

CHAPTER I INTRODUCTION

1.1 Object Overview

1.2 Airbnb

Airbnb was first established in 2008 and its emergence has been one of the most significant and transformative innovations within the worldwide tourism sector. Airbnb is an online marketplace and hospitality service which allows people to lease or rent short-term lodging including vacation rentals, apartment rentals, homestays, hostels and hotel rooms. Airbnb is well known for its service worldwide and its accommodation marketplace offers access to millions of varieties of places to stay in more than 191 countries.



Figure 1.1 Airbnb Logo

Source: Airbnb (2022)

Airbnb enables individuals are able to rent out their spaces as tourist accommodations. These spaces are either houses, condominiums, etc. or a simple regular private room in a residence where the host also accommodates at. Airbnb provides a variety of diverse accommodations such as castles, igloos, treehouses, etc. Airbnb Listings range from quite modest to extremely luxurious. The process of finding and booking using Airbnb accommodation is relatively similar as using an online travel agency. For the hosts who own or manage Airbnb listings, Airbnb provides them the ability to freely post descriptions and photographs its

accommodation as well as communicate with the potential guest and accept reservations and payments from around the world.

1.2.1 Vision and Mission

Vision

Airbnb has stated for its vision is “Belong Anywhere.” The vision focuses on going beyond regional and national limitations when it comes to services any client can get from Airbnb. Guests are able to form a real connection with their host and have access to different spaces and immerse themselves to the culture of their destination.

Mission

- Enhancing Lives
- Exceeding Expectations
- Supporting Needs
- Becoming a Global Company

1.3 Research Background

The population of Indonesia is one of the most fast-growing population in all over south east Asia. According to the data from Statista (2022), Indonesia will reach a population growth to 277.43 million by 2023. Followed by more growth reaching 279.97 million population of both male and female combined on 2024.

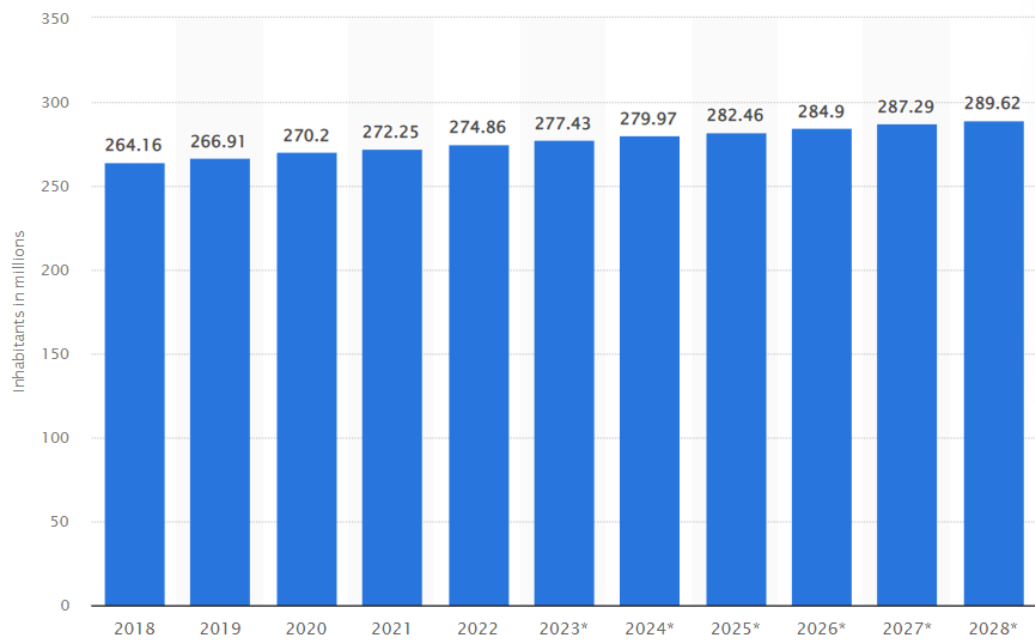


Figure 1.2 Indonesia Population Growth

Source: Statista (2022)

Technology has grown rapidly over the past years all around the world, especially in Indonesia. Indonesia is currently the 4th most leading mobile user in the entire world. Based on the data that statista have provided, by 2023 Indonesia will have 233.49 mobile phone users.

