CHAPTER I

INTRODUCTION

1.1. Background and Introduction

Online purchase has been one of the most prominent ways of purchasing products and services. Better internet and technology infrastructure has certainly pushed this generation to be much more online driven. With millions of people buying from the online platform, it can be tremendously hard to find the jewel in the mud in terms of the companies' target market strategy and marketing. All sectors of every industry have all joined the online selling bandwagon, including the travel industry. Tourism is indeed one of the most important parts of every country's economy, and previous studies confirmed tourism's positive economic impact in most, but not all, circumstances (Li et al., 2018). It is indisputable that travel companies stay quick on their feet to make sure that they can cater the demand for this industry.

In 2020, the World Health Organization or WHO declared that there was a global pandemic coronavirus (SARS-CoV-2) infection, which is more widely known as the Covid-19. Within the blink of an eye, the epidemic has caused critical and irreversible harm to a wide range of businesses, including financial and economic loss in nearly every country. Globally, there were 22 256 220 confirmed cases of the illness, with 782 456 confirmed fatalities. COVID-19 instances have been recorded in

more than 200 countries across six regions as of August 21, 2020. The United States continues to have the most confirmed cases and fatalities, followed by Brazil, India, and Russia, which represent 49 percent of all confirmed cases worldwide (WHO, 2020). In the Philippines, there have been 173 774 confirmed cases of COVID-19, with 2 795 confirmed fatalities (Department of Health, 2020a). The country ranks first among ASEAN countries in terms of confirmed cases and fatalities. This occurred despite intensive precautions to prevent illness transmission, such as tight social separation, community quarantines, and disease education programs (Labrague & Santos, 2020).

Since early 2020 when Covid-19 striked, it definitely hasn't been easy for all types of businesses, especially the tourism industry where countries do travel bans and limit tourism activity even though the world economy is not stable yet. Lockdowns for societal well-being or safety can limit disease spread (Mertens et al., 2020). However, when such safety precautions are unduly stringent, they can have a negative impact on tourism expansion, impede economic growth, and boost the unemployment rate. According to studies, a variety of external factors, including financial, social, geopolitical, political, and technological factors, have an impact on the business world today, either directly or indirectly (Wen et al., 2020). Because of the Covid-19 outbreak, the majority of countries throughout the world have chosen to close their borders and cancel flights. There is a worldwide tourism crisis, according to the United Nations World Tourism Organization, and Covid-19 is responsible for a reduction in international tourist arrivals that is predicted to cost $300–450 billion

(Wen & Huang, 2019). All in all, the pandemic has a huge effect on the global tourism industry, where every country faces horrible situations in which businesses, especially the tourism ones, were forced to close. The effect of Covid-19 pandemic spreads through human-to-human transmission, thus, avoidance of overcrowded destinations can be an alternative solution to reduce infection (Lee, 2020), this is why groups of people who would want to take risks to travel will be very particular in terms of the destinations' cleanliness, regulations, and health care as well.

Despite the pandemic outbreak, one of the biggest OTA, tiket.com has been trying its best in maintaining their sales and has decided to not lay off any employees since the start of the pandemic in March 2020. However, the fact that people no longer make plans regarding holidays or excursions, and the activity of tourism reservations has ceased almost entirely (Choy & Kamoche, 2020) cannot be denied. Therefore, it is during this time that OTA needs to implement the right promotional strategies and techniques to make sure the companies stay alive during this pandemic and eventually to the future. An effective technique might be to optimize the mix of distribution channels by selecting the most promising online channels and, as a result, deciding between competing choices. Even though a multiple online channel strategy may appear to be the more effective approach for maximizing the volume of online bookings (Huang et al., 2009), the strategy of selecting only the most promising online channel may work best to contribute to profit maximization, at least when time, resources, and information are limited. As a result, managers are faced with the

challenge of determining the profitability of various digital marketing platforms (Angeloni & Rossi, 2020).

