

# CHAPTER I

## INTRODUCTION

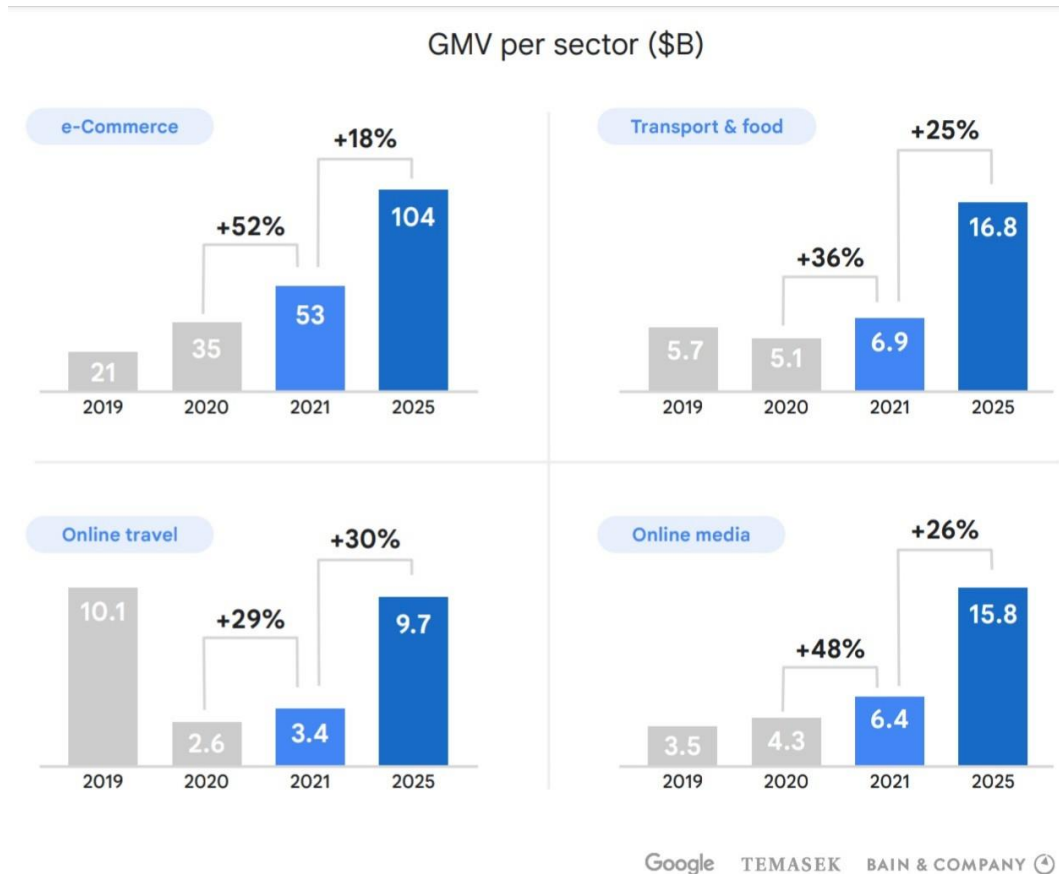
### 1.1. Background of the Study

The Information technology is increasingly developed in this modernization era which makes the internet not only function as a communication tool such as sending electronic mail or email but has penetrated more complex interactions. Along with the increase in the use of the internet and technology, several electronic media emerged that used it for business activities, which became known as Electronic Commerce or e-commerce. The development of technology and information greatly affects the behavior of consumers who want to be practical and efficient. Both in terms of consuming products and choosing services or services. Included in the trade media (Triani and Moelino, 2019).

Technological developments provide convenience for all human affairs from various aspects of the sectors, one of which is the sector of tourism. Advances in internet technology that occur in Indonesia also affect the travel business sector, the business model that was originally conventional has now changed to Online Travel Agencies (OTAs) (Atmojo & Widodo, 2021). According to Horowitz (2021):

Gross merchandise volume is the total sales dollar volume of merchandise transacting through the marketplace in a specific period. It's the real top line, what the consumer side of the marketplace is spending. It is a useful measure of the size of the marketplace and can be useful as a "current run rate" measure based on annualizing the

most recent month or quarter. In marketplace businesses, gross merchandise volume (GMV) and revenue are frequently used interchangeably. But GMV does not equal revenue (p. 25).