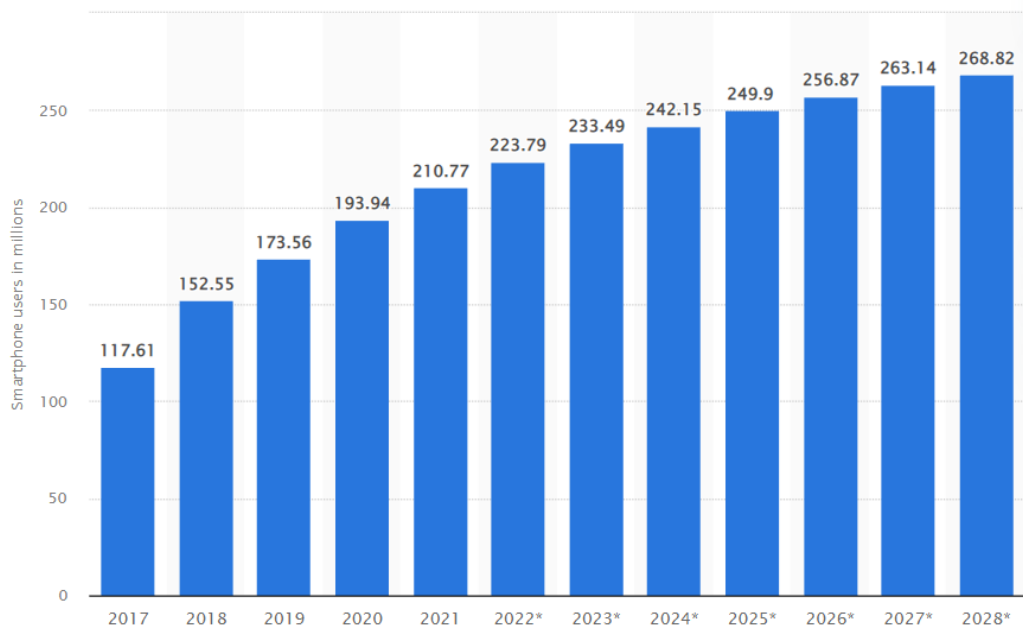


Figure 1.3 Forecasted Number of Mobile Phone Users in Indonesia from 2017 until 2028

Source: Statista, 2022

Statistics gathered by Quoting Hootsuite shown that the total amount of internet users in Indonesia at 2021 is around 202.6 million. From the data below, it was recorded that 170 million were active on social media. Indicating that almost all mobile users also use internet services.

