

CHAPTER I

INTRODUCTION

1.1 Research Object Overview

1.1.1 Company Profile



Figure 1.1 Traveloka Logo

Source: Traveloka (2017)

Traveloka is an online based accommodation reservation which is under the auspices of PT. Trinusa Travelindo. The company officially entered the online travel agent (OTA) industry in 2012, which founded by Ferry Unardi, Albert Zhang, and Derianto Kusuma (<https://press.traveloka.com/history/>) Before incarnates as the leading Southeast Asia online travel company, Traveloka serves only as a search engine to compare airplane ticket prices from various online booking sites. In mid-2013 Traveloka later changed to the airline ticket reservation site where the user can place an order at Traveloka.com website. In March 2014, Ferry Unardi stated that Traveloka will immediately enter the hotel room reservation business.

On July 15th, 2014, for the first time Traveloka strive a new way on the hotel booking services have been available directly on the website. Traveloka has already did a cooperation with the authorized airline travel agency that have been trusted to publish accommodation tickets with 40 options payment options for consumers in the ASEAN countries beside Indonesia such Thailand, Vietnam, Malaysia and the Phillipines with 24/7 online and offline customer representatives assistance provided (blzjournals,2017). This allows consumers make the customer planned their trips easier.

In the way to enhance and adding options for consumers to do an online reservation, Traveloka launched the mobile application on July 2014 which provided for the iOS and Android Platform. By using this app directly from smartphone, consumers can save more time while searching for airplane tickets. Practical interface with the typical blue color of Traveloka.com to attract users to download this application. Within less than a week after its launch on July 31, 2014, the Traveloka app ranks number one in the Travel category on the App Store. Currently recorded the number of downloader on the App Store has reached more than 17 thousand users. (PRLM, 2014)

Business to Consumer (B2C), as well as *Business to Business (B2B)* are the business models applied by Traveloka because the core business of this company is serving accommodation tickets including Airplane, train, and hotels directly to the customer. In *Business to Customer* more focused how the basic mechanism for buyers to access the company in a web or application that has been provided by the company. Meanwhile, the *Business*

According to the stats that has been illustrated in the Similar Web (<https://www.similarweb.com/apps/top/google/store-rank/id/travel-and-local/top-free> cited November 21st, 2017) Traveloka Ranked 1st among the other online travel agent listed in the application store. . With their current position, they are required in maintaining and sustaining their level at the top. Tracing to their competitors such as Tiket.com or Trivago, they are currently still under the Traveloka. Of course, now they aiming to be the number 1 online travel agent, or in other words win the hearts of the Indonesian customers including the Traveloka customers. The author is interested in Traveloka in terms of how they maintaining their current position in terms of its electronic service quality, as their competitors continue to seeking innovations and successfully take over the best position that Traveloka holds right now.

1.1.2 Achievements

Since founded in 2012, Traveloka has earned several achievements because of its dedication to making the Indonesia's tour and travel agency industry become bigger that taken from their official website. (<https://press.traveloka.com/awards/>)

1. Forbes Indonesia: 20 rising global stars
2. Bubu Awards v.10: Best Digital Tech Business in Travel Categories
3. Indonesian most admired company 2017 (IMACO)
4. Received 2 platinum awards from idea
5. Indonesia WOW Brand 2017: Gold Champion in OTA Category.
6. The Best Local App in SELLULAR Award 2016

1.1.3 Vision and Mission

Vision

1. To make travelling is easier, faster, and more fun through the technology
2. To become the best online travel agent (OTA) in Indonesia
3. To contribute in Indonesia's tour and travel Industry

Mission

1. Always serving the best services
2. Providing simplicity and convenience to the customer
3. Continually improving the human resources and infrastructures of the company in the way to provide the best service to the customers.
4. Establishing and enhancing cooperation with either local or international business partners.

1.2 Background of the study

The term named technology will always be an interesting topic to be discussed further. First, technology makes the world move faster. Technology has become the primary agent of change in a marketing analysis landscape (Bayundara, 2015). To support, speed of daily business interactions increasing all the time. The internet, gadgets, online conferences significantly saves time on solving any business issues such as contract agreement, recruitment procedures or client attraction. For instance, the use of mobile phones, internet provides people with the opportunity to find new friends all over the world, without leaving own apartment and stay connected with relatives while studying or working abroad. The evolution of technology has also changed the today's business environment which always try to strive for a fresh idea in addition to hanging still in the competitive environment. The current development of technology has no longer limited only in delivering an information, but the need of electronic media has evolved to support the existing industrial business system (Wijaya & Candra, 2015).

