

CHAPTER I

INTRODUCTION

2.1 Research Object Overview

2.1.1 Reddoorz Profile

Reddoorz is one of the standardized budget accommodation startups in Indonesia. It offers a variety of rooms that can be rented at affordable prices. Reddoorz claims that it has a large number of hotels and is quite easy to find, especially in Jakarta.

Reddoorz is a budget hotel platform from Singapore that was founded on late 2015 in Indonesia. The founder of Reddoorz is Amit Saberwal, an Indian with over 20 years of hospitality and tourism experience, who currently serves as the CEO of the company as well.

Rishabh Singhi, COO of Reddoorz said that the name of the brand was inspired by a common color found in the red flags of all Southeast Asian countries as well as the intention of the organization "to open our doors." The business concepts and designs of RedDoorz were inspired by India's largest budget hotel group, OYO Rooms, which is reported to be the largest player by controlling 200 cities in India with over 700,000 rooms in total. Reddoorz business model is working with small, independent hotels by combining them into one system and providing staff with a range of technology training courses and basic customer service, language and space maintenance lessons to ensure a consistent level of service across the entire network.

Nowadays, Reddoorz has more than 1000 properties spread across 100 cities in Indonesia. With the many properties owned by Reddoorz, it is estimated that Reddoorz has around 20.000 rooms in Indonesia. Reddoorz has three types of rooms: Reddoorz Premium, Reddoorz Plus and Reddoorz Standard. All rooms types provide amenities such as: free wifi, satellite TV, AC, mineral water, clean sheet, clean bathroom and toiletries kit. All rooms provided by Reddoorz are available from Rp 99.000,00 - Rp 500.000,00.

Reddoorz provides various facilities for customers to access Reddoorz. Besides through the application, accessing Reddoorz can also be done through the Reddoorz website, <https://www.reddoorz.com/id-id/>. In order to book a reddoorz room, customers are advised to log in first by using email, google account, or facebook. Payment for Reddoorz rooms is not only possible at the hotel, but can also be done through Alfamart and Indomaret. Not only with cash, Reddoorz payments can also be done using credit cards, bank / ATM Transfers, Gopay, Kredivo. Customers who have difficulty in making reservations can easily call the Reddoorz call center through the number +622180629666 or by email cs-indonesia@reddoorz.com or through the live chat provided by Reddoorz. Customers can see offers and information related to reddoorz or provide criticism and suggestions through Reddoorz social media on Instagram (@reddoorzid), Twitter (@RedDoorzID), Facebook (@RedDoorzIndonesia), and YouTube (RedDoorz Indonesia).

2.1.2 Reddoorz Logo



Figure 1.1 Reddoorz Logo

Source : Reddoorz Official Site

2.1.3 OYO Rooms Profile

OYO Rooms, as known as OYO, is one of the start-up engaged in the business of hotel network business. Same as hotels in general, OYO also provides rooms that are available for rent at a pretty cheap price.

OYO Rooms is originated in India and was founded in 2013. The founder of OYO Rooms is Ritesh Agarwal, an Indian aged 18 years old. Today, at the age of 26 he is one of the biggest businessman in India.

In October 2018, this Indian start-up company officially operates in Indonesia. OYO is determined to develop hospitality in Indonesia by helping unbranded hotel owners with OYO's technology. This is done to improve the standard of unbranded hotel services so that they can be equal to hotel chains, so that in the end, the unbranded hotel occupancy can increase.

The business concept of OYO Rooms is they are not a competitor to the Online Travel Agent (OTA) in Indonesia, such as, Traveloka, Tiket, Pegipegi, etc. Besides, they are cooperates with the OTA in Indonesia in order to distributing te rooms that they have. In the OYO Rooms' business concept, property owners who partner with OYO will operate adopting the *manchise* model (management and franchise) in which the control and management of the hotel would be in full control of OYO.

Until now, OYO Rooms has more than 1000 properties in 100 cities in Indonesia. OYO Rooms is estimated to have around more than 20,000 hotel rooms in Indonesia. OYO Rooms has five types of hotels: OYO Townhouse, OYO Home, OYO Vacation Homes, SilverKey, Palette, Collection O, OYO Life. Mostly, the type of hotel OYO Rooms in Indonesia is Collection O, where this type of hotel is targeted at smart business travellers.