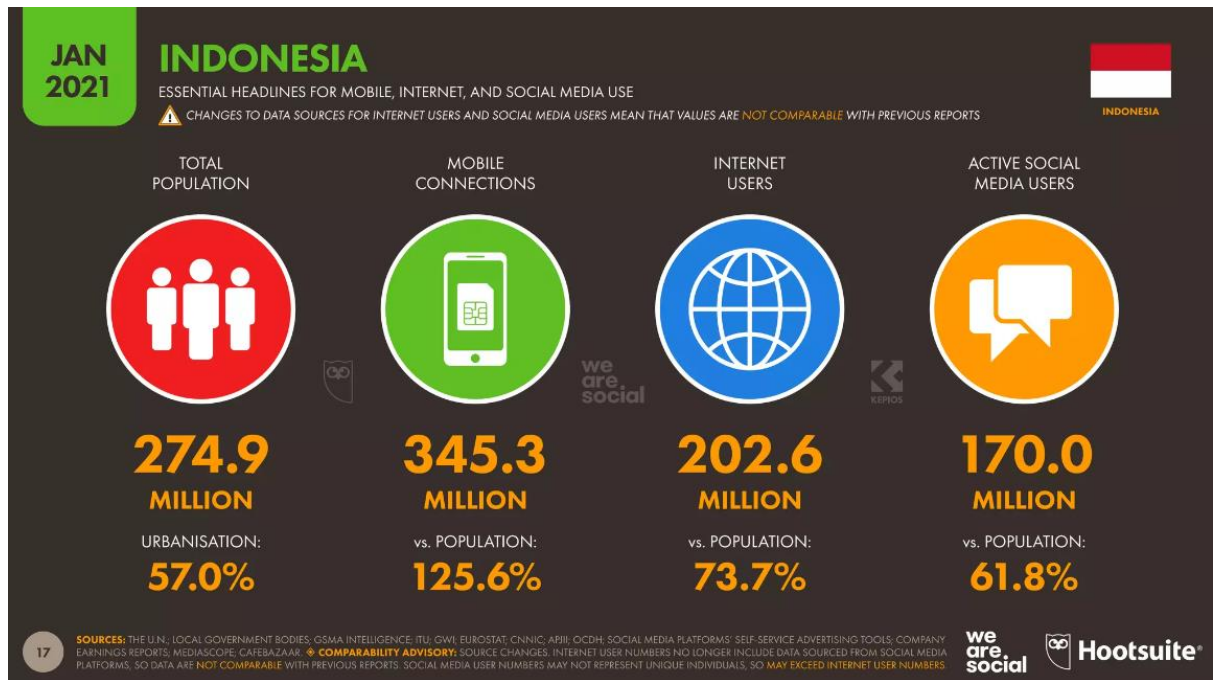


Figure 1.4 Data of Mobile, Internet and Social Media Users in Indonesia

Source: Hootsuite, 2021

With the huge amount of growth of internet users in Indonesia, various types of applications and websites are designed to make daily life activities much simpler. For instance, electronic commerce (e-commerce). Buying and selling goods and services can be easily done without going to a physical store. The transaction can be done by using a mobile device or computer that is connected to the internet. Due to this innovation, many people have preferred online shopping in order to get the goods or services they want without the hassle of spending a lot of time and money.

According to Hootsuite, 93% of internet users in Indonesia searched for products or services they would like to purchase. It also stated that 87.1% of internet users purchased products or services via online with their devices with 79.1% of the majority used a mobile phone to finish the transaction.



Figure 1.5 Ecommerce Activity in Indonesia

Source: Hootsuite, 2021

Electronic commerce or e-commerce is the process of delivering information, products, services, and payment processes through telephone lines, internet connections and other digital access Alamsyah et al., (2021). E-commerce or often referred as E-commerce (EC) is a routine business exchange by using Electronic Data Interchange (EDI) transmissions, e-mails, electronic bulletin boards, and fax machines to complete a transaction shopping on the internet. There are commonly four types of e-commerce: Business-to-business (B2B), business-to-consumer (B2C), consumer-to-business (C2B), and consumer-to-consumer (C2C).

There are various of sectors of e-commerce. As an example, in Indonesia, there are fashion & beauty, electronics and physical media, food & personal care, furniture & appliances, toys, DIY & Hobbies, travel (as well as accommodation), digital music, and video games. According to Hootsuite data, the most annual amount spent on consumers is fashion with approximately \$9.81 billion in Indonesia with an increase change of 50.7% from the year of 2019 before. The

lowest category of annual amount spent on consumer is digital music with \$ 199.5 million with the increasing percentage change of 35.1% of the previous year 2019.

