

# CHAPTER I

## PRELIMINARY

### 1.1 Research Background

Tourism is a state asset that has an important role for economic growth and development in a country or region. Lots of benefit and economic advantages come from tourism sector, such as increasing foreign exchange, employing workforce, stabilizing local economic, and contributing to the development of a region. According to WTO, Tourism is the activities of persons, travelling to and staying in place outside their usual environment for not exceeding one consecutive year for leisure, and other business purpose (Richardson & Fluker 2004 : 6). Many types of tourism options have given pleasure the tourist nowadays, but as time goes by, it is needed to explore more innovation of tourism attraction, especially in the hostelry like homestay.

The phenomenon of accommodation of tourist travelling around the world has undergone a significant change. Over the years, homestay is becoming more popular forms of hospitality and lodging in which the visitors can experience and feel the local culture of a visited country or region. Besides its relative cheaper-price than hotel in common, homestay also offers several advantages such as exposure to everyday life of the local residents, opportunities for kinship and friendship, access to knowledge of the culture, local advice, and foreign language practice.

Hotel and homestay are two different accommodations in term of its concept. According to Bardi (2003, p.9) hotel is a business that provides an accommodation and services, which may include reservations, suites, personal service valet, public dining and

banquet facilities, specialty shops, housekeeping service, concierge or laundry, while Tucker and Lynch (2004) characterized homestay as the buying and selling of more than “just a bed” where the host would consider hosting as a lifestyle choice. It is a living arrangement offered by a host or host family that involves staying in a furnished house or suite.

Homestay guests will stay at home like accommodation with shared living spaces, facilities and amenities. Utilities and meals are usually included and the length of stay can be daily, weekly, monthly, or unlimited unless otherwise specified by the host (Rivers, 1998). Homestay has become an interesting option to stay not only for local tourist, but also international tourist. Based on United Nation and World Tourism Organization (quoted from OECD, 2006) International tourist is an individual who travels to a country in which he has his usual residence but outside his usual environment for a period not more than 12 months, and who stay at least one night in a collective or private accommodation in the country visited.

In spite of there is not particular accurate reference informing about when and how firstly homestay established and grew in the global market, but in Indonesia itself according to a Scholar (Marbeta, 2008) that homestay grew in the beginning of 1930 in Bali where the king of Ubud, Tjokorda Gede Agung Sukawati and the local resident started to arrange the accommodation for foreign tourist, and one of the first clients was a German painter named Walter Spies.

In the current economic situation, Indonesia is considered the potential market for homestay business. Based on the Tourism Bureau, Republic of Indonesia (2018), In 2019 government is targeting 100,000 homestays in 10 priority destinations. During 2017-2018, it touched 2,938 homestays. Among them, it changed to a 2640-unit homestay, renovated 203

units, and built 95 new units. In 2017, it is targeted to have 20,000 homestays, in 2018 plus another 30,000, and in 2019, 50,000 units will be built, bringing the total to 100,000 homestays. Tourism Village Homestay will become a new industry portfolio in the development of tourism amenities. Indonesia will be the country with the largest, most and the best homestays in the world.

Additionally, referring to the observation result of World Travel and Tourism Council (WTCC) said that Indonesia is in 9th position with the fastest growth of foreign tourists in the world, also based on Central Body of Statistics (CBS) showed that From 2014-2018, the growth of foreign tourists reached 67.6%, in addition in 2018 the tourist visits increased by 12.58% which is greater than the growth in ASEAN which grew by 7.4% which even greater than world growth which is only 5.6%.

According to Central Body of Statistics (2018), In Indonesia itself, the tourism industry is currently growing rapidly. In 2017, Indonesia was visited by more than 14 million foreign tourists, an increase of more than two million from the previous year. The drastic increase in the number of tourists and the influx of foreign currencies is likely to continue. In 2018, even there's an increase of the foreign tourist to Indonesia.

