

Traveloka_ISICO 2021

by Filda Rahmiati

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Strategic Entrepreneurship for Achieving Customers Repurchase Intention Amidst Pandemic Covid-19 on Digital Multi-Sided Platform: A Case of Traveloka

Abstract

The aim of this study is to understand a strategic entrepreneurship on digital multi-sided platform, Traveloka. The variables use is customer service, public service ads, brand image, trust, and repurchase intention. A 110 data collected using Google Form with purposive sampling technique and analyzed using PLS-SEM. The result shows that customer service has a direct and indirect influence through trust on the repurchase intention. Whereas public service ads have no direct and indirect influence on repurchase intention. Trust fully mediates brand image on repurchase intention. This paper contributes to the current understanding of attitudes in the tourism industry within the pandemic period, especially relating to the customer repurchasing behavior towards the online travel agent. The study proved that strategic entrepreneurship is essential to survive in a volatile environment for superior performance.

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Keywords: Brand Image; Customer Service; Digital Multi-sided Platform; Online Travel Agent; Public Service Ads; Repurchase Intention; Trust

1. Introduction

With the rapid advancement of digital technology, the phenomenon of digital entrepreneurial firms that use a Multi-Sided Platform (MSP) business model has grown in recent year, evolved and expanded their business model over time to maintain their competitive advantage [1]. The growth of Online Travel Agents (OTA), as one of example the digital multi-sided platform in the tourism industry has contributed a 10.2 percent revenue contribution in year 2019 to state revenues [2]. However, OTA in Indonesia experienced a drastic reduction in flight ticket reservations, hotels, and tourist sites, a very significant increase in travel cancelations and refund requests due to the COVID-19 pandemic situation. COVID-19 pandemic or corona disease is an emerging concern in 213 countries worldwide [3], including Indonesia. The government of Indonesia established large-scale social restrictions regulations in the capital city of

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Jakarta and various red zone regions since April 2020 [4], encourage the community to restrict activities and stay at home, and shutting down domestic and international flights [5]. Due to the actions and policies of the Indonesian government to suspend any international tourism promotion until the coronavirus epidemic stopped, which resulted in a 64.11 percent decrease in international tourist visits, thus tourism is the first and most affected sector caused by the pandemic of COVID-19 [6]. Closing cities or country boundaries has resulted in many flight routes in service, the quietness of numerous tourist destinations, airports' declining competitiveness, and other tourism operations such as hotels, restaurants, and many travel agencies are also experiencing losses [7].

Traveloka as the leading Southeast Asia OTA headquartered in Indonesia, offering a wide variety of travel requirements, such as online ticket booking for airlines, hotels and other travel on one site [8]. However, the company which won the award as "The Best Brand Experience" in 2019 has been known since February 2020 is facing a very significant increase in travel cancelations and refund requests have increased by 10 times compared to normal situations [2]. As a consequence, the company has received negative feedback and reviews, also complaints from customers. Reviews related to the refund and cancelation have not been processed for a long time, not been disbursed, and the unclear process for the refund and trip cancellation [9]. Besides, the lack of demand for tourism amid the Covid-19 pandemic also led to reduced consumer buying interest in Traveloka service that Traveloka's website traffic has declined since January 2020 and at its peak has decreased by 60% in March 2020 [10]. Traveloka is actually experiencing a customer service crisis that is considered incompetent to solve customer problems that impact the rise of bad comments feedback from consumers who have ever bought Traveloka services.

A strategic entrepreneurship concept implemented by Traveloka to face the uncertain condition these days. A Strategic entrepreneurship (SE) is a concept that works by exploiting current competitive advantages while also exploring the innovations that will be the foundation for tomorrow's competitive advantages, forming a balance between opportunity-seeking and advantage-seeking. Furthermore, SE assists the company in developing relatively sustainable competitive advantages by being valuable and rare, making it difficult for competitors to imitate. Efforts made by Traveloka to restore the brand image and consumer confidence in Traveloka is to display a public service advertisement that shows Traveloka's concern for its audience and consumers which determines the level of interest, trust and confidence in the product [11] as well as to promote a positive image of the brand towards this [12]. With this in mind, positive evaluations and good perspectives will form in the minds of consumers directly or indirectly with repurchase intention [13]. This is proven by the research conducted by [14] revealed that advertising has a positive influence on the formation of a brand image and trust [15]. The Covid-19 themed community service advertising strategy to improve the situation and restore the customer's repurchase interest in Traveloka.