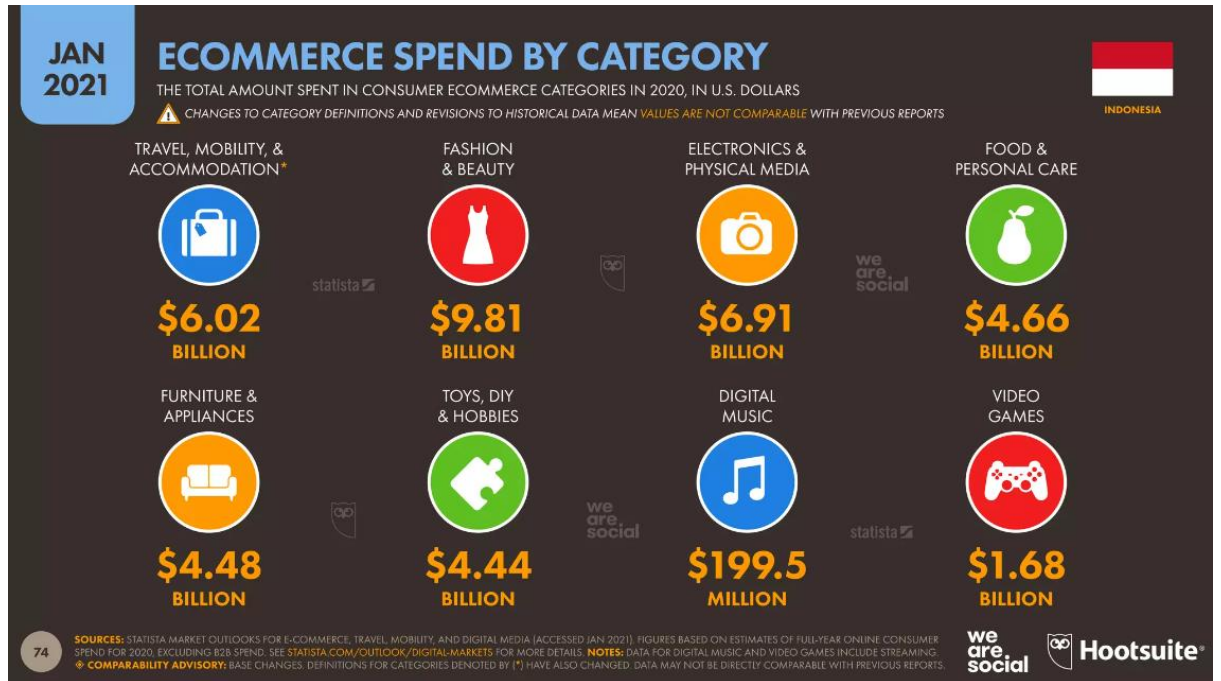


Figure 1.6 E-commerce Spend by Category

Source: Hootsuite (2021)



Figure 1.7 Data of E-commerce Growth by Category

Source: Hootsuite, 2021

There is no doubt that the hospitality market has been deeply affected by the pandemic of Covid-19. According to the data of the percentage of total amount spent on travel, mobility & accommodation of 2021 released by Hootsuite 2021 reveals that a significant decrease of -45.8% throughout the year. During pandemics, people perceive a higher risk for all types of trip types and avoid travelling to places where they perceive medium to high risk and prefer to not venture beyond the perceived safety of their homes, and into a place they do not have control over safety (Hotle et al., 2020 ; Gursoy & Chi, 2020).

As Covid-19 travel restrictions have started to be lifted, a slow recovery is beginning to take place (Fowler, 2022). This statement is supported by Statista (2023) which reported that the vacation rentals revenue is expected to reach US \$0.54 billion in 2023 and is expected to increase a compound annual growth rate of 3.03% from 2023-2027, to reach US\$0.61 billion by 2027 in Indonesia. In 2023, Indonesia annual spend on online travel and tourism of vacation rentals experience an increasing 84.9% growth of \$103 million with a total of 225.4 million in annual

online spend (Data Reportal, 2023). Hospitality Industries have taken high precautions on assuring their customers that they follow all safety protocols to minimize the risk of spreading the virus during a stay.

Currently, in late 2022, Airbnb is listed as number 13th top free application in IOS for Travel category in Indonesia with the rating of 4.6/5 in IOS. Airbnb is listed as number 15th top free application in Google Play Store for Travel & Accommodation in Indonesia with the rating of 4.4/5 in Android. Airbnb is listed amongst its competitors such as Reddoorz, Oyo Rooms, and Travelio. This indicates that Airbnb is not foreign in Indonesia and its service is known nationwide.