**Figure 1.1 Chart of GMV per Sector**

Source: E-economy SEA (2021)

The change from the conventional travel business sector to Online Travel Agencies (OTAs) can be seen from the increase in Online Travel sector transactions which reached \$10.1 B in 2019. This increase is 2 times compared to 2015 which was \$5 B. However, the online travel sector is one of the sectors most affected by the Covid-19 pandemic in Indonesia. It can be seen that in 2020 there were transactions of \$2.6 B, this figure indicates a

decrease in transactions of -68%, or a decrease of 3 times compared to 2019. However, in 2021 this figure experienced an increase in transactions of \$3.4 B, an increase of 29% from the previous year. However, in 2025 it is predicted that there will be an increase in transactions by almost 3 times with a transaction value of \$9.7 B (E-conomy SEA, 2021).

OTA is the right choice for tourists to make it easier to book hotels, airline tickets, train tickets, or other accommodations (Fathin, 2021). The results of the Dailysocial survey (2018) stated that more than 71.44% of respondents had used OTA as a solution for their travel needs compared to conventional travel agents (Zebua, 2018). Despite the decline in transactions and the online travel sector being the sector most affected by the Covid-19 pandemic in Indonesia, in the future, this pandemic will be a momentum for consumers to get used to using online travel agencies (OTAs) facilities to meet their travel needs.

Online travel is still a solution for people's needs because it offers a variety of practicalities, as well as attractive promos at affordable prices. This is in line with the Covid-19 pandemic, which limits social interaction in the community. Coupled with various government policies, people prefer online travel services as the right way to accommodate consumer needs when they want to travel (Hidayat, 2020).

This business, which is based on start-up online travel agencies (OTA), has become an area that has been eyed by business people in the country quite a lot. In addition, the convenience offered in obtaining tickets

online is also one of the influences and allures to use services (OTA). At the same time, this has caused a change in the habits of consumers who, before internet facilities, bought tickets conventionally or offline to switch to (OTA), the emergence of online travel agencies businesses provides choices for consumers to choose which site provides the most benefits for these consumers. Several star ups are online travel agencies (OTA) that have been operating in Indonesia, namely Tiket.com, Traveloka, Pegipegi, Utiket, Nusatrip, and Tiketindonesia.info.

**Table 1.1 Tiket.com's competitors comparison**

<b>Brand</b>	<b>Country Rank</b>	<b>Total Visit</b>	<b>Avr. Visit Duration</b>	<b>Bounce Rate</b>
Traveloka	60	24M	03.50	49.67%
Tiket.com	108	8.18M	03.11	47.11%
Pegi-Pegi	176	5.25M	04.03	48.39%
NusaTrip	706	1.88M	02.16	54.60%

Source: www. Similarweb.com (2019)

The survey conducted by similarweb.com in the table above shows the total size of online travel agency visits in 2019 in purchasing airline categories, lodging reservations, and train tickets within 6 months. Based on the results of the survey, Tiket.com is in second place according to the results of total visits, namely 8.18M, and is outperformed by its competitor Traveloka by 24M and country ranked in Indonesia at rank 108, while its competitors are superior. This states that Tiket.com is in second place in the top chart of the online travel agency business sector while the first place is occupied by Traveloka, even though Tiket.com was established earlier than

