# CHAPTER 1
# INTRODUCTION

## 1.1    Background Review

Entering into a new advanced global area, markets have a new advanced way for people to do communication, which is to get information and do business with everyone in this world very quickly because of highly progress of technology. The progress and the development in this world of information and technology are now growing rapidly, both of them cannot be separated. The more advanced progress and development of technology in this era, are the more advanced Internet, is which is a main factor or key success of doing the business or trade globally.

It is said that the internet can be the largest information network in the world and also has become a marketplace as well, as the world is business network regardless the limit. The percentage number of internet usage is grown fast but difficult to control because kids who are still in primary schools have used internet to see and learn the lesson beside the access they have, and the time as well to browse in other unnecessary applications, since internet exists in Indonesia, due to school's requirements. This rapidment of technological development also because of parents who have toddlers start to make their kids depend on the Internet like use Youtube as their tradition for make their kids confidence to do things that they want, then the toddler will understand their routines to use smartphone and Internet and they will be a dependable user of the Internet.

The development of the internet in Indonesia brings an impact on the trend of online shopping, which is increasingly has become more popular than a few years ago and has been increasing farther from the first time that internet was known approximately in 15 years ago. Internet makes so many changes in the way of doing shopping activities among Indonesian society. The published data by "We Are Social" agency in January 2005, shows that Indonesia has 308,2 million of mobile phone users, 72.7 million of active internet users, and 72 million of active social media users. Based on the Internet usage of data, which shows that 57% of active internet users in Indonesia are involved in internet shopping. According to Irni

Palar, April 2013, the growth of internet shopping has increased around 15%. The level of business competition in Indonesia is very strict because every company constantly strives to increase its market share and grab new customers. Companies must be able to determine the right marketing strategy, so that is will being good impact to their business, which can survive, achieve the target and win the competition. Basically, consumers cannot make the decision of purchasing in the market (offline 935and online) very easily because online market is growing rapidly, just like the offline market, so in the market there will be many competitors. More and more competitors will compete very tightly, and then many competitors will do everything like: just giving a big sale or spent expenses for the cost of high promotion, so there will be more and more choices for consumers to be able to choose which product to choose according to consumer's expectations that also are suitable with their wish or needs or wants.

The Internet and World Wide Web have experienced tremendous growth and Indexed Web containing already 2.01 billion pages (http://www.worldwidewebsize.com) compared to 130 in the middle of 1993 (http://royal.pingdom.com). According to Salo & Karjaluoto (2007), the development of the Internet and Today's World Wide Web has increased very rapidly, especially for electronic transactions. The advancement of technology in the internet world and applications that is related to the advancements of technology and greatly enables consumers for the technology and the internet to use business in new ways. More and more organizations are investing more in the technology in their online market to give the best to their customers in their efforts to improve their performance in the online market.

Internet shopping is very popular with consumers. Many people add an Internet component into their business, whether it's a big or small business entrepreneur that shows them (their online market) on the internet. There is no doubt of e-commerce market share experience growing rapidly in Indonesia, with the number of internet users that have reached around 88.1 million, soaring 16.2 million from 71.9 million, or in other words, which has a penetration of around 34.9%. From this data, it could be concluded that the number of internet users in Indonesia,

which it is about 30% of Indonesia's total population, turn e-commerce market into a gold mine, that is very tempting for people who can see the potential in the future (Mitra, 2015). According to Parasuraman (2005), and Elliott et al. (2005), said as a result of extraordinary business opportunities, the number of e-stores have increased rapidly. Companies that use the internet as an important channel to sell goods and offer services, especially, online sales are soaring. Although the total number of internet users worldwide increased to 7,017,846,922 (http://www.internetworldstats.com/stats.htm), online businesses are still in their early stages. According to Song & Zinkhan (2003) said, high-quality of websites make it possible to attract more consumers and encourage them to buy goods or services and return to sites.

