



Identifying the Success Factors of the Brand Extension Case of Airbnb Experiences in Indonesia

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ABSTRACT

Keywords:

Parent Brand Attitude, Brand Extension Attitude, Perceived Fit, Consumer Innovativeness, Perceived Value, Purchase Intention

Airbnb launched an extension of its *Stay* product called *Trip*, which is rebranded and currently known as *Experiences*. *Airbnb Experiences* is aimed to complete Airbnb's "belong anywhere" mission and promotes sustainable travel, which is believed able to solve problems like over-tourism. However, it hasn't found any study on Airbnb Experiences in Indonesia; it could be subjectively assumed that the company may not have done any research as there was unconfirmed understanding about the current circumstances. There are also limited studies that have been done on brand extension in tourism marketplaces. This study aimed therefore to analyze the relationship between the parent brand, the perceived fit, and the consumer innovative approach to brand expansion and its impact on the purchase intention for Airbnb Experiences. This report was conducted on a wide range of issues. The study brought together 210 people through an online survey. There is a positive relationship between parent brand attitude and brand extension. The attitude of brand expansion is therefore most correlated to the perceived expansion value. The perceived value also influences the purchasing intentions positive and significant. On the other hand, this study shows that the attitude of the parent brand does not correspond to the perceived value directly or positively.

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1. Introduction

Online marketplaces continue to signify their existence as one of the most substantial parts of e-commerce. Online markets collectively provide the global economy with \$1.7 trillion and sales of more than \$7 billion should companies focus their attention on the potential of online markets, e.g. the ability to facilitate online sales, to speed up cross-border expansion, to widen product portfolio and to optimize logistics, costs and operations. (Rolfe, 2019). Furthermore, shoppers have made half of their e-commerce transactions via digital marketplaces in 2016; this number is estimated to grow to two-thirds in the next five years (Howland, 2017).

The influence of online marketplaces in the retail industry is evident. Alibaba's Tmall, Taobao, Amazon, JD.com and eBay – as the leading platforms – contributed to more than 50% of the global web sales in 2018 (Internet Retailer, 2019). However, marketplaces are more than just selling goods; there is also demand among consumers that mingle in the area of rentals and services (Coresight Research, 2018). In its report, Coresight Research (2018) specifically implies that the service industry is fragmented in nature, hence with the presence of online marketplaces, people can seek and book services easier than before; society can find house cleaners, handymen, beauty salon, working spaces and local restaurants in specific digital platforms easily. In other words, the online marketplace overall business is in the middle of a vast expansion in all sectors (Alaimo, 2018).

In the travel and tourism industry, one of the most prominent examples of online marketplaces is Airbnb. The platform is known for offering room, flat or house to rent using peer-to-peer model, which empower people to monetize their spaces and talents to become entrepreneur (Guicheron, 2018). Founded in 2008, Airbnb has a mission "to make people around the world feel like they could belong anywhere" (Gallagher, 2016). The company emphasizes the value of belonging to all stakeholders as it recognizes the missing sense of trust and belonging in the industry due to excessive mass production along with impersonal travel experiences (Airbnb, n.d.). This commitment eventually promotes them as one of the leading businesses that use sharing economy concept (Gallagher, 2016) and become the most online searched-for accommodation brand in 2018 (Airbnb, 2019).

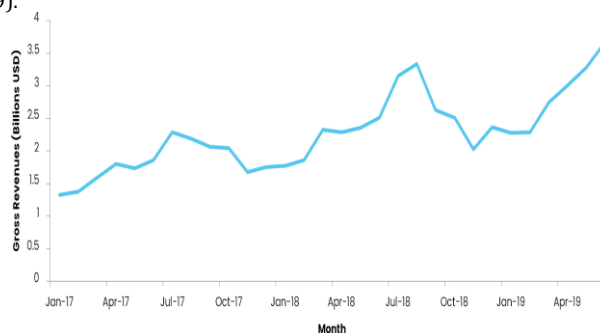


Fig 1 Airbnb: Gross Global Revenue

Source: *alltherooms.com*, 2020

In general, Airbnb has more than 150 million users across the globe and was valued at \$35 billion based on recent



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February stock sale (iProperty Management, 2020). Its gross revenue has seasonality, meaning that the numbers change according to the travel season. Airbnb’s largest markets (Europe and the USA) tend to attract more travel during summer (June to August) as it is considered as the holiday period (AllTheRooms, 2020). Despite the fluctuation, Airbnb still successfully generated yearly revenue of \$2.6 billion in 2017, showing a 73% increase from the previous year. Another impressive result can also be seen in 2018, where a 38% rise took place, resulting in a yearly revenue of \$3.6 billion (iProperty Management, 2020). There is also a 40% year-on-year growth in Q2 of 2019 compared to the preceding year at the same period (AllTheRooms, 2020). Airbnb’s development can be specifically seen in Indonesia where 904,600 guests from all of the listed accommodations were welcomed in 2017; this number shows a 69% growth from the previous year (The Jakarta Post, 2018).

