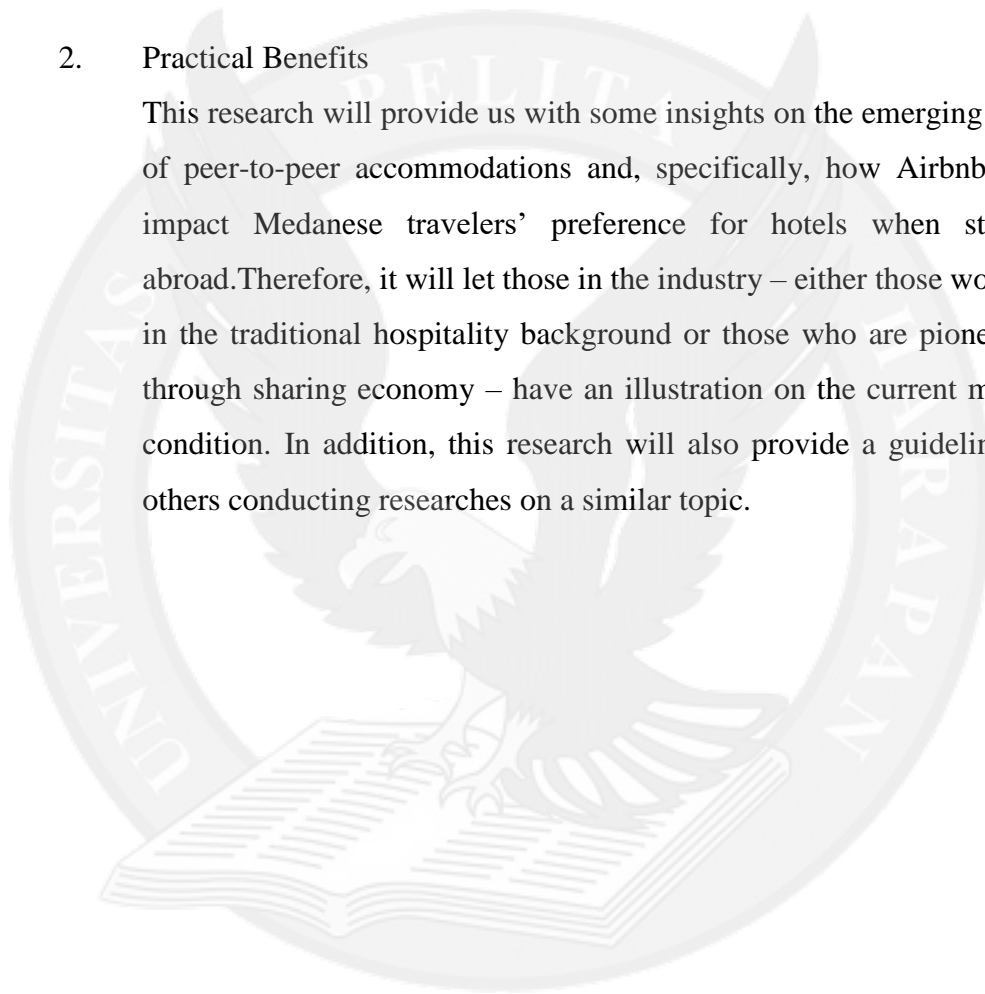
This research has theoretical and practical benefits to several parties.

### 1. Theoretical Benefits

The results of this research will provide some insights – not only to the writer, but also to the readers and other researchers – into the current situations in the hospitality and tourism sector, in which traditional lodging services are being transformed by technology.

### 2. Practical Benefits

This research will provide us with some insights on the emerging trend of peer-to-peer accommodations and, specifically, how Airbnb may impact Medanese travelers' preference for hotels when staying abroad. Therefore, it will let those in the industry – either those working in the traditional hospitality background or those who are pioneering through sharing economy – have an illustration on the current market condition. In addition, this research will also provide a guideline for others conducting researches on a similar topic.



## **1.6. SYSTEMS OF WRITING**

### **CHAPTER I INTRODUCTION**

This chapter comprises the background of study, problem limitation and formulation, objectives and benefits of research, and systems of writing

### **CHAPTER II LITERATURE REVIEW**

This chapter includes the theoretical background, previous researches, hypothesis development, research model, and the framework of thinking of this final paper.

### **CHAPTER III RESEARCH METHODOLOGY**

This chapter includes the research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

### **CHAPTER IV DATA ANALYSIS AND DISCUSSION**

This part comprises the general view of the research object, data analysis, descriptive statistics, results of data quality testing and hypothesis testing, and discussions.

### **CHAPTER V CONCLUSION**

The last part of this final paper includes conclusions, implications, and recommendations.