

CHAPTER I

INTRODUCTION

1.1 Background

Travelling activities have recently become a routine or a new lifestyle conducted by most Indonesian people, both young and older people, for leisure or to release fatigue from exhausting daily activities, which is a solution for good mental and physical health (Itsaini, 2022; Tempo.co, 2018). It aligns with Dr. Tamara McClintock Greenberg's statement that travelling activities can help reduce stress and reflect personal goals and interests (Nazish, 2018). In addition, there has been a phenomenon of revenge travel conducted by the community by travelling intensely in post-pandemic situations (Itsaini, 2022). Referring to data from BPS, despite a significant drop in domestic tourist numbers in 2020, domestic tourists number began to grow in 2021 (Figure 1.1). Moreover, according to the Main Director of Angkasa Pura I, Faik Fahmi stated that PT Angkasa Pura recorded an increase in the number of passengers by 50.8% in January 2023 compared to January 2022 (Desfika, 2023). This phenomenon makes tourism actors start to get fresh air due to many people's desire to travel.

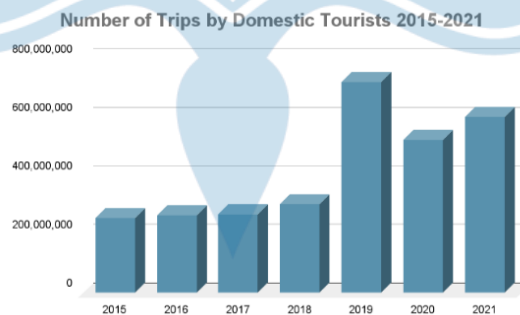


Figure 1.1
Number of Trips by Domestic Tourists 2015-2021
Source: BPS (2021)

The transformation of the digital economy in Indonesia is also developing rapidly, supported by technological advances. In the 2021 SEA e-Conomy report, Indonesia's digital economy is expected to rise by 20% from USD 70 in 2021 to USD 146 billion in 2025. This trend is projected to persist and is relatively high

compared to other ASEAN countries such as Malaysia, Singapore, Thailand, the Philippines, and Vietnam (Figure 1.2) (Kemenkeu, 2022). Google and Temasek predict that the country's digital economic growth in 2025 will be led by the online travel sector (30%), followed by online media (26%), transportation and food (25%), e-commerce (18%) (Figure 1.3) (Riyanto, 2022). Moreover, the Ministry of Tourism and Creative Economy (Kemenparekraf) is intensively promoting various destinations in Indonesia by adapting, innovating, and collaborating with several parties and digital tourism to disseminate information (Kemenparekraf, 2021).

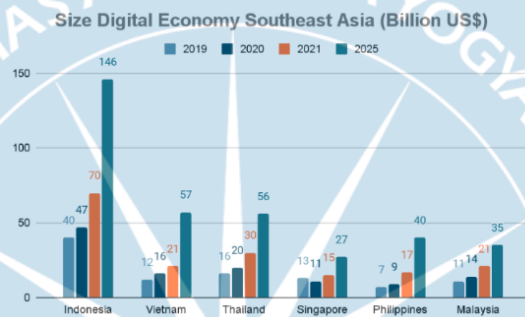


Figure 1.2
Size of Digital Economy Southeast Asia
Source: Kemenkeu (2022)

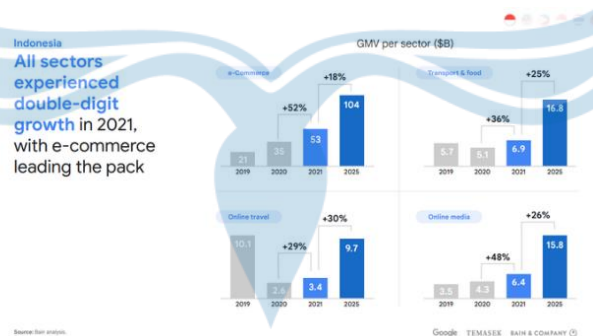


Figure 1.3
Sectors Growth Projection in 2025
Source: Riyanto (2022)