In 2016, *Airbnb* launched an extension of its *Stay* product called *Trip*, which is rebranded and currently known as *Experiences*. *Experiences* is aimed to complete *Airbnb*’s “belong anywhere” mission and promotes sustainable travel, which is believed able to solve problems like over-tourism (Airbnb, 2016; Airbnb, 2018). Still using the sharing economy concept, *Experiences* offers tailor-made activities that are crafted by the local experts (Airbnb, 2016). Customers do not have to stay overnight in the hosts’ place unless the experiences call for it (Darboe, 2019).

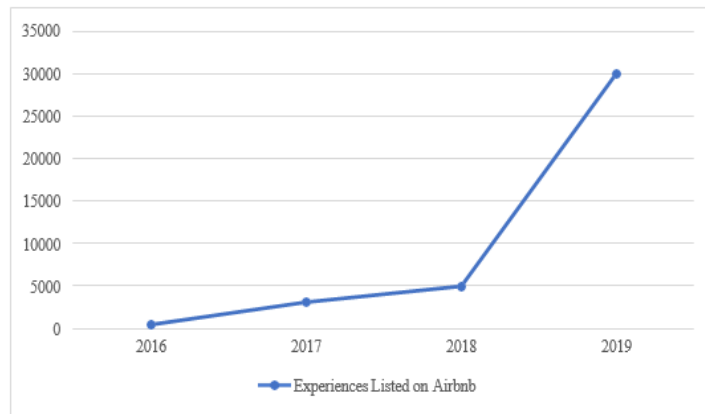


Fig 2 Numbers of Experiences Listed on *Airbnb Experience*
Source: Author, 2020

The number of experiences listed in the platform continues to grow every year. *Experiences* was first launched in 2016 with approximately 500 experiences in 12 cities (Benner, 2016). This number rose six times in 2017, having more than 3,000 activities available across 40 cities worldwide (Airbnb, 2017). In 2018, there were more than 5,000 experiences to choose from 58 cities (Somerville, 2018), and it continued to grow to approximately 30,000 experiences in 2019, showing a tremendous development in just one year (Airbnb, 2019).

In Indonesia, *Experiences* was firstly introduced in November 2017 with Bali as its first destination. Bali holds as the leading destination in Indonesia that offers more than 1000 experiences in the area. For other destination in Indonesia, as of March 2020 in the application, there are only around 15 experiences listed in Jakarta, 11 in Bandung and 36 in Yogyakarta. The number of review are relatively low as there are only two to five reviews – ten by the most – left by the guests.

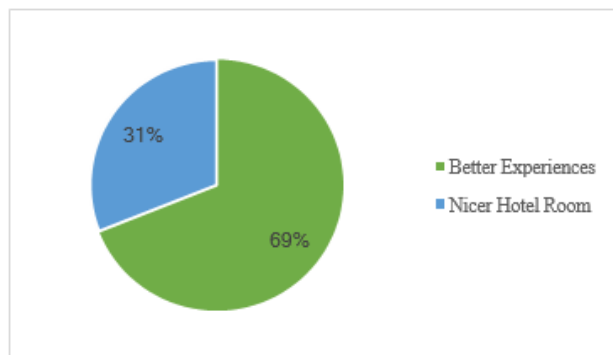


Fig 3 Preferences on Travel Spending

Source: Carty, 2017

The evolving trends in society where people are looking for experiences that are more distinctive and authentic are one of the principal contributors to the expansion of *airbnb experiences* (Sassani, 2017). Furthermore, *Airbnb* acts as a personal travel agent that can directly meet these demands by aggregating the fragmented market (Yao, 2019). Based on Skiff’s Experiential Travelers Survey, 69% of travelers rather than a superior hotel room, spend more money on activities, and 65% of travelers would come back experiencing something new rather than coming back for a break (Carty, 2017). In its newsroom, *Airbnb* (2019) itself claimed that they are in the process of meeting the demand by offering a new way to experience the destination.

