CHAPTER I

INTRODUCTION

A. Research Background

In the current era of globalization, with the increasing competition among companies, each company is competing with one another to expand the market. The expectation of direct market expansion is increased sales, so companies will have more consumers. There are some problems that must be understood by the company as a manufacturer, that is when there is an increase in customers the company will be difficult to recognize him carefully. Especially about whether or not consumers like the goods or services offered and the underlying reasons.

The economic development, especially the service sector in Indonesia took place rapidly. One of service sector that is primary in Indonesia is the tourism industry, it is one of the industries that able to promise rapid economic growth. The development of the tourism industry has resulted in the opening of employment opportunities, increased incomes and living standards of the community, and can also activate industries such as handicraft, souvenirs, lodging and transportation industries. This can be seen from the foreign exchange income which continues to increase every year.

In Indonesia, the tourism sector is one of the important sectors in supporting the economy. Based on the data in 2016, the number of foreign tourists coming to Indonesia was 11,525,963 million or growing by

10.79% compared to the previous year. In 2018, the tourism sector ranks second in foreign exchange earnings after the commodity crude palm oil.

Figure 1.1 Indonesian Foreign Exchange Income from the Tourism Sector in 2009-2019


Source: Katadata.co.id

The graph above shows Indonesia's foreign exchange income from 2009 to 2018, from the graph it can be seen that foreign exchange income from the tourism sector has increased every year (Katadata, 2018). This is certainly inseparable from the image of Indonesia as an archipelago with natural and cultural riches. Indonesia has 17,508 islands of which 6,000 are uninhabited, have a tropical combination, and have the third longest coastline in the world after Canada and the European Union.

Seeing that there are good opportunities and can be utilized in the tourism sector, many companies are interested in doing business in the field of lodging services and realize through the establishment of various hotels, ranging from luxury hotels to cheap lodging. In the end there was competition between service provider companies to bring in theconsumers.

Nowdays, the development of technology has vastly developed rapidly, and the development of this technology has brought changes to all aspects of human life. The development of technology has made business and commerce not only done offline, but also online. Technology in the field of tourism, especially lodging accommodations, is one of the important things that need to be considered by hotel owners. That is because technology can help the development of the hotel itself and also help consumers who use these services.

The Industrial Revolution 4.0 has brought significant changes to various aspects of human life, throughout 2018 world companies and also in Indonesia competing in innovation to win market competition amid increasingly intense competition. In its development, a survey conducted by the Association of Indonesian Internet Service Providers (APJII), revealed that the number of internet users has increased from year to year. This can be seen from the graph quoted from the website of the Indonesian Internet Service Providers Association (APJII).

Figure 1.2 Growth of Internet Users
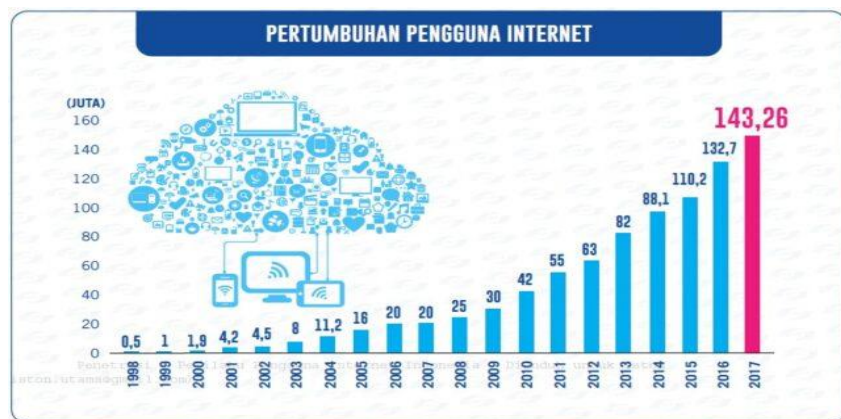
Source: Asosiasi Penyelenggara Jasa Internet Indonesia, 2018

The Internet Service Providers Association (APJII) survey said internet penetration in Indonesia reached 64.8% in 2018. The results of its association survey showed that the penetration of internet users in Indonesia in 2018 increased by 10.12% from the previous year. This increase reached 27 million users. This means that there are 171.17 million internet users out of a total 246.16 million population of Indonesia based on BPS data. From the above phenomena it can be concluded that Indonesia has entered the era of the digital economy.

The concept of digital economy was first introduced by Don Tapscott (The Digital Economy, 1995), which means a socio-political situation and economic system that has characteristics as an intelligence space, including information, various access instruments, capacity, and ordering information. In the digital economy there are at least 4 important things related to digital economic activities, where geographical location is no longer relevant, the existence of certain platforms is key. In further developments, the digital economy is becoming a new phenomenon that increasingly has a strategic role in the development of the global economy.

