

CHAPTER 1

INTRODUCTION

1.1 Background

The millennials are one of the important consumer for business and economy. They are the young people in the generation who were born between 1980 and 2000 where in 2018 their age will range from 18 years old to 38 years old (Lee & Kotler, 2016). According to Badan Perencanaan Pembangunan Nasional or Bappenas, in 2018 the number of millennials surpasses the number of 90 million out of 266 million people in Indonesia (Brodjonegoro, 2018). This number shows the big market that needs to be considered by businesses as their target where at this moment the millennials have the purchasing power toward their wanted goods and services.

Growing up in the era where technology and information systems are developing rapidly due to globalization, millennials are characterized by their technology adaptation and advancement. With the rapid development of technology including internet and social media and how fast the millennials accommodate themselves to the technology, the millennials are more active in adopting technology into their daily life including for marketing purposes through mobile devices and traditional internet which can connect the millennials consumer to retailers or brands (Moore, 2014). The millennials are engaging in social networking through their mobile devices with a variety of reasons such as information seeking and entertainment focus. This difference between the millennials and older

generation creates a shift on how they purchase goods and services and dissimilarity cannot be avoided.

The evolution of the consumer purchasing preference can be seen on the recent survey conducted by Deloitte in 2016 shown in Figure 1.1 below which stated that there are some shift in overall expenditures on consumer products such which are basic necessities, welfare and leisure, and housing and transport.

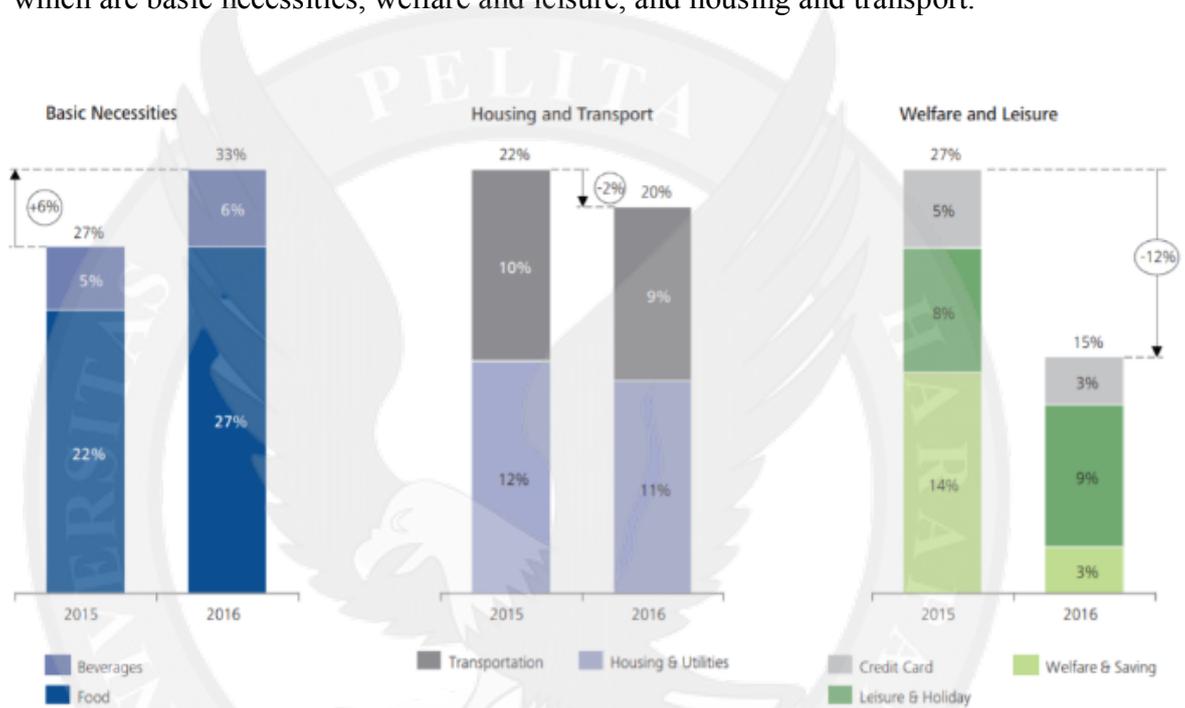


Figure 1.1 : Millennial consumption expenditures in 2015 and 2016

Sources: Deloitte Consumer Insight survey (2016)

With almost 46% millennial respondents of the survey, there are indeed some slight changes on the spending habit of the millennials (Deloitte, 2016). On basic necessity such as foods and beverage, there are 6% rise for both food and beverages from 26% to 33% in 2016. However, there are some downturn on housing and transport and welfare and leisure compare to the previous survey on 2015 which stated that both housing and transport declining by 2% and welfare and

leisure are declining by 12%. For housing and transport, both expenditures are experiencing downfall evenly by 1%.