According to explanation as aforesaid, there is some statistic data to show the age, location, job of people who used Internet. APJII (Indonesian Internet Service Providers Association) has announced the results of the 2016 Indonesian Internet User Statistics survey. The details will be explained through several tables. In picture 1.1, the table will show where the location has more users of the Internet. In picture 1.2, the table will show the ages of people using Internet. In picture 1.3, the table will show people more focused in using Internet for what, based on the content that people visit. In picture 1.4, the table will show the data based on occupation. Some table will be shown below, as follows:
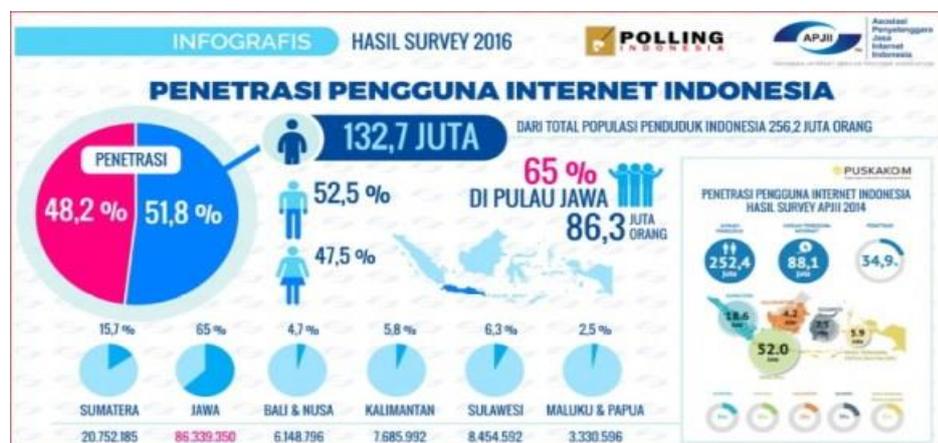


**Picture 1.1. Locations of Internet Usage**
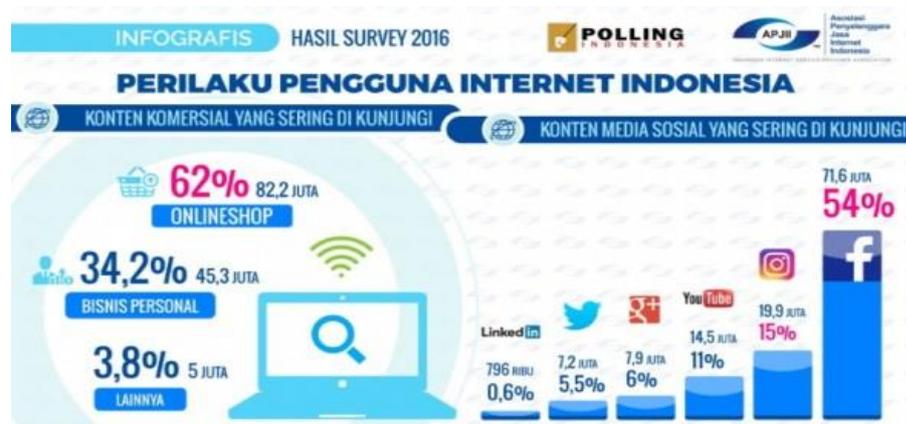**Source: Indonesian Internet Service Providers Association, 2016**

In the picture 1.1, the number of the people who used Internet in Java is the biggest one than the other region in Indonesia, because Java can reach 86,3 million people from the total population in Indonesia is 256,2 million people. It means 65% of the total population. The other region, less than 20% of population. Then, the people who used Internet more is men, which Internet can be getting around 132,7 million of people.



**Picture 1.2. Ages of Internet Usage**
**Source : Indonesian Internet Service Providers Association, 2016**

The picture in above shown the biggest number of ages range of people who used Internet is from 35-44 years old and the second biggest number of ages range of people between in a range 25-34 years old, which this explanation and detail of statistic data is related with picture 1.4. In picture 1.2 show if age range between 35-44 years old is age which people work (work with a company or doing the business).