The phenomenon cannot be separated from the role of e-commerce in the form of online travel agents, which are increasingly developing following market demands and needs. The rapid development of the internet has altered the behaviour of tourists, especially the millennial generation, who always want fast service, ease of service, and low prices (Winosa, 2018). It has triggered paradigm shifts in travel

agent business operations from conventional to digital. It creates the growth of online travel agents even more significant, while conventional travel agent will be threatened if they cannot keep up with the digital tourism revolution. Disruption is increasingly visible, coupled with the COVID-19 pandemic exacerbating the situation. A survey by the Association of Indonesian Travel Agents (Astindo) in 2021 noted that of its members, 132 travel agents, 81% were still trying to survive, and 15.5% or around 20 companies were no longer active (Yanwardhana, 2021).

Online travel agents are given the convenience for the consumer to order travel or accommodation products through digital platforms due to technological advances, which could be in the form of either a website or mobile application. Online travel agents are marketplaces that can help customers search for or purchase travel products/services such as flight tickets, train tickets, hotels, attractions, and others (Expedia, 2023). Based on data from Semrush (2023), there are several online travel agents (apple-to-apple) that are included in the TOP 20 travel and tourism website categories most frequently visited in Indonesia are Traveloka (#1), Tiket.com (#2), Pegipegi (#8), and Trip.com (#10) (Figure 1.4).

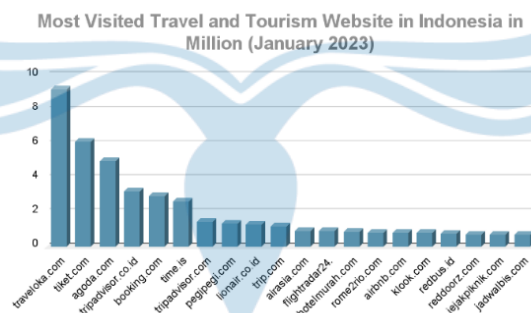


Figure 1.4
Most Visited Travel and Tourism Industry Website in Indonesia
Source: Semrush (2023)

To understand more about four online travel agents (Traveloka, Tiket.com, Pegipegi, and Trip.com), the researcher will explain in brief. First, Traveloka is a travel platform from Indonesia founded in 2012 by Ferry Unardi and two of his colleagues, Derianto Kusuma and Albert (Traveloka, n. d.). It operates in Indonesia and five Southeast Asian countries: Singapore, Malaysia, Thailand, the Philippines,

and Vietnam (Susanti, 2022). At the beginning of its establishment, Traveloka only offered flight ticket search and price comparison services; then, it became an online travel agent (OTA), which is currently becoming a super lifestyle app (Umiyani, 2023). It provides travel products such as plane tickets, buses, trains, car rentals, and hotel accommodations. Traveloka also offers beauty and spa activities called Xperience features that make Traveloka different from other online travel agents (Figure 1.5). Second, Tiket.com is a travel platform from Indonesia that was created and created by Wenas Agusetiawan, Natali Ardianto, Dimas Surya, and Gaery Undarsa in 2011 (Pamungkas, 2022; Utami, 2020). In 2017, Tiket.com was affiliated with Blibli; in 2021, it will become a consolidated subsidiary of Blibli (Tiket.com, n. d.). Tiket.com provides travel products like Traveloka, but Tiket.com also offers concert tickets, which has become its product differentiation compared to other platforms (Figure 1.6).



