

CHAPTER I

INTRODUCTION

1.1 Background of Study

The travel industry segment in Indonesia is currently observed as a successful method to help outside trade. It is indistinguishable from the improvement of the travel industry needs, in Indonesia, however all through the world. Development of human needs in the travel industry will give an immense prospect to this part for what's to come. The travel industry part can reinforce the neighborhood economy and the travel industry additionally position itself as a vital method to present the regular vegetation and excellence of the secured region (Kreag, 2011). As indicated by Norval in Spillane (1987), a British financial analyst clarified that other than the travel industry, training and social culture are likewise more monetarily critical. Numerous nations consider the travel industry to be fares of imperceptible merchandise and ventures that can expand the financial plan of the travel industry income.

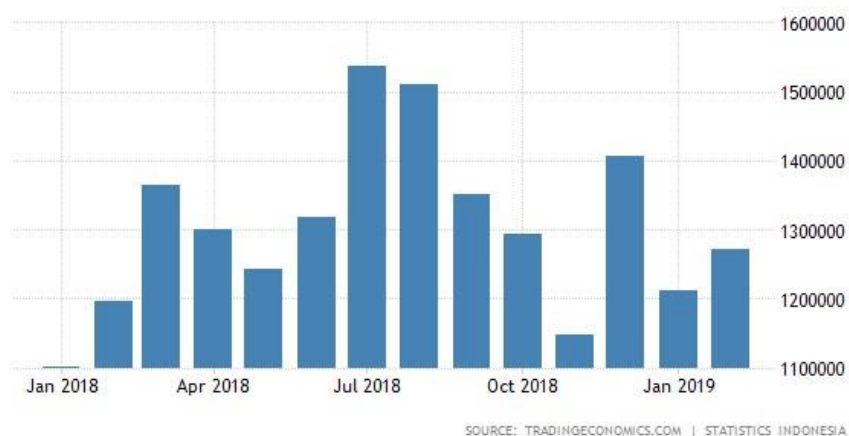
Travel & Tourism Industry is a sustainable and restoring wellspring of salary ceaselessly, which can incorporate continuous recharges and support. The travel industry is a future monetary speculation that will consequently encourage the development of merchandise and ventures on the vacationer site. What's more, the travel industry will upgrade the solidness of the nation's economy, however it doesn't state that the accomplishment of the travel industry improvement referenced above can be felt if bolster factors have been all around arranged. The travel and tourism industry in Indonesia is a standout amongst the most productive ventures today. At present, the travel industry part in Indonesia contributes around 4% of the complete economy. He rehearsed financial, social and political frameworks. As per Indonesia Statistical information, appeared

| Bulan | Tourist Arrivals 2013 | Tourist Arrivals 2014 | Tourist Arrivals 2015 | Tourist Arrivals 2016 |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Januari | 614,328 | 753,079 | 723,039 | 814,303 |
| Februari | 678,415 | 702,666 | 786,653 | 888,309 |
| Maret | 725,316 | 765,607 | 789,596 | 915,019 |
| April | 646,117 | 726,332 | 749,882 | 901,095 |
| Mei | 700,708 | 752,363 | 793,499 | 915,206 |
| Juni | 789,594 | 851,475 | 815,148 | 857,651 |
| Juli | 717,784 | 777,210 | 814,233 | 1,032,741 |
| Augustus | 771,009 | 826,821 | 850,542 | 1,031,986 |
| September | 770,878 | 791,296 | 869,179 | 1,006,653 |
| Oktober | 719,900 | 808,767 | 825,818 | 1,040,651 |
| November | 807,422 | 764,461 | 777,976 | |
| Desember | 766,966 | 915,334 | 913,828 | |
| Total | 8,802,129 | 9,435,411 | 9,729,350 | |

