

# Redrawing the future of travel agent: examining the existence of online travel agents among young consumers

A. Setyawan

*University of Surabaya, Surabaya, Indonesia*

T. A. Auliandri

*Universitas Airlangga, Surabaya, Indonesia*

**ABSTRACT:** Over the past decade, the rapid development of the internet has changed the business scope of many industrial sectors, including the tourism sector. The existence of the internet eases young travelers to choose tourist destinations, accommodation, and transportation that are used through Online Travel Agents (OTAs). Trust and price factors are two important things that are often taken into consideration by young consumers in evaluating purchases through OTA. Using survey techniques, this study aims to examine the factors that influence the purchase intention of young consumers toward OTA. Research data obtained from 256 teenage respondents and then processed using Structural Equation Modeling (SEM). The results of the analysis show that the purchase intention of young consumers towards OTA is influenced by perceived trust and perceived price through mediating perceived value of consumers. The level of consumer perception towards prices and trust in the OTA does not directly affect the consumer purchase intention.

**Keywords:** Online Travel Agent (OTA), Perceived Trust, Perceived Price, Perceived Value, Purchase Intention

## 1 INTRODUCTION

The rapid development of the internet leads to an unprecedented impact on consumer behavior and business activities. The use of the internet as a means of communication and accessing information is increasing in the community (Casalo et al. 2007). Referring to Kozinets (2002), the internet is a very important medium for accessing information in making decisions. The presence of the internet also revolutionized business development in the field of tourism from traditional to online (Law 2009), for example, the development of sales of transportation and accommodation tickets online through Online Travel Agents (OTAs) which began to replace traditional travel agents (Inversini & Masiero 2014).

In Indonesia, traditional travel businesses have dimmed, nearly 60% of transportation ticket and hotel reservations have used online booking through OTA, such as traveloka, Tiket.com, and booking.com (Mardiana 2017). The latest developments show the existence of more OTA that signifies the positive impact of the internet in the tourism industry sector. OTA is a form of internet application that eases young travelers to travel by directly choosing accommodation and transportation to be used with-

out going through long intermediaries. The role of the internet causes OTA to become a more effective distribution channel than traditional travel agents (Carroll & Siguaw 2003; Garces et al. 2004).

Marketing research in the field of tourism and hospitality places much emphasis on the use of internet technology to replace traditional marketing tools and encourage more competitive marketing practices (Law et al. 2004; Oh et al. 2004). It is inevitable that online marketing (such as OTA) will become a trending topic in the tourism and hospitality industry (Yoo et al. 2011), with the research focus on business and consumer perspectives (Leung et al. 2015).

In order to respond to the empirical phenomenon of the development of OTA in Indonesia, this research focuses on disclosing the factors that influence the purchase intention of young consumers towards the OTA. The intended factors are developed on the basis of prospect theory (Kahneman & Tversky 1979) and mental accounting theory (Thaler 1985), namely perceived value, perceived trust, and perceived price. This research is also a response to the research suggestions of Kim et al. (2012) to place the framework of its research model in the context of online ticket sales. Young consumers

were chosen as research subjects because they are identical to most OTA users and are a potential market for the tourism and hospitality industry.

### 1.1 *Perceived Value*

Based on prospect theory (Kahneman & Tversky 1979) and mental accounting theory (Thaler 1985), consumers will always try to maximize the value obtained in a transaction. Consumers will prefer to transact online with providers of products and services that offer superior value. Perceived value from the consumer perspective is defined as the net benefit received by consumers perceived to be higher than the cost that must be incurred in an online transaction (Kim et al. 2012). The higher the value that consumer gets from a transaction, the higher the intention to make an online purchase. Thus, the first hypothesis is proposed as follows:

**H1:** Perceived value has a positive effect on the purchase intention of young consumers towards OTA.

### 1.2 *Perceived Trust*

Trusts are the main driver for consumers to actively participate in online transactions (Jarvenpaa & Tractinsky 1999). Perceived trust is a perception related to consumer confidence that online transaction service providers have good competence and integrity, and are able to fulfill their obligations in the online transaction process (Schurr & Ozanne 1985; McKnight et al. 2002). Perceived trust is seen as a vital and effective variable that is able to reduce risk perception and encourage consumer buying intention in online transactions (Wen 2009). The same thing was also revealed in research by Kim et al. (2012) which examined the role of perceived trust directly on the intention to purchase online or indirectly through perceived value. Perceived trust in online shopping vendors will reduce the perception of risk transaction and then increase consumer perceived value, which ultimately encourages consumer purchase intention in online transactions. Thus, the second and third hypotheses are proposed as follows:

