Variables Influencing the Purchase Decision towards OYO Rooms and Reddoorz

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Abstract: The development of internet users in Indonesia is developing very fast. With this rapid development, many types of businesses have emerged by utilizing technological developments, one of which is the Virtual Hotel Operator (VHO). Reddoorz and OYO Rooms are two well-known VHOs in Indonesia. This study is supported by three variables which are, Electronic Word of Mouth, Perceived Value, and Trust. This research is qualitative research with a comparative type of study. Data collected through in-depth interviews with 15 respondents from Indonesia and citizens of millennial aged. Purposive and snowball sampling was conducted due to condition of this research. The triangulation method was chosen for reliability and validity in this research. The research conclude that Reddoorz has the highest percentages in overall variables influencing the purchase decision; Electronic Word of Mouth, Perceived Value, and Trust. It means the overall variables influencing the purchase decision of Reddoorz is superiority than OYO Rooms.

Keywords: Electronic Word of Mouth, Perceived Value, Trust, Purchase Decision, Reddoorz, OYO Rooms, Virtual Hotel Operator

1. Introduction

With the growth of internet users in Indonesia, a lot of various applications and websites are made to make daily life simpler. One of them is electronic commerce (e-commerce). There are many categories of e-commerce. For example in Indonesia, there are fashion & beauty, electronics and physical media, food & personal care, furniture & appliances, toys, DIY & hobbies, travel (including accommodation), digital music, and video games. The most annual amount spent on consumer is Travel (including accommodation) with $ 9,376 billion in Indonesia with the percentage change of 17% from the year of 2018[1].

Virtual Hotel Operator (VHO) is one of the example of travel category. Virtual Hotel Operator is hotel operator who work closely with a variety of hotels (generally budget hotels, but have recently expanded to villas or four-star hotels and above) to provide standard facilities and quality of service to residents. The 2 VHO most known in Indonesia are Reddoorz and OYO Rooms [2][3].

Reddoorz is a budget hotel platform from Singapore that was founded on late 2015 in Indonesia. Nowadays, Reddoorz has more than 1000 properties spread across 100 cities in Indonesia. With the many properties owned by Reddoorz, it is estimated that Reddoorz has around 20,000 rooms in Indonesia[4]. Recently in the early 2020, Reddoorz became the number 1 top free application in Android and iOS for Travel & Local category in Indonesia[2][3].

In October 2018, this Indian start-up company, OYO Rooms, officially operates in Indonesia. OYO Rooms has more than 1000 properties in 100 cities in Indonesia. OYO Rooms is estimated to have around more than 20,000 hotel rooms in Indonesia[5]. While Reddoorz became the number 1 top free application in Android and iOS for Travel & Local category in Indonesia, OYO Rooms is catching up to number 2 top free application in Android and iOS for Travel & Local category in Indonesia[2][3].

The presence of OYO Rooms and Reddoorz in Indonesia is arguably not long enough. Therefore, the two VHOs in Indonesia are competing to market their companies to the public. At present, the internet media has a considerable influence because customers now have used a lot of online media so for entrepreneurs, especially hoteliers, make this as an attractive business opportunity for promotion. One of the promotions used was electronic word of mouth. Customers who have visited one of the hotels that are interesting and the hotels are in accordance with what customers expect, will share information through social media, this can trigger the interest of other customers to come and make a purchase decision. This is the relationship between electronic word of mouth, perceived value, and trust in purchasing decisions.

This paper aims to propose the measurement tools of variables influencing the purchase decision towards OYO Rooms and Reddoorz by using qualitative study. The qualitative model is proposed to compare the variables that influence the purchase decision of OYO Rooms and Reddoorz in Indonesia. Further, in some models adoption is not only the choice to agreed to the variable but also the extent to which that variables is agreed into the appropriate context.