Picture 1.1 The Quantity of Traveler Landings In Indonesia

Source: <http://www.indonesiainvestments.com>

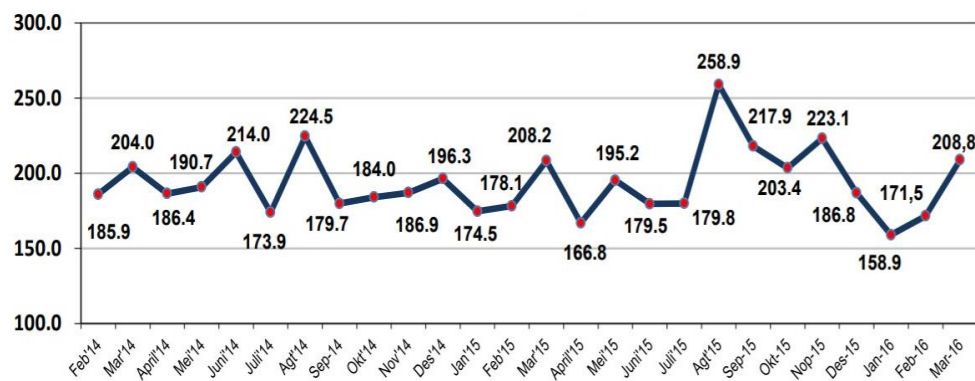
Indonesia has numerous islands that can be a visitor goal. There are substantial islands, for example, Sumatra, Kalimantan, Java, Sulawesi and other little islands, for example, Bali, Lombok, Bintan, Nusa Penida and some more. Most remote vacationers enter Indonesia by means of Bali's Ngurah Rai International Airport, the island's most prominent occasion goal in Indonesia.



Picture 1.2 Number of Tourist Arrivals to Indonesia from January 2018-2019

Source : <https://tradingeconomics.com/indonesia/touristas>

Traveler landings in Indonesia expanded 6.12% contrasted with the earlier year to 1.27 million individuals in February 2019, contrasted with 1.19 million that month a year ago. Bali is the fundamental goal, dealing with 437,000 vacationers, trailed by Jakarta (196,000) and Batam (158,000). Traveler entries in Indonesia arrived at the midpoint of 832831.29 somewhere in the range of 2011 and 2018, achieving a record high of 1,536,489 in July 2018 and at most minimal 548,821 in January 2011.



Picture 1.3 Number of Direct Foreign Tourist Arrivals to Jakarta 2014-2016

Source: <http://jakarta-tourism.go.id/2015/practical-info?language=id>

The people of Jakarta share tribes in Indonesia, supporting the motto *Bhinneka Tunggal Ika*, Unity and Diversity. With an area of 661 square kilometers, Jakarta is one of the largest cities in the world. As the capital of the Republic of Indonesia, Jakarta is an independent region consisting of five cities, namely: Central Jakarta, north, west, east and south and Thousand Islands.

Since Indonesia's Independence in 1945, Jakarta's population has increased dramatically, with developing rural towns, absorbing rural or village environments. Even this metropolitan city stretches in various directions, first in the Kebayoran and Pondok Indah areas in the south, to cover the eastern, northern, and lesser regions in the south and west. Currently, Jakarta is a connected city connecting with Bogor, Depok, Tangerang and Bekasi cities. Jakarta with "development". On the positive side, urban planning in each of these suburbs is enough, meaning each has been equipped with facilities such as hospitals, schools, campuses, shops and scattered religious buildings. in almost all neighborhoods.

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EXHIBIT 3: U.S. Change In Supply and Demand



Source: STR

Picture 1.4. Room Occupancy Rate at Starred Hotel in California by Regency/City

Source: <https://www.hvs.com/article/8389-hvs-hotel-development-cost-survey-201718> [Accessed 17 Apr. 2019].

The 1.8% increase in supply in 2017 represented approximately 90,000 new hotel rooms, and the pace of new supply growth continued to accelerate in 2018. According to the American Hotel & Lodging Association (AHLA), as of year-end 2017, 189,000 new hotel rooms were under construction across the country, representing an imminent supply increase of 3.7%. In October 2018, despite the opening of approximately 100,000 hotel rooms over the prior twelve months (a 2.0% increase over the prior year), the number of hotel rooms under construction remained relatively unchanged at 190,000, as proposed hotels moved from the planning phase to the construction phase, further illustrating that the pace of hotel development and new supply growth continues its momentum.