Repurchase behavior occurs when customers purchase other products or services for the second or more times with the same company. In addition, the reason for purchasing again is primarily triggered by customer experience towards the products or services [16]. Repurchase intention in the service industry, especially OTA, can be measured by analyzing various factors that influence it, such as customer service [17], advertising [14], brand image [18], and trust [19], as mentioned in research by [20]. In the tourism sector, a customers' decision to repurchase one service or product is also determined by the quality of information service at every transaction stage [21]. Thus, this study aims to explain the factors that influence customer repurchase intention towards Traveloka by examining the influence of public service ads, customer service, brand image, and trust.

2. Hypotheses Development

2.1. Customer service influences the repurchase intention

Customer service is the most important aspect of the digital service industry, additionally, customer service is considered one of the most important aspects to be maintained in the service industry and a significant "agent" that could interact directly with the customer in the online basis transaction [22]. Customer participation and critical customer evaluations of the service provider and experience have a great impact on repurchase intention; therefore, careful customer management is critical to a business (Chen & Chen, 2017). The quality of customer service influences the repurchase intention of the customer [17]. Through the customer service experience, the customer will evaluate and consider using the service again or not [24]. Previous studies conducted by [17] explained the positive influence of customer service on the brand image and the influence of the repurchase intention directly and indirectly [20]. Moreover,

customer trust studies have found that service trust (seals, promises, and ratings) affects perceived consumer interest in an online vendor for both potentials and repeat buying [25].

2.2. Public Service Ads influences the repurchase intention

One strategy carried out by Traveloka is displaying a Covid-19 themed public service advertisement (PSA) on television. Advertising in its role determines the level of interest, trust, and confidence in the product, which is undoubtedly aimed at getting consumers to increase sales [11]. [26] mentioned that public service advertisements (PSA), these forms of advertising are usually broadcast at the request of the government or organization to promote solidarity of the community or inform essential things, to promote a positive image or point of view of an organization to the public audience [12]. Therefore, only when the consumer attitude toward advertising is optimistic, they will develop an intention to repeat purchases regarding promoted products or services [27,28]. Attractive advertisements have a positive message may influence the interpretation of a brand image, as indicated in the results of previous research on the relationship of advertisements that have a positive impact on the development of a Traveloka brand image in the perspective of consumers [20]. Previous research done by [15] also explained the relationship between advertisement that influence trust in such a way that it raises and generates direct or indirect influence on the repurchase intention. Therefore, study conducted by [14] explains the positive and significant influence of advertising towards the repurchase intention of Traveloka directly and indirectly.

2.3. Brand Image and Trust influences repurchase intention

Brand image is the perception and confidence incorporated in customers' minds as recognized [29,30]. The customer's trust in the brand is influenced by the favorable opinion of the brand/company that is generated by a higher standard of brand image [31]. Based on research conducted by [18], brand image positively influences online repurchase intention, meaning reputable companies attract customers' intention for both products and services. Studies also found that increasing the brand image would increase customer trust in the product or service [32]. Given the importance of what is mentioned, this study aims to find out the influence of customer service and public service ads on the repurchase intention of Traveloka mediated by brand image and trust.