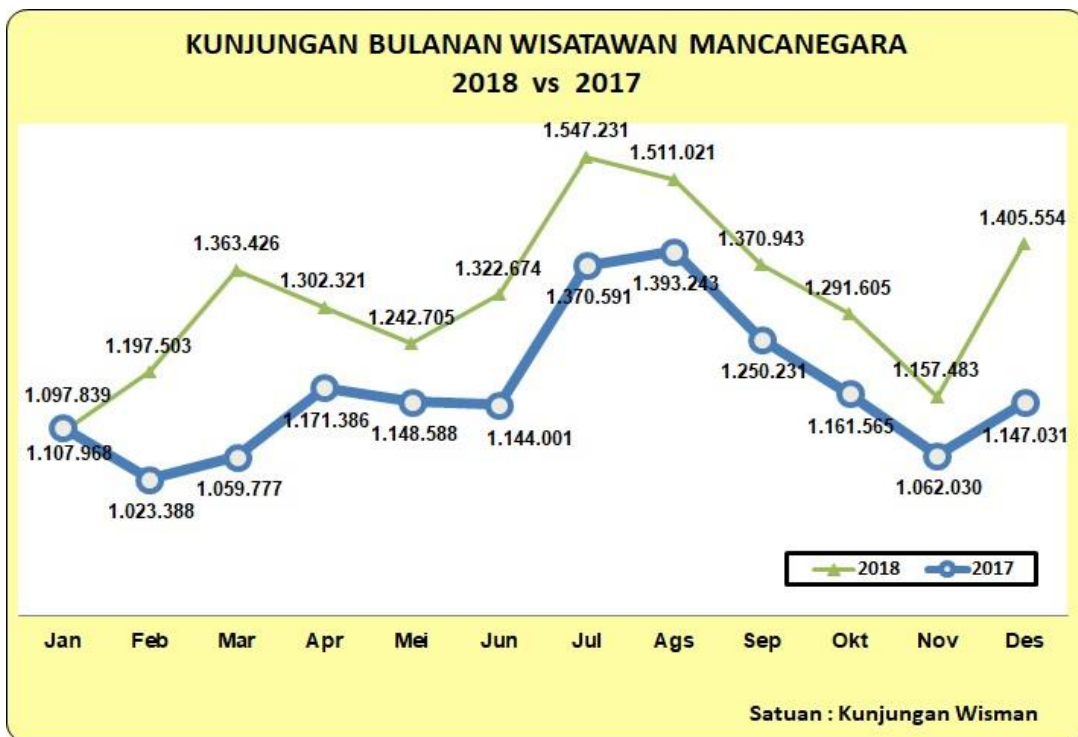


Figure 1.1

**Graph of The Comparison of Foreign Tourist in Indonesia in 2017 And 2018**

Source: <http://www.kemepar.go.id> (accessed September 23th 2019)

The data provided above shows strong tendency of how these trends support the growth many tourism instruments, including the exploration of touristic spots and accommodation form, especially the homestay. The shift in interest of tourists who want to explore authentic experiences while on vacation, the disparity in the number of hotels with the number of tourist visits, and the growth of new tourism destinations are the driving factors of the homestay industrial progress in Indonesia. However, with so many options in front of the eyes, the tourist will tend to decide to stay in a place where they deliberate as an interesting and fantastic place to stay. There are many considerations as well as keys of attractiveness that will influence the visitors to decide staying in one particular homestay.

Nextdoor homestay as the research objective in this study is one of the homestays that utilizes the homestay business opportunity in Indonesia. Nextdoor homestay is the hospitality accommodation owned by Dutch and Indonesian couple which is established in 2016, located in Jl. Parangtritis Timuran No.140, Brontokusuman, Kec. Mergangsan, Kota Yogyakarta, Daerah Istimewa Yogyakarta. Nextdoor homestay has 17 rooms in total where 4 rooms are single rooms; 5 rooms are standard double rooms; 2 twin rooms; 3 deluxe rooms; 1 family room; and 1 tree house.