Figure 1.5
Screenshot of Traveloka Website
Source: Traveloka (2023)



Figure 1.6
Screenshot of Tiket.com Website
Source: Tiket.com (2023)

Third is Pegipegi, an online travel platform from Indonesia founded in 2012 by Jet Tech Innovation Ventures. In fact, it was created by Traveloka founder and CEO Ferry Unardi. Pegipegi is reportedly acquired along with two other online travel agencies with similar services, MyTour (Vietnam) and Travelbook (Philippines), by Traveloka. The acquisition value reached US\$ 66.8 million (around Rp. 973 billion) in early 2018 (Damar, 2018). Pegipegi also provides travel products but only focuses on plane tickets, buses, trains, and hotel accommodations in Indonesia (Figure 1.7). Last but not least, Trip.com, which is part of the Trip.com Group, founded by James Liang, is a China-based travel services group that operates four platforms: Trip.com, Ctrip, Skyscanner, and Qunar. (Yusof, 2020). Trip.com Group is one of the global leader companies in the online travel industry listed on the NASDAQ since 2003 (NASDAQ: TCOM) and works closely with several airline partners and a wide range of hotel chains to provide accommodation options according to consumer needs. Trip.com is operated in Singapore that offers travel products such as plane tickets, buses, trains, car rentals, hotel accommodations, and attractions, but it has more variety of choices due to the broader network that Trip.com has with its partners around the world (Figure 1.8).

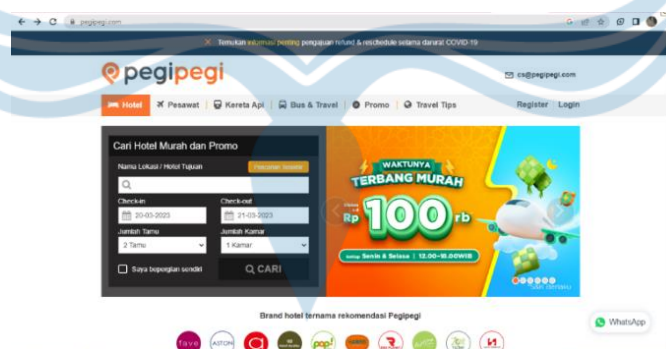


Figure 1.7
Screenshot of Pegipegi Website
Source: Pegipegi (2023)

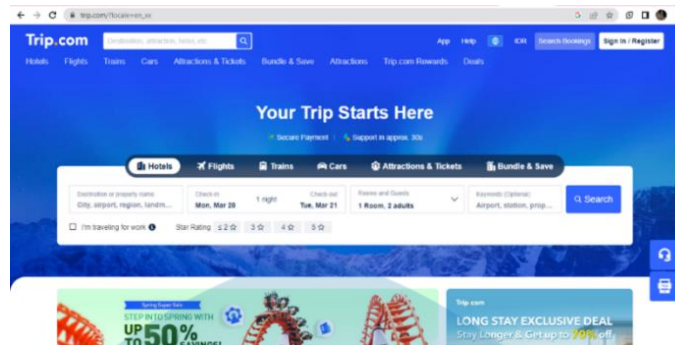


Figure 1.8
Screenshot of Trip.com Website
Source: Trip.com (2023)

Generally, Traveloka, Tiket.com, Pegipegi, and Trip.com have several things in common, which become the researcher's consideration to choose Traveloka, Tiket.com, Pegipegi, and Trip.com as the research objects. First, these four online travel agents pivoting their business to meet customer demand better by providing digital access for consumers to find and order travel needs connecting to many flight routes, hotel options, even train routes, and other attractions for domestic tourist from websites and mobile applications. Although Traveloka and Tiket.com are expanding their business in regional area to follow Trip.com that has been operated worldwide, however, this research only focused on domestic purposes. online travel agent. Second, these four travel agents ease consumers' transactions digitally by working with partners to provide various promos and payment methods, from bank transfers or credit cards to instalments. Third, these four online travel agents operate in Indonesia even though Trip.com is originally from China while the others are from Indonesia.

Indonesian people's interest in online travel agents is relatively high, even though it experienced a decline from 2019 to 2021 due to the pandemic. However, several online travel agents, such as Traveloka and Tiket.com, noted an increase in demand for travel services of up to 62% in 2022 (Burhan, 2022). It is in line with the majority of respondents (44%) from the Populix survey preferring to use online agents to plan trips compared to other options such as ordering through conventional travel agents, on the spot, etc. (Kompas.com, 2022). Based on research conducted by Annur (2022), people choose online travel agents for several

main reasons, including having discounted prices according to applicable regulations (34.5%), practical (28.7%), and cheaper prices (11.9%) (Figure 1.9).