Talking about technology, certainly not going far from a term called the internet. The Internet is a global Interconnection Networking because it is a computer network on an international scale. The Internet can be accessed via electronic devices such laptops, tablets or mobile phones that almost everyone has nowadays. It can be said that the humankind nowadays are almost entirely connected despite the high cost in term of the bandwidth, efficiency, and price (Castells, 2014). This is also evidenced by the development of the internet in Indonesia, has many people of Indonesia who are aware of the internet and its use. The arrival of the internet was very well welcomed by the people, which can be reflected in the picture below that tells about the growth of internet users in Indonesia from (Kemp, 2017).



Figure 1. 2 Indonesia's Internet users

Source: Wearesocial.com (2017)

Refers to figure 1.2, it shows that the Indonesian are well consuming in the world of internet. Many companies utilized the power of the Internet by move on to the new business terms named E-commerce. A simple definition of E-commerce as defined by Laudon & Traver (2014) is E-Commerce is “*the use of Internet, World Wide Web (Web), and mobile apps to transact business*”. E-Commerce is one of the hot topics when it comes to digitalization and disruptive changes to traditional industries. According to Kemp (2017), number of people purchasing via E-commerce is 24.74 million. Reflects from the total number of Indonesia's internet users in the figure 1.2, the author can conclude that the E-commerce Penetration in Indonesia has been affected of 18% from the huge number of the internet users' presence.

E-Commerce has two types of platform which are the Mobile Application platform and the Desktop platform. According to the Indonesia's Ministry of Communication in (Prasetya, 2017), 2018 will be the year for Indonesia to have

approximately 100 million active mobile users. That number will bring Indonesia into the big four of mobile phone users' population after China, India, and the US. In (Prasetya, 2017), the author has also got some insight which comparing the used of Mobile Apps and Desktop from the customer's perspective. In fact, the customer tends to use mobile apps rather than desktop to shopping online. 52% has agreed that mobile apps have given the simplicity of shopping online compared to using the 48% of desktop. It also reflected on how Online travel agent companies, such as Traveloka or Agoda, have actively promoted their own mobile apps (they have made a lot of special promotions for those who purchase from these apps).

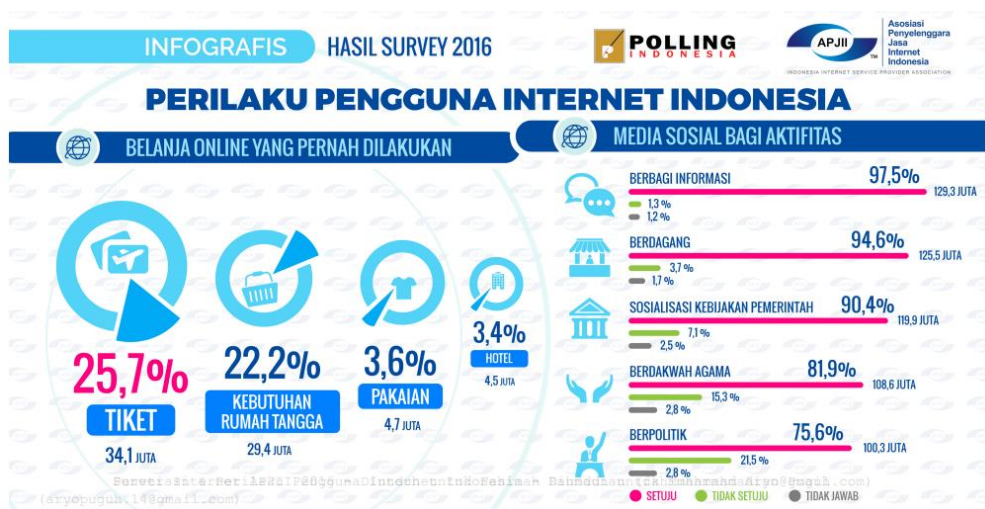


Figure 1. 3 Indonesia's online shopping Infographic

Source: APJII (2016)

The culture of purchasing an airline tickets in the conventional travel agent has way slowly began to change into a more modern way named electronic reservations. It emphasized by the owner of the Elok Tour Jakarta, Pauline Suharno, which stated that the appearance of the online travel agent company such as Traveloka or Tiket.com has decreased the conventional travel agent sales up to 20 – 30 percent total (Jati, 2014). Currently, many airlines in Indonesia began to switch from paper tickets to electronic tickets and the use of digital services in serving consumers. Figure 1.3 supported the fact that online ticket purchases occur due to

technological developments increasingly sophisticated and increasingly abundant a dynamic society with high mobility that requires ease of use, quickness, and high accuracy in doing a transaction can be considered as the opportunities for the travel industry in Indonesia. The total of 25.7 percent is enough to dominate the online shopping behavior with as much as 34.1 million users have purchased their accommodation tickets through the internet. Refers to figure 1.3, above 90% of the social media are being used to share any information, including marketplace activity and socialization of government policies that have become the most frequent social media activities by the users.