The rise of experiential tourism also occurs in Indonesian market, where 68% of millennials prefer to visit and learn about one city and its culture thoroughly rather than visiting many cities without learning about anything (Aditya, 2020). Wira



(2019) points out that Indonesian travelers are eager to broaden their knowledge of local activities and willing to deepen the journey of their experience as there is a rise of 47% in searches about tourist destination and activities.

Several problems that happened in the present situation can be identified in the case of Airbnb Experiences. First, after looking through the secondary data from related resources, it hasn't found many research on Airbnb Experiences in Indonesia; it could be subjectively assumed that the company may not have done any research as there were unconfirmed understanding about the current circumstances. In other words, Airbnb Experiences' full capability and potential may not have been utilized maximally in the Indonesian market. Second, the rise of experiential travel creates an urgency to conduct the research for Airbnb to be able to take advantages of the given opportunity. Third, there are limited researches that have been done on brand extension in tourism marketplaces.

Keller and Kotler (2016) states that brand extension can contribute to leveraging the most important assets of businesses, since new products are believed to help embrace and provide the parent brand and the company with good feedback. Therefore it is important to determine how well the extension is accepted by consumers to address the uncertainty of success of the Airbnb brand extension (Chiu et al., 2017). Researchers have put the importance of studying potential determinants of brand extension success which later can provide insights for managers to reduce failure rates (Voelckner & Sattler, 2006; Joshi & Yadav, 2017).

A study by Riley, Pina and Bravo (2015) reveals that consumers are partially persuaded by the value they have felt to purchase an extension product. The perceived value is defined as "the entire consumer evaluation of the usefulness of a product based on perceptions of what's received and given." according to Zeithalm (1988). This useful exchange assessment could be based on numerous variables, including consumer novelty, perceived fitness, parent brands and brand expansion (Riley, Pina, & Bravo, 2015; Hong, Lin, & Hsieh, 2017). Each client is in some measure an innovator; in daily life people adopt new concepts or items (Hirschmann, 1980). Therefore, it is vital to take account of consumer innovation in this understanding because the brand development is often related with a relatively new product (Joshi & Yadav, 2017). The attitude towards brand enlargement also shapes the perceived value of consumers as it summarizes the expectation of consumers for new products (Lei, Ruyter, & Wetzels, 2008). In addition the investigators anticipated that perceived fitness can influence both the perceived value and the attitude of consumers when assessing the adequacy of their category membership in a new product, brand expansion (Martinez & Pina, 2003; Joshi & Yadav, 2017). In addition, given the general consumer assessment of the parent brand has an important influence in customer expansion and perceived value, it may be assumed that the attitude of the parent brand (Martinez & Pina, 2003; Wu & Lo, 2009; Huetl & Gierl, 2011).

The aims of the study were to explore the relationship between parent brand behaviour, perceived fitness, the brand development and the innovative consumer attitude towards the perceived value of the extension and the impact of the extension on Airbnb Experiences' desire to purchase. This research will offer insight into the success of Airbnb Experience and also into organizations that want to expand their products with the same brand.

2. Literature Review

2.1 Brand Management

Consumers establish relationships with certain brands, meaning that they attach value to the brand and consider it as an essential part of the product itself (Kotler & Armstrong, 2018). In consequence, branding becomes a major challenge for marketers in marketing new and existing products (Hair et al., 2013). According to Chernatony (2010), well-managed brands build positive reputations; these favorable reputations will eventually result in better financial returns. Therefore, it is significant for companies – even ones that have recognized identities – to study consumer behavior in order to detect changes in meaning and attitudes toward their brands (Hair et al., 2013). The most common understanding of brand according to several scholars is "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (Watkins, 1986; Aaker D., 1991; Kotler & Armstrong, 2018).

The essential part of branding is to enrich products and services with brand's equity power (Keller, Prameswaran, & Jacob, 2015). Brand equity is "a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers" (Aaker D., 1991). To put it simple, it is the commercial value that is added to the product. Aaker (1991) further explains that brand equity can be useful for both customer and firm. Customers can read and process product and brand information effortlessly. It might also affect customer trust in the buying decision. On the other side, brand equity brings value to the company by improving the marketing efficiency, brand loyalty, competitive advantage and brand expansion.