All of OYO Rooms hotel provides amenities such as: TV, Wi-Fi, spotless linen, comfortable pillows, AC, and bathroom inside so customers feel more comfortable. Additional facilities such as: mini refrigerator, CCTV, hair dryer, and large parking area are also provided at several OYO Rooms in Indonesia. OYO

Rooms price depends on the hotel that is occupied with a minimum price of Rp 99.000,00.

OYO Rooms can not only be accessed through the application, but can also be accessed through the website, <https://www.oyorooms.com/id/>. For the customer safety, in making room reservations for OYO Rooms, customers must log in via phone number or WhatsApp. Payment for OYO Rooms is not only possible with cash, but also credit card, or bank/ATM transfer. The payment itself not only can be done in hotel, but can also be done through Alfamart. Customers can easily ask for help related to OYO Rooms through the call center number +622180630066 or by OYO Assist in the application or through the live chat in the website. Customers can provide criticism and suggestions or see offers and information through OYO Rooms social media on Instagram (@oyo.indonesia), Twitter (@oyoindonesia), Facebook (@oyorooms), and YouTube (OYO).

2.1.4 OYO Rooms Logo



Figure 1.2 OYO Rooms Logo

Source : OYO Rooms Official Site

2.2 Research Background

The population of Indonesia will reach 269.6 million by 2020 based on population estimates from the 2015 Intercensal Population Survey (SUPAS) in 2015-2045. The figure consists of 135.34 million men and 134.27 million women.

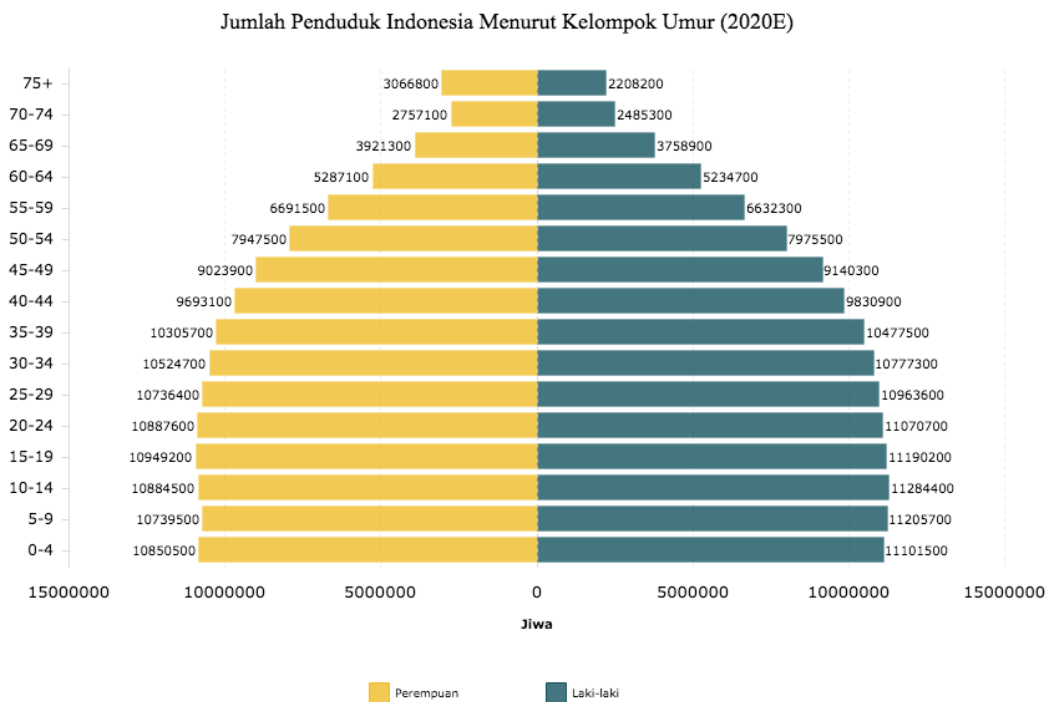


Figure 1.3 Estimated Population in Indonesia in 2020

Source : Badan Pusat Statistik (BPS), 2019

Nowadays, the growth of technology is growing rapidly all over the world, especially in Indonesia. Indonesia poses a large and fast-growing market for mobile technologies as the fourth most populous country on earth. Based on statista, the forecasted number of mobile phone users in Indonesia in 2019 is 193.4 million users.

