CHAPTER 1

INTRODUCTION

1.1 Background of the study

The growing popularity of the internet users and the widespread adoption of digital technology has altered how customers engage with companies, especially in the travel & tourism industry. One of the fastest-growing segments of the travel business is the hospitality industry, notably the accommodation sector, which provides an accommodation and services for guests and travellers (Talwar et al., 2020).

Hotels and professionally operated guest houses are represented in the accommodation industry. Such accommodations can be reserved by phone, through a tour operator, a travel agency, an online travel agency (OTA), or directly through the provider's website. In 2023, the hotels industry is expected to generate $4.27 billion in revenue. The Indonesian hotel market volume is anticipated to reach $5.60 billion by 2027, with 78% of the total revenue generated by online sales (Statista Market Insights, 2023).

The travel and tourism industry are considered as one of the fastest growing industries in the world with the strongest growth rate in 7 consecutive years and employing roughly 313 million people around the world (Sofronov, 2018). According to ICAO (2018), 1.322 billion of international tourist arrivals are recorded by International Civil Aviation Organization with the recorded increase of 7% compared to the last year international tourist arrivals and that made a clear projection of the strongest growth rate within the past 7 years.
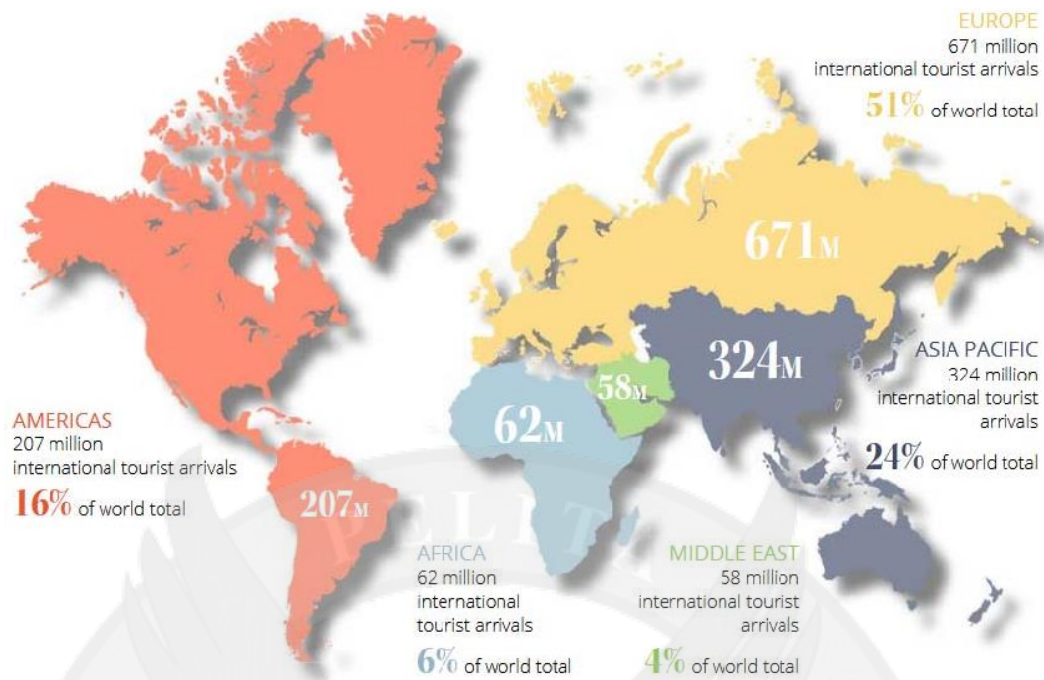
Figure 1. 1 International Tourists Arrival

Source: International Civil Aviation (2018)

Consumers' purchase intentions nowadays have become more complicated and significant than in the past. Reports, advertisements, articles, and direct mailings which contain plenty of information are distributed to customers. In addition, choosing between various products, supplies, and department stores is complicated and challenging (Sukati, 2018). With the presence of multiple online travel agency (OTAs) in Indonesia, customers will have an opportunity to evaluate and choose the right online travel agency for their consumption.