2. Theories

2.1 Electronic Word of Mouth

In the media campaign, purchasing decisions are influenced by one of which is online word of mouth, stating that word of mouth is interpersonal interaction between two or even more individuals, such as members of reference groups or customers and salespersons, where everyone has an effect on continuous transactions through communication, while online Word of Mouth is a word of mouth operation, using the Internet[6]. There are three dimensions of e-WOM [7]:

a) E-WOM Quality
b) E-WOM Quantity
c) Sender’s Expertise

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2.2 Perceived Value

The perceived value of the customer is the difference between the assessment by the prospective customer of all the benefits and costs of the offer against its alternatives [8]. There are four dimensions of Perceived Value [9]:

- a) Emotional Value
- b) Social Value
- c) Quality/Performance Value
- d) Price Value/Value for Money

2.3 Trust

Trust is a method of assessment (calculative process) between the costs given on the basis of the results obtained. Good service is now being received, and will continue to have a sustainable impact[10]. Trust depends on a number of factors that are interpersonal and inter-agency. According to the explanation above, it is known that the trust dimension are[11]:

- a) Ability
- b) Benevolence
- c) Integrity

2.4 Consumer’s Buying Decision

The decision to purchase a commodity, both goods and services, derives from emotional impulses from inside and outside factors. The purchasing decision process is a fundamental psychological process which plays an important role in understanding how consumers actually make their purchasing decisions. These are the five-stage model purchase decision process [11]:

a) Needs Awareness

The buying process begins when the buyer realizes an internal or external stimuli triggering a problem or needs.

Information

- a) Information Search
  Customers start searching for information and gathering information to suit their needs.

- b) Evaluating Alternatives
  Consumers will make an assessment of some of the gathered information. Consumers will pay attention to the greatest attribute that provides advantages that satisfy needs.

- c) Purchase Decision
  Consumers shape preferences between brands in a set of choices when buying decisions during the evaluation process. Consumers may also develop an intention to buy the brand they prefer.

- d) Post-purchase Behavior
  Satisfaction is a function of the similarity between perceptions and product responses. When output does not meet expectations, consumers will be disappointed; when expectations are met, consumers will be satisfied; if expectations are surpassed, consumers will be satisfied. The feeling determines whether or not the consumer can buy back the product.

2.5 Theoretical Framework

In the digital world like today, consumer behavior can be affected by electronic word of mouth one of which is a consumer buying decision on a product. If the content of the electronic word of mouth message is honest, then it will be considered by everyone as something fun, not harmful, and encouraged to be worthy to tell others[12].

Another factor which influences the decision making of purchases is perceived value. Customers will generally evaluate the product or service that is being offered before making a purchase decision. The assessments include comparing price, quality and whether or not the product meets the needs of the customer. Trust plays an important role in the e-commerce system, how trust is a consumer's first thought before making an online transaction. When consumers don't trust e-commerce, they won't buy a service or product [13].

Based on preceding research findings, the author proposed the theoretical framework for the research title of “Variables Influencing The Purchase Decision Towards OYO Rooms and Reddoorz”. The author use the previous literatures as a guide for the theoretical framework.

Figure 1: Research Framework

2.6 Methodology & Data Collection

The analysis is a qualitative analysis because, in other cases, the research focuses on small numbers of people and retains the personality of each of these in the studies. The research does not gather data from large samples and the data is aggregated across individuals. The study results are expected to compare the variables that affect the purchasing decision towards OYO Rooms and Reddoorz. The researcher doesn't want to restrict the analysis to specific questionnaire items, but the respondents want to discuss in depth how they feel about OYO Rooms and Reddoorz. The study's strength is the close relationship between the researcher and the respondent. The results are more likely to be accurate and true provided that the researcher and the subject spend more time together.

In-depth interview and observations are tools to conduct this study. The author gain the data sample until reaches the saturation and the researcher conducts total 15 interviews. The interviewees need to meet specific criteria which are 1) Users of OYO Rooms and Reddoorz 2) Live in Indonesia 3) Age range of 21-30. Methodological triangulation is chosen to be used in this research as it is suitable with the need for
this research, which must be done in a short time but as detailed as possible with the analysis. This work would use various methods of gathering and evaluating data from reliable resources, which are in-depth interview, observation, documentation and literature reviews.