**H2:** Perceived trust has a positive effect on the perceived value of young consumers towards OTA.

**H3:** Perceived trust has a positive effect on the purchase intention of young consumers towards OTA.

### 1.3 *Perceived Price*

In the context of online marketing, the existence of the internet is able to offer products and services from providers directly to consumers, so that the distribution channels become more effective or even without intermediaries (Carroll & Siguaw 2003;

Garces et al. 2004). This has an impact on cost minimization which allows online shopping vendors to be able to offer more competitive and cheaper prices for products and services than traditional vendors (O'Connor 2003). When a product is perceived as having an affordable price, it will reduce costs and increase consumer perceived value. Inexpensive perceived price also directly encourages consumers to buy. Referring to the aforementioned discussions, the fourth and fifth hypotheses are proposed as follows:

**H4:** Perceived price has a positive effect on the perceived value of young consumers towards OTA.

**H5:** Perceived price has a positive effect on the purchase intention of young consumers towards OTA.

## 2 RESEARCH METHODS

Based on the background described earlier, this study seeks to find out causal relationships within the scope of certain theoretical frameworks, so that this study is causal and explanatory in nature (Neuman 2011; Cooper & Schindler 2011). Endogenous variables that are the cause of the effect are perceived value, perceived trust, and perceived price. The variable of purchase intention acts as an endogenous variable, which is known as a result of causes. The causal relationship is used to explain the existence of OTA in Indonesia from the perspective of young consumers.

The research variables were operationalized by adapting and modifying the research of Kim et al. (2012). All research variables were measured using a 5-point Likert scale with a range of 1 (strongly disagree) to 5 (strongly agree). Research data was collected through survey techniques by applying purposive sampling. The research respondents were teenagers aged 17-25 years who had purchased transportation and hotel vouchers through OTA, such as traveloka, Tiket.com, and booking.com. 256 respondents who met the criteria were analyzed using the Structural Equation Modeling (SEM) technique. The SEM modeling strategy includes 2 stages proposed by Anderson & Gerbing (1988), namely: (1) Measurement model to test the validity and reliability of data; (2) Structural models to test the research hypothesis.

## 3 RESULTS AND DISCUSSIONS

The results of the measurement model testing as the initial stage of SEM show a good model of goodness

of fit (GOF) ( $\chi^2 / df = 2.219$ , RMSEA = 0.069, GFI = 0.905, TLI = 0.948, and CFI = 0.959).

Table 1. The Measurement Model: validity and reliability testing

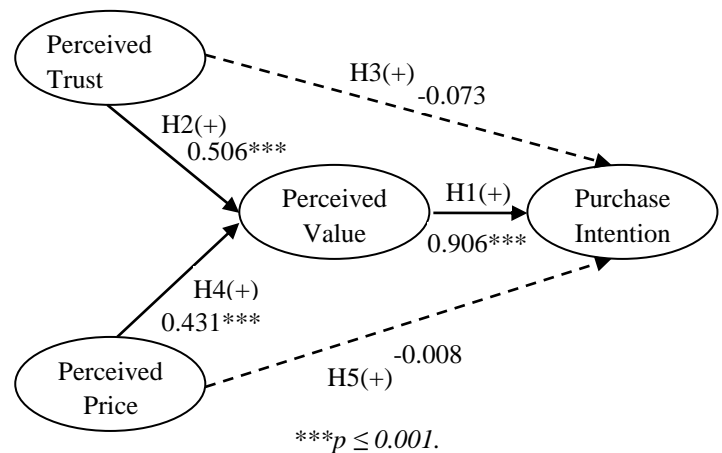
Variable	Std. loading ( $\lambda$ )	AVE	CR
Perceived trust (PT)			
PT1	0.740		
PT2	0.809		
PT3	0.835	0.666	0.908
PT4	0.860		
PT5	0.830		
Perceived price (PP)			
PP1	0.905		
PP2	0.894	0.710	0.906
PP3	0.668		
PP4	0.880		
Perceived value (PV)			
PV1	0.824		
PV2	0.688	0.541	0.823
PV3	0.612		
PV4	0.797		
Purchase intention (PI)			
PI1	0.858		
PI2	0.852		
PI3	0.760	0.661	0.886
PI4	0.778		