Keller and Kotler (2016) argue that brand expansion is one of the branding techniques employed by organizations to compete with each other. Brand Extension is used for launching new items in one or various categories by current brand names (Voelckner & Sattler, 2006). Vertical extension is the word used when the new products are inside the same category as the parent brand but have various price classes while horizontal brand extension is called new products which are launched in a separate category (Kotler & Armstrong, 2018). Brand expansion in general may assist leverage the most important assets of organizations because it is considered that new product acceptance may be facilitated and the brand of parents and the firm receive good comments (Keller & Kotler, 2016). Aaker and Keller (1990) further explain that the efficiency of a brand extension often relies on certain consumer behavior assumptions, such as (1) that consumers have a positive attitude to the parent mark in their memories that will (2) increase positive identity and (3) neither are translated into positive associations

2.2 Consumer Behavior

Solomon (2009) defines consumer behavior as "the study of the process involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires". After studying consumer behavior, it is believed that marketing process will be easier as it helps to put consumers in certain group according to their similarities (Stenroos & Lerch, 2014). As consumer behavior is a process, the term "consumer" does not only indicate the purchase action – it also refers to the stage of pre-purchase and post-purchase (Pachauri, 2002). Pre-purchase activities involve consumers' recognition of needs and wants, search of information, and also evaluation of the provided alternatives. After all of these actions, consumers will make their purchase decision that suit them the most. Then, it reaches the post-



purchase stage where consumer appraise their experience and make further actions; they determine their satisfaction which can affect their intention to recommend or repurchase (Pachauri, 2002; Baker, 2003; Solomon, 2009). A similar concept was explained through AIDA theory model, where consumer behavior is explained with the process of attention, interest, desire and action. It was originally used as a sales approach strategy and later is commonly recognized as persuasive communication technique in marketing literature (Lee & Hoffman, 2015). As this concept was developed around 1900s, some changes have been applied to keep abreast of the times (Wijaya, 2012). AISAS model explains that consumer behavior process has shifted to attention-interest-search-action-share due to the technology disruption (Meilyana, 2018). As internet allows people to access all kinds of information easily, they voluntarily study the product deeper before pursuing further action. Moreover, people can also share their experience after consuming certain product and services, creating what is known today as electronic word of mouth (eWOM). In general, all of the stages in any consumer behavior model involve many actors that act differently according to their role, for instance, (1) the initiator who realizes that the needs and wants are not being met and will purchase certain products to fulfil it, (2) the influencer who affects others purchase decision through words or action, (3) the buyer who actually make the purchase transaction, and also (4) the user who consume or use the purchased products (Khan, 2006).

Ferrell, Hirt & Ferrell (2016) indicates the purchasing behavior is influenced by external and internal influences. Social roles, reference groups, social classes and culture are the external elements or usually known as social variables. Ferrell, Hirt & Ferrell (2016) explains that social roles are the expectations of someone in accordance with his or her position. Then, they elaborate reference groups as the faction that the individual identifies himself or herself with and adopts the values for reference. Social classes are the ranking that people designate in the society, either to higher or lower level in respect, and lastly, they define culture as the accepted pattern of human behavior. On the other hand, the internal factors, or five main psychological variables of buying behavior, are perception, motivation, learning, attitude and personality. Perception is the process where people formulate and depict the sensations they got from their senses. Motivation, on the other hand, is the inner drive that leads the behavior of consumers towards their goals. Learning is the transformation of behavior based on the knowledge, meanwhile attitude, is consumers' positive or negative feeling towards something. Lastly, personality is the traits, attitudes or routine that differentiate one individual with another.

2.3 Parent Brand Attitude and Brand Extension Attitude

Brand attitude, or attitude towards a brand, has been considered as one of the key components in brand management, especially for valuing brand's equity (Liu et al., 2012). In general, attitude is consumers' positive or negative feeling towards particular things (Ferrell, Hirt, & Ferrell, 2016). In a study by Mitchell and Olson (1981), the term attitude is defined as the internal evaluation towards an object such as branded products. Other definition of attitude is also explained by Fishbein and Ajzen (1975), which is "a function of his salient beliefs at a given point in time"; they argue that the attitude can be quantified by taking into account the answers of a person to a set of convictions describing the relationship in an expectation value model. Brand attitude in the same way as the overall assessment of brand satisfaction and quality is described by Keller, Prameswaran and Jacob (2015). Therefore, the parent brand's approach can be described as the overall assessment of the core brand by consumers (Wu & Lo, 2009) and brand extension can be defined as the overall assessment of the extension by consumers (Riley, Pina, & Bravo, 2015).