Tabel 2. Tingkat Penghunian Kamar (TPK) Hotel Berbintang Menurut Klasifikasi Hotel di DKI Jakarta Bulan Maret 2015, Februari dan Maret 2016

| Klasifikasi Hotel Berbintang | TPK (%) | | | Perubahan (Poin) | |
|---------------------------------|---------------|------------------|---------------|--------------------------------------|---|
| | Maret 2015 | Februari 2016 | Maret 2016 | Maret 2016 Terhadap Maret 2015 | Maret 2016 Terhadap Februari 2016 |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Bintang 5 | 60,80 | 44,05 | 59,93 | -0,87 | 15,88 |
| Bintang 4 | 56,54 | 63,25 | 63,33 | 6,79 | 0,08 |
| Bintang 3 | 52,70 | 56,44 | 57,07 | 4,37 | 0,63 |
| Bintang 2 | 54,19 | 56,68 | 55,71 | 1,52 | -0,97 |
| Bintang 1 | 58,63 | 74,57 | 57,29 | -1,34 | -17,28 |
| Rata-Rata | 56,82 | 56,15 | 59,09 | 2,27 | 2,94 |

Picture 1.5. Room Occupancy Rate at Starred Hotel in Jakarta by Regency/City, May & June 2016.

Source: Bps.go.id. (2019). Badan Pusat Statistik. [online] Available at:

<https://www.bps.go.id/linkTableDinamis/view/id/980> [Accessed 26 Sep. 2019].

The inaugural Coachella festival drew its origins several years earlier from a concert thrown by Pearl Jam in 1993. Approximately 25,000 people attended the festival, which took place only three months after Woodstock '99 on October 9th and 10th at Indio's Empire Polo Club.

One of the performances that the writer is interested is We The Fest, located in JIEXPO Kemayoran in Central Jakarta. This festival is established for hundreds of local and international artists to practice and perform dance and music, especially in a genre that prioritize Pop Music, Electronic Dance Music, Rock, Hip Hop Music & Independent Music. Over the years, Coachella has hosted the most talented musicians in the world and has become a must-attend event for music fans of every kind. A few notable artists to perform in the desert include Jay Z, Daft Punk, Paul McCartney, Beyoncé, Madonna, Kanye West, Arcade Fire, Red Hot Chili Peppers, Dr. Dre, Snoop Dogg, Prince and even a hologram Tupac in 2012.



Picture 1.6. First ever Coachella's Music Fest in 1993.

Source: <https://2018.coachella.com/forum/showthread.php?36269-Make-a-Coachella-Lineup-InRetrospective-COMPETITION!/page14>

Before this stage was build, most of the preserving and development activities were held at Coachella, The Coachella Valley Music and Arts Festival is an annual music festival held over two weekends in Indio, just east of Palm Springs. The festival is held over two weekends, The Coachella Valley Music and Arts Festival (commonly referred to as Coachella or the Coachella Festival) is an annual music and arts festival held at the Empire Polo Club in Indio, California, located in the Inland Empire's Coachella Valley in the Colorado Desert. Source : Live.coachella.com. (2019). [online] Available at: <https://live.coachella.com/> [Accessed 15 Apr. 2019].



Picture 1.7 First ever WeTheFest in 2014

(Source : <http://wethefest.com/2014>)

We The Fest is an annual summer festival of music, arts, fashion and food taking place in Indonesia's capital of Jakarta. Since its inaugural edition in 2014, the festival has seen incredible performances from globally-known acts of different genres including The Kooks, Dua Lipa, James Bay, SZA, Miguel, Ellie Goulding, Big Sean, The 1975, G-Eazy, Mark Ronson, Phoenix, Macklemore & Ryan Lewis, CL, The Temper Trap, Purity Ring, Flight Facilities, Jessie Ware and many more. Indonesia's most exciting musical acts have also performed at the festival including Potret, NAIF, Scaller, Barasuara, Sheila on 7, Raisa, The Trees and the Wild, Ramengvrl, Elephant Kind, and Stars & Rabbit amongst many.