3. Discussion

The purpose of this research is to compare variables that influence the purchase decision of Reddoorz and OYO Rooms among its users. Based on the proposed model regarding the study, there are some variables that positively contribute the purchase decision of Reddoorz and OYO Rooms.

In order to get different opinions and point of views, respondents from different cities (Jakarta, Bogor, Depok, Tangerang, Bekasi, Bandung, Semarang, D.I Yogyakarta, Surabaya, and Medan) has been chosen to provide the key information needed to conduct this research and achieve the best result. The total respondents are 15 respondents for the interview with three respondents from Jakarta, three respondents from Bekasi, two respondents from Bandung, one respondent from Tangerang, one respondent from Depok, one respondent from Bogor, one respondent from Semarang, one respondent from D.I Yogyakarta, one respondent from Surabaya, and one respondent from Medan.

The detail of the interview result will be discussed on each of the purchase decision’s variables below.

3.1 Reddoorz and OYO Rooms Use

Based on the in-depth interview sessions which are conducted via video call due to corona pandemic, there are findings regarding the use of Reddoorz and OYO Rooms among its users. This research concludes that 15 users, which consist of 8 females (53.33%) and 7 males (46.67%). The majority of the respondents are University Student (60%) and young adult age (80%). From the interview results, it can be seen that the comparison between Reddoorz and OYO Rooms results that Reddoorz is used more by respondents, i.e. 53.33%. Compared to OYO Rooms that only has the percentage of 46.67%.

There are many reasons why respondents use Reddoorz and OYO Rooms. The majority of 53.33% users started using Reddoorz and OYO Rooms after seeing online advertisements circulating on the internet (Social Media, Search Engine, etc.). Following with 26.67% of users who started using Reddoorz and OYO Rooms after being recommended from a friend. The 13.33% of users started using Reddoorz and OYO Rooms after seeing offline advertisements (Banners, Billboards, etc.). And the last 6.67% user, started using Reddoorz and OYO Rooms after they saw it on the list of an Online Travel Agent in Indonesia, such as Traveloka.

“I was planning my vacation with my siblings to Jogia. When I was surfing the internet searching for the hotel that would be suitable for me and my siblings, I found Reddoorz and OYO Rooms advertisement.” (R12, Bekasi)

“At that time, I saw Reddoorz and OYO Rooms advertisements on banners and billboards on the streets of Jakarta. Then, I saw that Reddoorz and OYO Rooms are promoting their hotel rooms with a big discount so I was interested to find out more.” (R10, Semarang)

“I know Reddoorz and OYO Rooms from my friend. We were on a vacation in Bandung and my friend suggested that we should choose OYO Reddoorz or OYO Rooms for our hotel.” (R1, Bekasi)

3.2 Electronic Word of Mouth

1) Reddoorz

The indicators of Reddoorz’s Electronic Word of Mouth mentioned and explained by interviews included Frequency of Reading Reviews (100%), Frequency of Reading Reviews Before Deciding (100%), Frequency of Collecting Information (66.67%), and The Persuasive Power of Statements Found in Reviews (80%).

All respondents agreed that they often read Reddoorz’s reviews.

“Very often. My opinion is that the review really helped me in choosing the room that I wanted. Usually, Reddoorz's review is quite detailed, so it really helps me.” (R7, Bogor)

All respondents agreed that they often Reddoorz’s reviews before deciding to pick a hotel that suitable with them.

“Before we choose the hotel, definitely read it first. If it is in accordance with expectations and reality or not. If it is, then continue to payment. But if there are a lot of negative reviews, I don't think so.” (R2, Bekasi)

Most of the respondent agreed that they often collecting more information found in the Reddoorz reviews.