**Picture 1.3. Purposes of Internet Usage (Content)/ Certain Purpose**
**Source: Indonesian Internet Service Providers Association, 2016**

This picture is related with picture 1.2 and 1.4, which this table explain the people with ages in range between 35-44 years old who used Internet more than the other range age because of they do the business and they can see the potential business is in online shop, so the number of people who visit online shop is the biggest one and after that, the second biggest number for do the business personal and people in this range who have a busy schedule will find a thing that they need or want in the online shop and will purchase it in that online market. They prefer to choose online market that offline market because of a few online market can give a free shipping and a big discount if that online market has an event like Shopee's birthday. People also like to see what's new in the social media like Facebook and Instagram and they like to comment their friend's feed to make a closer relationship.

**Picture 1.4. Occupation of Internet Usage**
**Source: Indonesian Internet Service Providers Association, 2016**

The largest number of people who used Internet is people who work, which still work in other people's company or open their own business. They used it for analyze the markets to see and analyze the potential customers is in where.

Now, online shopping has become a new way for some Indonesians in doing. Online shopping considered to be a solution for some people, because consumers of online shopping can get the goods or services which they want without being anxious if the product are not suitable with their expectation and without having to go to a shopping area, but simply can choose easily what is desired by opening the website provided (which include social media and official application of shopping, example: Shopee, Lazada, Tokopedia, etc) by the selling provider (buy online and pay for it by transferring money to the seller if using Website provider or the broker if using social media or shopping application). Thus, the buyers can save much time and will be easily to get the desired goods or services because it is not necessary to have any doubt if the desired goods have been sold out when doing purchase (Ministry Communications and Informatics, 2013).

Another phenomenon of online transactions is one application of the progress in information technology that usage, which is very intense lately. At the beginning of the emergence, people are not so sure of doing online transactions because in an online transaction, a person is entirely dependent on the trust of the information submitted by the owner in the website and the website visitors cannot see the visible products (Buttner and Goritz, 2008). But in reality online

transactions continue to increase rapidly. The number of online shoppers in Indonesia from year to year continues to increase quickly, as well as the number of online stores (online shop) in various online media. The opportunities of online store is one more widely open but the competition is also increasingly intensive. Online shop owners need to know and fulfill customer's desire to trust their products and be loyal customers of their products. The challenge certainly is not easy as we expect, like a store competing to get customers from people who visit it. Likewise, online stores will be visited by potential customers of online media users whenever they want to do so.

The growing of online shop at Indonesia becomes a new challenge for marketers in creating a new strategy for managing it. Companies which develop the website can do two-way interactions which are: the company can know what is desired and what is not desired by its customers. Quality of website can significantly impact on success e-commerce, in order to succeed, the website should provide an extensive and a formatted information easy to digest, well designed navigation and ease of operation is crucial to effective website (Siegel, 2007). From the website quality, it is the effect to the trust. The trust is the main factor which is a key factor to the many influencing factors the occurrence of sale and purchase transactions on the store. The quality of a website is a key factor in an electronic commerce because of the customer's perception on website quality has a positive influence on their intention to use a site and can affect to the online purchase intentions directly.

Only customers who have trust toward the product who will dare to do transaction through internet media. Without trust from customers, it will be impossible if the transaction through internet media will happen (Gustavsson & Johansson, 2006). Some research on website quality relationships service with customer trust, among others a study entitled "A Model of the Relationship among Customer Trusts, Web Design and User Attributes", which is conducted by Zhang (2009), found that conducting online transactions included an easy and sophisticated way, however consumer will be confident if the company shows their ability to accommodate their customer's complaints and help them overcome them then re-placed with complete satisfaction, so there will not be difficult to obtain.

This research explained that the quality of a website can increase the confidence of consumers who do online transactions, because that consumer who do transaction on online only rely on information which can be obtained from websites that sell products or services.