Referring to Hair et al. (2010), a variable measurement indicator is declared valid if the value of the minimum standardized factor loading ( $\lambda$ ) or the value of average variance extracted (AVE) is 0.5. Internal consistency variable reliability testing is indicated by minimum construct reliability (CR) value of 0.7 (Hair et al. 2010). The results of the measurement model analysis in Table 1 show that all indicators of measurement variables are valid and reliable. This signifies that the data used in this study has gone through the correct measurement stage, so it is feasible to continue to the hypothesis testing stage.

Hypothesis testing was done by analyzing the second-stage SEM, namely the structural model. The GOF structural model in this study has met the criteria of good fit, so that the statistical output in the model deserves further interpretation ( $\chi^2 / df = 2.219$ , RMSEA = 0.069, GFI = 0.905, TLI = 0.948, and CFI = 0.959). The results of hypothesis testing on structural models are shown in Figure 1 and Table 2.

Based on the hypothesis testing of the structural model shown in Figure 1 and Table 2, the direct effect of perceived trust (H3) and perceived price (H5) on purchase intention is not supported. The effect of perceived trust and perceived price on purchase intention occurs indirectly through perceived value. Perceived value positively influences the purchase intention of young consumers towards OTA ( $\beta = 0.906$ ,  $p \leq 0.001$ ), so H1 is supported. In H2 condi-

tion, the positive effect of perceived trust on perceived value towards OTA is supported by empirical data ( $\beta = 0.506$ ,  $p \leq 0.001$ ). Data analysis also shows that consumer perceptions towards ticket purchase prices through OTA are relatively more affordable and encourage an increase in perceived value ( $\beta = 0.431$ ,  $p \leq 0.001$ ), so that H4 is supported.



The written numbers indicate the standardized estimate value. The dashed line shows an insignificant path.

Figure 1. The results of the structural model testing

Table 2. The summary of the results of the research hypothesis testing

Variable's Path	Std. estimate ( $\beta$ )	Critical ratio (C.R.)	$p$	Remarks
PV $\rightarrow$ PI	0.906	6.666	***	H1 supported
PT $\rightarrow$ PV	0.506	7.030	***	H2 supported
PT $\rightarrow$ PI	-0.073	-0.789	0.430	H3 not supported
PP $\rightarrow$ PV	0.431	6.622	***	H4 supported
PP $\rightarrow$ PI	-0.008	-0.103	0.918	H5 not supported

PI = Purchase intention; PV = Perceived value; PT = Perceived trust; PP = Perceived price.

In the perspective of young consumers, perceived trust has a greater positive influence on perceived value compared to the influence of perceived price. This can be understood because the existence of perceived trust will reduce the risk perception of online transactions effectively (Wen 2009), thereby increasing perceived value obtained in the transaction (Kim et al. 2012). In the context of prospect theory (Kahneman & Tversky 1979) and mental accounting theory (Thaler 1985), young consumers who feel that they receive maximum value because of the high perceived trust in OTA will also have high purchase intention.

#### 4. CONCLUSIONS

The results of the study show the existence of OTA in Indonesia in terms of the purchase intention of young consumers. The intention to purchase tickets

through OTA is positively influenced by perceived value felt by young consumers. While perceived value is built through perceived trust and perceived price. The higher perceived trust of young consumers in OTA, the greater the perceived value, which in turn encourages purchase intention. So does the indirect effect of perceived price on purchase intention.

Referring to the results of the study, the OTA needs to always improve the perceived trust of young consumers, for example by creating a stable and reliable online system and fulfilling service commitments. In addition, the perceived price must also be maintained by offering affordable prices and providing discount packages and promotions. These efforts are expected to be able to increase the perceived value of young consumers towards OTA, which in turn also increase purchase intention. Continuous repeat purchases will create a sustainable OTA.