“Yes, I often look for it. To be more sure if what is in the review is in accordance with reality or not.” (R15, Jakarta)

Most of the respondent agreed that they felt the persuasive power of statements found in Reddoorz reviews.

“Because before I chose the hotel, I certainly read all the reviews, so I'm sure. Because if it's good, I will choose it, if not, then no I won’t choose it.” (R10, Semarang)

2) OYO Rooms

The indicators of OYO Rooms’ Electronic Word of Mouth mentioned and explained by interviews included Frequency of Reading Reviews (93.33%), Frequency of Reading Reviews Before Deciding (86.67%), Frequency of Collecting Information (66.67%), and The Persuasive Power of Statements Found in Reviews (73.33%).

Most of the respondents agreed that they often read OYO Rooms’ reviews.

“Yes, I read it often too. In order to be guidance to choose the hotel for me.” (R5, Bandung)

“Yes, I often read the reviews too. OYO's reviews are more helpful. Because the review is clearer and more detailed.” (R15, Jakarta)
Most of the respondents agreed that they often read OYO Rooms’ reviews before deciding to pick a hotel that suitable with them.

“Yes, I often read it too, because it’s really important for me to know what kind of place I’m going to live in. If it’s going to be comfortable or not, it’s really important.” (R1, Bekasi)

“Yes, often. Because I have to know whether that person’s experience was memorable or not because it affected my choice.” (R7, Bogor)

Most of the respondents agreed that they often collecting more information found in the OYO Rooms reviews.

“Yes. Because OYO Rooms is a new hotel. So I want to find more information to be more sure.” (R8, Bandung)

Most of the respondents agreed that they felt the persuasive power of statements found in OYO Rooms reviews.

“I am confident. Because it really helped to choose the hotel.” (R3, Tangerang)

3.3 Perceived Value
1) Reddoorz
The indicators of Reddoorz’s Perceived Value mentioned and explained by interviews included Reasonable Price (86.67%), Prices in Accordance With The Quality Received by Customers (80%), Prices in Accordance With The Facility Provided To Customers (86.67%), Low Price For High Quality Rooms (13.33%), and Appreciating The Room Provided (100%).

Most respondents agreed that Reddoorz price is reasonable.

“It is reasonable because the price is not too expensive for the quality and service provided.” (R4, Jakarta)

“Still reasonable. It’s really cheap, but it's equivalent to what is obtained.” (R14, Yogyakarta)

Most respondents agreed that the price of Reddoorz is in accordance with the quality that they received.

“Yes. Because the price is cheap and the quality provided is also standard.” (R9, Medan)

“Sure. The price of Reddoorz alone can be from Rp 150.000 – 400.000 with the quality offered, it’s suitable.” (R11, Surabaya)

Most of the respondents agreed that the price of Reddoorz is in accordance with the facility provided to customers.

“It's the same as before. What else can you expect at a cheap price? That kind of facilities is enough.” (R10, Semarang)

“Yes. Because the facilities provided are sufficient to meet my needs at that price.” (R13, Jakarta)

2 out of 15 respondents agreed that Reddoorz is suitable for “Low Price For High Quality Rooms” condition.

“Yes. For such a cheap hotel, the quality of Reddoorz exceeds my expectations.” (R7, Bogor)

“Yes. For that price, the quality is high in my opinion. Because it's really comfortable.” (R13, Jakarta)

All respondents agreed that they appreciate the room that Reddoorz provided for them.

“Yes, sure. I will appreciate what I have got. Because I often go out of town, and when I'm on budget, Reddoorz really helps.” (R2, Bekasi)

“Appreciate it for sure. Because even though there is something lacking, I am still grateful to be able to stay there and be fulfilled.” (R8, Bandung)

2) OYO Rooms
The indicators of OYO Rooms’ Perceived Value mentioned and explained by interviews included Reasonable Price (60%), Prices in Accordance With The Quality Received by Customers (66.67%), Prices in Accordance With The Facility Provided To Customers (80%), Low Price For High Quality Rooms (26.67%), and Appreciating The Room Provided (80%).