Nextdoor homestay has 9 staffs. Nextdoor homestay also has some facilities provided for guests such as AC rooms, hot water, swimming pool, wifi connection, breakfast, free coffee and tea, free itinerary consultation, airport shuttle, and tour. Nextdoor homestay is very appropriate object for this study since 8 out of 10 of its guest are foreigner especially in the high season of holiday, along with its interesting building, both conceptual interior and exterior. Nextdoor serves services to guest where it is not commonly available in the other homestay or hotel, it maintains its cleanliness and good operation, and it encourages interaction and communication between the staffs, owner, and the guests.

Nextdoor is cooperating with many online travel agencies to offer its products globally such as Booking.com, Agoda.com, Tiket.com, Traveloka.com, Pegipegi.com, Airbnb.com, Hotels.com, Tripadvisor.co.id, and Expedia.co.id. With great performance of the homestay, Nextdoor succeed earns splendid rating as many as 9.3 out of 10 in Booking.com, 10 out of 10 on Agoda.com, and 4.6 out of 5 on Google review. The homestay offers different price for each room depends on the tourist season. Quoted from Booking.com on October 22nd 2019, acknowledge as low season, start from the lowest price for single room as much as Rp.129.000

until the most expensive one for family room as much as Rp.499.000 for one night. Here below are the pictures oh Nextdoor Homestay look like:



Figure 1.2

### **The Homestay View From The Entrance Gate of Nextdoor Homestay**

Source: <https://www.expedia.com/Yogyakarta-Hotels-Nextdoor-Homestay.h32106345.Hotel-Information> (accessed October 7th 2019)



Figure 1.3

### **The Front Office View of Nextdoor Homestay**

Source: <https://www.agoda.com/nextdoor-homestay/hotel/yogyakarta-id.html?cid=-218>  
(accessed October 7th 2019)



Figure 1.4

**The Outdoor Swimming Pool of Nextdoor Homestay**

Source: <https://www.booking.com/hotel/id/nextdoor-yogyakarta.html>

(accessed October 7th 2019)



Figure 1.5

**The Single Room of Nextdoor Homestay**

Source: [https://www.expedia.com/Yogyakarta-Hotels-Nextdoor-Homestay.h32106345.Hotel-](https://www.expedia.com/Yogyakarta-Hotels-Nextdoor-Homestay.h32106345.Hotel-Information)

[Information](https://www.expedia.com/Yogyakarta-Hotels-Nextdoor-Homestay.h32106345.Hotel-Information) (accessed October 14th 2019)





Figure 1.6

**The Standard Double Room of Nextdoor Homestay**

Source: <https://www.expedia.com/Yogyakarta-Hotels-Nextdoor-Homestay.h32106345.Hotel-Information> (accessed October 14th 2019)



Figure 1.7

**The Twin Room of Nextdoor Homestay**

Source: <https://www.expedia.com/Yogyakarta-Hotels-Nextdoor-Homestay.h32106345.Hotel-Information> (accessed October 14th 2019)





Figure 1.8

**The Deluxe Room of Nextdoor Homestay**

Source: <https://www.booking.com/hotel/id/nextdoor-yogyakarta.html>

(accessed October 14th 2019)



Figure 1.9

### **The Family Room of Nextdoor Homestay**

Source: <https://www.booking.com/hotel/id/nextdoor-yogyakarta.html>

(accessed October 14th 2019)



Figure 1.10

### **The Tree House of Nextdoor Homestay**

Source: <https://www.booking.com/hotel/id/nextdoor-yogyakarta.html>

(accessed October 14th 2019)

Based on the fact of there is significant growth of homestay as well as there is the development in terms of number which encouraged by the government, this will lead to more competitiveness among the homestay businesses. In order to find out how to reach more visitors for homestay in this present aggressive competition, so this study specifically will examine the sustainability of homestay businesses through the aspect attractiveness of homestay customers perceived which contributing to the customer loyalty or revisit intention to the homestay.