Companies are challenges to manage a promotion, which is also required to be able to display the products to look exactly like its original ones. Through images or video which are published on the website should meet the expectation of consumers, so that can be accessed to know the difference between goods of high quality or not. Then, the consumers will be convinced that the money that they pay is worth spending due to the satisfying price and quality of the products. Parasuraman and Grewal (2000: 168) states that, the perceived value not only affect to the behavior of the customers in choosing the pre-purchase stage, but also affect directly to the satisfaction and intention to recommend and buy back on stage post purchase.

According to Dedeke, (2016), e-commerce has a positive impact on the tourism industry. Web technology in this sector is expanding the scope of online transactions. Industry and hospitality currently require competitive advantages to face competition; one way to develop competitive advantage is the use of information technology (Law et al., 2009). In hospitality services, the Internet has been a part of the hotel operations and also being one of the market research and surveys, websites can identify the strengthens and the weaknesses from the organization (Herrero et al., 2015). Research on information and web design is needed in the tourism industry, and its influence on online purchase intentions (Dedeke, 2016).

A website is the overall advantage or usefulness of a website in delivering messages aimed at viewers and viewers (Wang et al., 2015). The quality of the website is the suitability of the web with the expectations of stakeholders (Canziani & Welsh, 2016). Website design is an important determinant in achieving the quality of services offered to consumers (Hasanov & Khalid, 2015). In this study, the quality of the website uses three sub-variables, which are functional, usability, and privacy (Wang et al., 2015; Ali, 2016). A website has some value by the design

of that website to make the website interesting so can be attractful in the eye of consumer and more interesting of a design in website, consumer will be trust, then they are more believe your website than the others, the content of website, which that language of that content should simple, which is easy to understand and using the general word, just like most of people should know your word in your website and the word in your content website should fulfill the requirement, just like the general font that most of people often use and then the colour should suitable with the design of a website and make people can read your word, then the website should easey to use, because not everyone can use the technology like non millennial age which the range age between 40-80 or above.

Trust is a very important thing for a commitment or a promise, and that commitment can only be realized if one day it will be so meaningful. According to Schurr and Ozane, the definition of trust is a belief that the statement of another party can be relied upon to fulfill its obligations. Distrust can occur in line with minimal information in planning and performance measurement. The trust of someone who appears in behavior is determined by factors such as information, influence, and control. Trust will increase if the information is accepted is considered accurate, relevant, and complete, level of trust as well influenced by past experiences, positive experiences consistent in the past with a party will improve taste mutual trust so that it will foster hope for relationships good in the future.

The intention to buy is often used to analyze the behavior of consumer. Before making a purchase, consumers will usually gather information about the products based on personal experience and information originating from the environment. After the information is collected, the consumer will start doing evaluation of products, evaluating and making decisions purchase after comparing products and consider it. The intention of purchase by Ajzen and Fishbein (2011) is illustrated as a person's in a situation before take an action that can be used as a basis for predicting these behaviors or actions.

Traveloka is a first and a largest company of a travel agent that provides airplane and hotel ticket booking services in online through website, which is focus on domestic travel in Indonesia. can make the customer search and purchase in

everywhere and everytime. Traveloka has an operational base in Jakarta. The company was founded in 2012 by Ferry Unardi, Derianto Kusuma, and Albert Zhang. This idea arose when Ferry Unardi often experienced difficulties in ordering airplanes, especially when he wanted to return to Padang, Indonesia, from the United States.

Ferry Unardi had noticed the development of the Internet world in Indonesia and the changes were quite fast. Suddenly there was an instinct where he was challenged to try to jump in this world. Then he invited his friend, an Indonesian, who had worked in a same office at Microsoft, namely Derianto Kusuma and Albert to work on this business, then this successful website has been called Traveloka until now. Because their background is similar so they often discuss this matter. Then after a long period of training, he can work on a few more colleagues. Initially at that time only around 20-30 people, but along with the development of traffic until now Traveloka has employed around 100 people, including marketing, IT, finance, human resources, etc.