The magnitude of the contribution of the digital economy to the size of the digital economy can be seen from online trade that has changed the world economic landscape as a new face of the global economy, according to the McKinsey report (2018), at least online trade has an impact in four areas. First, financial benefits. Providing tremendous economic benefits for the economy of a nation, for example Indonesia as
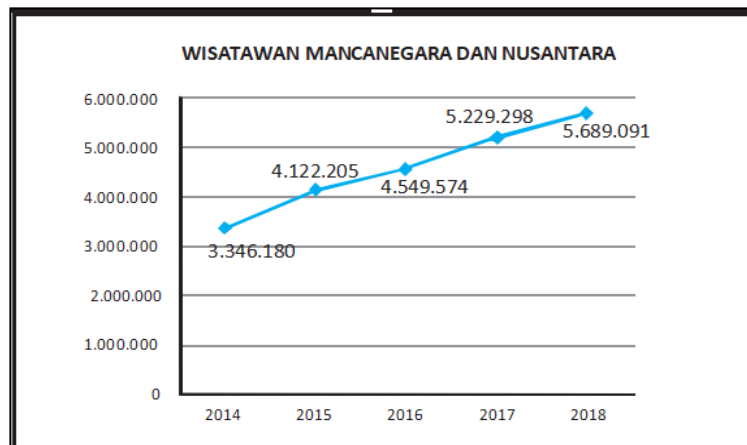
the largest market for e-commerce in Southeast Asia. Its value is currently around 2.5 billion dollars and is predicted to be 20 billion dollars in 2022.

Based on the above phenomenon, it appears that the increase in online shopping transactions cannot be separated from the increasing number of internet users. As the results of research conducted on internet users in Singapore by Liao and Cheung (2001) the results of the study showed that the more people who use the internet, the more they are happy to make purchases via the internet. This phenomenon makes many companies competing to develop their business into this internet service, because they see a very potential business opportunity.

The VHO (Virtual Hotel Operator) phenomenon is among the most rapidly developing over the past 5 years. This happened not apart from the influence of the rapid development of technology and the widespread use of smartphones and the internet among the people. Excepted from the traveler dictionary Virtual Hotel Operators are hotel operators who work closely with various hotels to provide standard facilities and quality of service to passengers. Hotel prices are becoming more affordable from day to day, especially for travelers with minimal budgets. Since 2015, the first VHOs to enter Indonesia include Nida Rooms, followed by names that are now familiar to ears such as AiryRooms, RedDoorz, OYO rooms, and Zen Rooms. Virtual Hotel Operators have also expanded to every city in Indonesia, one of which is Yogyakarta. This is because Yogyakarata is one of the cities with the highest level of tourism in Indonesia, this city can

attract tourists from various regions with natural charm and the thickness of its cultural arts.

Figure 1.3 Number of DIY Tourists in 2014-2018

The graph above shows that domestic and foreign tourists coming to Yogyakarta from 2014 to 2018 always experience an increase every year. This is certainly a good potential for service providers in the form of Virtual Hotel Operators, including RedDoorz.

RedDoorz application is spesificly made for RedDoorz hotel reservation only. RedDoorz is one of the most popular online hotel booking applications in Yogyakarta. RedDoorz is a technology company that manages quality rooms at affordable prices. RedDoorz partners with a variety of the best budget hotels throughout Indonesia. Supported by the latest technology, making RedDoorz provide the best stay experience at an affordable price. At present, RedDoorz operates around 1,200 hotels that are strategically located in more than 100 cities throughout the country. By the end of 2019, RedDorz is targeting 1,500 hotels in Indonesia.

Quoting from W&S Market Share, entitled Popularity of Budget Hotels Sites in Indonesia 2016, the following is a ranking comparison of how popular a website is compared to other websites in similar industries on the popularity of the number of site visits.

Table. 1.1 Ranking of Online Hotel Booking Sites in Indonesia

Ranking	Online Travel Site Name	Presentase
1	ZENRooms	45%
2	RedDoorz	34,3%
3	AiryRooms	32,1%
4	NIDARooms	28,6%
5	OYORooms	16,4%

Source: W&S Marketshare, Popularity of Budget hotel sites in Indonesia, PT Nusaresearch, 2016

Based on research conducted by W&S Marketshare, ZENrooms as RedDoorz's main competitor ranked number 1 with a market share of 45%. Followed third place by Airyrooms with a mastery of 32.3%. Under Airyrooms, there are NidaRooms and OyoRooms, which each have a market share of 28.6% and 16.4%.