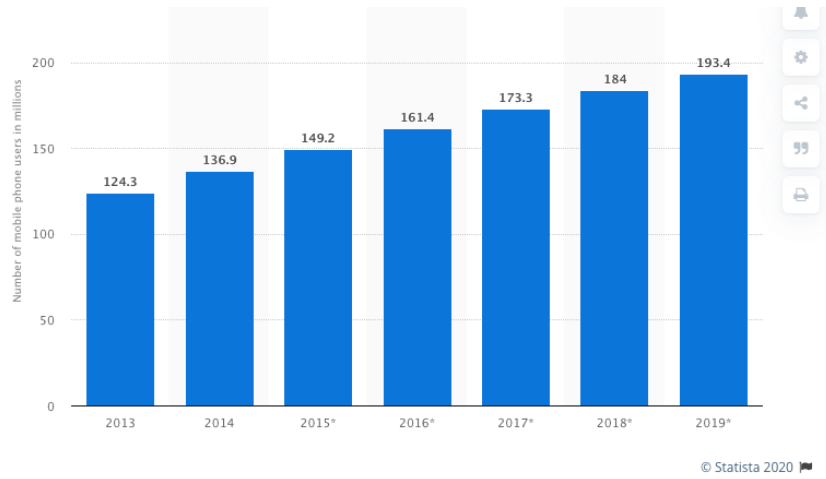


Figure 1.4 Forecasted Number of Mobile Phone Users in Indonesia from 2013 to 2019

Source: Statista, 2020

Quoting Hootsuite data, the number of internet users in Indonesia is 150 million, that means more than half of the Indonesian population. From that, it was recorded that 150 million users are also active in social media. And also, 130 million users are using mobile device for their social media activity. Meaning that almost all of the internet users are using mobile device.



Figure 1.5 Data of Mobile, Internet, and Social Media Users in Indonesia

Source : Hootsuite, 2019

With the growth of internet users in Indonesia, a lot of various applications and websites are made to make daily life simpler. One of them is electronic commerce (e-commerce). Buying and selling goods and services can be done without having to go to the store. It can be done by only using mobile device or computer that connect to the internet. It's no longer a secret that many people have preferred online shopping to get the items or services that they want without spending a lot of time and money.

According to Hootsuite data, 93% of internet users in Indonesia searched online for the product or the service that they would like to buy. It is also recorded that 86% of the internet users purchased the product or the service via online with 37% of the internet users using laptop or desktop computer and the other 76% using mobile device for the transaction.



Figure 1.6 Data of Internet Users Who Report Performing E-Commerce Activities in Indonesia

Source : Hootsuite, 2019

Definition of E-Commerce according to Laudon & Laudon (1998), e-commerce is a process of selling or buying products electronically by consumers and from companies to companies with computers as intermediaries for business transactions. E-commerce or commonly referred to as e-commerce (EC) is a routine business exchange using Electronic Data Interchange (EDI) transmissions, e-mails, electronic bulletin boards, and fax machines to transactions shopping on internet shopping. There are four types of e-commerce: Business-to-business (B2B), business-to-consumer (B2C), consumer-to-business (C2B), and consumer-to-consumer (C2C).

There are many categories of e-commerce. For example in Indonesia, there are fashion & beauty, electronics and physical media, food & personal care, furniture & appliances, toys, DIY & hobbies, travel (including accommodation), digital music, and video games. Based on Hootsuite data, the most annual amount spent on consumer is Travel (including accommodation) with \$ 9.376 billion in

Indonesia with the percentage change of 17% from the year of 2018. The least annual amount spent on consumer is Digital music with \$ 110 million with the percentage change of 8.2% in Indonesia.