Many academics have incorporated their parent brand attitude in their brand extension study to enhance their comprehension. Research by Aaker and Keller (1990) reveals that the total consumer assessment of brand parent and brand extension by means of measuring perceived quality has an interaction impact. The favorable result, however, was strong if the two product classes were "fit." On the other hand, Huettl and Gierl's research (2011) supports the key mechanism for evaluating the spread of brands is the transfer of brand behaviour. The new Riley, Pina and Bravo Vertical Brand Extension Study (2015) likewise demonstrates a positive correlation of parent-brand approach and brand expansion. Therefore, hypothesis 1 developed as follow:

H₁ : Parent Brand Attitude (PBA) is positively correlated with Brand Extension Attitude (BEA)

2.4 Perceived Fit and Brand Extension Attitude

Consumers seem to participate in a categorisation process in response to brand extensions when the new product is assessed in line with the appropriateness ("fit") of it in a category with a set of items and a brand or referable label (Park, Milberg, & Lawson, 1991). On that basis, numerous scholars and market experts have viewed fit as one of the most important factors to successfully expand the brand (Aaker & Keller, 1990; Chung & Kim, 2014). The degree of similarity or congruence between an extension with its brand can be characterized as the perceived fitness (Aaker & Keller, 1990). The value of the perceived fit is thought to be double: its effects on the parent brand and its usefulness in assessing extensions (Buil, Chernatony, & Hem, 2009).

When the two product classes are compatible with each other, the perceived quality transfer of a brand is improved in brand management (Aaker & Keller, 1990). When responding to vertical brand extensions, consumers often see a greater fit between the parent brand and the brand name extension. The key reason for this is that the provided products are within the same class (Aaker & Keller, 1990; Chung & Kim, 2014). In contrary, horizontal brands extend more distance from vertical ones since the categories of the product differ from the parent brands, which might decrease the halo effect or undermine the strength of the existing brand partnership (Chung & Kim, 2014).

Perceived fit has been considered as one of the determinants of brand extension success (Aaker & Keller, 1990; Chung & Kim, 2014). In fact, in Voelckner and Sattler's (2006) research, perceived fit is proved to be one of the strongest and influential determinants of brand extension success among 23 variables. In vertical brand extension research of Riley, Pina and Bravo (2015), perceived fit is linked positively with brand extension attitude. Kaur and Pandit's (2015) brand extension research in fast moving consumer goods also shows that perceived fit has a strong influence on brand extension attitude. The same result is obtained in the recent study by Joshi and Yadav (2017). Hence the second hypothesis developed as follow:

H₂ : Perceived Fit (PF) is positively correlated with Brand Extension Attitude (BEA)

2.5 Parent Brand Attitude and Perceived Value

The term perceived value is often insignificantly differentiated with other similar constructs such as "values", "utility", "price" and "quality". In fact, "value" indicates the worth of a product or the outcome of an evaluative judgement, meanwhile "values" are the basis, norms or criteria to make the judgement itself (Fernandez & Bonillo, 2007). Fernandez and Bonillo



(2007) further explain that "value" is the result of give-and-take between the made sacrifices and received benefits whereas "values" are ideator personal beliefs that they hold. Therefore, it is evident that perceived "value" and personal "values" are two different perceptions.

The perceived value is defined as "the entire consumer evaluation of the usefulness of a product based on perceptions of what's received and given." according to Zeithalm (1988). It was seen as one of the main factors in the management of a company since the marketing operations focus on value creation. It is a key element in creating a competitive advantage for firms or brands (Zauner, Koller, & Hatak, 2015). Further, it not only contributes to the satisfaction of consumers but also affects the future of consumer behavior like the intention of buying again and their loyalty to items or brands (Lin, Sher, & Sih, 2005; Aulia, Sukati, & Sulaiman, 2016).