The increasing digital trend now, makes companies flocked to join this digital industry, and make the emergence of RedDoorz competitors in similar industries. The increasingly intense competition makes RedDoorz must be swift in dealing with it by taking precautionary measures such as trying to keep old customers, in addition to continuing to expand market share. It would be better for companies to maintain and maintain existing customers before looking for new customers (Walsh, et al., 2005).

RedDoorz is not the only online site engaged in hotel booking services, currently there are many other online sites that have sprung up that are competitors for RedDoorz. Furthermore, the number of online hotel booking service sites in addition to RedDoorz automatically also offers many prices and differs from one online site to another online site.

Currently, service quality plays an important role especially for companies engaged in the service sector that markets their products online. A well-managed service quality can be a competitive advantage for a company. According to Kotler and Keller (2014) states that service quality focuses on how to meet the needs and desires of consumers and the accuracy of the delivery method to meet consumer expectations. Whether or not service quality depends on the company's ability to meet customer expectations and handle customer complaints. Quality of service can be said to be satisfactory if the services provided by the company are in accordance with the wishes of the consumers or exceed the expectations of consumers. The price offered for a service, where price is one of the things that influences customers to use a service.

The price factor is the factor that gets the most attention in the buying process, this is supported by the theory put forward by Peter and Olson (2014) which suggests that the perception of prices involves how price information is understood by consumers and made meaningful. Price is an important and influential role, pricing is one of the important factors that must be considered, because each prospective customer will definitely

compare prices from every existing online service site. ReDoorz offers many discounted prices for hotel room bookings, as well as the prices offered by RedDoorz are affordable and comparable to the facilities provided.

On the other hand, service quality as well as location is one of the factors that can influence the desire of customers to come to a company to get services. Karomah et., Al (2018) said that the easier the location of a company to reach it will create customer satisfaction because of the ease of coming to the place.

Referring to previous research, service quality, price and location have a positive and significant effect on customer satisfaction (Nurhalimah et al., 2018). In his research (Suratno et al., 2016) said that the higher the level of service quality, customer satisfaction and loyalty will increase. As for customer satisfaction, the higher the customer satisfaction, customer loyalty is increasing. In addition, price has a positive and significant effect on purchasing decisions and purchasing decisions have a positive effect on customer satisfaction (Suryonaningsih et al., 2016).

The rapid growth experienced by the hotel booking sector online such as RedDoorz makes companies need to always evaluate their service quality standards. So in this study researchers are interested in examining the factors that influence consumer satisfaction. Based on the background that the author has previously described, the author is interested in conducting research with the title **"Analysis the Effect of Service**

Quality, Price and Location Towards Customer Satisfaction in RedDoorz Online Hotel Reservations in Yogyakarta" Case Study of RedDoorz Application Customers.

B. Research Problem

Based on the background of the research the author try to formulates the research problem as follows:

1. How does quality influence customer satisfaction in Yogyakarta in hotel RedDoorz bookings application?

2. How does price affect consumer satisfaction in Yogyakarta in hotel hotel RedDoorz bookings application?

3. How does location influence customer satisfaction in Yogyakarta in hotel RedDoorz bookings application?

4. How does quality, price and location together affect customer satisfaction in hotel RedDoorz bookings application?

C. Research Objectives

In accordance with the formulation of the research problem that the author has suggested, this study has several objectives, namely:

1. Find out the effect of quality on consumer satisfaction in hotel RedDoorz bookings application.

2. Find out the effect of prices on consumer satisfaction in hotel RedDoorz bookings application.

3. Find out the effect of location on consumer satisfaction in hotel RedDoorz bookings application.

4. Find out the effect of quality, price and location together on consumer satisfaction in hotel RedDoorz bookings application.

D. Limitation of Study

Limitation of research aims to avoid any deviation and widening of the main problem. With the limitations of research, the research will become more directed. This can encourage the aims of the objectives of the study. The limitations of the problem in this study are as follows:

1. This research was conducted at one Virtual Hotel Operator site, RedDoorz.

2. Research respondents were tourists in the Special Region of Yogyakarta who used the RedDoorz application.

3. This research in conducting data collection is done within a time limit of a week.

E. Benefit of Research

The writing of this research relates to ease of use, trust in customer satisfaction in booking hotels through online sites in the hope that it can provide some benefits. These things include:

1. For Authors

   a) Get knowledge directly through field observations.

   b) It is a valuable experience for researchers in the hope that it will be useful in the world of work.

2. For Practitioners

   This research is expected to increase knowledge about the factors that influence online purchasing behavior and become a reference for online businesses in understanding consumers so that they can determine managerial policy steps related to online business appropriately in order to retain customers and expand the market.

3. For Academics

   This research is expected to provide information to academics that can be used as a reference in conducting further research.