For eight years in America, flying from America to Indonesia has become part of Ferry's activities, because he also had to visit the homeland when he was on vacation. In addition, he did not settle in America. Therefore, he often intersects with plane ticket matters. Since then he has often had difficulty in finding airplane tickets according to his wishes. And the second is that he also often loses information, whether the website suddenly errors or because of other things. From that moment on he saw that there was a golden opportunity if he could process the system for the better. Which means he must strengthen the aspect of his website starting from maintenance, layouts and other features. Coupled with strengthening in terms of service by opening a customer officer for 24 hours. At that time Ferry and his two colleagues began to agree to work on this business in March 2012. However, it officially launched in October 2012. For six months Ferry and his two new partners prepared their core business. Incidentally, because of Ferry's background and the two fellow engineers, it was very suitable to develop the system, starting from analyzing e-commerce, system entry, coding and so on. With Ferry as a whole and both of his partners really adapting skills, no investor /

company at that time helped. They made the program from scratch, and after 6 new months they opened (public beta).

At the beginning of the concept Traveloka served as a search engine to compare flight ticket prices from various other sites. In mid-2013 Traveloka later changed to an airline ticket reservation site where users can place an order on their official website. In March 2014, Ferry Unardi stated that Traveloka would immediately enter the hotel room reservation business. In July 2014, hotel booking services are available on the Traveloka website. PT Traveloka Indonesia aims to make it easier for travelers who are looking for airline ticket reservations by giving the same price offer of the prices offered on the airline's website without any additional fees and also searching for hotel room reservations.
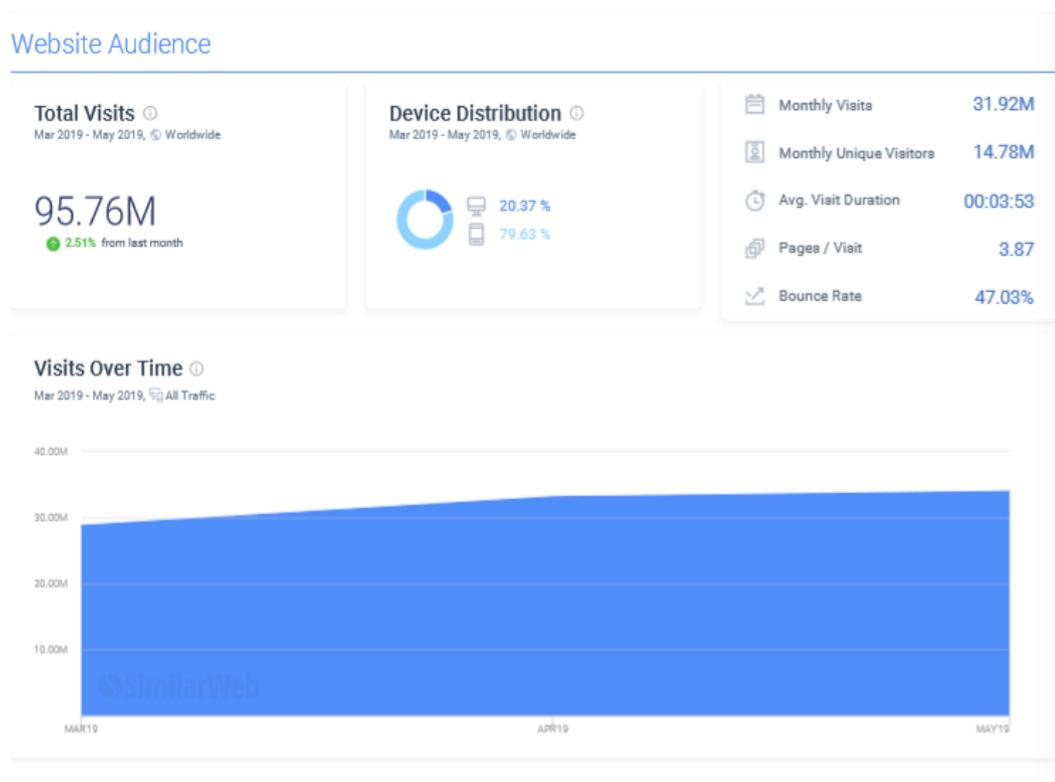