According to Martinez and Pina (2003), parent brand attitude does not only influence brand extension attitude; it also has effects on consumer's perceived value. Zeithalm (1988) elaborates value as the overall assessment of consumers towards the products' utility based on the perception of what is received and what is given. A research by Musante (2007) in the vertical brand extension shows that parent brand attitude is correlated with perceived value. Riley, Pina and Bravo (2015) points out that their hypothesis of these positive relationship is also supported. Therefore, in this study, the third hypothesis developed as follow:

H₃ : Parent Brand Attitude (PBA) is positively correlated with Perceived Value (PV)

2.6 Perceived Fit and Perceived Value

Riley, Pina and Bravo's latest study of 2015, demonstrates that while the reduced vertical extension of luxury brands is appropriate for the core brand, the degree of fitness does not translate into a perceived value for extension immediately. However, there is a contradiction in other research; Martinez and Pina (2003) state that perceived fit shows a positive correlation with perceived value of the extension. The same finding is also obtained by Musante (2007) in his study of hypothetical vertical extensions of an actual brand. Therefore, the fourth hypothesis of the study developed as follow:

H₄: Perceived Fit (PF) is positively correlated Perceived Value (PV)

2.7 Brand Extension Attitude and Perceived Value

It can be assumed that brand extension attitude will shape consumers' perceived value since it summarizes their expectation of new products (Lei, Ruyter, & Wetzels, 2008). Previous study also shows that perceived value is not only driven by parent brand and fit, but also by brand expansion (Hansen & Hem, 2004). Riley, Pina, and Bravo (2015) also support the hypothesis that the attitude of brand expansion and the value perceived is a positive association. The fifth hypothesis was so formulated as follows:

H₅: Brand Extension Attitude (BEA) is positively correlated with Perceived Value (PV)

2.8 Consumer Innovativeness

Scholars and experts have done researches on innovativeness to understand how marketers as well as consumers react to innovation (Hauser, Tellis, & Griffin, 2006). Theoretics about brand development, preferences, decision making, and communication are thought to play a major role in innovation (Hirschmann, 1980; Voelckner & Sattler, 2006). Rogers and Shoemaker (1971) describe innovation in comparison to others in their social group in the previous phase of innovation Innovation (as cited in Hong, Lin, & Hsieh, 2017). Similarly, Midgley and Dowling (1978) define the innovativeness which, regardless of the experience of others, gives an individual his or her openness to a new thought. Each customer is to some extent supposedly an innovator therefore individuals in their daily life embrace new ideas or items (Hirschmann, 1980).

Innovation is defined by Rogers and Shoemaker (1971), in comparison to others in their social group in the past (as cited in Hong, Lin, & Hsieh, 2017). It is crucial to take care of consumer innovation as branch expansion is usually linked with a relatively new product every client is regarded as an innovator (Joshi & Yadav, 2017). Customer innovation has shown a favorable link with the perceived value, both directly and as a variable of mediation, in Hong, Lin & Hsieh's(2017) research employing hedonic and utilitarian value. Therefore, the sixth hypothesis followed:

H₆: Consumer Innovativeness (CI) is positively correlated with Perceived Value (PV)

2.9 Perceived Value and Purchase Intention

For decades, purchase intention has been studied by numerous scholars and market practitioners. The stage of purchase intention is located between the evaluation of alternatives and the purchase decision; in other words, it is included as the part of the consumer behavior (Keller & Kotler, 2016). Fishbein and Ajzen (1975) refer behavioral intention as the subjective probability of a person to perform certain behavior. They imply that there is a strong relation between attitude and intention based on the assumption that if a person shows favorable attitude toward some objects, the more he or she will intend to perform positive action. Furthermore, intention is also described as the indicators or signals of how hard people are willing to make an attempt, and how much more effort they would like to make to execute the particular action (Ajzen, 1991). Therefore, a simple definition of purchase intention is stated by Younus, Rasheed and Zia (2015) which is the preference of consumer to buy the product or services. In terms of online purchase intention, Salisbury et al. (2001) explain that it is the construct that reinforced the intention of customer to make online purchases.

In psychology research, intention could predict the actual purchase when there is correspondence with the two in following dimensions: action/behavior, target (object where the action is intended), context (in which situation behavior is performed), and also time (when the behavior is performed) (Keller, Prameswaran, & Jacob, 2015). In other words, these elements can show the specificity of intentions. However, it easier to identify the specificity degree on elements like target, context, and time. Consequently, behavior is believed to pose greater difficulty in understanding, especially when identifying whether some specific intention is an instance of a more general intention (Fishbein & Ajzen, 1975).

