CHAPTER I

INTRODUCTION

1. 1   Research Background

In today's environment, customers are empowered to purchase and consume what, where, when, and how they ever want. Companies are implementing multichannel strategies to present the customer with the desired choices and to reach the customer via its channel of choice (Twombly et al, 2016). Retailers expect to achieve benefits from the substantial investment of implementing multichannel distribution. Kushwaha and Shankar (2013) prove that there is some evidence that multichannel customers provide higher revenues, and Wallace et al (2004) in Frasquet et al (2017) also mentioned that multichannel customers are more loyal because the increased portfolio of services increases satisfaction.

Multiple marketing channels or as we known as multichannel marketing defined generally by some authors as – the usage of more than one channel in market access. Kotler and Keller (2009) defined multiple marketing channels as a situation where "a company uses two or more marketing channels to reach one or more market segments". Some authors have defined multiple marketing channels from the consumers' perspective. Rangaswamy and Van Bruggen (2005) defined a multiple marketing channel as a situation where a firm

interacts with different segments of the customer base through different channels.

By the advent of the Internet's World Wide Web (the Web) and an increasing amount of e-commerce, firms and customers can reach each other through multiple channels for different purposes (Chang, 2012). The changing marketing communication environment naturally challenges companies to adapt to the requirements of digitization as well as to adopt new methods and tools to communicate with and reach, meet, and serve today's customers (Lipiainen, 2014).

New technologies based on the internet, namely Web 2.0 and Web 3.0, are changing marketing functions in several ways and new concepts such as marketing 2.0 and marketing 3.0 are being introduced while creating challenges in consumers' decision-making process (Alavi et al, 2015). Other than website, E-commerce is growing rapidly and has penetrated almost in all industries. This trend is amplified by the reduced cost of participation in e-commerce due to the establishment of standards for access and conducting transactions (Su, 2002).

Travel retail posted stronger value growth during 2013, primarily due to rising flight sales. Air transportation is an increasingly popular mode of transport in Indonesia due to the fact that the country is an archipelago. Some groups of people (primarily middle and upper level consumers) still find travel

retail the main channel for purchasing their travel needs for convenience sake (CompaniesandMarkets.com, accessed on August 6, 2019).
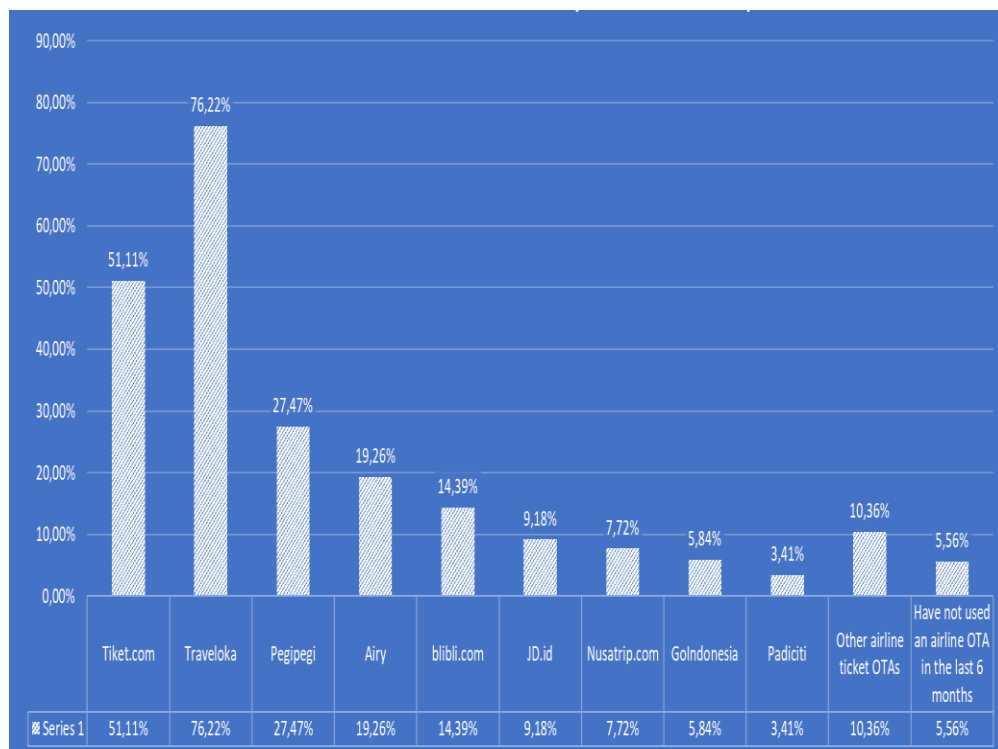
According to Hof et al (1998) in Dunn (2005), the number of Internet travel customers and suppliers has increased thanks to the enhanced adoption of Internet technology by young and old buyers and the entrance of both Internet-pure online travel intermediaries and clicks and mortar travel agency retailers attempting to capitalize on the cost-effective marketing and distribution platform. Moreover, powerful search engines and possibilities for instant price comparisons on the Web force online travel suppliers to assess competitive prices and provide high product quality and value.
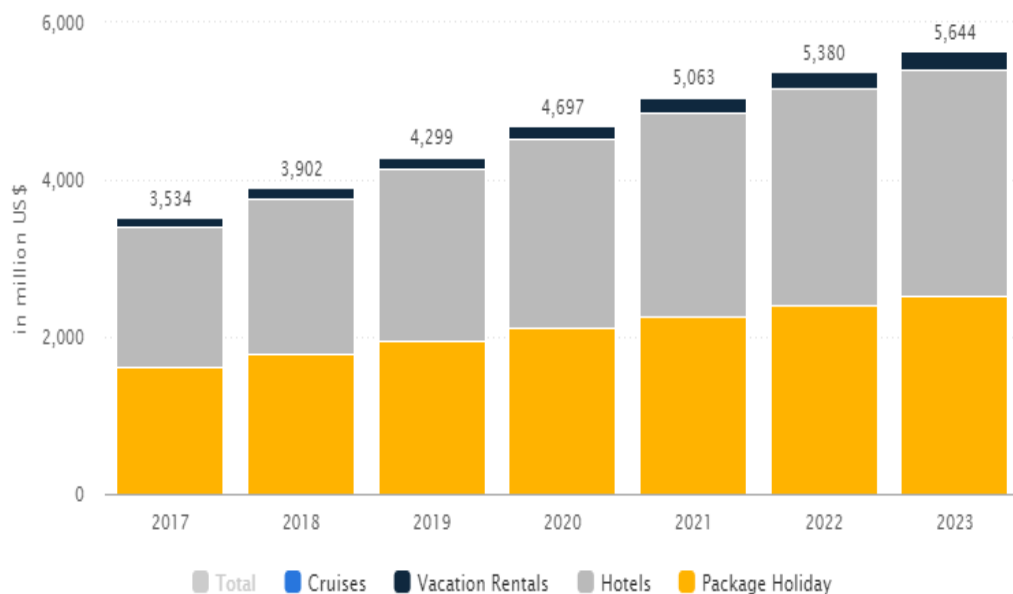
Source: https://www.statista.com (Accessed on September 5, 2019)