Indicating in contrast, although the overall expenditures on welfare and leisure are declining by 12%, the major loss are mostly come from welfare and saving where the initial percentage on 2015 was 14% but suddenly drop to 3% within 1 year. It shows that the money saved by the consumer are decreasing by around 78.5% compare to the previous year. Likewise, the usage of credit card for spending is also declining by 2% in 2016.

Nonetheless, with the massive depreciation on welfare and saving and credit card usage, there is also an increase on welfare and leisure which is a slight increase on leisure and holiday which rise from 8% on 2015 to 9% on 2016. The growth on leisure and holiday indicate an expansion of tendency to allocate the expenditures to a non-essential and premium products such as leisure activities and holidays.

Essentially, there is a term called leisure economy which was brought to name the phenomenon of the shifting on consumer buying preference from good-based consumption to experience-based consumption especially for the millennials and baby boomers (Hendra, 2018). In the book titled “The Leisure Economy: How Changing Demographics, Economics and General Attitudes Will Reshape Our Lives and Our Industries” by Linda Nazareth, the leisure economy situation are already took shape for the past few years and still progressing in Europe and North America where some people are willing to sell their old furniture and use the money to travel (Nazareth, 2010).

This phenomenon can also be seen in Indonesia easily especially around the millennials through their expenditures spent monthly for an experience-based consumption such as dine in a restaurant, go to cinema, and recreation. According to Nielsen (2015), the application of the theory of leisure economy influence the millennials in Indonesia to shift their spending preference and spend more money on experience-based consumption compared to other generation such as baby boomers, generation X and Generation Z in this time as shown in Table 1.1 below.

Table 1.1 : Average monthly spending of three products in Indonesia

	Eat outside, go to cinema, and recreation	Buy body, face and hair treatment	Buy clothes and accessories
All People	IDR144, 263	IDR 28,923	IDR 138,603
Generation Z	IDR 112,246	IDR 24,128	IDR 91,416
Millennials	IDR 172,517	IDR 49,046	IDR 158,266
Generation X	IDR 140,914	IDR 39,894	IDR 140,432
Baby Boomers	IDR 98,904	IDR 21,951	IDR 121,352
Silent Generation	IDR 64,652	IDR 7,870	IDR 76,689

Sources: Nielsen (2015)

Table 1.1 stated that millennials spend more money on experience-based consumption compared to other generation with the average amount for consumption is IDR 172,517 for each month (Yuswohady, 2018). 58% of the millennial respondents stated that they eat out at least once a week which are twice the percentage of baby boomers (29%) (Nielsen, 2015).

Moreover, this leisure economy situation are being acknowledge in Indonesia even more for the past few years. According to Yuswohady (2018), an observer of business marketing, he recognized the leisure economy phenomenon in

Indonesia by stating that there are some shifting happen in Indonesia economy especially for the millennial generation which leads the digital economy and leisure and travel activities to grow rapidly (Hendra, 2018). The head of BPS, Suhariyanto expressed that the presence of social media among the millennials where people are allowed to share their experiences, it influence the shifting in economy to focus on leisure. In the end, it incrases the leisure and travel consumption while the household consumption is slowly decling (Fauzie & Muthmainah, 2017).

In a research conducted by Hasanuddin Ali, Founder and CEO of Alvara Research Center, more 34% of Indonesia population is filled by the millennials and most of the millennials are digital minded. The millennial population will in the end affected the tourism industry which also commonly caused by social media and internet (Ali, 2018). Online ticketing business is predicted to keep growing in 2018 through digital platform such as Traveloka and Tiket.com.

This economy situation constructed a relation between digital economy and leisure economy where both factor are not only strengthen but also creating a new economy system in Indonesia which is called e-leisure economy that emphasize on a creative, entertainment and experience creation economy system though digital platform (Ali, 2018).

With the increase of smartphone and internet usage in Indonesia, information of price, review, rating, strength and weakness of a product can be accessed and obtained easily in digital platform. The potential consumers including millennial consumers prefer a creative visualization to gain the information. According to Statistic Counter, the top three social media platform with most users

in Indonesia are Facebook with 66.77% users, YouTube with 17.58% users, and Instagram with 5.99% users which then followed by Twitter, Pinterest, and Google+ (StatCounter, 2018).

Taking an example of Instagram as one of the top three social media platform which allows its user to share and upload picture of themselves and gain likes, unconsciously it became one of the factor for the millennials on selecting a travel destination. In a survey conducted by Schofields, it show that 40.1% of millennial travellers choose their holiday destination based on how 'instagrammable' the holiday will be (Arnold, 2018). The picture-worthiness of the destination is considered as the major factor on selecting the destination for the millennials which beats other factors such as travel cost and local cuisin.

With the rise of social media usage in Indonesia, companies taking this trend to consideration and start using social media as their marketing platform on promoting their product or service including travel industry to a bigger scope of potential consumers (Sharma et al., 2017). Travel industry begin to promote their destination place by providing in information and visual of their product and service offered on the travel destination that could enhance their enthusiasm of the targeted consumer to visit their place.