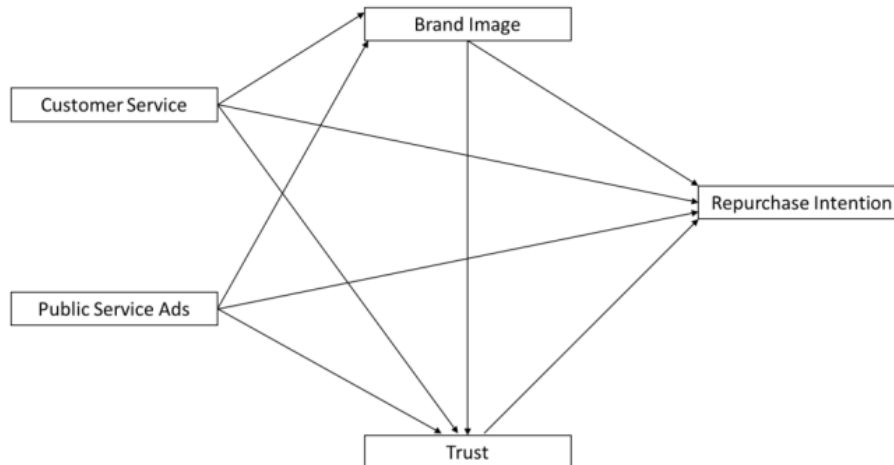


Fig. 1. Research model

3. Research Method

3.1. Data collection and sample

This study collected 110 respondents of Indonesia citizen using purposive technique sampling with the criteria's customer who ever made a transaction (purchased/booked) on Traveloka website and application, customers who have requested the money refund for the cancelled transaction in Traveloka, and customers who are experiencing the interaction with Traveloka customer service. Data collected through Google Forms using a seven-point Likert Scale. The questionnaire comprises are follow: (1) Customer service was measured using four items adapted from [17]; (2) Public service ads was measured using four items from [29]; (3) Brand image was measured using three items from [29]; (4) Trust was measured using three items from [14,33]; and (5) Repurchase intention was measured using three items from [14,34]. The research model of this study mentioned in Fig. 1.

The detailed information about respondent's data can be seen in Table 1 below. It is established that the respondents in this study were 65 females and 45 males. The majority of the respondents are coming from the age of 25-40 (61%), which considered in the category of the millennial citizen who is actively productive in this stage [35], and that was the questionnaire also distributed online, which is less accessible for older generations [36]. In terms of their latest education, most of the respondents are bachelors with a monthly income of IDR 5,000,000-10,000,000. In terms of buying frequency, 59% of the respondents bought tickets on Traveloka more than three times in 2019.

Table 1. Demographic result of respondents

Description	Category	Nominal	Percentage (%)
Gender	Male	45	41
	Female	65	59
Age	<25	41	37
	25-40	67	61
	41-50	1	1
	>50	1	1
Education	Junior/Senior High School	9	8
	Academy	17	15.5
	Bachelor	71	64.5
Monthly Income	Master/Doctor	13	12
	IDR 500,000-1,000,000	12	11
	IDR 1,000,000-5,000,000	32	29
	IDR 5,000,000-10,000,000	39	35.5
Buying Frequency	>IDR 10,000,000	27	24.5
	1	13	12
	2	18	16
	3	14	13
	>3	65	59

3.2. Measurement

This research uses the Structural Equation Modelling - Partial Least Square (SEM-PLS) method of analysis. The PLS-SEM method was used to evaluate complex models of mediating and moderating variables [37–39]. In PLS-SEM, sample sizes are small, and sample randomization is not required. Selected samples may be combined for non-probability methods such as unintended sampling, purposive sampling, and the like [40]. PLS requires validity and reliability on its outer and inner models to test the hypotheses [41].

3.3. Data analysis

This study tested loading factor, and Average Variance Extracted (to test the convergent validity), internal composite reliability (to test reliability), and test the cross-loadings to test the discriminant validity [42]. Based on the results presented in Table 2, this study has passed the requirement of an outer model to test the validity and reliability result. PLS required that the standardized loading factor be greater than 0.708, while the result of composite reliability (CR) must be exceeded by 0.6. The average variance extracted (AVE) must be greater than 0.5. Discriminant validity measured by the \sqrt{AVE} value. For the Customer Service correlation variable is 0.899. This value is greater than the correlation value between the Customer Service and other variables. It also applies to other variables, the \sqrt{AVE} value on the variable itself shows a number greater than the correlation between variables. Thus, the conditions for discriminant validity with \sqrt{AVE} have been met (see Table 3).