Figure 1.1

Online Travel Booking Revenue 2017-2023

There are many companies in Indonesia that operate in online travel agent (OTA) industry such as, Traveloka, Pegipegi.com, Tiket.com, and et cetera. According to Statista.com (accessed on September 5, 2019), the revenue of Indonesia online travel booking amounts to US$4,299 m or around Rp.60 billion in 2019. In 2017, the revenue reached US$3,534 million and increased to US$3,902 million in 2018. The revenue of this industry grew from year to year, which means that the industry is still growing and responded well by the customers in Indonesia. The figure above (figure 1.1) explains the revenue of online travel booking from 2017-2019 and expected growth till 2023.

	Tiket.com	Traveloka	Pegipegi	Airy	blibli.com	JD.id	Nusatrip.com	GoIndonesia	Padiciti	Other airline ticket OTAs	Have not used an airline OTA in the last 6 months
Series 1	51,11%	76,22%	27,47%	19,26%	14,39%	9,18%	7,72%	5,84%	3,41%	10,36%	5,56%

Source: https://dailysocial.id (Accessed on September 4, 2019)

Figure 1.2

MOST POPULAR OTA SERVICES (AIRLINE TICKETS)

Between all of the OTAs in Indonesia, this research will focus only on Traveloka.com. The reason behind this decision is because according to Alvara Research (2019), Traveloka is the most popular travel apps with the highest NPS (Net Promoter Score) in Indonesia. DailySocial.id (2018) also mention in their Online Travel Agency (OTA) Survey that Traveloka is the most popular OTA company in selling airline tickets (see Figure 1.2), train tickets and hotel reservation.