According to Cindy (2022), Traveloka has the highest popularity percentage amongst the others online travel agency companies, such as Ticket.com, Agoda, Booking.com, Airbnb, PegiPegi, and other undescribed platform.
The statement was supported by data provided by *Populix Survey* in 2022, with Traveloka as the most demanding with the popularity score of 67,5% and followed by Ticket.com with the popularity of 21% out of 1.010 respondents. The advertising and promotion of online travel agencies' services, along with the use of those services, rely upon the availability of Internet services. On the

other hand, when technology support becomes more accessible and affordable thanks to such phenomena, it unquestionably makes easier for people to carry out intriguing tasks. Online travel agencies like Traveloka and Ticket.com provide quick, inexpensive services facilitated by clear analytical systems (Kustiwi, 2018).

In this research, the paper focuses on Traveloka as the main object as the application has the highest popularity percentage according to the *Populix Survey* in 2022. After further research, multiple issues were known and experienced by the users. Below are the multiple complaints posted from 2022 – 2024 and managed to be captured by the writer from *Google Playstore* as popular android application to download Traveloka.
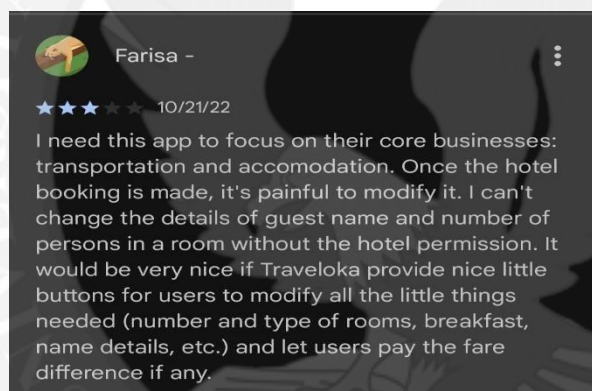

Figure 1. 2. Customer's feedback related features

Source: Google Playstore (Traveloka Application)

According to Figure 1.2, Traveloka lacks a supporting feature that enables users to adjust the details upon completing a purchase. This response may vary depending on the users as the overall complaints are not focused on the said feature. This statement is supported by Sahir et al. (2021), stating that when it comes to fulfilling information requirements, each individual expresses varying levels of contentment with the current media and how people consume Traveloka's online service offerings.
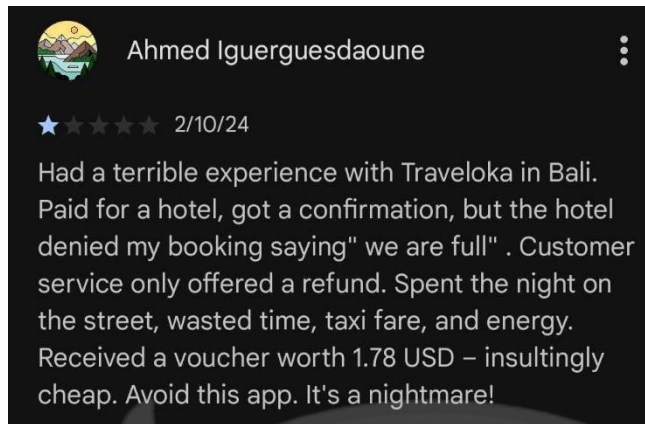
Figure 1. 3 Customer's feedback related to previous experiences

Source: Google Playstore (Traveloka Application)

According to Figure 1.3, Traveloka lacks an optimized streamlined booking system that integrates with various online travel agencies and the business itself. According to Sanni (2023), hotels maintain their own websites equipped with booking systems that enable guests to reserve accommodations directly through the hotel. This may also cause by *Overbooking* from the business side, or delayed updates from the system which causes the book to fail.

Figure 1. 4 Indonesia OTA Popularity Survey

Source: Databoks (*Populix Survey*) (2022)

According to Badan Pusat Statistik (BPS) 2023, the domestic traveller count has significantly recovered from the covid-19 pandemic which occur back in 2020 with the number of 524,571,392 domestic traveller. The post pandemic projected a steady increase in domestic traveller across Nusantara from 2021 and 2022. As per 2022, the domestic traveller count has reached its peak compared from BPS statistic as per year 2019-2022. The covid-19 pandemic poses a great challenge towards the hospitality industries, and it dramatically reduces the business performance and demand with multiple social implementations by the government (i.e., lockdown, social-distancing, etc.) and those events greatly affects the customer purchase intentions during 2020 (Athar et al., 2021).