Nowadays, many online travel agents company are starting to penetrate the realm of online applications such as Traveloka, Agoda, tiket.com, and PegiPegi. (Goggle Play Store, 2017). With an application, Users can more easily and quickly planning for a trip on their smartphone. Users can search for flight tickets, make payments, checking promo and save electronic tickets directly in the gadgets. One of the common Indonesian habit that cited in which likes to plan for an impromptu short holiday in fact it becomes a match that supports the development of online travel agent application itself (Dinisari, 2016). As a result, electronic service quality (E-SQ), electronic satisfaction (E-satisfaction), and electronic loyalty (E-loyalty) has hold the vital role to retain the online customers in the virtual environment (Ting et al, 2016). A little description of the several Online Travel Agent who has made the Mobile Apps version can be seen in table 1.1.

Table 1. 1 Application's total downloads in Play Store

Application	Total Downloads	Apps' Rate	Total user who rated and reviewed the apps
Traveloka	10 Million Downloads	4.3	266,768
Agoda	10 Million Downloads	4.5	205,787
Tiket.com	1 million downloads	4.2	19,746
PegiPegi	1 Million Downloads	4.4	31,494

Source: Goggle Play Store, 2017

Refers to table 1.1 which the data was gathered from Google Play Store, the awareness of traveloka's users in term of giving reviews and ratings to the application are still in the low level, comparing with the number of total downloads and the number of total user who posted a review or rating that only generates of 2%, including both positive and negative reviews. The author concludes with the large number of downloaders does not necessarily gained the same exact number of users in term of giving their feedback on the review and rating section. With the emerged value above, that 2% can be considered in the low level of awareness since there is a huge gap between the number of downloaders and the number of users who have given their feedback. Lack of awareness in posting their reviews could leads to a lower level of customer experience, since the study from Hargreaves (2015) has told that Customers feedback in term of reviews and ratings can be one of the aspects to measure a service quality performance with the aim is to improve the customer experience by responding the reviews posted by the customer, which explored by gathered the data from Trip Advisor online travel agency data. According to Minarti (2017), more mobile optimization will affect the loyalty of the customer. To top it up, one can see the preference for personalized services among young adults with strong purchasing power. Thus, online businesses here are quite concerned about creating customer loyalty, resulting in a repeated purchase.

Table 1. 2 Comparison of the total number of the users who rated the apps

Application	Total Downloads	Total user who rated the apps	Negative Reviews
Traveloka	10 Million Downloads	266,768	15%
Agoda	10 Million Downloads	205,787	8%
Tiket.com	1 million downloads	19,746	21%
PegiPegi	1 Million Downloads	31,494	13%

Source: Preliminary data gathering from Google Play Store (2017)

According to (SimilarWeb, 2017), Traveloka leads at the top position among the other three Online Travel agent companies above. Additionally, the mobile application version has been downloaded more than 30 million times, making it the most popular travel booking app in the region (<https://press.traveloka.com/about/>). The worst rank goes to Agoda which each ranked 14th for the store rank, and ranked 52nd for the usage rank. Traveloka which in fact is the most popular Online Travel Agent Company in term of the application, has earned as much as 15 % negative review complaints about the bad service. It means that there was something Traveloka should take care about which already affected their 15% customers got disappointed. At the first glance, it appeared that the amount is not that huge. However, if it is not immediately covered considering Traveloka has become the most leading Online Travel agent not only in Indonesia but also in South East Asia, the rank of Traveloka will slowly decrease and the customers also tend to move to their competitors such as Agoda or Trivago. Therefore, the author considers that it is necessary to conduct a research about the influence of service quality on customer satisfaction and loyalty.

To face the intensity of increasingly severe challenges, companies in run the business are required to think creatively to find various breakthrough strategies that can create synergies that provide optimal contribution to the achievement of company goals. For this reason, companies are required to be able to implement a strategic policy regarding the service in anticipation of an increasingly competitive environment. In a customer-oriented business, it is inevitable that the quality of service becomes the sole determinant of the existence of the company or industry in engaging in a competitive industry or business, because if the quality of service is not addressed, the consequences will move to other similar industries or businesses that provide more satisfactory service and provide good customer complaints Kotler & Keller (2012). One of the most important elements in an organization is the quality. Service Quality has become one of the most widely used scales to measure the quality of a firm's service. From the traditional model of Service Quality, Ting et al. (2016) describes the renewal to the Electronic Service Quality into six dimensions which are: Efficiency, Website design, Fulfillment, Responsiveness, Privacy, and Contact.

Based on the above exposure, the author is interested to conduct a research which entitled **“The role of E-Service Quality towards E-Satisfaction on and Its Impact to of E-Loyalty on The Traveloka mobile Application”**.