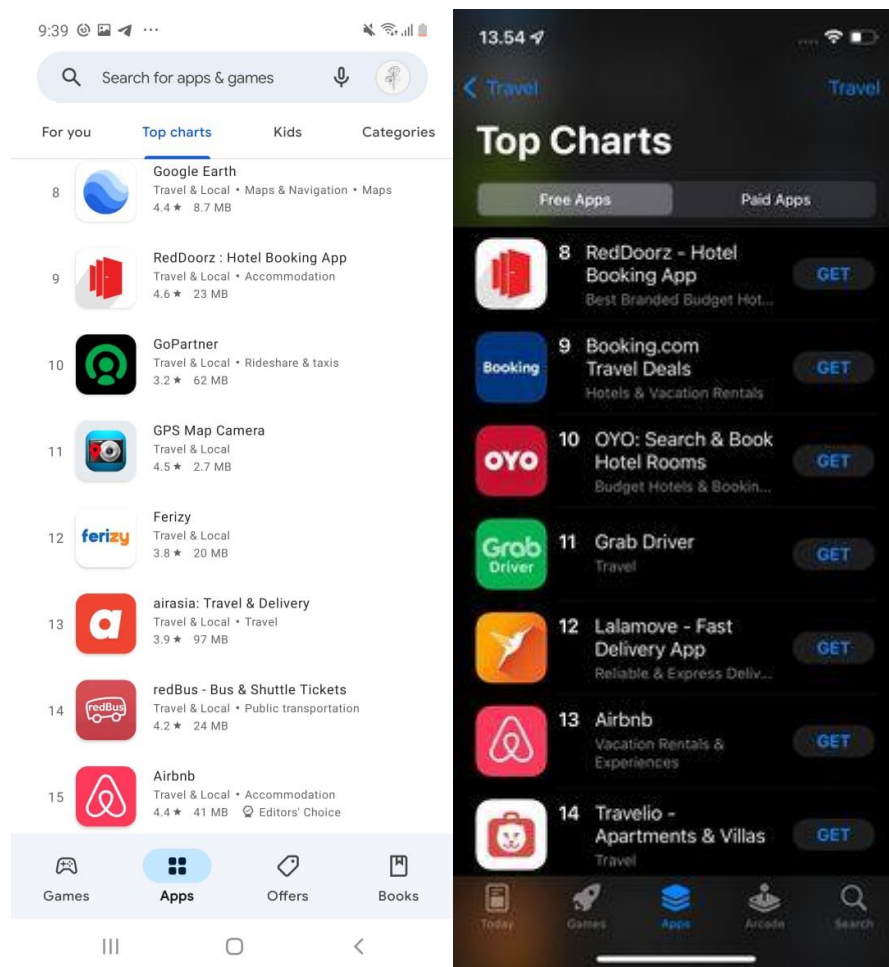


Figure 1.8 List of Top Charts in Travel Category in iOS and Android

Source: App Store and Play Store

Promotion is crucial for a company to achieve maximum sales volume, even when the product or service that are being offered is relatively cheap and easy to obtain enough, if it is not accompanied by good promotions, the level amount of sales may not be met. In this rise of digital era, buyers tend to seek information regarding the product they would like to purchase through ads or other means of business promotions, such as online reviews or the internet. Advertisers mainly use the internet as a medium to communicate the company's information to the public and draw potential customers. This is what is called the word of mouth. The increasing sale of Airbnb short-term rental accommodation is due to positive as well as negative reviews or in other words, electronic word of mouth. Tek.id reported that on 2017, 881 thousand Airbnb users from various parts of the world visited Indonesia. The growing percentage of Airbnb users in Indonesia also shows an increase of 72% on 2017. While Airbnb accommodation that was successfully rented in Indonesia accumulates to 43.700, generating revenue of Rp. 1.15 billion rupiah (Hamdani, 2017).

Electronic word of mouth is considered very important on online media, especially in Indonesian society where the use of internet services is considered one of the highest in the world. Electronic word of mouth helps customer search for the information they need before making a purchasing decision. The implementation of eWOM gives a positive impact for modern business to obtain and maintain their consumers (Mirza & Abdurrahman, 2013). The implementation of eWOM acts as one the most vital tool of marketing for a business to stimulate purchasing power for consumers purchase decision especially during the pandemic of Covid-19.

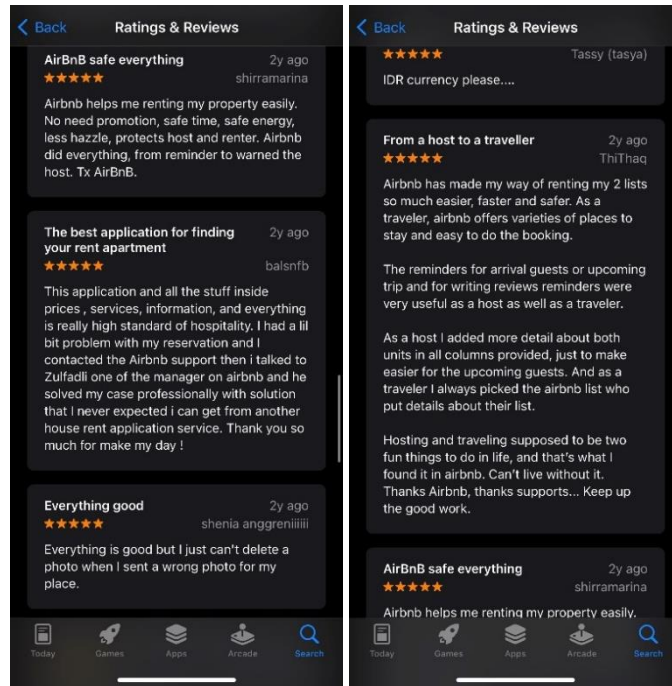


Figure 1.9 Review of Airbnb Application

Source: Airbnb Apple Store

Airbnb users posting electronic word of mouth by posting reviews about Airbnb application on apple store stating their experience using the platform and expressing their satisfaction. This outcome will give a perspective for future customers regarding the service of Airbnb. Information regarding accommodation and service given by Airbnb must be reliable in order to fulfil customer expectations towards the company and avoid any misconception