In the tourism industry, there are five main sectors as stated by Eurostar (Demunter, 2013): accommodation facilities, recreation sector, transport sector, voyage organizers, and tourism authorities. Most of these sectors have been provided by tiket.com and other OTA in Indonesia, and due to that, there are different varieties of customers out there in this industry that need to be taken into account.. However, travel customers' preferences to buy their travel needs online may be dependable on the marketing promotions and the product offerings. Customers may be more inclined to buy a certain product versus the other, depending on the promotion and also what they need at the moment. According to research made by (Al Mutanafisa & Retnaningsih, 2021), they stated that according to Wijaya and Oktarina (2019), the correct marketing strategy necessitates marketers getting to know their customers better because their desires and requirements are always changing. A sales promotion is one of the variables that induce impulsive buying. Sales promotion is described as any action that seeks to persuade certain target market groups to purchase a product, such as offering discounts or free gifts with the purchase of a product. The fundamental goal of sales promotion is to entice potential buyers to buy the things on offer.

Loyal customers can also be defined by how frequent they purchase and how much they have spent in one business over the user's lifetime. In other research, Loyalty is a complex term that academics describe and evaluate differently.

Consumer loyalty is divided into three categories: behavioral loyalty, attitudinal loyalty, and composite loyalty (Taylor, et al. 2006). While the database of the OTA can easily show who are the users with the most customer spending or most usage on promotion vouchers (in $ amount), tiket.com will not be able to do marketing promotion specifically for each customer for best outcomes. Customers could be very satisfied with their experience and quality of the service and be loyal, but will not purchase it again due to different factors. Therefore, consumer repurchase behavior is one of the main concerns for companies in their pursuit of profits (Curtis et al., 2011). Marketing promotions such as direct discount and discount voucher have been widely used in all e-commerce in various industries, and it is one of the most effective marketing strategies out there. The manner in which the product is advertised affects customer behavior, not only in terms of the actual product but also in terms of the surrounding aspects (for example, the advertising of the warranty or the company's reputation). Promotion is separated into five categories: Advertising is viewed as a technique for broad communication. The overarching goal of advertising is to encourage potential consumers to buy or consume more of a certain brand or product. Television, radio, film, magazines, newspapers, video games, the internet, and billboards are all utilized to transmit messages. (Albattat, 2020). Other than loyalty status, many have stated that gender does play a part in customers' tendencies to purchase something online, making gender an important variable to take into account when segmenting customers. On top of that, the research also needs to take into account the customers' location of residence, since where people live play an

important role in categorizing one based on their social status. Geographic location is another essential setting for human economic activity. In the case of urban clients, this is particularly relevant to the city of residence and, more specifically, its population. A range of urban processes have been found to change with the number of residents in the form of scaling laws due to agglomeration effects and heightened human interactions (Schläpfer et al., 2014). While urban infrastructure dimensions (e.g., total road surface) show a sublinear relationship to city size, socioeconomic quantities (e.g., gross metropolitan product, crime rate, patenting, and human interactions) typically increase in a superlinear manner (Bettencourt, 2013), and individual bank card spending follows the same pattern as other socioeconomic parameters—they are increased in a superlinear manner. (Sobolevsky et al., 2016).

Customer attributes are endless, and it is as important for Online Travel agents to know every bit of it to best use it for marketing, especially during this COVID-19 pandemic. Users in Online Travel Agents also give ratings on the OTA app, which is an important variable and might be a good indicator of how likely the user will use promotion vouchers. User's ratings towards the OTA can give a high level idea on how much they actually like or dislike the business. Not forgetting the user's level of income as well. Defining the income groups can be a tricky thing to do, but with the help of other existing research out there, income levels can be determined and grouped accordingly to achieve the best conclusion whether the income group can best determine the usage of promotion vouchers in an Online Travel Agent.

In order for the promotion process and sales strategy to run effectively, the tourism company must use a marketing strategy for its product (Briandana et al., 2018). However, OTA companies including tiket.com and other e-commerce companies tend to never dig deeper into their different target markets and their customers' segmentations. Instead of giving the right promotion to the right group of people, companies just guess and assume on what promotions are applicable for everyone, and might end up giving too much discount than they actually should. Therefore, different variables stated above that might affect users' tendencies to use promo vouchers are needed, so they can make the right marketing strategies for all of their customers accordingly by targeting the right customer.

