

CHAPTER I

INTRODUCTION

1.1. Background and Introduction

In the year of 2020, COVID-19 emerged and changed the world drastically. The so called global pandemic has been affecting us up to today, and the number of cases all around the globe has been unstable and unpredictable. The WHO issued a public health emergencies of international concern (PHEIC) alarm on January 30, 2020. 2020. Many stringent quarantine procedures and fever surveillance were underway. The initial mortality rates for patients in the hospital were estimated to be 11%–15%,^{1,15} but more recent data were 2%–3%.

It is very likely that person-to-person transmissions occur via droplets and contact (Wu et al., 2020). The outbreak of the coronavirus disease 2019 (COVID-19) has created a global health crisis that has had a deep impact on the way the world and everyday lives are perceived. Not only has the rate of contagion and patterns of transmission threatened sense of agency, but the safety measures to contain the spread of the virus also required social and physical distancing, preventing us from finding solace in the company of others (Arriaga et al., 2021). As stated above, the current COVID-19 pandemic has caused severe damage to the global economy. Therefore, economic recovery has become an important goal for governments globally. It is a

known fact that economic recovery (during and after a pandemic) is inseparable from consumer consumption stimulation (Jin et al., 2021). Due to the physical distancing rules and transport regulations and restrictions all over the world, it is indisputable that the travel industry is hit hard. This makes it very challenging for companies in the travel industry to survive, let alone flourish and grow. Even when travel restrictions are being lifted in the year 2022, it has been very difficult for users to actually go out of their comfort zone of safety at home and find a place to travel with. Even when people are willing to travel, they are very particular when it comes to the destination place, since hygiene has been customers' top priority the past few years. Most of the global population are urged to stay at home, and technological advancements are expedited to cater with the shopping experience for those staying at home.

Online travel shopping has been a rising trend for the past decade and is expected to continue to soar even much more rapidly in the upcoming years (Li et al., 2018). While it is true that during the pandemic people don't really have travel plans and might not travel anywhere, travel agents are still alive selling products and services beyond what most people usually imagine. Apart from selling plane tickets, travel agents often provide varieties of products. These product offerings include: accommodations (both international and domestic), attraction tickets, offline/online events, apartment rentals, COVID-19 tests, car rentals, car transfer services, and also travel insurances. Most Online Travel Agents in Indonesia including the dominant ones

like Traveloka and tiket.com, which were established since years ago, have been trying to survive with tons of creativity and innovation to match with the current demand and cater with the current COVID-19 situation.

Despite the growing market and the advancement of technology in the industry, there hasn't been enough research on the characteristics of online travel agent's customers and loyal users. COVID-19 pandemic took a toll on the sales of most companies' sales, including those in Online Travel Agents. It is crucial for Online Travel Agents to strategize effectively to understand who their customers are, and how to best retain and attract existing customers to keep on purchasing from them. With a variety of product offerings, Online Travel Agent indisputably has a wide range of customers. Each customer is unique in their own ways, and every unique person has their own demand and preferences; this makes it even more difficult for companies to give out the best strategies, but at the same time, they should not generalize their whole customers into one big group.

The travel industry is more competitive than ever, and OTAs should strive to emerge in this sector by employing strategies that meet consumer preferences, who have a multi-criteria decision making. Moreover, nowadays through the online distribution channels, consumers can easily compare the available products, prices, special offers, discounts, access to independent reviews and photographs of the tourism product and all this weighs in their decision. The issue of the influencing factors of the

decision-making process through OTAs has not yet been fully investigated by tourism and hospitality researchers (Pinto & Castro, 2019). On top of that, variables that impact and affect customer purchases in an OTA are also never thoroughly analyzed and investigated, at least in the Indonesian market.

The powerful action of clustering all customers into several niche groups has been known to be effective in knowing who are the customers with the best purchase intentions based on their lifetime spending in a company, but less is known about who are the groups of customers, whether there are several variables that impact and influence a certain group of customers to spend more, specifically in the Online Travel Agents. Customers can be grouped in so many different ways, and it is specifically much more important for online platforms to step up their game to cluster them in more niche behaviors. Once clusters have been found, then OTA will be able to target their clusters specifically with the right marketing strategies, to make sure that they keep on coming back to the platform instead of their competitors. However, before any clustering is done by the company, It is important to know first what variables are important in knowing how to segment the customers, and what are the effects they might have on customers' spending habits in the Online Travel Agents.

The rates of commissions charged by OTAs to hotels can reach up to 30%, so hotels need to have a high sales volume to offset commissions (O'Connor & Murphy, 2008). The study of O'Connor and Murphy (2008) concluded that only 1% to 5% of

consumers buy, so the hotels need to improve their profile and visibility to enhance their performance in OTAs (O'Connor & Murphy, 2008). On top of that, OTAs need to also be on top of their game to know what actually triggers customers' purchases so they can do promotional strategies more effectively and efficiently.

