CHAPTER I

INTRODUCTION

This chapter explains the general structure of this study. It contain of Research Background, Research Problems, Research Questions, Research Objectives, Research Limits, Research Contribution, and Research Outline.

1.1 Background

The rapid development of the global world in recent years has caused impact on the development of the business world. Globalization has become an important megatrend as it increases the transfer of goods across borders, improves technology, and reduces barriers to information exchange (Kovtun & Ignatyuk, 2014). Over the past few decades, international trade and foreign investment have continued to increase, leading to major changes in international operations.

The development of international business has impacted not only cross-border trade but also the flow of information around the world especially in technology. Technological developments bring the digital world more advanced and growing. The world of digitization continues to expand throughout the world, and even to the point of being connected to various technologies such as mobile phones, tabs, laptops, and televisions. Due to the greatness of humans in utilizing and developing technology, various platforms have emerged to make it easier for humans to communicate with each other or find information in the world of digitization. As a result, digitalization consumption will continue to grow and increase rapidly and widely. Because of the digitalization, the availability of information also makes it easier for customers to make a purchase decision by comparing the possible options among alternatives of products and services (Chen, 2015) and a wide range of products and services led to increased competition for the market.

Competition in the market to introduce products will be increasingly competitive and companies will try to maintain their position by implementing strategies. A recent study shows that a long-term marketing strategy is critical, as customers are likely to compare brands based on the relationship between a loyal customer and the brand (Giovanis & Athanasopoulou, 2018). Therefore, brand is also the main value of marketing. If the competition becomes more and more fierce, the role of marketing will become greater and greater, and the role of the brand will become more and more important (kartajaya, 2004). In addition to the quality with the function of the product, also the others such as the customer feelings, meaning and sentiment for a particular brand will also affect their buying behavior (Mingione et al., 2020). Therefore, there are so many companies are looking for ways to grow brand loyalty by distinguishing brand features or services. This may lead to a positive experience and create a brand that satisfies consumers/customers (Uygun & Guner, 2018).

From the previous explanation, the greatness of technology that provides information helps humans in making purchasing decisions. This amount of information makes it easy for people to buy goods or services that suit their needs, from buying daily essentials until purchasing decisions for traveling activities. Talking about traveling, due to the sophistication of human photo technology to create online travel agents to make it easier for humans to find as much information as possible about the destinations they want to go to, purchasing tickets (such as airline tickets), booking hotel rooms, and so on. As a result of this, there are more and more users of online travel agencies and online travel companies are growing and competing to maintain their position Therefore, in this research, the researchers want to explain brand experience for a growing global brand, especially a high-tech brand, travel, and tourism and hospitality.

Nowadays, when booking a trip, it is possible to just use a travel agent or book on travel websites by phone and apps to make a digital list of the trips we want

easier. Today's travelers are unlikely to book their trips on their own. Websites that offer travelers various travel opportunities to book their desired accommodation directly at the locations listed on the website. The development of this increasingly widespread era supports Google to take advantage of this situation and Google's own discussion has launched its aviation product.
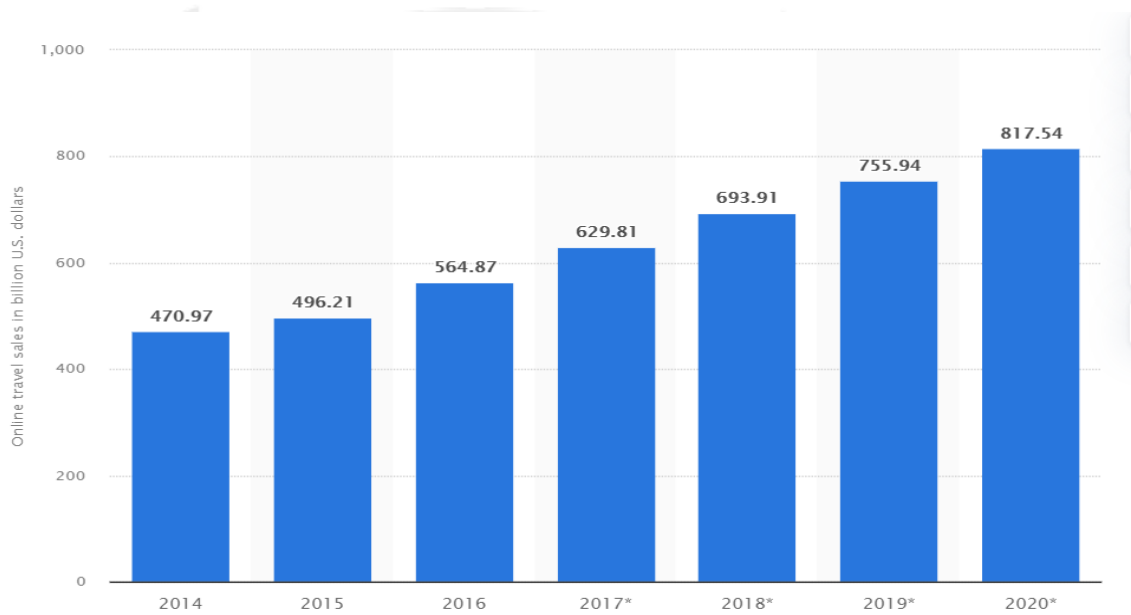

