

**IMPACT OF ELECTRONIC WORD OF MOUTH ON PURCHASE
INTENTION AND BRAND EQUITY: AN EMPIRICAL STUDY OF
ONLINE HOTEL BOOKING**

By

Michelle Sutrisno
13312082

BACHELOR'S DEGREE

In

BUSINESS ADMINISTRATION
HOTEL AND TOURISM MANAGEMENT CONCENTRATION
FACULTY OF BUSINESS ADMINISTRATION AND HUMANITIES



SWISS GERMAN UNIVERSITY

EduTown BSD City

Tangerang 15339

Indonesia

www.sgu.ac.id

Revision after the thesis defense on 18th July 2016

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

Michelle Sutrisno
Student

Date

Approved by:

Munawaroh, S.E., M.M.
Thesis Advisor

Date

Prof. Eric Jos Nasution, MBA, MA, Ph.D
Dean

Date

ABSTRACT

Impact of Electronic Word of Mouth on Purchase Intention and Brand Equity: An Empirical Study of Online Hotel Booking

By

Michelle Sutrisno

Munawaroh,SE,MM Advisor

SWISS GERMAN UNIVERSITY

Electronic Word of Mouth (EWOM) is a communication between individual, which each of the individual share their experience through the internet and it can be use to assist them to make purchase decisions. The aim of this research is to gain deeper understanding on purchasing a hotel room in online platform through customer's review and whether the equity of a brand is influence by customer's review. This study use survey by distributing questionnaire in order to gain the data. After the data gathered is tested by using SPSS 22 for its reliability and validity, Cronbach's alpha, as well as factor analysis. Path diagram analysis is used to test the relationship between each of the hypothesis. The results indicated that EWOM has a significant relationship towards purchase intention and brand equity as well as brand equity towards purchase intention. It is recommended for the hotel managers to maintain high influenced indicator such as the quantity of EWOM and Image of the brand to create high purchase intention and also pay attention with other factor to maintain its quality.

Keywords: EWOM, Brand Equity, Perceived Quality, Brand Salience, Brand Image, Purchase Intention, Online hotel Booking



DEDICATION

I sincerely dedicate this work to my dearest family, relatives, and friends for their sincere, abundant, and endless love, support not only throughout my journey



ACKNOWLEDGEMENT

First of all I would like to express my gratitude to the Almighty God for without His graces and blessings, this study would not have been possible. It is for only by His endless love, I am able to complete this thesis on time. This thesis also can be finished due to support and help by many people. Therefore, I would like to sincerely express my gratitude to the following people:

1. My parents, my mother and my father, for their boundless love, care, trust, support, and earnest prayer through my entire life. I would like to express my utmost gratitude for giving their trust towards me and encouraging me to pursue my dreams.
2. My supervisor, Ms. Munawaroh, for her guidance so that I am able to dedicate my time to complete this thesis. I would also like to thank Ms. Mumun, whose willing to dedicate her time in helping me to achieve this valuable thesis on time.
3. My co-adviser, Mr. Linus Pasasa, in helping and giving me guidance and valuable inputs, suggestions in order to complete this entire thesis. Without his help, I would not be able to complete this thesis. My English teacher, Ms. Jane Sweed in helping me correcting my grammar and phrases. Thank you for your sincere kindness.
4. My lecturer, Mr. Vishnuvardhana and Ms. Sienly Veronica, for her guidance during the thesis, valuable input, and recommendation to make this thesis better. Without their help, I would not be able to complete this thesis. Thank you for your sincere kindness.
5. To all of my friends and family, who have wished me good luck and supported me by helping to distribute the questionnaires to their parents and relatives. Thank you for all the help. I would like to express my gratefulness for their encouragement for giving me strength to complete this thesis.