Figure 1.7 Data of The Total Annual Amount Spent on Consumer E-Commerce Categories

Source : Hootsuite, 2019



Figure 1.8 Data of Annual Change in The Total Amount Spent on Consumer E-Commerce Strategies

Source : Hootsuite, 2019

From the data above, the travel category (including accommodation) is a category where consumers rely heavily on e-commerce to conduct transactions. Virtual Hotel Operator (VHO) is one of the example of travel category. Virtual Hotel Operator is hotel operator who work closely with a variety of hotels (generally budget hotels, but have recently expanded to villas or four-star hotels and above) to provide standard facilities and quality of service to residents. VHO adopts the same work style as online transportation. They have no hotel or employees.

The basic concept of VHO is "rebranding" for owners of hotels or open houses who want to join. Each VHO has its own operational standard as a checklist for their partners. Before a hotel or building can join the listing, VHO will send a team to check their eligibility. The inspection includes facilities and various other services which are then "rebranded" and sold to the public. VHO can change the price of a good hotel to be more affordable, provide the best economical hotel in an

area, even make hotels more feasible to be occupied by improving facilities and quality control that is done every month. There are some VHO in Indonesia, namely Reddoorz, OYO Rooms, Airy Rooms, Zen Rooms, and Nida Rooms.

Recently in the early 2020, Reddoorz became the number 1 top free application in Android and iOS for Travel & Local category in Indonesia with the rating of 4.6/5 in Android and the rating of 4.8/5 in iOS. Meanwhile, OYO Rooms is catching up to Reddoorz in the number 2 top free application in Android and iOS for Travel & Local category in Indonesia with the rating of 4.2/5 in Android and the rating of 4.7/5 in iOS. Meaning that the 2 VHO most known in Indonesia are Reddoorz and OYO Rooms.