Source: www.Traveloka.com (Accessed on August 25, 2019)

Figure 1.3

Traveloka Logo

Traveloka is an Indonesian unicorn company that provides airline ticketing and hotel booking services online expanding rapidly to Thailand, Vietnam, Malaysia, Singapore and Philippines. Previously the company was founded in 2012 by Ferry Unardi, Deniarto Kusuma and Albert. At the beginning of the concept, Traveloka serves as a search engine to compare airfares from various other sites. In mid-2013 Traveloka then turned into air ticket reservation site. Users can make a booking on the official website. In addition, hotel booking services already available on the site Traveloka in July

2014 (Pradana & Setyawan, 2016). Recently, it expanded to provide lifestyle products and services, such as attraction tickets, activities, car rental, and restaurant vouchers. Traveloka has 2 online channels that can be accessed by the customers, which is through website and mobile application (Figure 1.4).
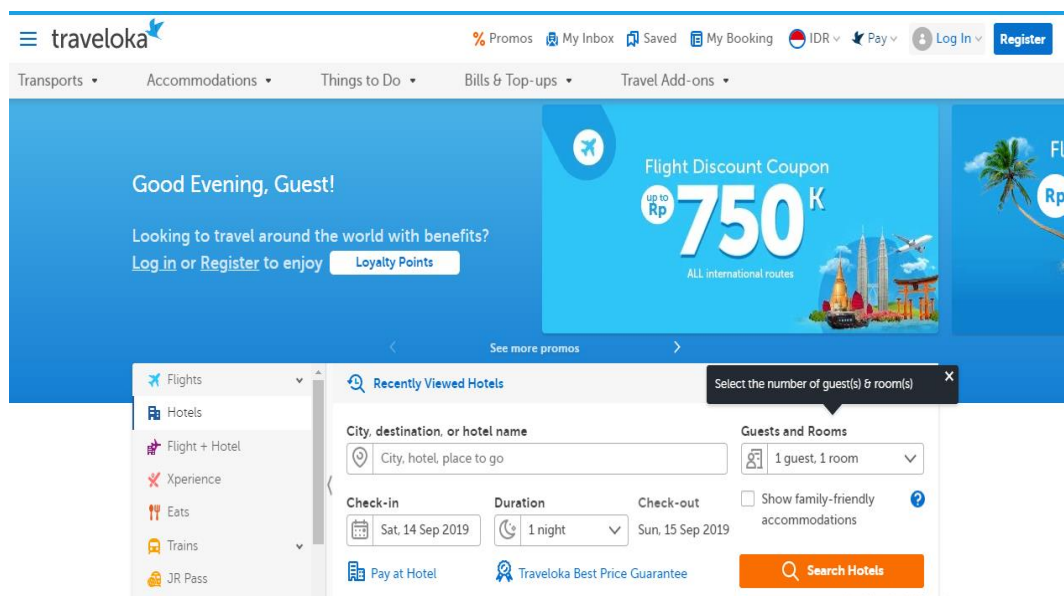
Source: https://www.traveloka.com (Accessed on September 4, 2019)

Figure 1.4

Website Preview of Traveloka.com
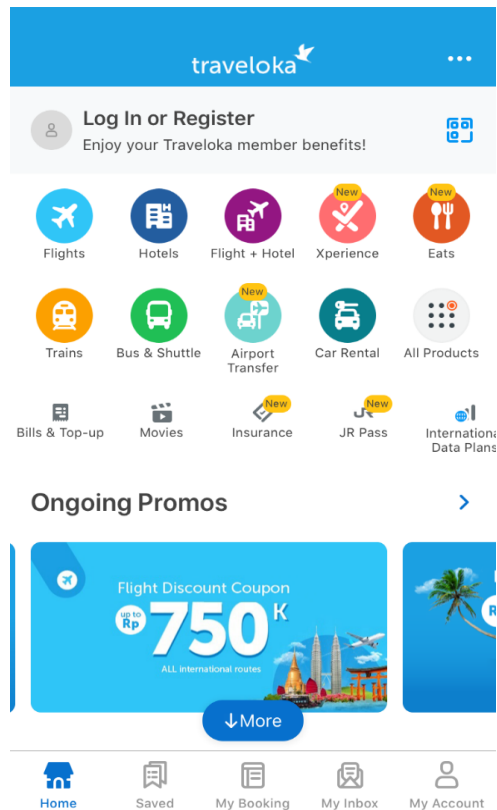
Source: <u>Traveloka</u> mobile app version 3.14.0 (Accessed on September 4, 2019)

Figure 1.5

Mobile Application Preview of Traveloka Online Agent

The company has established partnerships with more than 100 domestic and international airlines, serving more than 200,000 routes worldwide. It also has the largest direct accommodation inventory, varying from hotels, apartments, guest houses, homestays, to villas and resorts. Traveloka also provides more than 40 payment options for their customers with 24/7 assistance from local customer service in their native languages (Traveloka.com, accessed on August 25, 2019).

The previous research of Na and Marshall (2005) viewed that brand equity is conceptually the same for any brand, and the models of brand equity that work for off-line products and services will work just as well in an on-line context. According to Zaichkowsky (1985) cited in Lee Sungmi (2007), product involvement generally has been defined as an individual's perceived relevance of a product based on his or her needs, values, and interests.