In today's hospitality business, the level of competition is so high that requires every company to attract loyal customers to ensure business success. Customer loyalty is one of the most significant contemporary strategies, helping to ensure not only the company's business success and its loyal customers benefits, but also long-term customers and company relations, maintaining and enhancing customer loyalty, aimed to benefit both parties. The definition of customer loyalty itself according to Uncles, Dowling, Hammond (2002) is something that consumers may exhibit to brands, services, stores, product categories (e.g., cigarettes), and activities (e.g., swimming). Here we use the term customer loyalty as opposed to brand loyalty; this is to emphasize that loyalty is a feature of people, rather than something inherent in brands.

The company loyal customers are cheaper to maintain and service than to attract new; loyal customers are less sensitive to the price of a promotional function to transmit information and positive recommendations "by word of mouth", more and more frequent purchases of goods / services or additional products are more susceptible to new proposals that motivate employees. Meanwhile, loyal customers feel a lower risk, greater confidence in the company and the satisfaction of products purchased sense, it is lighter in their choice, while a long-term relationship with the company gives a feeling of exclusivity (Glinskienė, Kvedaraitė, Kvedaras (2010).

Referring to the previous study of attractiveness aspects that influence customer loyalty to homestay done by Jin *et al* (2016), it is showed that five dimensions can be the aspects of attractiveness influencing customer loyalty in one homestay, where they are the surroundings of the building and features; service quality; homestay facilities; homestay operation and management; homestay geist and community co-prosperity.

Surrounding of the building and features are defined as relating to the entire exterior and interior design of the homestay (Hu et al. 2012). Service quality refers to customer satisfaction with services provided by the homestay owners or staff (Hu et al. 2012). Homestay facilities are defined as the hardware of the homestay (Hu et al. 2012). Homestay operation and management refers to how the homestay proprietors manage, plan and design the rooms and surroundings, as well as how they protect the customers' lodging privacy and their safety (Hu et al. 2012). Homestay geist and community co-prosperity refers to the way the homestay proprietors operate and manage a homestay and whether the homestay owners are engaged in efforts to make positive contributions to the local economy (Hu et al. 2012).

Besides external aspects and internal aspects, personal factor may also explain the customer loyalty which the exposition can be found in consumer behavior theory. According to Jacoby and Morrin (2015) consumer behavior refers to the acquisition, consumption, and disposal of time and offerings (goods, services, and ideas) by decision-making units. While another scholar defines consumer buying behaviour is defined by Stallworth (2008) as a set of activities which involves the purchase and use of goods and services which resulted from the customers' emotional and mental needs and behavioural responses.

The present study argues that the attractiveness aspects of homestay will explain the perceived desirability of the guest to come back to a homestay where they have previously stayed. Thus, consumer behavior theory is applied to the framework of this study with the purpose of associating the perceived attractiveness aspects of a homestay with the customer loyalty.

However the previous study regarding this subject was conducted in Taiwan which has distinctive circumstance, tourist attraction, and culture difference from Indonesia, So, in order to identify more outcome, it is important to apply the study in Indonesia in order to examine and to investigate the perceived attractiveness of international tourist to stay longer or to revisit a certain homestay. In addition, the previous study didn't test how the gender factor may contribute different input for the study, so that is why this study also will review of how gender contribute to customer loyalty. In addition, the previous study's subject were local and foreign visitors, and in this current study, the researcher will focus only on foreign tourist which later on it will give deeper understanding and specific view of foreign guest to possess customer loyalty toward the homestay.