Most respondents agreed that OYO Rooms price is reasonable.

“Reasonable. Because sometimes the quality is better than Reddoorz but the discount is big so the price is much cheaper.” (R7, Bogor)

“Yes, it’s reasonable. Although the price is a little more expensive, but according to my experience, the hotel is more comfortable.” (R12, Bekasi)

Most respondents agreed that the price of OYO Rooms is in accordance with the quality that they received.

“Yes, in fact, it really exceeds my expectations. Because I ordered a standard room, but the room is really spacious. And the food menu is also plenty and delicious. The place is very convenient and strategic.” (R2, Bekasi)

“Yes, I’m sure too. Because it's just right. Pretty good quality for that price.” (R14, Yogyakarta)

Most respondents agreed that the price of OYO Rooms is in accordance with the facility provided to customers.

“Yes, suitable. In my opinion, OYO Rooms is more suitable than Reddoorz in this case. Because OYO Rooms’ discount is really big and almost every day there are discounts. Continuing with OYO Rooms’ super comfortable rooms and other cool amenities plus big discounts, it's really worthy.” (R1, Bekasi)

“Yes. Because the price is cheap, simple facilities are reasonable.” (R9, Medan)

4 out of 15 respondents agreed that OYO Rooms is suitable for “Low Price For High Quality Rooms” condition.

“Yes, OYO Rooms’ quality is above the standard. It's good and satisfying because it exceeds my expectations so much.” (R2, Bekasi)
“Well, OYO Rooms is still better though it's not too high quality but it's better.” (R5, Bandung)

“Yes, same. Moreover, OYO Rooms does provide better quality so it is quite fulfilling for me.” (R7, Bogor)

“Yes if it’s OYO Rooms. Because based on my experience, OYO Rooms is more comfortable.” (R12, Bekasi)

Most respondents agreed that they appreciate the room that OYO Rooms provided for them.

“Yes. Although the price is more expensive, but my needs are still met.” (R8, Bandung)

“Yes, I appreciate that too. Because it already meets my needs at a fairly cheap price.” (R11, Surabaya)

3.4 Trust

1) Reddoorz

The indicators of Reddoorz’s Trust mentioned and explained by interviews included Secure Payment (100%), Hotel Reputation (53.33%), Hotel Existence (100%), Responsive Service (80%), and Trustworthy (93.33%).

All respondents agreed that Reddoorz has a secure payment.

“Reddoorz is safe. Because I was called again by the customer service to ensure the payment.” (R6, Depok)

“Secure. Because there are many options for paying. No need to use a credit card.” (R7, Bogor)

“Yes it’s safe. Because the payment is really fast and there is never a problem in the payment.” (R14, Yogyakarta)

Most respondents agreed that they know about Reddoorz very well.

“Yes. Because there are often advertisements about Reddoorz and a lot of my friends who like to talk about their experiences at Reddoorz.” (R5, Bandung)

All respondents agreed that Reddoorz already has many hotel choices.

“Yes it already has a lot. Because every time I go to several cities in Indonesia, I definitely see the Reddoorz logo and that's quite a lot. Especially in Jakarta itself, there are already many. And it seems like there are also Reddoorz abroad.” (R1, Bekasi)

“Yes, a lot. Because I often see Reddoorz on the streets and in their applications, the choices are more varied.” (R15 Jakarta)

Most respondents agreed that Reddoorz provides a responsive service.

“Yes it’s responsive. Because the service from the Customer Service until the receptionist is really fast.” (R11, Surabaya)

Most respondents agreed that Reddoorz is trustworthy.