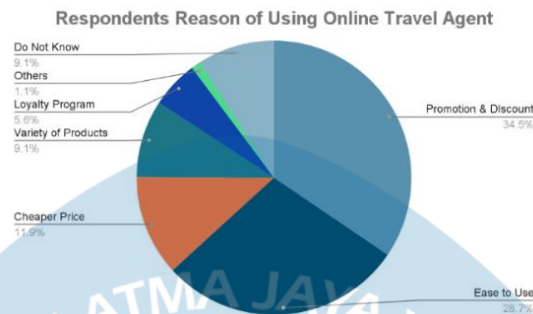


Figure 1.9
Respondents' Reason of Using Online Travel Agent
Source: Annur (2022)

However, the rapid development in the digital sector is also in line with Indonesia's high number of cybercrime cases. The Indonesia Police investigated 8,831 issues related to cyber-crimes from January 1 to December 22 in 2022, which included 8,372 people who were reported in these crimes (Pusiknas Bareskrim Polri, n.d.). A cyber-attack is any intentional attempt by cybercrime to steal, expose, modify, disable, or destroy data, applications, or other assets through unauthorized access to networks, computer systems, or digital devices (IBM, n.d.). Unsurprisingly, Indonesia is in the 3rd position of the country with the highest number of data leak cases worldwide, with 12.74 million accounts experiencing data leaks during the third quarter of 2022 (Annur, 2022b). In addition, according to data from the National Cyber and Crypto Agency (BSSN), 714,170,967 traffic anomalies or cyber-attacks occurred during the first half of 2022 (CNN Indonesia, 2022). It affects Indonesia's cyber security index, which is in the 3rd lowest position among G20 countries and 83 out of 160 globally (Annur, 2022a).

Thus, online travel agents have to pay attention to security issues to do business via the internet due to consumers are very concerned about safety. Perceived security is vital because all activities and transactions between online travel agents, third parties, and consumers are carried out online. To conduct transactions on OTA websites, customers have to provide extensive personal information, such as credit card information, email address, and full name (Pham

and Nguyen, 2019). In particular, a high tourism website perceived security encourages customers to trust the brand that would express more e-loyalty, such as involving with greater repurchase and recommendation activities (Cui, Lin, & Huang, 2015). Furthermore, Consumer reflects their innovative attitude toward proactive seeking information, cooperative engagement, and a large number of transactions in specific site (Couture et al., 2013). It could enhance consumer trust in the online travel agent and, as a result, e-loyalty.

According to Reichheld and Schefer (2000) in Huang (2008), in order to achieve consumer loyalty, first have to acquire their trust. To ensure that customers' perceived trust is increased without fraudulent products/services, they should be assured of several security considerations, such as information protection and providing trustworthy information (Jeon, Ali, & Lee, 2018). Furthermore, trust is a direct and substantial factor in why consumers pick online travel agents over competitors and continue using them (Susilo, 2020). Referring to Hendrawan and Agustini (2021), there is a positive and significant influence between image towards e-marketplace loyalty. Image may also indicate a website's individuality and help it differentiate from competitors (Kim et al., 2014). This finding also coincides with Smith (2015) that when a company has a solid public image, consumers are more inclined to interact on the website because they feel they can trust it.

In the online travel sector, e-loyalty is the desire to repurchase a travel product or revisit a website in the future (Bilgihan & Bujisic, 2015). Website utilization factors such as visit duration, visit focus, visit scope, stickiness, or visit frequency are examples of behavioural outcomes of loyalty. The use of web services compared to competitors may be utilized to measure e-loyalty. Customer loyalty's conventional outcomes include referrals, complaint behaviour, search motivation, willingness to pay more, purchase intention, and re-patronage decisions (Dunn et al., 2009).