## REFERENCES

- Anderson, J.C., & D.W. Gerbing. 1988. Structural equation modeling in practice: A review and recommended two-step approach. *Psychological Bulletin* 103(3): 411-423.
- Carroll, B. & J. Sigauw. 2003. The evolution of electronic distribution: Effects on hotels and intermediaries. *Cornell Hotel and Restaurant Administration Quarterly* 44(4): 38-50.
- Cooper, D. R., & P. S., Schindler. 2011. *Business research methods* (11th ed.). New York, NY: McGraw-Hill.
- Garces, S., S. Gorgemans, A.M. Sanchez, & M.P. Perez. 2004. Implications of the internet - An analysis of the Aragonese hospitality industry, 2002. *Tourism Management* 25(5): 603 – 613.
- Hair Jr, J.F., W.C. Black, B.J. Babin, & R.E. Anderson. 2010. *Multivariate data analysis*. Englewood Cliffs: Prentice-Hall.
- Inversini, A., & L. Masiero. 2014. Selling rooms online: The use of social media and online travel agents. *International Journal of Contemporary Hospitality Management* 26(2): 272-292.
- Jarvenpaa, S.L. & N. Tractinsky. 1999. Consumer trust in an internet store. *Information Technology and Management* 5(2): 1 – 35.
- Kahneman, D., & A. Tversky. 1979. Prospect theory: An analysis of decision under risk. *Econometrica* 47(2): 263-292.
- Kim, H-W., Y. Xu, & S. Gupta. 2012. Which is more important in Internet shopping, perceived price or trust? *Electronic Commerce Research and Applications* 11(3): 241-252.
- Kozinets, R.V. 2002. The field behind the screen: Using netnography for marketing research in online communities. *Journal of Marketing Research* 39(1): 61-72.
- Law, R. 2009. Disintermediation of hotel reservations: The perception of different groups of online buyers in Hong Kong. *International Journal of Contemporary Hospitality Management* 21(6): 766-772.
- Law, R., K. Leung, & J. Wong. 2004. The impact of the internet on travel agencies. *International Journal of Contemporary Hospitality Management* 16(2): 100 – 107.
- Leung, X.Y., L. Xue, & B. Bai, 2015. Internet marketing research in hospitality and tourism: A review and journal preferences. *International Journal of Contemporary Hospitality Management* 27(7): 1556 – 1572.
- Mardiana, C.F. 2017. Beralih ke online, bisnis agen travel mulai meredup. <https://www.finance.detik.com/berita-ekonomi-bisnis/d-3599286/beralih-ke-online-bisnis-agen-travel-mulai-redup> (accessed 25.01.2019)
- McKnight, D.H., V. Choudhury, & C. Kacmar. 2002. Developing and validating trust measures for e-commerce: An integrative typology. *Information Systems Research* 13(3): 334-359.
- Neuman, W.L. 2011. *Social research methods: Qualitative and quantitative approaches* (7th ed.). Boston, MA: Pearson Education, Inc.
- O'Connor, P. 2003. Online pricing: An analysis of hotel company practices. *Cornell Hotel and Restaurant Administration Quarterly* 44(1): 88-96.
- Oh, H., B. Kim, & J. Shin. 2004. Hospitality and tourism marketing: Recent developments in research and future directions. *International Journal of Hospitality Management* 23(5): 425 – 447.
- Schurr, P.H. & J.L. Ozanne. 1985. Influences on exchange processes: Buyer's perceptions of a seller's trustworthiness and bargaining toughness. *Journal of Consumer Research* 11(4): 939-953.
- Thaler, R. 1985. Mental accounting and consumer choice. *Marketing Science* 4(3): 199-214.
- Wen, I. 2009. Factors affecting the online travel buying decision: A review. *International Journal of Contemporary Hospitality Management* 21(6): 752-765.
- Yoo, M., S. Lee, & B. Bai. 2011. Hospitality marketing research from 2000 to 2009: Topics, methods, and trends. *International Journal of Contemporary Hospitality Management* 23(4): 517 – 532.