Figure : 1.1 Digital travel sales worldwide from 2014 to 2020
Source: Statista

We can see the development of online travel agencies from year to year. The timeline above described 2014-2020 sales of the online travel (global scope), with online travel (global scale sales) reaching US $ 546,870 million in 2016. That numbers will increase to $ 755.94 billion in 2019. From this we can see that the increase in sales from online travel agencies continues to increase due to an increase in demand for using their platform to make it easier for them to prepare for travel.

Over time, more and more online travel agency companies built up such as Booking.com, Expedia, Trivago, Airbnb, and others. This is because the number

of online travel users is increasing because it is considered easier for people to plan for their vacation. That's where the competition between online travel agents begins and the competition will get tougher between them. In this study, researchers are interested in evaluating more deeply about how customers will continue to be loyal to the online travel agencies platform they use because it's important to remember that at this time, the platform industry, especially in the tourism and hospitality sectors is growing very fast both internally and globally. Therefore, researchers are interested in exploring and discussing one of the most global online travel agencies and how customer continues to be loyal to their platform compared to other online travel agencies platform, the name of this leading global online travel agencies company is Booking.com.

Booking.com started and was founded in 1996 in Amsterdam. This company started as a small company in the Netherlands and has become one of the travel agents with digital sophistication that is known by almost all people in the world. As part of Booking Holdings Inc, Booking.com is on a mission to make it easier for everyone to explore the world. Glenn D.Fogel is the current chairman or CEO of Booking.com where he is responsible for all strategy and operations of the company globally including managing all business areas of the company.
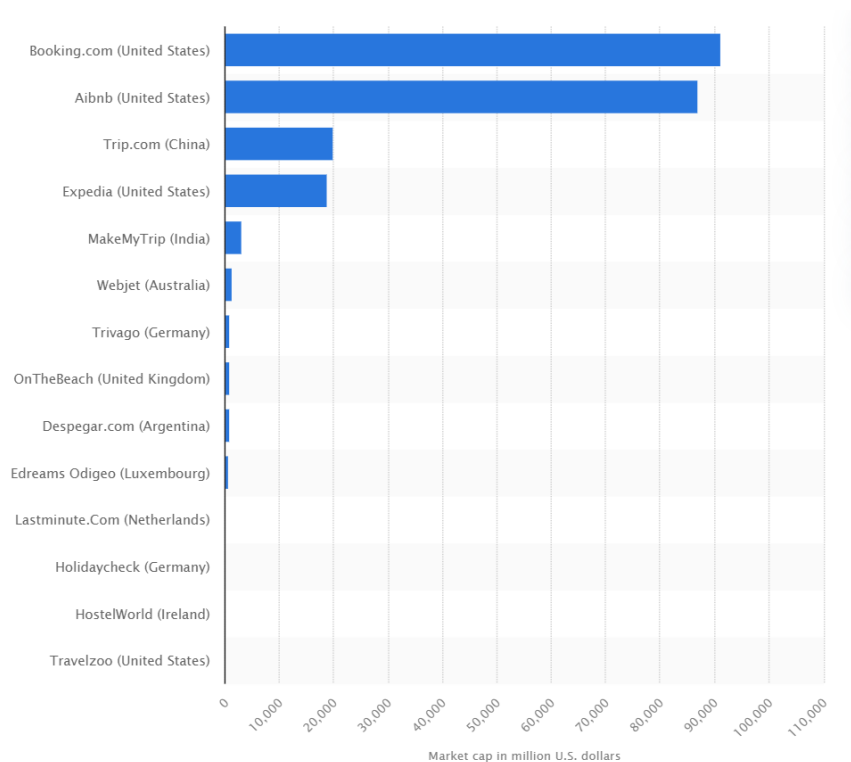
Figure : 1.2 Market cap of leading online travel companies worldwide as of December 2020
Source: Statista