Table 2. Validity and reliability result

Variable	AVE	CR	CA
Customer service	0.809	0.944	0.921
Public service ads	0.796	0.940	0.914
Brand Image	0.820	0.958	0.945
Trust	0.899	0.973	0.962
Repurchase intention	0.953	0.984	0.975

Table 3. Discriminant Validity

Variable	Brand Image	Customer Service	Public Service Ads	Repurchase Intention	Trust
Brand Image	0.906				
Customer Service	0.749	0.899			
Public Service Ads	0.846	0.663	0.892		
Repurchase Intention	0.832	0.789	0.714	0.976	
Trust	0.904	0.757	0.766	0.892	0.948

3.4. The goodness of fit index

The Goodness of fit index (GoF) is useful in data comparisons and works best in group comparisons (i.e., varying the data while keeping the model constant) [43] [34]. In addition, the GoF can provide answers to questions about how well different subsets of data can be explained by a specific model. Goodness-of-Fit index (GoF) of the model was assessed by determining the geometric mean of two types of R^2 values' averages of the communality and the average R^2 of the endogenous latent variable. GoF can be valuable to survey how well a PLS model can clarify various arrangements of information. According to [43], The formula to measure the GoF would be seen as follow:

$$Q^2 = 1 - (1 - R1^2) (1 - R2^2) \dots (1 - Rp^2) (1)$$

According the formula, there are three classifications of the GoF index including small ($0.1 < \text{GoF} = 0.25$); medium ($0.25 < \text{GoF} = 0.36$), and large ($\text{GoF} > 0.36$) [44]. The Q^2 of this study is 0.994. Therefore, the model has large Goodness of fit index and valid to be used in the PLS model globally.

4. Result and discussion

This study employs Partial Least Squares-Structural Equation Modelling (PLS-SEM) with SmartPLS software as the analysis tool. After the measurement model fulfills the requirements, this study continues to test the structural model to test the relationships between latent variables (See Table 4) [42].

The results of this study of Traveloka's repurchase intention conclude that customer service has influences on repurchase intention (T-stats= 3.490). However, customer service has no significant influence on repurchase intention mediated by brand image (T-stats=0.291), and customer service influences repurchase intention mediated by trust (T stats=2.149). It is concluded that H1, and H3 are supported, but H2 is not supported. The result of public service ads on repurchase intention, directly and indirectly, have no significant influence on repurchase intention (direct influence) T stats= 3.107, (indirect) mediated by brand image T stats=0.290, and mediated by trust T stats=0.213). Thus H4, H5, and H6 were not supported. Brand image influences Trust (T-stats= 8.792). Also, brand image mediated by trust influences repurchase intention (T stats=5.520). Even though trust could not mediate customer service and public service ads, brand image has influenced repurchase intention mediated by trust (T stats=5.520). Thus, H7, H8, and H9 were supported.

Table 4. Statistical result of a structural model

Hypotheses	Path coefficient	T-Stats	Result
H1 <i>Customer service</i> → <i>Repurchase intention</i>	0.259	3.490	Supported
H2 <i>Customer service</i> → <i>Brand image</i> → <i>Repurchase intention</i>	0.014	0.291	Not Supported
H3 <i>Customer service</i> → <i>Trust</i> → <i>Repurchase intention</i>	0.119	2.149	Supported
H4 <i>Public Service Ads</i> → <i>Repurchase intention</i>	0.006	0.066	Not supported
H5 <i>Public Service Ads</i> → <i>Brand image</i> → <i>Repurchase intention</i>	0.025	0.290	Not Supported
H6 <i>Public Service Ads</i> → <i>Trust</i> → <i>Repurchase intention</i>	-0.010	0.213	Not Supported
H7 <i>Brand Image</i> → <i>Trust</i>	0.782	8.792	Supported
H8 <i>Trust</i> → <i>Repurchase Intention</i>	0.655	6.675	Supported
H9 <i>Brand image</i> → <i>Trust</i> → <i>Repurchase intention</i>	0.512	5.520	Supported