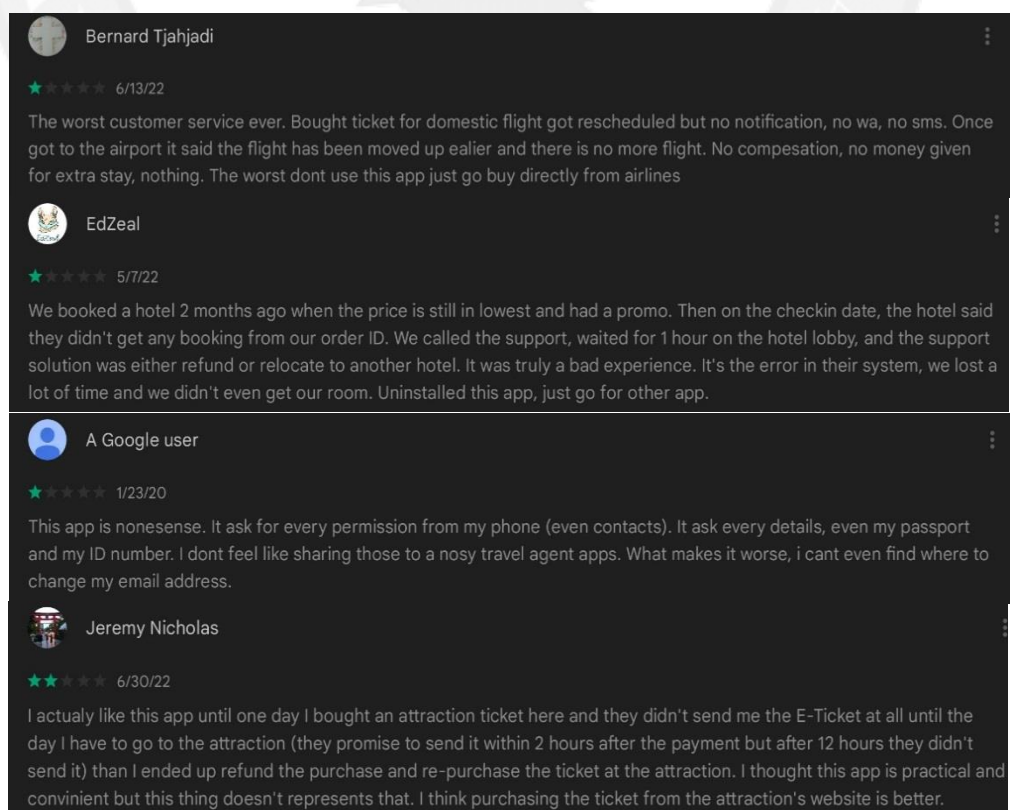
Traveloka, so it can be concluded that more and more types of new OTAs are emerging.

Tiket.com is one of the Online Travel Agencies (OTAs) in Indonesia and was established in 2011. Tiket.com has become one of the most popular online travel by users in airline, train, and hotel ticket reservation services in 2018 (Zebua, 2018). Tiket.com is one of the largest OTA (Online Travel Agent) companies in Indonesia, which provides and maintains systems and facilities for purchasing tickets online. Tiket.com is an Online Travel Agent (OTA) that has the most complete travel products for airline tickets, hotel reservations, train tickets, car rental, to event and attraction tickets. Tiket.com has collaborated with more than 50 domestic and international airlines and is connected to more than 200,000 hotel chains worldwide.

The name Tiket.com was created in 2000 and patented by godaddy.com an American company that provides domain and web hosting services. Tiket.com was purchased in 2007 by Wenas Agus Setiawan. Until finally in August 2011, it was inaugurated as a company called PT.Global Tiket Network and then the Tiket.com website was officially opened in December 2011. Tiket.com CEO Gaery Undarsa announced that his company had been officially acquired by Blibli.com. Blibli officially acquires the online travel company agent on June 12, 2017. Blibli has 100 percent ownership of tiket.com. The acquisition process was carried out 5 months before it was officially acquired.

Along with the rapid development of the times, Tiket.com provides services through the mobile application. With the launch of the Tiket.com Flight & Hotel application, Android users can book flight tickets quickly and easily when compared to accessing the Tiket.com website through a browser. Online rating of Tiket.com on the App Store and Google Play tends to be high. On the App Store, Tiket.com received a rating of 4.6 out of a total of 5. While on Google Play, Tiket.com received a rating of 4.5 out of a total of 5 stars.