The study of Fishbein and Ajzen (1975) further elaborate that intention, at any level of specificity, is mainly determined by the subjective norm and attitude towards behavior. This theory is mainly known as theory of reasoned action. The informational base of attitude is the persons' belief about consequences of behavior and also their evaluation. Subjective norms, on the other hand, is based on the normative beliefs and motivation to comply. All of these informational bases are influenced by stimulus condition such as experimental situation, characteristics of target person, situational variations, individual differences and others. Studies have used theory of reasoned action to elaborate consumer behavior and purchase intention by using above variables

The notion of perceived value does not only contribute in making consumers more satisfied but it also concerns the



future of consumers' behavior such as repurchase intention and their loyalty to the products or brands (Lin, Sher, & Shih, 2005; Aulia, Sukati, & Sulaiman, 2016). In a study by Riley, Pina and Bravo (2015), perceived value has positive correlation with purchase intention and are also partially mediating the other variables with purchase intention. Another study in luxury brands also shows that perceived value is the direct antecedent of purchase intention (Salehzadeh & Pool, 2016). Several researches of perceived value and purchase intention in other industries and contexts have also shown the positive correlation (Grewal, Monroe, & Krishnan, 1998; Sweeney & Soutar, 2001). Therefore, the last hypothesis developed as follow:

H₇: Perceived Value (PV) is positively correlated with Purchase Intention (PI)

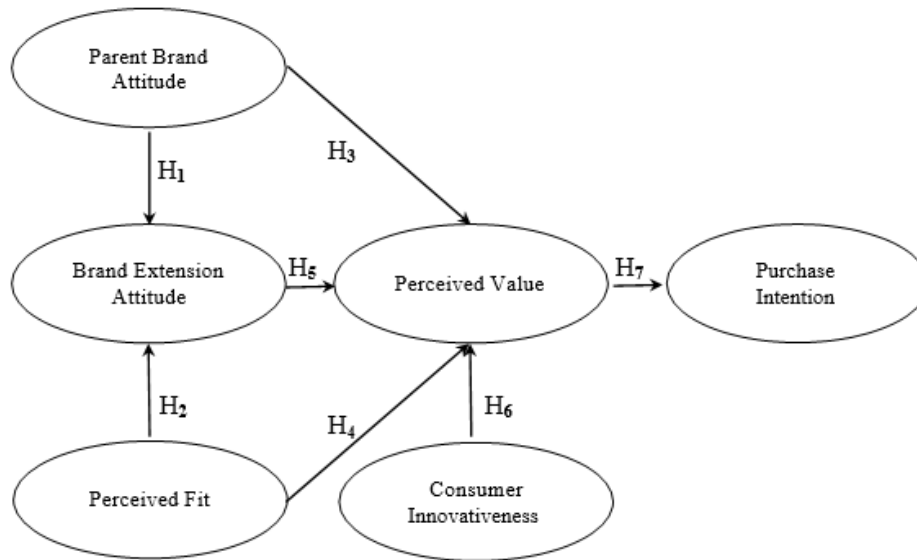


Fig 4 Research Model

Source: Riley, Pina & Bravo, 2015; Hong, Lin & Hsieh, 2017

3. Research Methods

As a study, the purpose of this study was to analyze the relationship between the parent brand attitude, the perceived fit, the attitudes of brand extension and consumer innovation towards perceived value of extension and its impact on purchase intent of Airbnb Experiences. Primary data have been acquired via a structured questionnaire electronic survey. The analytical unit included the six latent factors: the brand attitude, brands' expansion, fitness perceived, value perceived, consumer innovation, buying intention and individual respondents. The study included six hidden variables.

The population of the study were the young adults within the age range 17– 35 years old who have heard about Airbnb application, who have used *Airbnb* application minimum once in the past one year, and consider themselves like to try or experience new things. The sampling method used in this research were internet sampling – namely recruited online sampling – and snowball sampling. Several screening questions addressed to fulfill the population criteria such as age, 'have you ever heard about Airbnb application?', 'have you used Airbnb application at least once within the past one year?', 'do you consider yourself as a person who likes to try or experience new things?'

The principal variables addressed in the five-like questionnaire range from strong disagreement to strong consensus; parental brand attitude with four measuring items, brand extension attitude with four meters, four-measurement items fitting perceived, consumer innovation with six measuring items, seven measurement items perceived value; and the intention to purchase four measurement items.