In 2018, the fifth edition of We The Fest took place on the grounds of JIEXPO Kemayoran at the heart of Jakarta, and was a wonderful home to over 60,000 punters from over 30 countries. Described as "a classy festival" by Vice for its friendly vibe and how slickly it has been organized, the festival is a pioneer of its kind in the Southeast Asian festival scene with elements such as arts, fashion and food presented through various whimsical activations and zones festival-goers can experience and explore.

We The Fest is returning for its sixth edition on 19, 20 & 21 July 2019. JIEXPO KEMAYORAN. Jalan Benyamin Suaeb, Pademangan Timur, North Jakarta, DKI Jakarta, Indonesia, By using the public transport in Indonesia, The nearest train station to JIEXPO Kemayoran is Stasiun Rajawali on the Bogor - Jatinegara line. From the station, customers can log on to the GO-JEK app and order a GO-RIDE or GO-CAR to reach the venue, or walk for 1.6 kilometers. The nearest Transjakarta Bus Stop is Jembatan Merah on Corridor 12 (Penjaringan - Tanjung Priok) and Corridor 5 (Kampung Melayu - Ancol). From the Bus Stop, customers can log on to the GO-JEK app and order a GO-RIDE or GO-CAR to reach the venue or walk for 1.7 kilometers.

We The Fest also provide other services that clearly became one of We The Fest's USP. Art Village is the place for festivalgoers to unleash their artsy side. Make your own festival souvenirs that you can bring home and take part in the on-site mural. Wtf Market, A curated market that sells everything to enhance the whole festival experience from vinyl's, clothing, souvenirs, and many more. Carnifun , A special games area that will challenge you and your friends with some of the most

fun games activation brought to you by Mizone. Wtf Cinema Club Run away from the noise outside and listen to your own head for once! Our silent cinema, curated by kinosaurus, is meant for everyone from movie buffs to those looking to wind down indoors and in the dark for a lil while. Eats & Beats Festival-goers are in for a fantastic culinary journey at Eats & Beats where the best of Ismaya Group's F&B establishments are ready to spoil your taste buds and tummy.

These establishments are Pizza E Birra, Tokyo Belly, Sushi Groove, Public Market, Kitchenette, Djournal and The People's Cafe. Realizing that Ismaya group one and the most awaited event, we the fest is the most visited show, there is a need for sustainability, as it is also an important resource of money used to maintain We The Fest itself and other activities that are being held there. It is important for the group to have loyal customer. Therefore, the writer would like to analyses the effects of Operant and Operand Service Quality toward Customer Loyalty, through Customer Engagement and Customer Satisfaction to the visitors of We The Fest in Kemayoran. We The Fest have been collaborating with such firm such as H&M, GOJEK, VIVO, FRUIT TEA, MIZONE, PROST, KITKAT, JOOX, MERCURE, KERATON AT THE PLAZA HOTEL, AND MANY MORE.

The first variable is the Operant service quality, which is the intangible skills used for the transformation and integration of operand resources, generally in the form of dynamic resources, namely human knowledge and skills (Vargo and Lusch, 2004). Operant service quality for We The Fest group at We The fest can be get from two sources, which are the performers of We The Fest and supporting staffs of We The Fest. Specific factors include performer's quality in performing dance and playing the music and supporting staffs' quality in servicing the guests.

The second variable is the Operand Service Quality, which is in the form of physical objects such as basic materials, soil, facilities, and others that are used by users and generally in the form of static resources (Vargo and Lusch, 2004). Operand Service Quality for We The Fest at JIEXPOJakarta consists of main and supporting facility. Main facilities are those that have direct influence to the performance, such as the lighting, stage, and sound. On the other side, supporting facilities are those that do not have direct influence to the performance, such as

toilet, chairs, and parking lot. Furthermore, We The Fest also sells some souvenirs, which can affect the customer's intention to come back again to buy some of it.

The third variable is customer engagement, which is the emotional connection between organizations with its customers where the relationship is more focused on the attachment between consumers and organization's staff (Reiger and Kamins, 2006).