Despite having a high app rate there are a lot of complaints from the customers which can be seen from the app ratings and review themselves. Tiket.com has received many criticisms and comments on the e-service quality of its apps and the trustworthiness of the apps. Here are some of the low-rating reviews and critiques from the customers.



**Figure 1.2 Customers' Critique and Review on Tiket.com**

Source: Play Store (2022)

According to Zeithaml (2017) in Yulianingsih (2020), E-Service Quality is where the site from a company website can provide convenient shopping, purchasing, and delivery effective and efficient. One that applies electronic customer service is Tiket.com, Tiket.com has 24/7 Customer Service, but there are some consumer responses regarding E-Service Quality perceived by consumers that the electronic services provided by Tiket.com are considered still slow in responding to responses that make consumers disappointed. That matter it is feared that it will have a negative impact, Yulianingsih (2020) stated that the negative impact can make consumers disappointed so they can switch to competitors other than consumers can tell the bad experience he received to others so that they can influence the decision-making process.

Several complaints regarding the information provided, the website system, and transactions are included in the problem of e-service quality so that it indirectly affects consumer perceptions of trust on Tiket.com (Rosyidin & Prihatini, 2020). The number of conveniences offered by the internet makes people want to use it. However, behind this convenience there are other factors that make people reluctant to use it such as security factors in payments, fear of the risk of fraud, and the quality of goods or services (Fathin, 2021). There were some disappointments felt by the community when transactions on OTA, Fathin (2021) stated that the solutions offered were vulnerable to fraud risk. This happened when consumers book a hotel

through a third party, the consumer is disappointed with the hotel or inn that is ordered does not exist or does not match what was imagined.

One of the marketing strategies that can make consumers want transacting online is to provide Electronic Word of Mouth in the form of online consumer reviews available on OTA platforms (Li & Zhang, 2014 in Fathin, 2021). Online Customer Review is one of the features that provide a comment column for consumers who have used the service so that they can share their experiences after using the service. This will be accumulated as a value called a rating. Tiket.com provides online customer reviews and ratings for consumers to directly assess the services provided by the hotel by writing comments and also giving a value for the services provided. Reviews from consumers can help other consumers to determine where to stay. Some consumers say that reviews help them in choosing services, besides that consumers also prefer services that already have reviews (Tiket.com, 2022).

The online customer review and rating feature provided by Tiket.com provides an opportunity for consumers to share stories, photos, and values. In Fathin's research (2021), seeing bad scores at the Bandung location the results are the researcher took the value of 10 hotels from five to one star, there were a total of 86,532 online customer reviews and ratings, from 86,532 online customer reviews and ratings there were only 196 negative reviews, which means only 0.22% negative reviews. This means that positive comments make an increase in buying interest, and vice versa, negative comments make a decrease in buying interest. In addition to reviews from



consumers and e-service quality, online customer ratings also affect a consumer when making online purchasing decisions (Arbaini, 2020).

The customer's purchase decision in this research is crucial because they can define the characteristics of Tiket.com customers. Fathin and Millanyani (2022) stated that many online travel agencies spend a lot of budget to accurately recognizing and predicting customer purchase decision in order to stay ahead of the competition. Consumer decision-making on e-commerce platforms has typically been highly influence by online rating, review and customer service. Saryadi (2018) stated that because of technological advancement, both characteristics of goods and services and the way the decisions are made have changed. It is crucial to comprehend customer purchase decision in Tiket.com to identify marketing oppotunities and challenges that Tiket.com faced. Thus it's critical to coordinate marketing initiatives with the stages customers take to make purchasing decisions.