Therefore, the writer takes the title "The Effects of Perceived Security and Consumer Innovativeness on E-Loyalty with Website Image and Trust as Mediation Variables in Online Travel Agents" in this research. The objects of this research are online travel agents in Indonesia, namely Traveloka, Tiket.com,

PegiPegi, and Trip.com. Given the facts that previous research conducted by Cui, Lin, & Qu (2018) into the influence of perceived security and consumer innovativeness has had a significant impact on online travel websites in China. Meanwhile, this study will investigate the correlation between perceived security and consumer innovativeness toward online travel agents in Indonesia. These two factors will influence online travel agent image and trust, as well as e-loyalty.

1.2 Problem Statements

Based on the background above, the formulation of the problems and questions of this research are as follows:

1. Does perceived security positively affect website image in online travel agents?
2. Does perceived security positively affect trust in online travel agents?
3. Does consumer innovativeness positively affect trust in online travel agents?
4. Does website image positively affect trust in online travel agents?
5. Does website image positively affect e-loyalty in online travel agents?
6. Does trust positively affect e-loyalty in online travel agents?
7. Does website image mediate the effect between perceived security and trust in online travel agents?
8. Does trust mediate the effect between website image and e-loyalty in online travel agents?

1.3 Research Questions

From the formulation of the problems and questions above, the purposes of this research are:

1. To analyse perceived security positively affect website image in online travel agents.
2. To analyse perceived security positively affect trust in online travel agents.

3. To analyse consumer innovativeness positively affect trust in online travel agents.
4. To analyse website image positively affect trust in online travel agents.
5. To analyse website image positively affect e-loyalty in online travel agents.
6. To analyse trust positively affect e-loyalty in online travel agents.
7. To analyse website image mediates the effect between perceived security and trust in online travel agents.
8. To analyse trust mediates the effect between website image and e-loyalty in online travel agents.

1.4 Research Benefits

This research is expected to be able to provide benefits for the readers that are divided into theoretical and practical benefits.

1. Academic Benefit

For readers and researcher, this research is expected to provide information and a new perspective to increase knowledge about the effects of perceived security and consumer innovativeness on e-loyalty towards online travel agents, especially in Indonesia, by mediating the effect of website image and trust. For future researchers, the researcher is expected that this research could become a reference and helpful information either for conducting similar variables or the development of other variables.

2. Practical Benefit

The researcher is expected that the findings from the research are able to provide valuable information and contribution to the tourism industry. This research is expected to be reliable data as the consideration in developing the performance of online travel agents to increase customer loyalty. Given that Indonesia's tourism industry has a significant growth after the pandemic, online travel agents have to acknowledge how to improve perceived security, consumer innovativeness, website image, and trust to increase customer loyalty.

1.5 Systematic Writings

The systematics of writing this research is described as follows:

Chapter 1 Introduction

The first chapter is the introduction of the research paper. This introduction consists of the background of the research, the problem statement, the research objectives, the research benefits, and the research writing systematics.

Chapter 2 Literature Review

The second chapter reviews various theories and literature from previous research and variables that form the basis of the conducted research. The variables utilized in this research are perceived security, consumer innovativeness, website image, trust, and e-loyalty. This chapter consists of the definitions and explanation of variables, the related previous research that supports the hypothesis development, the hypothesis development, and the research framework.

Chapter 3 Research Methodology

The third chapter is the explanation of the method used for this research. This chapter consists of a description of the type of research, including objects, subjects, and location of the research, the research population and sampling, the operation definition (variable, indicators, and measurement scale), the data collection, the measurement and the data analysis method with analytical tools.

Chapter 4 Data Analysis & Discussion

The fourth chapter is an illustration of data statistical analysis & discussion. This chapter consists of the explanation of the findings with descriptive statistics and an overview based on a predetermined hypothesis, data analysis using analytical tools, and a discussion of the research findings.

Chapter 5 Conclusion

The fifth and last chapter is the conclusion of this research. This chapter consists of the conclusion of the research, the managerial implications, the limitations (disadvantages), and the suggestions for future research.