Figure 1. 5 Indonesia Domestic Traveller

Source: Badan Pusat Statistik (2023)

The data provided by BPS (Badan Pusat Statistik) projects a significant decrease of foreign traveller back in 2020 which when the start of Covid-19 Pandemic. In 2020, the recorded amount of foreign traveller shows only *4.052.923* individuals travelled to Indonesia which is the lowest amount that BPS could project with the year from 2006 – 2022 are 1.557.530 in the end of 2021. In

2019 before the disease is known in the world, the count of yearly foreign tourist is 16.106.954. This shows the significant effect of the pandemic on the hospitality industry.

Amount of Foreign Tourist (2019-2022)

Table 1. 1 Amount of Foreign Tourist

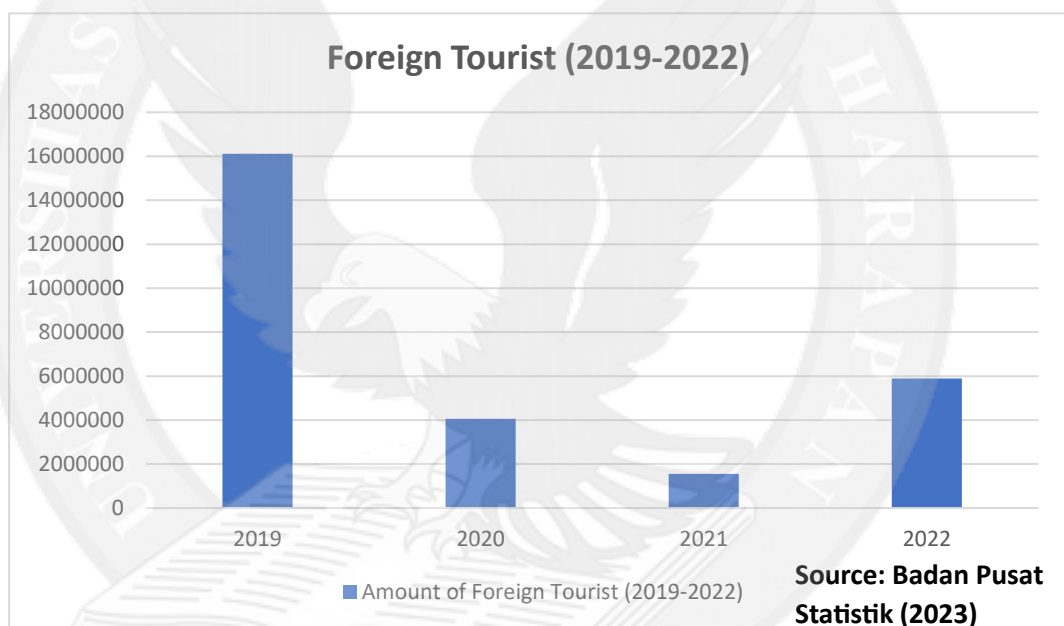| 2019	2020	2021	2022
16 106 954	4 052 923	1 557 530	5 889 031

Figure 1. 6 Amount of Indonesia Foreign Tourist

Source: BPS (2023)

Bali, one of the most famous provinces of Indonesia receives a significant loss during the covid-19 outbreak. The strain on Bali's tourism industry brought on by the corona virus pandemic (Covid-19) is projected to have consequences on the island's economy. According to the Bali Province's Central Bureau of Statistics (CBS), the island's GDP grew negatively by -1.14% during the first three months of 2020 (Hermawan 2020). The pandemic causes Bali to

experience an oversupply due to the decrease of tourist and approximately 80% of informal workers has been laid off by corporations to cover the net loss from the decreased tourist count (Yuniti et al., 2020).

Amount of Bali Foreign Travelers (2019-2022)