“Yes it is. Because the rooms are as offered, the service is also very good.” (R13, Jakarta)

2) OYO Rooms

The indicators of OYO Rooms’ Trust mentioned and explained by interviews included Secure Payment (93.33%), Hotel Reputation (46.67%), Hotel Existence (46.67%), Responsive Service (86.67%), and Trustworthy (93.33%).

Most respondents agreed that OYO Rooms has a secure payment.

“Safe too. Because if in OYO Rooms, I can pay at the hotel directly and it’s less complicated. So it's easier and more reliable for me.” (R1, Bekasi)

“Secure. Although sometimes the confirmation is rather late, but it is still smooth and not complicated.” (R5, Bandung)

7 out of 15 respondents agreed that they know about OYO Rooms very well.

“I quite know about OYO Rooms. Because I often see advertisements on YouTube and Instagram.” (R3, Tangerang)

“I know it well. Because OYO Rooms is a new start-up from India. So, I am interested in finding the news or information related to OYO Rooms.” (R5, Bandung)

7 out of 15 respondents agreed that OYO Rooms already has many hotel choices.

“Yes a lot already. In Bandung and Jakarta, I often see OYO Rooms on a busy street.” (R8, Bandung)

“Yes. Because there are OYO Rooms in Semarang even though not as much as Reddoorz.” (R10, Semarang)

Most respondents agreed that OYO Rooms provides a responsive service.

“Yes it’s responsive. I left my cell phone when I checked out from the hotel. But not long after, my friend got a call from the hotel’s staff to inform me that my cell phone was left in the hotel.” (R10, Semarang)

Most respondents agreed that OYO Rooms is trustworthy.

“Yes. Moreover, my cellphone was turned to me so it was a plus point.” (R10, Semarang)
4. Conclusion

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<thead>
<tr>
<th>Variables</th>
<th>Contributing Indicators</th>
<th>Effect</th>
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<tbody>
<tr>
<td>Electronic Word of Mouth</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Varied reviews, provided detailed reviews, misleading information on reviews, many negative reviews, reviews obtained from experienced customers</td>
<td>+, +, -</td>
</tr>
<tr>
<td>Perceived Value</td>
<td>The price is cheap, amenities are lacking, standard quality, rooms are comfortable, modest facilities</td>
<td>+, -</td>
</tr>
<tr>
<td>Trust</td>
<td>Many payment options, payment confirmation is fast, information is quite widespread, hotels are spread over many areas, service is fast respond, some hotels are not as expected</td>
<td>+, +, +, +</td>
</tr>
</tbody>
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Table 1: Conclusion of Reddoorz

<table>
<thead>
<tr>
<th>Variable</th>
<th>Contributing Indicators</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Word of Mouth</td>
<td>Most reviews are detailed, lots of clear reviews, lots of reviews from experienced customers, there are still mislead reviews</td>
<td>+, +, +, -</td>
</tr>
<tr>
<td>Perceived Value</td>
<td>Discounts almost everyday, normal price are expensive, quality provided is ordinary, the facility provided are more complete, rooms are more comfortable</td>
<td>+, -</td>
</tr>
<tr>
<td>Trust</td>
<td>Many payment options, payment confirmation is rather late, lack of information, the hotel has not been spread in many areas, the service has responded quickly</td>
<td>+, -</td>
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Table 2: Conclusion of OYO Rooms

5. Conclusion

Based on user perceptions after review of the results of in-depth interviews, the sum of the average agreed percentages on the Reddoorz and OYO Rooms the overall variables affecting the purchasing decision, Reddoorz has the highest percentage in all variables, Electronic Word of Mouth, Perceived Value, and Trust. That means Reddoorz is superior in overall variables influencing the purchase decision compared to OYO Rooms.

The determinants of variables developed in this study (electronic word of mouth, perceived value, and trust) should be checked in the future by measuring those using large-sample quantitative methods. Especially in new determinants, more research needs to find out more on what kind of variables the purchasing decision would have a major effect on. It also needs more diverse variations of respondents for further studies, so that it can be extended across Indonesia.

References


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