In Indonesia, there are many choices of apps for online travel agents, both local and international apps. The consumers who want to purchase or book a hotel, flight ticket, train ticket, etc. these platforms cover different companies, hotels, and partners that are available on the website and mobile apps. This raises competition between OTA, companies compete to get consumer interest in their apps. Competitive advantage is a prerequisite for success for a company. Consumers today are so spoiled with so many choices of OTA with various brands to decide which one to buy. The company's

choice to continue to exist is only to improve its service quality, trust, and features (online rating and review). To achieve this goal, each OTA must strive to produce and deliver services and features that consumers want with appropriate quality, thus each OTA must be able to understand consumer behavior because the survival of the company as an organization that seeks to meet the needs and desires of consumers is very dependent on consumer behavior (Soekotjo, 2019).

Based on the background above, this study was conducted to determine the perception of Perceived Trust, E-Service Quality, Online Rating, and Review that consumers are looking for PT Global Tiket Network especially consumers in Medan. North Sumatra is a market that is quite potent in the consumption of OTA products and services from PT Global Tiket Network because consumers need to purchase flight tickets, books hotels, etc. with guaranteed quality to be used for travel, business, and daily activities. Based on this description, the researcher is conducting research under the title "**The Influence of Perceived Trust, E-Service Quality, Online Rating, and Review on Customers' Purchase Decision at Tiket.com Indonesia (Case Study on Customers in North Sumatera)**".

## **1.2. Problem Limitation**

Since the writer had a limitation of time and budget in doing this research, it is necessary to limit the focus of this research. Thus, the writer decided to focus only on some aspects, which are:

- a. The data and information that are required for this research is collected from PT Global Tiket Network's customers in Medan, North Sumatera.
- b. There are four independent variables that includes: Perceived Trust, E-Service Quality, Online Rating, and Review on Customers. While the dependent variable is the Customers' Purchase Decision.

### **1.3. Problem Formulation**

Based on the background that has been described, the formulation of the problem in this study are:

- a. Does perceived trust have partial influence on customers' purchasing decisions at Tiket.com in Medan?
- b. Does e-service quality have partial influence on customers' purchasing decisions at Tiket.com in Medan?
- c. Does online rating have partial influence on customers' purchasing decisions at Tiket.com in Medan?
- d. Does online review have partial influence on customers' purchasing decisions at Tiket.com in Medan?
- e. Do perceived trust, e-service quality, online rating, and review has simultaneous influence on customers' purchasing decisions at Tiket.com in Medan?

#### **1.4. Objective of the Research**

The objectives in answering the questions formulated before, includes:

- a. To understand how perceived trust has partial influence on customers' purchasing decisions at Tiket.com in Medan.
- b. To understand how e-service quality has partial influence on customers' purchasing decisions at Tiket.com in Medan.
- c. To understand how online rating has partial influence on customers' purchasing decisions at Tiket.com in Medan.
- d. To understand how online review has partial influence on customers' purchasing decisions at Tiket.com in Medan.
- e. To analyze whether perceived trust, e-service quality, online rating, and review have simultaneous influence on customers' purchasing decisions at Tiket.com in Medan.

#### **1.5. Benefit of the Research**

This research have two kinds of benefits based on the research of the influence of perceived trust, e-service quality, online rating, and review on customers' purchase decision at Tiket.com in Medan:

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

The Theoretically, the purpose of this study is to determine whether perceived trust, e-service quality, online rating, and review have a

significant impact on consumer buying decisions at Tiket.com in Medan. Furthermore, this study can provide a better grasp of the theories relating to perceived trust, e-service quality, online rating, and review, as well as the relationships between each of those elements.

### **1.5.2. Practical Benefit**

The other type of benefit from this research is the practical benefit, which includes:

- a. For the writer, to increase theoretical knowledge and add insight into perceived trust, e-service quality, online rating, online review, and purchasing decisions.
- b. For the company, as input and evaluation material for the management of PT Global Tiket Network, to determine the effect of perceived trust, e-service quality, online rating, and review variables in making purchasing decisions which are ultimately useful for the company's long-term goals, as well as information that can be used as a basis in the strategy to influence purchasing decisions.
- c. For other researchers, as a reference that can be used as comparison material for other researchers who conduct research related to product perceived trust, e service quality, online rating, online review, and purchase.