Table 1. 2 Amount of Bali Foreign Travelers

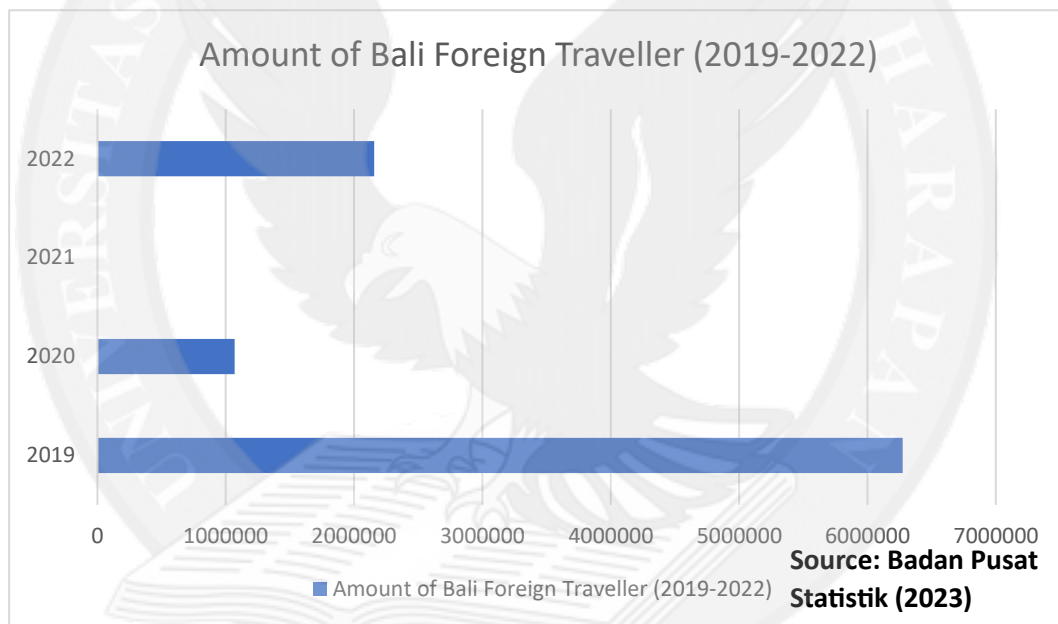| 2019	2020	2021	2022
6 275 210	1 069 473	51	2 155 747

Figure 1. 7 Amount of Bali Foreign Traveller

Source: BPS (2023)

From the data above provided by Badan Pusat Statistik (BPS), Bali received only 51 individuals back in 2021 due to government limitation and regained its footing back in 2022 which projected a recovery from 2020. This projection shows the significant effects of the pandemic back in 2020, affecting most of the tourism and hospitality sectors.

The growth and development of online travel agency (OTA) has been studied through a multitude of perspectives in previous research. For instance, various OTA academic research has investigated purchase barriers (Talwar et al.,2020), price dispersion (Kim et al., 2020), cooperation and competition (Chang et al., 2019), and perception of usability (Huang & Mou, 2021).

Based on the background of the study above, the title of this research is "**ANALYSIS OF PERCEIVED USEFULNESS AND EASE OF USE WITH SUBJECTIVE NORM AS MEDIATOR ON PURCHASE INTENTION IN ONLINE TRAVEL AGENCY**".
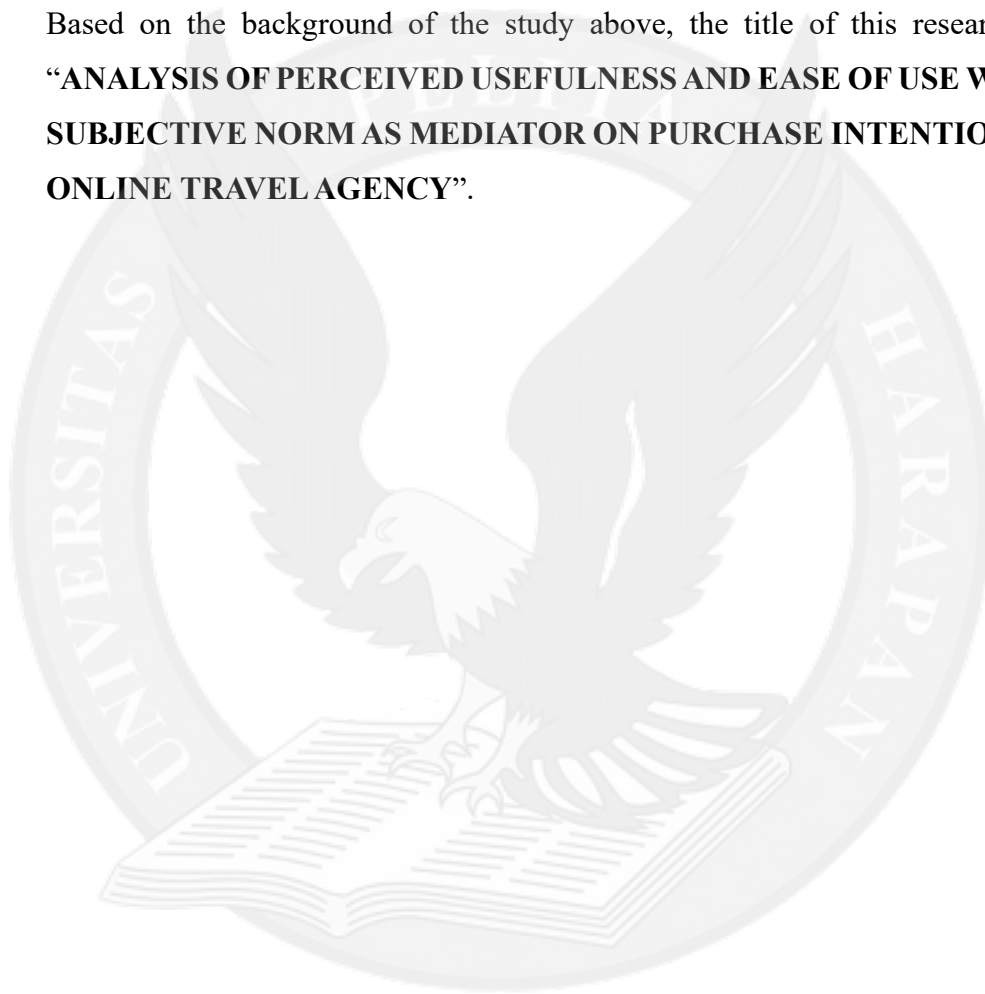
1.2 Problem Limitation