Booking.com has a market value of approximately US$91.22 billion, ranking the 1st among the world's leading online travel companies. In December 2020 survey, US companies outperform their competitors like Airbnb, Trip.com and Expedia. Airbnb ranks 2nd with a market value of about $ 87.1 billion. So in conclusion Booking.com is in the first position as the leading online travel agencies because many consumers use their platform so that the market capitalization of Booking.com gets is bigger than its competitors.

Despite of Booking.com ranks the first, but if we reduce the destination, such as in South East Asia and focus on Indonesia, the ranking of online travel agencies changed.

Characteristic	Share of respondents
Traveloka	86%
Tiket.com	57%
Agoda	37%
Pegipegi.com	33%
Booking.com	27%
Airbnb	13%
Trivago	13%
Tripadvisor	11%
Nusatrip	8%
Skyscanner	6%
Expedia	4%
Others	3%

Figure : 1.3 Most Popular Online Travel Agencies among Consumers in Indonesia as of November 2020
Source : Statista

Rakuten Insight's survey in November 2020 Indonesian online travel agency survey explained that 86% of of Indonesians choose to use Traveloka as a website or application to organize their trips. In Indonesia, Traveloka is one of the startup companies that transformed into a unicorn company, providing air tickets, hotel reservation services, etc. Followed by Tiket.com (from Indonesia), Agoda (founded in Thailand), Pegi-pegi.com(also from Indonesia), Booking.com and so on. In terms of the number of users of online travel agencies in Indonesia, Booking.com ranked fifth compared to Booking.com ranked the first place in the world as the most leading online travel agency platform.

From the above incident, whether globally or centered on one country only, large or small companies, multinational or local companies will compete and fight each

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other so that their position can continue to improve and survive from their competitors. Other than that, understanding the brand experience is also one of the foundations for building enthusiastic relationships. To get the best result, the brand needs to build a strong relationship with the customer, so there will be positive influence on the brand that influence by customer satisfaction. Customers who are brand enthusiastic will generally have a positive impact on customer behavior. Accordingly, the importance of brand experience requires advertisers to conduct in-depth research on determinants as well as individual satisfaction scores (Ghorbanzadeh et al., 2020).

Based on the statistics and information above, this topic is important in Indonesia because globally, Booking.com is labeled as the most leading online travel agencies in the world as we see in picture 1.2 (source : statista) and also we can see the data below this :

Table 1.1 Revenue – The State of Online Travel Agencies 2020

Revenues (billion)	Booking	Expedia	Ctrip	Tripadvisor	Trivago	eDreams Odigeo	Despegar	MakeMyTrip	Lastminute	On The Beach
2013	$6.79	$4.77		$0.95		€0.43		$0.26		
2014	$8.44	$5.76	$1.14	$1.25		€0.44		$0.30		
2015	$9.22	$6.67	$1.68	$1.49	€0.49	€0.46		$0.34	€0.25	
2016	$10.74	$8.77	$2.80	$1.48	€0.75	€0.49	$0.41	$0.45	€0.25	£0.07
2017	$12.68	$10.06	$4.10	$1.56	€1.04	€0.51	$0.52	$0.64	€0.25	£0.08
2018	$14.53	$11.22	$4.54	$1.62	€0.91	€0.52	$0.53	$0.52	€0.29	£0.10
2019	$15.07	$12.07	$5.10	$1.56	€0.84	€0.56	$0.52	$0.53	€0.35	£0.15

Source: medium (2020)