**Picture 1.5. Website Audience**
**Source: https://pro.similarweb.com/#/website/worldwide-overview/traveloka.com**

This website (Traveloka.com) has been accessed by more than 150,000 visits and has sold tens of thousands of tickets every day. Traveloka managed to excel and became the number one flight booking site in Indonesia with various

attractive offers. Among them are providing price options without imposing costs on transactions to consumers, 24-hour service via e-mail, telephone and social media and various payment methods to make it easier for customers. The focus of Traveloka today is to maintain and grow the business of travel agents by making web design as attractive as possible so that it is more easily understood by consumers.

From the studies that have been conducted before, researcher would like to analyze how is the impact of website quality towards trust, website quality towards online purchase intention, and trust towards online purchase intention on Traveloka.com.

## 1.2    Problem Statement

From the background stated above, the problem statements for this studies are formulated as:

1. Does Website Quality have influence on E-Trust of Traveloka.com?
2. Does E-Trust have influence on Online Purchase Intention of Traveloka.com?
3. Does Website Quality have influence on Online Purchase Intention of Traveloka.com?

## 1.3    Objective of the Study

From the problem statement stated above, the objective of this research is to analyze:

1. The influence of Website Quality towards E-Trust on Traveloka.com.
2. The influence of E-Trust towards Online Purchase Intention on Traveloka.com.
3. The influence of Website Quality towards Online Purchase Intention on Traveloka.com.

**1.4    Significance of the Study**

From the elaborated objectives, this study is expected to provide significance theoretical benefits and practical benefits, as formulated as in below:

1.  Theoretical Benefits

    a.  This research is expected to improve understanding of "The Influence of Website Quality towards Online Purchase Intention through E-Trust on Traveloka.com".

    b.  The result of this study are expected to be learning materials and the application of science in the field of management, in particular field of marketing management.

    c.  This research can increase the knowledge and understanding of the researcher regarding marketing management especially concerning on Website Quality, E-Trust, and Online Purchase Intention.

    d.  This research is expected to provide benefit for travel agent, which is to provide information on how to manage the website and boost the confidence of consumers when do transaction on online.

    e.  This research is expected to provide benefit for internet users, which is to provide information in online transaction.

2.  Practical Benefits

    The result of this study are expected to give practical contribution and useful for food & beverages sellers in order to formulate their marketing strategy to maintain a competitive advantage and continue to develop the latest innovations.

**1.5    Writing Structure**

To make it easier to understand research in writing thesis which there are 5 chapters and the contains of each chapter also explained in below, so the formulated of schematics as follows in below:

**CHAPTER 1: INTRODUCTION**

This chapter explain about phenomenon which happen in Indonesia and about around the product and website of Traveloka.Com, problem

statement, objective of the study, significance of the study, and writing structure.

**CHAPTER 2: LITERATURE REVIEW**

This chapter explain about theoretical basis of Website Quality, E-Trust, Online Purchase Intention also explain the relationship between variables, previous research of each journal studies, and research framework.

**CHAPTER 3: RESEARCH METHOD**

This chapter explain about research design, operational concept, type of data and source of data, tools and sampling methods, data analysis, data measurement, and population, and sample.

**CHAPTER 4: DATA ANALYSIS AND RESULT**

This chapter explain about illustration of general object in analysis of the data, respondent's profiles and characteristics, hypothesis and variable testing, and discussions.

**CHAPTER 5: CONCLUSION**

This chapter contain the conclusion of research result, critics, and suggestion from the analysis that it hopes can be useful for academic or company.