Previous research (Park et al, 2006) approached attachment from the perspective of an individual's relationship with the brand as the attachment object. In that context, they define attachment as the strength of the cognitive and affective bond connecting the brand with the self. Repurchase intention refers to the individual judgment about repurchasing a service determined by that company with regard to current condition and probably situation. Some of the researches had focused on determining in advance initial variables to repurchase (Amini & Akbari, 2014).

Although channel integration has been recognized as a good strategy in the retailing industry, its impact on customer responses toward retailers and across different channels remain unclear (Herhausen et al, 2015). Thus, the types of store (online vs app) will be used to moderate the relationship between the variables in this study and will be done under the title **"The impacts of online brand equity, brand attachment, and product involvement toward online repurchase intention with store type as moderation variable (Study of Traveloka Online Agent)."**

1.2   Research Problem

Based on the explanation and previous study mentioned in the introduction part above, this research problems are formulated as follows:

1) Does online brand equity have positive effect toward product involvement at the Traveloka Online Agent?

2) Does online brand equity have positive effect toward brand attachment at the Traveloka Online Agent?

3) Does product involvement have positive effect toward brand attachment at the Traveloka Online Agent?

4) Does online brand equity have positive effect toward brand attachment with product involvement as the mediation variable at the Traveloka Online Agent?

5) Does online brand equity have positive effect toward online repurchase intention at the Traveloka Online Agent?

6) Does product involvement have positive effect toward online repurchase intention at the Traveloka Online Agent?

7) Does online brand equity have positive effect toward online repurchase intention with product involvement as the mediation variable at the Traveloka Online Agent?

8) Does brand attachment have positive effect toward online repurchase intention at the Traveloka Online Agent?

9) Does online brand equity have positive effect toward online repurchase intention with brand attachment as the mediation variable at the Traveloka Online Agent?

10) Does product involvement have positive effect toward online repurchase intention with brand attachment as the mediation variable at the Traveloka Online Agent?

11) Do store types (online vs app) moderate the relationship between online brand equity and brand attachment at the Traveloka Online Agent?

1.3 Research Objectives

According to the research problem formulated above, this research objectives are:

1. To find out the effect of online brand equity toward product involvement at the Traveloka Online Agent.

2. To find out the effect of online brand equity toward brand attachment at the Traveloka Online Agent.

3. To find out the effect of product involvement toward brand attachment at the Traveloka Online Agent.

4. To find out the effect of online brand equity toward brand attachment with product involvement as the mediation variable at the Traveloka Online Agent.

5. To find out the effectt of online brand equity toward online repurchase intention at the Traveloka Online Agent.

6. To find out the effect of product involvement toward online repurchase intention at the Traveloka Online Agent.

7. To find out the effect of online brand equity toward online repurchase intention with product involvement as the mediation variable at the Traveloka Online Agent.

8. To find out the effect of brand attachment toward online repurchase intention at the Traveloka Online Agent.

9. To find out the effect of online brand equity toward online repurchase intention with brand attachment as the mediation variable at the Traveloka Online Agent.

10. To find out the effect of product involvement toward online repurchase intention with brand attachment as the mediation variable at the Traveloka Online Agent.

11. To find out the effect of store types (online vs app) on moderating the relationship between online brand equity and brand attachment at the Traveloka Online Agent.

1.4 Research Limitation

a. The object of this research is Traveloka Online Agent.

b. The research subject of this research is Traveloka Online Agent customers that have ever done online transaction through Traveloka website or mobile application at least on the last 6 months.

c. The variables of this research are online brand equity, product involvement, brand attachment, online repurchase intention and types of store which adapted from Lin et al (2011).

1.5 Research Contributions

This research conducted with the expectation to contribute in some aspects based on the problem and objectives, there are:

1) For the Organization, as the information on how to understand more about the customers both website and application users to improve their attachment to the brand and repurchase the products/services of the brand.

2) For academic, as boarder knowledge and understandings about the impacts of online brand equity, product involvement, brand attachment and online repurchase intention on travel retail company with moderation variable of store types.

1.6 Writing Systematic

The research is going to be written with the systematic order as follows :

Chapter 1   Introduction

Consist of background of the research, the research problem, the research objectives, the research contribution and the research structure.

Chapter 2   Literature Review

Consist of the basic theory, the related previous research and study, definition and explanation of terms, the research framework and the hypothesis development.

Chapter 3   Research Methodology

Consist of the method explanation, the research sampling, the data sources, the variable, the data collection and the analysis method.

Chapter 4   Data Analysis & Discussion

Consist of the explanation of data analysis and the discussion of the research result.

Chapter 5   Conclusion and Suggestion

Consist of the conclusion, the limitation and the suggestion.