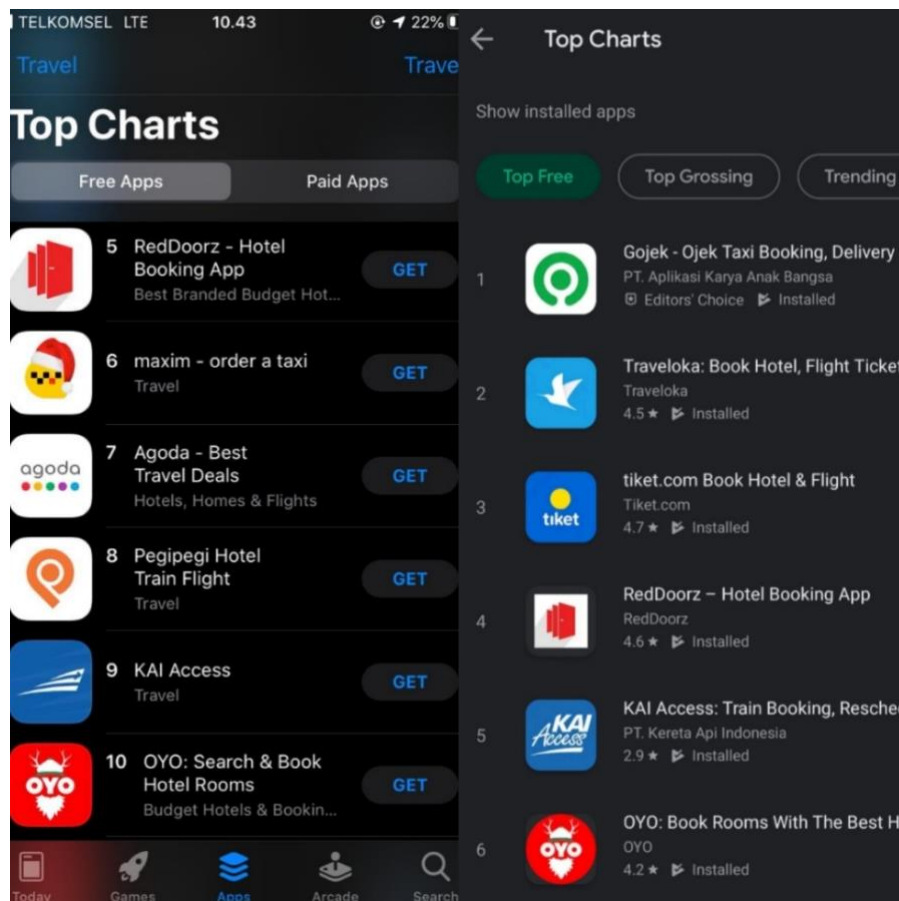


Figure 1.9 Lists of Top Charts in Travel Category in iOS and Android

Source : App Store and Play Store

As the number 1 VHO in Indonesia, Reddoorz achieved various achievements in 2019. Among them, as a large part of Series C funding, receiving US\$ 70 million. Until now, since it was established in 2015, Reddoorz has earned about US\$ 140 million (Yusra, 2019). However, Mohit Gandas, Country Head of Reddoorz, was reluctant to disclose the company's current valuation position. Besides seeking funding, RedDoorz will also increase the hotel network to 5,000 units by 2020 in Southeast Asia to achieve the unicorn target (Herman, 2019). In addition, Reddoorz became the first affordable hotel chain which reached 600 thousand rooms per month in Southeast Asia in September 2019. This achievement convinced Reddoorz to be able to reach one million rooms which is targeted to be achieved in early 2020.

In Indonesia, RedDoorz is spread over more than 100 cities. Five cities with contributions include Jakarta by 23 percent, Bandung 11 percent, Yogyakarta 9 percent, Surabaya 6 percent, and Malang 5 percent (Evandio, 2019). Not only in Indonesia, Reddoorz has operations in Singapore, the Philippines, and Vietnam.

Even though OYO Rooms is the number 2 VHO in Indonesia, OYO has a bigger first step than Reddoorz. Just before OYO entered Indonesia, in September 25th, 2018, OYO has reached a valuation of \$ 10 Billion after getting an injection of \$ 1 billion from SoftBank Vision Fund, Sequoia Capital, and Lightspeed Venture Partners, making it the second start-up in India to become a decacorn start-up and the first travel start-up that became a decacorn in India.

Company	Valuation (\$B)	Date Joined	Country	Industry	Select Investors
Oyo Rooms	\$10	9/25/2018	India	Travel	SoftBank Group, Sequoia Capital India, Lightspeed India Partners

Figure 1.10 Details of OYO Rooms Valuation

Source : CBINSIGHTS Official Site

Up until September 2019, OYO Rooms in Indonesia has more than 1,000 hotels, 1,200 hotel owner partners, and 5 million customers in 100 cities throughout Indonesia and reached more than 1,000 bookings at the end of the week (Artayasa *et al.*, 2019). OYO is targeting to continue to expand and is present in more than 80 countries such as Japan, Nepal, China, Malaysia, Singapore, United Kingdom, and United Arab Emirates (Fitri & Hidayat, 2019).

The presence of OYO Rooms and Reddoorz in Indonesia is arguably not long enough. Therefore, the two VHOs in Indonesia are competing to market their companies to the public. Various ways to market a product today can be through many ways, such as through internet access and the development of existing technology. According to Kotler and Keller, marketing communication is where companies try to inform, persuade and remind consumers both directly and indirectly about the products and brands they sell (Kotler & Keller, 2013:192). Technology advancement is marked by the growing growth of gadget production as a communication tool which can be used anywhere and at any time. The existence of gadgets makes buying and selling transactions easy for business people, coupled with the emergence of social media that is widely used by the public.

Promotion is very influential on the company's efforts to achieve maximum sales volume, because although the products offered are already good, relatively cheap and easy to obtain, if not accompanied by good promotions, the sales level will not be met. In the midst of a digital era like this, prospective buyers tend to look for information about a product they are going to buy through ads and other means of business promotion, such as online reviews and the internet. Marketers have to rack their minds with all the practices enabled by modern technology like today to attract customers and bundle the products they sell to attract more consumers. Most advertisers use the internet as a medium to communicate company information to the public to draw customers. This is what is called word of mouth.

It is assumed that the word of mouth trend will promote consumer purchases but it is also more effective because it does not require a large budget (low cost) as it does not need to invest advertising budget on various types of promotional media.