Based on the background of the study. This research will face several challenges due to the limitation of time and unknown population, and it's estimated that the several limitations are:

1. This research will focus on identifying the aspects that contributes into customer purchase intentions at Indonesia online travel agency (OTA) with several variables including Perceived Usefulness, Ease of Use with Subjective Norm as the mediator.

2. This research will meet with unknown population nationally and involves with an active users/customers of online travel agency (OTA) in Indonesia. The following criteria is the targeted respondents for this research:

   a) Active users who used any online travel agency services (price comparison, hotel rating, etc.).

   b) Active user who purchased any type of booking services provided by Indonesia online travel agency.

   c) The subject of this research involves respondents with any online travel agency services used in the past and domiciled in Indonesia.

3. Data of the respondents will be collected via online questionnaire such as google form distributed by the author to the respondents.

1.3 Problem Formulation

In accordance with the previously identified background study, this research aims to answer the subsequent research topics:

1. Does Perceived Usefulness (PU) have a positive influence towards Subjective Norm (SN) in online travel agencies?

2. Does Ease of Use (EoU) have a positive influence towards Subjective Norm (SN) in online travel agencies?

3. Does Perceived Usefulness (PU) have a positive influence towards Purchase Intention (PI) in online travel agencies?

4. Does Ease of Use (EOU) have a positive influence towards Purchase Intention (PI) in online travel agencies?

5. Does Subjective Norm (SN) have a positive influence towards purchase intentions (PI) in online travel agencies?

1.4 Objective of the Research

In accordance with the previous problem formulation, the objective of this research is to identify the following objectives:

1. To determine the influence of Perceived Usefulness (PU) on Subjective Norm (SN) in Indonesia online travel agency.
2. To determine the influence of Ease of Use (EoU) on Subjective Norm in Indonesia online travel agency.
3. To determine the influence of Perceived Usefulness (PU) on Purchase Intention (PI) in Indonesia online travel agency.
4. To determine the influence of Ease of Use(EOU) on Purchase Intention (PI) in Indonesia online travel agency.
5. To determine the influence of Subjective Norm (SN) on Purchase Intention (PI) in Indonesia online travel agency.

1.5 Benefit of the Research

In accordance with the previous problem formulation, the objective of this research is to identify the following objectives:

1.5.1 Theoretical Benefit

This research aims to enhance the theoretical understanding in Perceived Usefulness, Ease of Use, and Subjective Norm and it's use/influence towards customer purchase intentions.

1.5.2 Practical Benefit

This research is expected to generate a practical benefit for multiple parties, starting with:

1. **For the Writer**

   The writer is expected to receive new knowledge and experience about the variables that influence the purchase intentions of a customers in an online travel agency.

2. **For Universitas Pelita Harapan**

   The result of this study could be a reference for future students of Universitas Pelita Harapan as research material for their studies and final paper project.

3. **For other researchers and readers**

   The writer hopes that this paper could provide a new insight to other researchers and becomes a suitable reference for future research.