In order to best find out what factors affect users' tendencies to use promotion vouchers, there are other researches and studies out there that would study on the coupon proneness of customers, such as the Theory of Planned Behavior. Coupon proneness is defined as the increased propensity to respond to a purchase offer due to the coupon form of promotion. The theory of planned behavior (TPB), as applied to the context of promotion voucher does provide a concrete framework to study coupon proneness. This approach explains that consumers with high coupon proneness will be more sensitive to these types of promotions, which can positively affect purchase evaluations, as an increasing number of consumers are willing to use mobile coupons (Im & Ha, 2015). Intentions to perform behaviors of different kinds can be predicted with high accuracy from attitudes toward the behavior, subjective norms, and perceived behavioral control; and these intentions, together with perceptions of

behavioral control, account for considerable variance in actual behavior (Azjen, 1991). While existing studies focus on the effects of monetary promotions in the digital environment, little research considers non-monetary promotions despite their popular use in practice (Park et al., 2018). Previous research has found that redemption intention varies among individual consumers. However, the theory does not necessarily explain what specific variables in any of the theory equations really have an influence on promotion voucher usage, especially in an Online Travel Agent.

With this research, we hope to fill in the gap and find out the variables that are considered under the Theory of Planned Behavior really affect promotion voucher usage or coupon proneness in an Online Travel Agent. This research will hopefully help Online Travel Agent to best find out which variable can help out in further clustering their customers effectively in order to target each of the cluster groups with the right promotions.

1.2. Research Problem

This research aims to analyze whether there are variables that positively impact customers' tendency to use promotion vouchers or coupon proneness. Hypothesis will be tested using these three variables: Gender, User's City Location, and Loyalty Member status. The questions that we want to ask are:

1. Does customer gender bring any influence on each user's coupon proneness behavior?

2. Does the user's city location bring any influence on each user's coupon proneness behavior?

3. Does tiket.com loyalty member status bring any influence on each user's coupon proneness behavior?

4. Does the user's ratings to the OTA app bring any influence on each user's coupon proneness behavior?

5. Does the user's level of income bring any influence on each user's coupon proneness behavior?

1.3. Research Goals

Based on the 6 questions above, we aim to answer them in detail as such;

1. To test and analyze the influence of a customer's gender on a user's coupon proneness behavior.

2. To test and analyze the influence of customers's city location on a user's coupon proneness behavior.

3. To test and analyze the influence of customer's loyalty status on a user's coupon proneness behavior.

4. To test and analyze the influence of customer's ratings towards the OTA app on a user's coupon proneness behavior.

5. To test and analyze the influence of a customer's level of income on a user's coupon proneness behavior.

1.4. Research Benefits

This qualitative research hopes to provide benefits in two different areas: Academic and Real-Life Practice.

Academically, this research hopes to give and provide the necessary information in crafting out the clusters and segmentations of customers in an Online Travel Agents. With the variables that are about to be detailed out, this research will test them and see the influence on the user's tendencies to use promotion in an Indonesian Online Travel Agent.

Practically, this research will help out Online Travel agents to look out for the different variables that might be important in making sure that the promotions that they give out to the customers are the most effective to each of the customers. They can start prioritizing data analytics and the use of clustering, segmenting, and also do data testing and analyzing even in Marketing and Sales. This will eventually help them to grow more and also to earn more revenue and profits in the long run.

1.5. Research System

This research is written and laid out systematically in five different chapters. Each chapter will have details based on the title. The five chapters will be related to each other and will help craft a unified research paper academically. The five chapters are:

CHAPTER I: INTRODUCTION

This first chapter will consist of the background of this research that includes the business phenomenon and the problem of the research along with the research variables that will be used. The background will give a brief idea and information on what the research is going to be.

CHAPTER II: LITERATURE REVIEW

The second chapter will detail out every basic theory that is the core of this research. Every variable will be explained based on the published research all around the world. Conceptual framework will be presented in this chapter as well, crafting out the hypothesis and also the overall research model.

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 of this research. The conclusion will include but not limited to the implications that we can get from this research, the limitations and also the suggestions for future research.