Online media marketing activities are one of the ways chosen by the two top VHOs for promotion. They understand that electronic word of mouth is important on online media. Therefore, with the development of online media in Indonesian society, the spread of electronic word of mouth is not limited to online media contact, one of which is reviews column on website. Electronic word of mouth is an extension of word of mouth communication. Being seen by companies and organizations concerned with reputation management as becoming increasingly important. Companies and other organizations that are struggling with how electronic word of mouth brands will affect existing processes, such as trademarks. Electronic word of mouth helps customer search for information before making a purchasing decision.

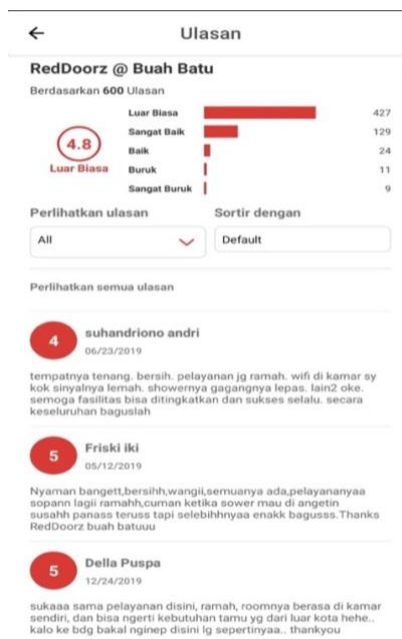


Figure 1.11 Electronic Word of Mouth Reddoorz Indonesia

Source : Reddoorz Application

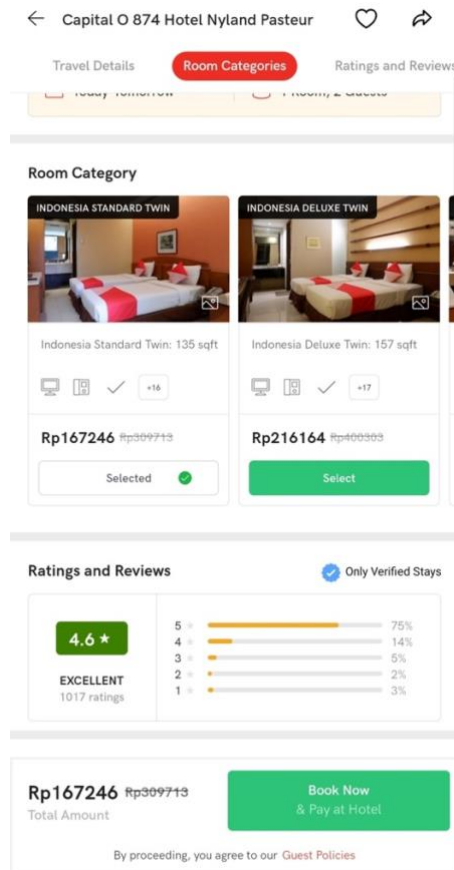


Figure 1.12 Electronic Word of Mouth OYO Rooms

Source : OYO Rooms Application

Reddoorz and OYO Rooms customers marketing the electronic word of mouth by reviewing the hotel that they choose to stay in the review column of Reddoorz and OYO Rooms website. This is done so that other customers can find out how the condition of the hotel will be occupied.

According to Kotler & Keller (2012:136), perceived value is the contrast between a prospective customer's estimation of all the benefits and costs of an alternative bid. In this case the value is perceived to be the strategy of Reddoorz and OYO Rooms by making sure that the quality of the company provided is in line with what is expected of the customers.