1.3 Problem Statement

The growing technology making companies want to take advantage of technology in their business. One of them is by utilizing technology to improve the quality of service that the company currently have. So, does Traveloka who launched the Mobile Application version beside the website to improve the quality of service for consumers by making the mobile applications platform. Traveloka expects consumers to be satisfied with the given electronic services, as well as the Consumers who expect much with the satisfaction by using the Mobile Application. As the most recognized online travel agent (OTA) in Indonesia, and the development of Traveloka to be one of the largest online store in Indonesia must be balanced with good service quality as well so that the development of this business can continue to increase in the future.

In fact, the total number of downloader in Traveloka Mobile application has reached around 15 million until mid-2017 according to the Traveloka's founder Ferry Unardi in (Herman, 2017). However, the author has found clumsiness in the review section provided from the Google Play. An Online Travel Agent (OTA) company as big as Traveloka earned the total of 15% negative reviews from the total of 266,768 user's review. That 15% considered as a huge amount since it is concerned about the negative reviews. With approximately 16 million of Traveloka Mobile application downloaders, it can be concluded that the awareness of the customers to post or give a rating or a real review is still low referred to the total amount of the reviews. This affects the optimization of an application itself. If this problem may not being taken seriously, then the user will gradually get going and move to other online travel agents that are perceived to have better capabilities and facilities. This problem is considered important because nowadays Traveloka has become the best Online Travel Agent in Indonesia, so do not get the title gradually lost because this phenomenon is not immediately responded.

1.4 Research Question

1. Does Efficiency give positive influence toward E-Satisfaction.
2. Does System Availability give positive influence toward E-Satisfaction.
3. Does Fulfillment give positive influence toward E-Satisfaction.
4. Does Responsiveness give positive influence toward E-Satisfaction.
5. Does Privacy give positive influence toward E-Satisfaction.
6. Does Contact give positive influence toward E-Satisfaction
7. Does E-Satisfaction give positive influence toward E-Loyalty.

1.5 Research objective

1. Testing the influence of Efficiency toward E-Satisfaction.
2. Testing the influence of System Availability toward E-Satisfaction.
3. Testing the influence of Fulfillment toward E-Satisfaction.
4. Testing the influence of Responsiveness toward E-Satisfaction.
5. Testing the influence of Privacy toward E-Satisfaction.
6. Testing the influence of Contact toward E-Satisfaction.
7. Testing the effect of E-Satisfaction toward E-Loyalty

1.6 Significance Of The Study

1.6.1 Theoretical Aspects

This study is conducted to apply the knowledge based on the gained theory while attended the course that can leads to the insight addition in this paper. This study also useful for further research as one of the references in terms of study E-Service quality, E-Satisfaction, and E-Loyalty.

1.6.2 Practical Aspects

The results of this study are expected to contribute ideas that can be helpful and also provide information to others who want to know the issue of E-Service quality, E-Satisfaction, and E-Loyalty.

1.7 Scope of The Study

1.7.1 Research Location and Research Object

This research will be conducted in Indonesia. The focus of this research is for the Traveloka Mobile Application users either on iOS or Android. The research object is for all of the people who has experienced to purchase any accommodation tickets provided by the Traveloka Mobile Application. The area splitting techniques in this research is adopted from the *Behavior of Internet Users in Indonesia* infographic which has been done by the Indonesian Internet Service Providers Association (APJII) in 2016 with the total of six areas that covered the entire Indonesia's citizen. The six areas are Sumatera (1st area), Java (2nd area), Bali & Nusa (3rd area), Kalimantan (4th area), Sulawesi (5th area), and Maluku & Papua (6th area).

1.7.2 Time and Research period

To make the result of this research optimal, the author identified the research background, finding the purpose of the research purpose, framework, and the methodology before gathering the real data from the targeted respondent. The data gathered would be produced to the real result. Then, the author is obliged to retrieve respondents in order to collect data that would be generated next into results. Second phase is the generation of data and transform collected data into a real result. The total of 3 months will be taken to do this research, which will start in November 22, 2017, and finish in February 26, 2018.

1.8 Research Writing Systematic

CHAPTER 1: INTRODUCTION

Discuss the research overview and background of the research.

CHAPTER 2: LITERATURE REVIEW

Discuss the theory, conceptual framework, and hypotheses.

CHAPTER 3: RESEARCH METHODOLOGY

Discuss the research variables, sample determination, Sources and sizes of the collected data, and data analyze methods.

CHAPTER 4: RESULTS AND DISCUSSION

Discuss the result of the research in systematic and analyze with research methodology that already established and held for further discussion.

CHAPTER 5: CONCLUSION AND SUGGESTION

Discuss the conclusion, research limitations and suggestions from research results