TABLE OF CONTENT

STATEMENT BY THE AUTHOR	2
ABSTRACT	3
DEDICATION	5
ACKNOWLEDGEMENT	6
TABLE OF CONTENT	7
LIST OF FIGURES	10
LIST OF TABLES	11
CHAPTER 1 – INTRODUCTION	12
1.1 BACKGROUND	12
1.1.1 Budget Hotel.....	13
1.1.2 The Growth of The Internet.....	15
1.1.3 Online Hotel Booking.....	16
1.1.4 Electronic Word of Mouth	17
1.1.5 Positive and Negative Word of Mouth	19
1.1.6 Gender Differences	19
1.2 Research Problem	20
1.3 Research Objectives	21
1.4 Research Question	21
1.5 Significance of Study	22
1.6 Scope and Limitation	23
1.7 Thesis Structure	24
CHAPTER 2 – LITERATURE REVIEW	26
2.1 Framework of thinking	26
2.2 Basic Principle of Marketing	27
2.3 Word of Mouth (WOM)	28
2.4 Electronic Word of Mouth (E-WOM)	28
2.4.1 Susceptibility	29
2.4.2 E-WOM Quantity.....	30
2.4.3 Perceived Risk	30
2.5 Brand Equity	31
2.5.1. Brand Salience	33
2.5.2 Brand Image	33
2.5.3 Perceived Quality	34
2.6 Purchase Intention	35
2.6.1. Psychological.....	35
2.6.2 Personal.....	36
2.6.3 Social.....	36
2.7 Previous Study	37
2.8. Differences with previous study	47
2.9 Research Model	49
2.10 Hypothesis	49
CHAPTER 3 – RESEARCH METHODOLOGY	51

3.1 Research Process	51
3.2 Research Objective	52
3.3 Type of Research	52
3.4 Type of Data	52
3.4.1. Primary Data	52
3.4.2. Secondary Data	53
3.5 Research Instrument	54
3.6 Operational Variable	55
3.6.1. Operational of variables	56
3.6.2. Language.....	58
3.6.3. Scaling Technique	58
3.7 Population and Sample	59
3.7.1 Population	59
3.7.2 Sample.....	59
3.7.3 Sampling Methods	60
3.8 Data Testing	62
3.8.1 Pre-Testing.....	62
3.9 Validity and Reliability	63
3.9.1 Validity.....	63
3.9.2 Reliability.....	64
3.10 Data Analysis	65
3.10.1 Descriptive Statistics.....	65
3.10.3 Structural Equation Model (SEM)	65
CHAPTER 4 – RESULT AND DISCUSSIONS	69
4.1. Online Hotel’s Booking	69
4.2 Descriptive Statistic	69
4.2.1 Demographic	70
4.2.2 Hotel’s Brand.....	73
4.2.3 Internet Usage	74
4.2.4 Hotel’s Review	75
4.2.5 Analysis of Variables.....	76
4.3. Pre-Test Analysis	78
4.3.1. Pilot Test.....	78
4.3.2 Reliability for Pre Test	79
4.3.2. Validity and Reliability Test of Electronic Word of Mouth (X1)	80
4.3.3 Validity and Reliability Test of Brand Equity (X2).....	81
4.3.3 Validity and Reliability Test of Purchase Intention (Y)	82
4.4. Validity and Reliability Test (Post-Test) of All Respondents	83
4.4.1 Reliability for Post test.....	83
4.4.1 Validity Test (Post-Test) on All Respondents.....	84
4.3.2 Reliability Test (Post-Test) on All Respondents.....	85
4.5 Impact of Demography on Purchase Intention: Cross-Tab Analysis	87
4.6. Structural Equation Modeling	90
4.6.1 Path Diagram.....	90
4.6.2 Measurement Model Test.....	91
4.7. Path Diagram Interpretation	91
4.8. Hypotheses Analysis	95
4.8.1 Hypothesis #1	95
4.8.2 Hypothesis #2.....	97

4.8.3 Hypothesis #3.....	98
CHAPTER 5 – CONCLUSION AND RECOMMENDATION.....	100
5.1 Conclusion.....	100
5.2 Recommendation	102
5.2.1 Managerial Implication.....	103
5.3 Further Research Recommendation.....	106
REFERENCES.....	107
ABBREVIATION	116
GLOSSARY.....	117
APPENDIX.....	118
Appendix 1 – Questionnaire in English	118
Appendix 2 – Questionnaire in Bahasa	125
Appendix 3 – Pilot Test.....	132
Appendix 4 - Data Tabulation.....	133
Appendix 5 - Model Fit Summary	139
Curriculum Vitae.....	141