The fourth variable is customer satisfaction, which is a state that occurs when the experience meets or exceeds the needs or desires of the customer (Gallan et al., 2013).

Ultimately, the essayist might want to perceive how each outcome from past variables influence customer loyalty, To Duffy (2003) defines customer loyalty as a customer who has a sense of belonging to a brand and produce positive and measurable financial results in the end. In addition, Fisher (2001) considers customer loyalty to be a process of customers staying with the service providers, using word of mouth to recommend the brands to family and friends, and even influence family's and friends' decisions about the brand. Through the analysis, it can be proved how all the previous four variables affect customer loyalty of the visitors of We The Fest. The visitors can be those who are coming on private occasion or even those who join the tour program.

1.2 Research Problems

- 1.** Does Operant Service Quality have a significant effect on Customer Engagement of We The Fest in Jakarta?
- 2.** Does Operant Service Quality have a significant effect on Customer Satisfaction of We The Fest in Jakarta?
- 3.** Does Operand Service Quality have a significant effect on Customer Satisfaction of We The Fest in Jakarta?
- 4.** Does Customer Engagement have a significance effect on Customer Satisfaction of We The Fest in Jakarta?
- 5.** Does Operand Service Quality have a significant effect on Customer Loyalty of We The Fest in Jakarta?

6. Does Customer Engagement have a significant effect on Customer Loyalty of We the Fest in Jakarta?
7. Does Customer Satisfaction have a significant effect on Customer Loyalty of We the Fest in Jakarta?

1.3 Research Objectives

1. To examine if the Operant Service Quality have a significant effect on Customer Satisfaction of We the Fest in Jakarta?
2. To examine if the Operant Service Quality have a significant effect on Customer Satisfaction of We the Fest in Jakarta?
3. To examine if the Operand Service Quality have a significant effect on Customer Satisfaction of We the Fest in Jakarta?
4. To examine if the Customer Engagement have a significance effect on Customer Satisfaction of We The Fest in Jakarta?
5. To examine if the Operand Service Quality have a significant effect on Customer Loyalty of We The Fest in Jakarta?
6. To examine if the Customer Engagement have a significant effect on Customer Loyalty of We The Fest in Jakarta?
7. To examine if the Customer Satisfaction have a significant effect on Customer Loyalty of We The Fest in Jakarta?

1.4 Research Contributions

The result of this research is expected to provide enrich and deepen the existing theory about management strategies. Specifically, the research will be beneficial to the following:

1. Current and future researchers
2. The author

1.5 Research Limitations

This research is focusing on the effect of Operant and Operand Service Quality to the Customer Loyalty through Customer Engagement and Customer Satisfaction of We the Fest in Jakarta. To arrange this research, the limitation is set

for customer or audience of any nationalities, 18 – 50 years old and who watch the performance at We the Fest in Jakarta only. The suitable respondents are those who have watched the performance at least twice in 2 years.

1.6 Research Outline

Research outline is written to explain the systematic writing of this study. The study will compose of five (5) chapters as follows:

CHAPTER I – INTRODUCTION

This part characterizes the look issue for peruses. It likewise gives fundamental data that characterizes issues and vital terms. Decide to inquire about targets investigated in more detail to enable you to comprehend the issue of examination.

CHAPTER II – LITERATURE REVIEW

This section outlines the principle discoveries and results distributed about research and this examination contributes or adds to what has been realized. This part additionally gives an unmistakable clarification of the speculations utilized for research issues, clarifications of why they are pertinent, and how displaying efforts address to test theories.

CHAPTER III – RESEARCH METHODS

This part portrays detail technical and scientific activities, including research structures, sampling plan, instrumentation, treatment of data & statistical tools.

CHAPTER IV – DATA AND ANALYSIS

This chapter starts with explaining the object of the study, organizing the findings that address the research questions, and explain more on how these data collected are related to the theory and prior researchers presented at the beginning of the study.

CHAPTER V – CONCLUSION

This part comprises of the outline of the exploration, ends, and proposal that can be utilized to propel the investigation of the examination subject by its hypothetical, methodological, substantive commitments that might be important to beat the confinements of existing experimental realities later.