One of the example of travel industry in Instagram is TheBaliBible, an account that is managed TRAVLR Group, one of an advanced travel platform that provide information of popular and must-visit place in Bali, support their promotion by presenting extravagant photos of the destination to lure their potential consumers, followers, and subscriber to visit Bali though their travel agency.

TheBaliBible is not only giving out photos and information, but they are also actively update their instagram story to post the current situation in Bali to engage with their followers and create a highlight content which include the deals offered by their travel agency, things to do and food and baverage they need to try in Bali.

However, trust need to be obtained in order to efficiently promote a business in social media to build consumer intention to buy a product or service offered by the marketers. Trust can be described widely in many ways, yet trust can be defined as a willingness of the trustor to rely on a trustee to do what is promised in a given context regardless the ability to control the trustee and the negative concequences that may accour in as a result (Aljazzaf et al., 2014). Although communicating information is much faster and much cheaper in digitalized social media, the key issue on establishing trust between marketers and consumers are the transparancy of information given (Hakansson & Witmer, 2015). Trust is an essential factors in assessing risk of transaction in social media (McCole et al., 2010).

Trust of the consumer gained in social media has the probabability to influence the perceived usefulness of the social media platform and intention to buy a certain product and service offered by the marketers in social media. According to the technology acceptance model, perceived usefulness is the degree to which a person believes that using a particular system would help and enhance his or her job performance (Davis et al., 1989). The easiness to gather information of a product or service offered by the marketers in social media platform could create a high perceived usefulness for the consumers as they can effortlessly assess the information before they purchase the product or service for their travel plans. Hence the marketers are obligated to present the accurate and trustworthy information for

their consumer to be evaluated before they decided to purchase the product or service.

Thereafter, the use of digital marketing system in travel industry lead to purchase intention of the consumer after they collected the information needed. According to a journal conducted by Mirabi et al. (2015), purchase intention or intention to buy can be defined as a situation where consumer has the tendency to buy a certain product in a certain condition. When a consumer are determining the product or service to select, first the consumer needs to earn the awareness and knowledge about a product to be able to develop either positive or negative feeling towards the product or service before they finally decide to purchase or reject and decling the product or service offered by the marketers (Hutter et al., 2013).

Seizing the opportunity of the growth of e-leisure economy in Indonesia, it is important for travel industry to consider in using digital marketing through social media on creating a path to effectively approach the millennials as one of the biggest spender on travel and leisure activites. Based on the research background, the author aims to find out the influence of social media on consumer trust and perceived usefulness of social media platform toward purchase intention of the millennials in travel industry in Indonesia as a replication of the previous study by M. Nick Hajli (2014), “A Study of the Impact of Social Media on Consumers”.

1.2 Research Problems

Referring to the background, the research will answer these following questions:

1. Does social media marketing have influence toward the millennial consumers' trust in travel industry?
2. Does millennial consumers' trust have influence toward their purchase intention in travel industry?
3. Does millennial consumer' trust have influence toward perceived usefulness of social media platform in travel industry?
4. Does perceived usefulness of social media platform have influence on the purchase intention on travel industry?

1.3 Research Objectives

Referring to the problem statement mentioned above, the research objectives the writer wants to achieve are as follows:

1. To find out whether social media marketing influence millennial consumers' trust in travel industry.
2. To find out whether millennial consumers' trust influence their purchase intention in travel industry.
3. To find out whether millennial consumers' trust influence perceived usefulness of social media platform in travel industry.
4. To find out whether perceived usefulness of social media platform influence purchase intention in travel industry.

1.4 Research Benefit

There are some benefits that can be found in this research, as followings:

1.4.1 For Academics

The finding and research of this research will provide benefit as a reference and benchmark for a deeper study of social media as a marketing platform to approach the millennials in Indonesia on travel industry.

1.4.2 For Practitioners

The finding and result of this research hopefully can be used for travel industry as an input and feedback for the travel business on creating a marketing and promotion strategy through digital platform to target the millennial consumers in Indonesia.

1.5 Chapter Outline

The outline of the research is designed as written below:

CHAPTER 1 INTRODUCTION

In this chapter, the author will discuss the background of the topic in the research, research problems, research objectives, research benefit, research limitation and research outline.

CHAPTER 2 LITERATURE REVIEW

In this chapter, theoretical background will be composed of the theories that support this research. The theory itself will be provided as the basis of understanding what the research is about.

CHAPTER 3 RESEARCH METHODOLOGY

In this chapter, the author will describe the conceptual and operational definition of research variable, data collection method, sampling design, reliability and validity of the research and data analysis.

CHAPTER 4 RESULT AND DISCUSSIONS

In this chapter, author will discuss and analyze the finding and result of this research to find solution for the research problem.

CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

In this chapter, author will present the conclusion of the research, limitation, and implacation of the finding in this research. A recommendation will also be provided for further research in the future.