## **1.2 Research Question**

Based on the description of the background, the following are the formulation of the problems prepared in this study:

1. Do the surroundings of the building and features positively influence on customer loyalty for Foreign guests at Nextdoor homestay?
2. Does service quality positively influence on customer loyalty for Foreign guests at Nextdoor Homestay?
3. Does homestay facilities positively influence on customer loyalty for Foreign guests at Nextdoor Homestay?
4. Do homestay operation and management positively influence on customer loyalty for Foreign guests at Nextdoor homestay?

5. Do homestay geist and community co-prosperity positively influence on customer loyalty for Foreign guests at Nextdoor homestay?
6. Are there any different perception on surroundings of the building and features, service quality, homestay facilities, homestay operation and management, homestay geist and community co-prosperity based on gender?

### **1.3 Research Objectives**

Based on the research question formulated above, the objectives to be achieved in this study are:

1. To examine the influence of the surroundings of the building and features on customer loyalty for Foreign guests at Nextdoor homestay.
2. To examine the influence of service quality on customer loyalty for Foreign guests at Nextdoor Homestay.
3. To examine the influence of homestay facilities on customer loyalty for Foreign guests at Nextdoor Homestay.
4. To examine the influence of homestay operation and management on customer loyalty for Foreign guests at Nextdoor homestay.
5. To examine the influence of homestay geist and community co-prosperity on customer loyalty for Foreign guests at Nextdoor homestay.
6. To examine different perception on surroundings of the building and features, service quality, homestay facilities, homestay operation and management, homestay geist and community co-prosperity based on gender.

#### **1.4 Research Scope**

This study aims to identify perceived attractiveness, motivation, and willingness to stay at homestay. In order not to be too broad and the problem more focused, the researcher limits the scope of the research as follows:

1. The subject of this research are foreign guests who have ever stayed at Nextdoor Homestay Yogyakarta for at least one night in the last one year.
2. The object of this research is Nextdoor Homestay. Nextdoor homestay is an accommodation provider established in which is located at Jl. Parangtritis Timuran No.140, Brontokusuman, Kec. Mergangsan, Yogyakarta city, Yogyakarta Special Region.
3. The variable are used in this research are service quality, homestay facilities, homestay operation and management, surroundings of the building and features, homestay geist and community co-prosperity adapted from Jin *et al* (2016).

#### **1.5 Research Contribution**

This research is expected to give both academic and practical contributions, which are stated below:

##### **1. Academic Contributions**

The results of this study are expected to be able to develop studies of Business Economics studies and provide new perspectives. This study is also expected to give the scholars insight about hospitality and homestay industry. In addition, this research also can be used as reference for other researcher who intends to apply the main concept in other study.



## 2. Practical Contribution

### a. For the Industry

The results of this study are expected to give insight relating to customer loyalty at the homestay as for the industrial improvement. Also, this study is expected to contribute positively for the better tourism or hospitality industry.

### b. For the company

The results of this study are expected to give picture toward the company of how the customer loyalty in the homestay can be formed, as well as to convey the knowledge and provide recommendation of considerable strategy to attain customer loyalty of foreign guests.

## **1.6 Writing Structure**

This research is divided into five chapters:

### **CHAPTER I: INTRODUCTION**

In this chapter, it presents the research background of this study, research question, research objective, research scope and research contribution

### **CHAPTER II: LITERATURE REVIEW**

This chapter describes theories related to the research topic such as perceived attractiveness aspects, customer loyalty, service quality, and consumer behavior. In this chapter, the conceptual framework which formulated and constructed by literature review is also explained. In addition, the developed hypothesis of the study can also be found in this chapter.

### **CHAPTER III: RESEARCH METHODOLOGY**

This chapter aims to explain the detail methods and techniques which will be employed for data collection and analysis.

### **CHAPTER IV: DATA ANALYSIS**

This chapter will show the process of evaluating data using analytical and statistical tools to discover useful information and aid in business decision making.

### **CHAPTER V: CONCLUSION AND MANAGERIAL IMPLICATIONS**

In this last chapter, it will be discussing about the summary of the research, managerial implication, limitation, and suggestion for the future study.