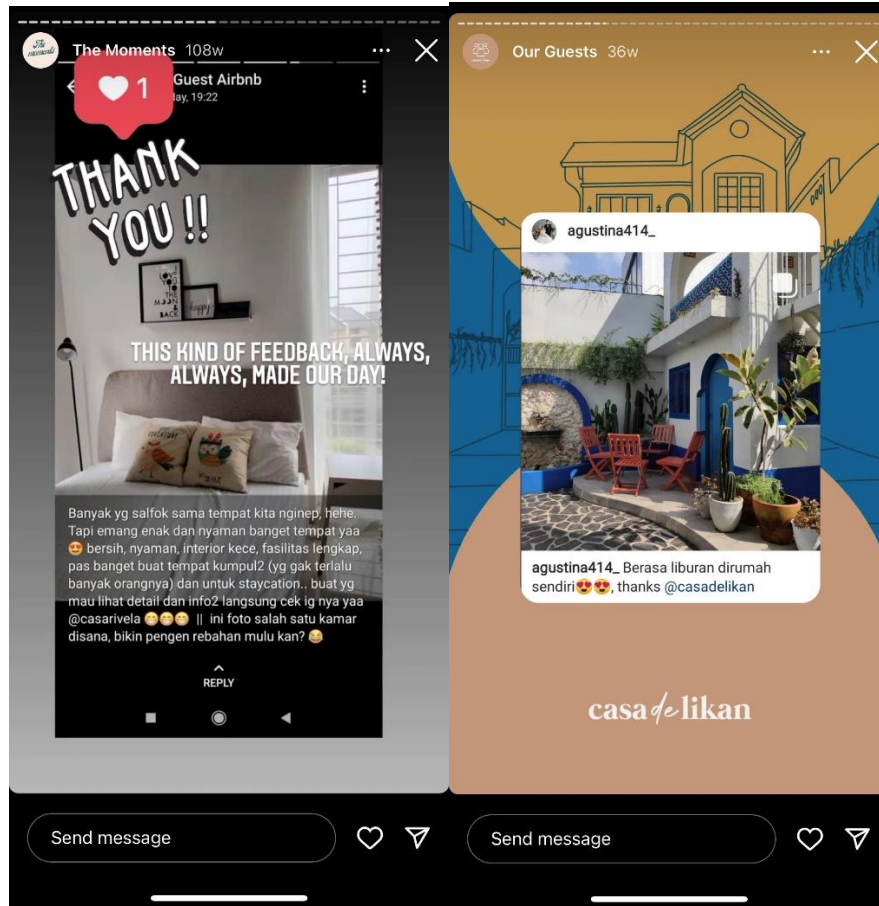


Figure 1.10 Testimonial of Airbnb Customers

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

According to Kottler and Keller (2012:125) Customer-perceived value is the difference between the prospective customers evaluation of all the benefits and all the cost of an offering and the perceived alternatives. Based on the testimonial above, it is proven that consumers take into consideration of the value offered by Airbnb accommodations. Testimonial above mentioned the comfort and amenities that are offered by Airbnb are relatively similar to what they have in their household, differentiating the appliance available compared staying in a traditional hotel.



Figure 1.11 Average Room Price per Night of Hotel and Airbnb

Source: Statista (2018)

According to Statista (2018), the figure above shows that the average room price per night in major cities of the world comparison between hotel rooms and Airbnb reveals a noticeable differentiation in terms of price value. Value for the price is the most desirable factor among all the accommodation attributes for leisure travellers (Yesawich, 2006). Meanwhile for business travellers, Yavas & Babakus (2005) mention in their research that business guests are more likely to provide highest importance to availability of general amenities. As price contributes to Airbnb consumers satisfaction and behaviour, Airbnb is often used as an alternative economical accommodation (Zervas et al., 2014). Though, Goree (2016) mentioned that price factor becomes less influential as consumers tend to consider the amenities offered and the relationship with Airbnb hosts which affects their purchase decision to rent an Airbnb accommodation.