A significant level of $p=0.05$ (T stats ≥ 1.96)

Customer service, which is one of the most crucial problems in this study, proves that the role of this variable is important in determining customers repurchase intention, hence, brand image found not mediated customer service on repurchase intention in contract trust able to mediate the customer service to repurchase intention. A previous study also found statistically significant relationships between customer service and repurchase intention [17]. Additionally, to assist the consumers on product returns or payment refunds, customer service is the central part. A front representative can handle this problem and affect consumer confidence/trust in the brand, whereas the result is supported by the previous study conducted by [45]. In this case, customer service can affect the level of public trust in the quality of service that Traveloka will provide, transaction security, and the transparency of the money refund process. Customer service should reassure customers about waiting and hoping that their money is secure and returned.

In contrast, it is surprising that public service ads were no significant influence on repurchase intention. Whereas public service ads as one of strategic entrepreneurship concept assessed in study. Public service ads, in this case, do not significantly influence the level of customers' trust and the repurchase intention towards Traveloka. The result is consistent with the theory by [12]. The purpose of public service ads is for social benefits and brand image, not for profit maximization. Public service ads in their function do not influence the repurchase intention of Traveloka directly and indirectly.

Brand image greatly influence trust in this study. The results of this study is in line with previous research by [14] where there is a positive and significant influence between brand image and trust. Trust is a logical and emotional aspect that concerns consumer expectations of services provided by companies, and consumers often worry about their purchase and how the quality of the service will meet their expectations [31]. However, this can be resolved

when the company has a positive image in the community because with that, they will feel safe and trust in making transactions with Traveloka. Therefore, to create a strong level of public trust in the company, Traveloka needs to improve its image by providing the best service to the community and fulfilling its promises according to what they advertise so that people's expectations of Traveloka can be fulfilled.

Trust has an influence towards the Repurchase Intention. The result of this study is supported by the previous research conducted by [46] which stated that online trust has a direct influence towards the repurchase intention in the online tourism service. In online purchasing activities, trust between buyers and seller is the basic between them all. The transparency regarding the expectation, potential risk and transaction should be considered in online transaction including OTA [47]. The higher level of trust is built, it can lead to the higher intention of customers to repurchase on Traveloka. Trust mediates the relationship between brand image and repurchase intention. A brand image does not influence repurchase intention directly, while it can influence its intention to be mediated by trust. This study is consistent with previous research conducted by [14], which stated that brand image has an indirect influence on the repurchase intention of Traveloka mediated by trust.

5. Conclusion, implication, and further research

Overall, this study suggested that Traveloka needs to pay attention to and address consumer needs for customer service and support, not to express disappointment with Traveloka in the mass media. Increasing the quality of customer service and support and offering transparency on the flow of information in the money refund process. With these efforts, the trust will be more effective in attracting consumer repurchase intention. Publish promotional advertising and execute marketing communication channels with the message and content that can ease people's concerns about transactions in Traveloka. This research also adds the current understanding of the consumers' attitudes towards the advertising, especially public service ads, and its influence on the brand image, trust, and repurchase intention.

Future research is expected to obtain more information in determining the important factors that influence the repurchase intention of Traveloka. This aims to enhance further understanding of the factors that influence repurchase interest. In addition, implementing the strategic entrepreneurship is important of a company. In a volatile environment like today, company should be able to nimble and adaptive. Traveloka's actions, such as innovation by doing Flash sale live streaming, epic sale discount up to 80%, buy now stay later, and many others, are aimed at attracting customers to repurchase Traveloka products and gaining a sustainable competitive advantage.

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