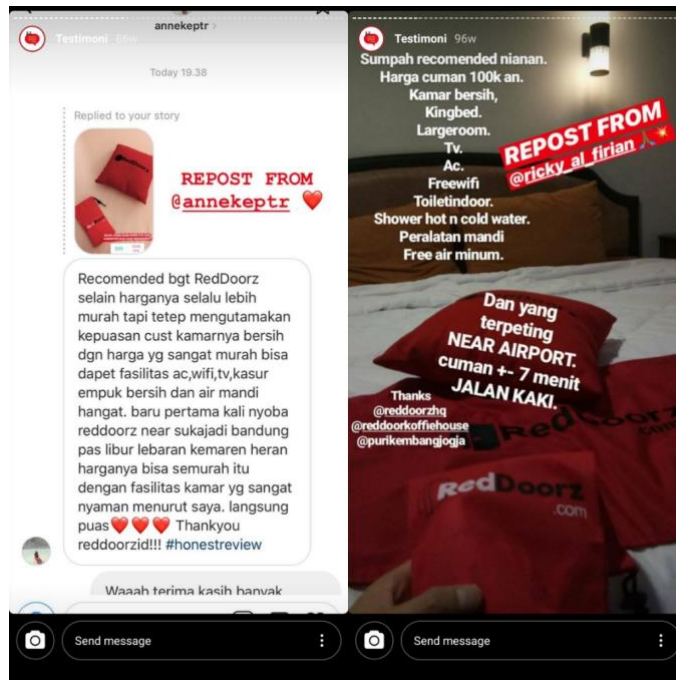


Figure 1.13 Testimonial of Reddoorz’s Customer

Source : <https://www.instagram.com/reddoorzid/>



Figure 1.14 Testimonial of OYO Rooms’ Customers

Source : <https://www.instagram.com/oyo.indonesia/>

Based on the testimonial above, it is proven that the strategy of Reddoorz and OYO Rooms is working perfectly. Many customers feel that the hotel needs that they expect can be met by Reddoorz and OYO Rooms.

“Interpersonal trust is defined here as an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied on” (Rotter, 1967, p. 651). Trust from customers is a very important thing. Statements that are given from Reddoorz or OYO Rooms must be reliable so that the expectation from the customers towards the companies will not be let down. The opinion of public other customers who already stayed in the hotel also plays an important role in order to earn the customer’s trust. Because the statements and quality given by the company must be in accordance with the opinion from other customers in accordance with the experiment that they received. That way, trust will be earned.