Currently in Indonesia, the sharing economy has grown tremendously in the tourism industry. The use of P2P accommodation platform has changed the tourism

market. As Airbnb entered the Indonesian market at 2017. Previous studies have researched regarding the factors that drive consumers to participate in the sharing economy, one of the factors is financial benefit as travelers renting through P2P accommodations usually find a place with a lower price than hotels; thus, they receive cost savings that lead to increased satisfaction (Liang et al., 2018; Young et al., 2017). In addition, social benefit is another factor of why consumers use these platforms where they are able to meet new people and make new friends (Tussyadiah, 2016). Since Airbnb products counts as intangible, consumers may need to do some research online through reviews and comments to gain more information about quality, service and rooms (Liang et al., 2018; Mauri & Minazzi, 2013).

According to Rotter (1967), Interpersonal trust is defined here as an expectancy held by individual or a group that word, promise, verbal or written statement of another individual or group can be relied on. Trust from customers is a very important element. Information regarding accommodation and service given by Airbnb must be reliable in order to fulfill customer expectations towards the company and avoid any misconception. The comments of other customer who have stayed and experienced the accommodation provided by Airbnb also plays an important role in order to earn future customers trust. The statement and qualities given by the company must be in line with the comments or reviews given by previous customers who have received the service provided to them. This way, trust will be earned.

Based on the background that has been stated above, the author feels strongly interested to investigate furtherly with the title of the study **“The Influence of Electronic Word of Mouth, Trust and Perceived Value on The Purchase Decision of Airbnb in Indonesia”**.

1.4 Problem Statement

Although Airbnb may offer a unique accommodation experience however, this may also involve a higher risk and a greater uncertainty as guests' expectations cannot be guaranteed since the online service is intangible and the quality of the

stay cannot be verified until it is experienced. One of the keys to an online business success is customers online reviews or e-WOM. Confronted with high risk and uncertainty, guest use whatever information they can obtain such as online reputation, reviews from past guests, and host profile details to make trust interferences and purchasing decision (Yan, & Zhang, 2020).

As the hospitality industry is starting to recover from the impact of Covid-19, the hospitality industry is striving to compete to reach consumers to use their service once more. This also applies to sharing economy platform such as Airbnb. Hence, in this study it is necessary to know for certain whether electronic word of mouth, perceived value and trust really influences purchase decision of Airbnb. Understanding these factors can provide valuable insights for Airbnb hosts, marketers, and the platform itself, ultimately enhancing the overall user experience and create growth in the Indonesian market.

1.5 Research Questions

Based on the background of the research that has been described previously, the research questions in this study are as follows:

1. How much is the rate of E-WOM, Perceived Value, and Trust of Airbnb based on respondents?
2. How much is the Purchase Decision rate of respondent towards Airbnb?
3. Do E-WOM, Perceived Value, and Trust have any influence on Purchasing Decisions of Airbnb?

1.6 Research Objectives

Based on the formulation of the research problems that have been presented, the objectives of this study are:

1. To prove the effect of electronic word of mouth on purchase decisions
2. To prove the effect of perceived value on purchase decision
3. To prove the effect of trust on purchase decision

1.7 Research Usability

1.7.1 Theoretical Aspects

This research is aimed to be able to provide information and complement science in the field of marketing that relates to the influence of electronic word of mouth, perceived value, and trust towards customers purchasing decision of Airbnb.

1.7.2 Practical Aspects

1. For Airbnb's management, the result of this study is expected to give insight that may be useful for Airbnb management regarding the value of electronic mouth, perceived value, and trust for purchase decision in hopes of better strategies that can be created
2. For future researchers, the result of this study is expected to be used as reference material for similar research

1.7.3 Systematics of Writing

This study developed by systematics of writing as follows:

1. Chapter I Introduction

This chapter will cover the background, problem statement, research objectives and, systematics of writing.

2. Chapter II Theoretical Background

This chapter will cover the type of research literature, previous research, theoretical framework, hypothesis and, scope of study.

3. Chapter III Research Methodology

This Chapter will cover types of research, operational variable, research stages, population and sampling techniques, data gathering, types of data, data analysis techniques, and hypothesis testing.

4. Chapter IV Research and Study

This Study will show respondents characteristics, research results, and study of research results.

5. Chapter V Conclusion and Recommendation

This chapter will cover the conclusion that has been made and recommendation for the research.