Consumers' stated purchase intentions are one of the primary inputs that marketing managers use to forecast future sales and to determine how the actions they take will impact consumers' purchasing behavior. Between 70 and 90 percent of clients of market research suppliers indicated in a study that they regularly measure and use purchase intentions (Jamieson and Bass, 1989). Given purchase intentions are correlated with but are imperfect measures of consumers' subsequent purchase behavior, marketing managers need to know when best to rely on them and how best to use them (Morwitz, 2022). There are tons of variables out there that can affect spending decisions, the options are rather limitless. With this research, it is hoped to dig deeper into five different variables: Age Generations, User's Location, PayLater Status, Income, and Travel Purposes.

Helmi et al. (2021) stated that each generation has its own set of aspirations, experiences, generational history, lifestyles, beliefs, and demographics; businesses may tailor a marketing strategy to them. They are branding strategies, price strategy distribution, strategy, and product strategy. Kahle et al. (1986) noted that many

researchers had learned a lot about applying values to all marketing mix elements, however, there are still important aspects to uncover, and the quest will most likely be fruitful.

Another variable that might affect is the user's location. One available research shows that people with low accessibility to nondaily shopping opportunities are more likely to adopt e-shopping. This may be due to the efficiency of e-shopping, which does not require travel to local stores and may also save time (Ren & Kwan, 2009). In that state alone, it can be assumed that different geographic locations can create different outcomes in terms of customer spending.

On top of the two variables is the PayLater Status. It is indispensable that customers have the tendency to love paying in credit and not in full or cash. Not only users that have access to credit cards and payment installment programs might have a distinct purchase behavior, those that love paying in full also have a distinct purchase behavior that might have been different with one another. The research will also take a look at the ratings that the particular customer likes to give to the OTA, and also the customer's travel purpose. Users travel for countless reasons, and by taking the majority of reasons from OTA in Indonesia, the research will see whether travel purposes impact customer spending. Customers have tons of different variables and attributes that are crucial in determining their spendings in an online shopping environment. This research will hopefully help OTA in Indonesia to best know which variables are most

important in determining the groups of customers that spend more in their company. With the outcomes of this study, Online Travel Agents in Indonesia will know whether the five variables to be analyzed influence customer spending or not.

1.2. Research Problem

This research aims to analyze the impact of these different variables: user's age, location, whether they enroll in PayLater (credit scheme feature) on users' spending, user's rating inside an OTA, and travel purposes. For every cluster that is generated, the research is going to analyze the spending pattern based on each user's lifetime spending inside the platform. This research is planning to answer these following questions:

1. Does age have any impact on customer's spending?
2. Does the user's location (cities) have any impact on the customer's spending?
3. Does the PayLater status have any impact on customer's spending?
4. Does the user's ratings on OTA have any impact on the customer's spending?
5. Does the user's travel purposes have any impact on the customer's spending?

1.3. Research Goals

Based on the 5 questions above, it is aimed to answer them in detail as such;

1. To test and analyze the influence of age on customer's spending in OTA

2. To test and analyze the influence of user's location (cities) on customer's spending in OTA
3. To test and analyze the influence of PayLater status on customer's spending in OTA
4. To test and analyze the influence of User's ratings on the OTA on customer's spending in OTA
5. To test and analyze the influence of travel purposes on customer's spending in OTA

1.4. Research Benefits

This qualitative research hopes to provide benefits and necessary information both in real life and also academically.

One of the benefits that Online Travel Agent in Indonesia can hopefully enjoy in real life practice will be the necessary variable information that can be used to determine which groups of customers are best suited for certain promotions and sales strategies. By determining which variables affect the users spending the most, companies can use the information to cluster the users, create a segmentation that is accurate per group, and determine which action and behaviors are needed on certain segments and clusters. With this valuable information, OTA can use it to further finalize their corporate strategy to achieve greater heights and earn more revenues, especially during this COVID-19 pandemic.

Academically, this research can help in detailing out the different variables so that future studies can be done based on this. Future research on Online Travel Agents especially during the COVID-19 seasons can benefit from the information that will be given in this study.

1.5. Research System

This research will have five different chapters. Each chapter has their own title according to the content. The five chapters will be related to each other and will help craft a unified research paper academically. Correspondingly, the five chapters are:

CHAPTER I: INTRODUCTION

This first chapter will lay out the background and the existing phenomenon that lead up to the writing of this study. Details on the backgrounds will be given, alongside the questions that will be answered according to the content of the following chapters. Brief information will be provided as well to give a bigger picture of what the study is going to be.

CHAPTER II: LITERATURE REVIEW

The second chapter is going to be the chapter where every variable is explained theoretically with the help of other existing journals and theories out there. Conceptual framework and the hypothesis of this study will be provided as well.

CHAPTER III: RESEARCH METHODOLOGY AND STATISTICAL TESTINGS

The third chapter will consist of the research objects, analysis units, type of research methodology, its definition, sample quantities, data collection, and analysis methods that are about to be used to analyze the big data derived.

CHAPTER IV: HYPOTHESIS RESULTS AND DISCUSSION

The fourth chapter will lay out the results of the testing from the big data being done, and will detail out the analysis based on the results, and will be followed by any discussion if applicable.

CHAPTER V: CONCLUSION

The last chapter will be the conclusion part, where it can be finally taken out the main points of the testing, the implications, limitations, and also the applications in real life.