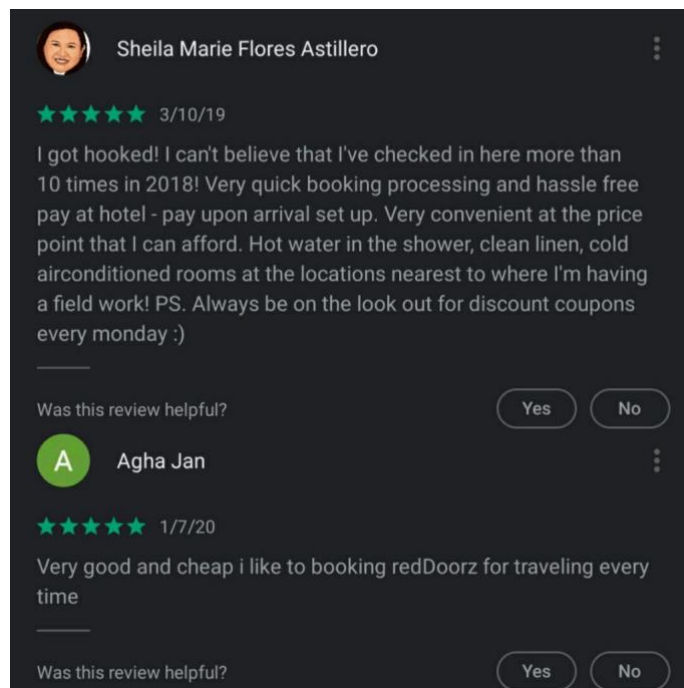


Figure 1.15 Review of Reddoorz’s Customers

Source : Reddoorz Google Play Store

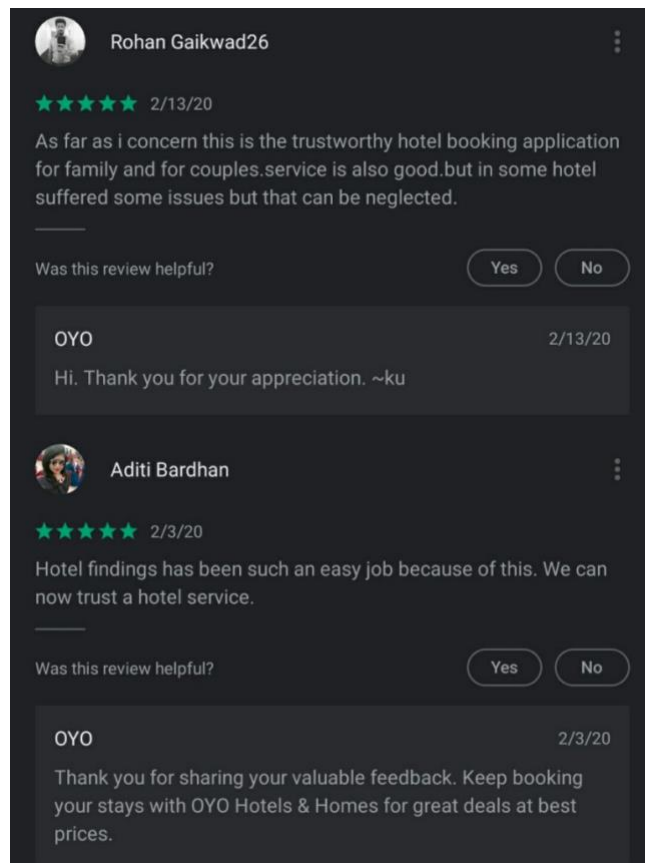


Figure 1.16 Review of OYO Rooms' Customers

Source : OYO Rooms Google Play Store

The purchase decision process has five stages: problem or need recognition, information search, evaluation of alternatives, purchase, and post-purchase behaviour (Kotler & Armstrong, 2012:176). At present, the internet media has a considerable influence because customers now have used a lot of online media so for entrepreneurs, especially hoteliers, make this as an attractive business opportunity for promotion. One of the promotions used was electronic word of mouth. Customers who have visited one of the hotels that are interesting and the hotels are in accordance with what customers expect, will share information through social media, this can trigger the interest of other customers to come and

make a purchase decision. This is the relationship between electronic word of mouth, perceived value, and trust in purchasing decisions.

Based on the background that has been described previously, the author feel interested to investigate more deeply with the title of the study "**Variables Influencing The Purchase Decision Towards OYO Rooms and Reddoorz**".

2.3 Research Questions

Based on the background of the research described, the problem formulations in this study are as follows:

1. What are the reasons that drive customers to use Reddoorz and OYO Rooms?
2. To what extent are the percentage of agreed on variables influencing the purchase decision of Reddoorz and OYO Rooms based on customer perceptions?
3. Which Virtual Hotel Operator is the superiority based on overall purchase decision variables results?

2.4 Research Objectives

Based on the formulation of the problems referred to on the research question above, the objectives of this study are:

1. To analyze the reasons that drive users using Reddoorz and OYO Rooms.
2. To analyze the extent of the agreed on the variables influencing the purchase decision of Reddoorz and OYO Rooms based on user perceptions.
3. To analyze Virtual Hotel Operator which the superiority based on overall purchase decision variables results

2.5 Research Usabilities

2.5.1 Theoretical Aspects

This research is expected to be able to enrich information and complement science in the field of marketing related to the influence of electronic word of mouth, perceived value, and trust towards the customer's purchase decision of Reddoorz and OYO Rooms.

2.5.2 Practical Aspects

1. For Reddoorz's and OYO Rooms' management, the results of this study are expected to provide useful insights so that Reddoorz's and OYO Rooms' management can concentrate more on the value of electronic word of mouth, perceived value and trust for purchase decisions so that better strategies can be created;
2. For further researchers, the results of this study are expected to be used as reference material for similar research.

2.6 Systematics of Writing

This study developed by systematics of writing as follows :

1. Chapter I Introduction
This chapter confer background, problem statement, research objectives, and systematics of writing.
2. Chapter II Theoretical Background
This chapter confer type of research literature, previous research, theoretical framework, hypotheses, scope of the study.
3. Chapter III Research Methodology
This chapter type of research, operational variable, research stages, population and sampling technique, data gathering, type of data, data analysis technique and hypothesis testing.

4. Chapter IV Research Result and Study

This chapter confer respondents' characteristics, research result, and study of research result.

5. Chapter V Conclusion and Recommendation

This chapter confer conclusion and recommendation.