The amount of revenue earned by booking.com is the first in the world in 2019 which is $15.07 billion compared to its competitors, especially Expedia that is only $12.07 billion. Although it is ranked first in the world, but it is ranked fifth in Indonesia as we see in figure 1.3 (source : statista). In this research, the factors proposed are Brand Experience(with the dimensions : Sensory, Intellectual, Behavior), Customer Satisfaction, Brand Trust, Brand Love, and Brand Loyalty. The factors will also be present a model modified by Huang (2017) and Hussein (2018). Given that the development of Booking.com has met with Indonesia, this

study should possibly test and analyze whether strong sentiments could shape good relationships with Booking.com in Indonesia.

1.2 Research Question

As explained above, Booking.com is a global leading online travel agency. But in Indonesia itself, it is ranked fifth. It is under the position of Agoda with headquartered in Singapore, Pegi-pegi.com, and even Traveloka which is an Indonesian start-up company. Therefore, numbers of questions arise during the conduct of this study based on the factors influencing Brand loyalty by Brand Experience, as follows:

1. Does Brand experience have positive influence towards Customer Satisfaction for Booking.com in Indonesia?
2. Does Brand experience have positive influence towards Brand Love for Booking.com in Indonesia?
3. Does Brand experience have positive influence towards Brand Trust for Booking.com in Indonesia?
4. Does Customer Satisfaction have positive influence towards Brand Loyalty for Booking.com in Indonesia?
5. Does Brand Trust have positive influence towards Brand Loyalty for Booking.com in Indonesia?
6. Does Brand Love have posisitve influence towards Brand Loyalty for Booking.com in Indonesia?

1.3 Research Objective

In correlation with the above background, the objectives of study are listed as follows:

1. To identify Brand experience influence towards Customer Satisfaction for Booking.com in Indonesia

2. To identify Brand experience influence towards Brand Trust for Booking.com in Indonesia

3. To identify Brand experience influence towards Brand Love for Booking.com in Indonesia

4. To identify Customer Satisfaction positive influence towards Brand Loyalty for Booking.com in Indonesia

5. To identify Brand Trust influence towards Brand Loyalty for Booking.com in Indonesia

6. To identify Brand Love influence towards Brand Loyalty for Booking.com in Indonesia

1.4 Research Scope

The scope of the study is limited to several of the conditions listed below:

- This study discusses at brand experience, customer satisfaction, brand trust, brand love, and brand loyalty

- Respondents in this study people who have used Booking. Respondents in this study are Indonesian citizens with over 18 years of age and using Booking.com.

- This study uses a questionnaire to collect data from the respondents

1.5 Systematic of Writing

A systematic form was developed for understanding of the contents of this study. As for the systematic writing compiled are as follows:

- CHAPTER I: INTRODUCTION

  The basis of this research will be explained in this first chapter by explaining the background of the research, followed by the research problems that emerged from the background, followed by the research objectives, the scope, and continued to be written systematically.

- CHAPTER II: LITERATURE REVIEW

This chapter contains the background of the theory used, The theories will be divided into broader theories, that is, in this study, they will briefly explain international business, global brand, online streaming, brand experience, customer satisfaction, brand trust, brand love, and brand loyalty. Next is an important part, regarding the theory of independent variables and dependent variables, the research model will show a clear relationship between proposed variables. Then lastly is the hypothesis and research framework.

- CHAPTER III: RESEARCH METHODOLOGY

    In chapter three this will explain research type, research object and theme, unit of analysis of this research, variable measurement, variable and variable measurement, definition of variable operation, data type, data collection technique, population and sample, data analysis method about Smart. PLS (partial least squares) software, validity and reliability testing, classical hypothesis testing and regression testing

- CHAPTER IV: FINDING AND ANALYSIS

    The fourth chapter includes the pre-test results and actual research results of the relationship between the variables in this study. Pre-test results and actual results of statistical inspections using the collected data. The results of the discussion will provide answers to research questions and draw research conclusions.

- CHAPTER V: CONCLUSION AND RECOMMENDATION

    In chapter five, the last chapter will provide conclusions on the results of this study, then it will be continued with the significance of the research (theory and management), don't forget the limitations of the research and recommendations for further research.