According to Adam (2018), a good research requires two types of sample: pre-test sample and big sample (for post-test). By conducting pre-test, the quality of the questionnaire can be examined as it reflects the respondents' understanding toward the questionnaire. Therefore, a pre-test conducted to 62 respondents, collected online using the Google Form. On the other hand, for the post-test, the data sample required to have minimum of 203 respondents. The qualified respondents are those who passed the screening questions above. Validity test with factor analysis and reliability test with the Cronbach's Alpha conducted with the support of SPSS software in the pre-test process. Classical assumption test with SPSS software conducted in the post-test process. Structural equation modeling procedure taken to analyzed the data as well as tested the hypothesis with AMOS software.

4. Result and Discussion

4.1 Descriptive Analysis of Respondents

The study had 210 respondents who have passed the screening questions. The table 4.1 shows the demographic information of the respondents based on age, gender, domicile, occupation, expenditure per month, frequencies of using *Airbnb* application and questions about *Airbnb Experiences*.



Table 1
Respondents Profile

Demographics		Frequencies	Percentage (Approx.)
Age	17 – 22	118	56.2%
	23 – 28	70	33.4%
	29 – 35	22	10.4%
Gender	Female	145	69.0%
	Male	65	31.0%
Area of residence	DKI Jakarta	86	41.0%
	Bogor	10	4.8%
	Depok	4	1.9%
	Tangerang	75	35.7%
	Bekasi	12	5.7%
	Others	23	10.9%
Occupation	Student	6	2.9%
	University student	119	56.7%
	Entrepreneur	9	4.3%
	Private employee	53	25.2%
	Civil employee	3	1.4%
	Professional	8	3.8%
	Housewife	-	-
	Others	12	5.7%
Expenditure per month	< Rp 4.000.000,00	124	59.1%
	Rp 4.000.000,00 – 6.000.000,00	46	21.9%
	Rp 6.000.001,00 – 8.000.000,00	12	5.7%
	Rp 8.000.001,00 – 10.000.000,00	9	4.3%
	> Rp 10.000.000,00	19	9.0%
Frequencies of using Airbnb application	1 time	39	18.6%
	2 – 3 times	101	48.1%
	4 – 5 times	22	10.4%
	> 5 times	48	22.9%

Classical assumption test conducted; all results showed that the data has passed normality test, linearity test, homoscedasticity test, non-correlated error test, and multicollinearity test. Hence, the data passed all the multivariate assumption tests.

Know about <i>Airbnb Experiences</i>	Yes	151	71.9%
	No	59	28.1%
Source of knowing <i>Airbnb Experiences</i> (continuation of the respondents who chose "yes" in previous question)	Airbnb application	95	62.9%
	Online advertisement	9	6.0%
	Social media	15	10.0%
	Friends and/or relatives	32	21.1%
Have used <i>Airbnb Experiences</i>	Yes	69	32.9%
	No	141	67.1%

4.2 Structural Equation Modeling Procedure



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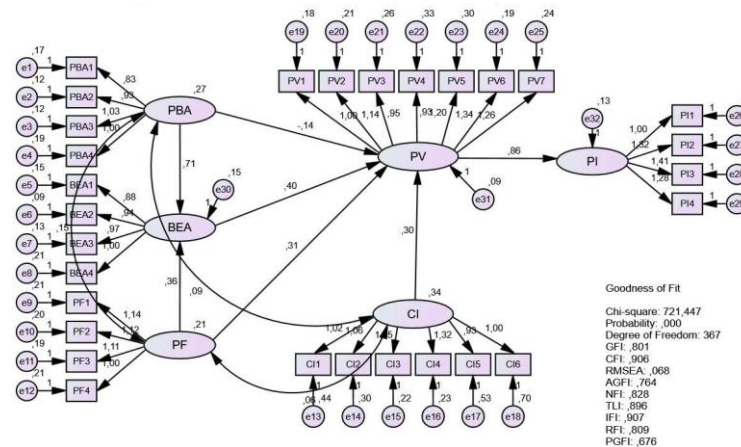


Fig 5 Unstandardized Estimates Structural Model

After having the model set up in AMOS software, the next step is to test the fit between the model and received data by checking the "goodness of fit". Table 4.2 shows the result of the first goodness of fit evaluation – the overall model fit. Based on the table, there are 7 good-fit, 4 marginal-fit, and 3 poor-fit. Therefore, it can be concluded that the overall model has a good fit and model re-specification is not needed. Then, the next evaluation – the structural model fit – can be conducted.

Table 2

Overall Model Fit Evaluation Result

Goodness of Fit Parameter	Estimated Parameter	Testing Criteria
Chi-square / Degree of Freedom	721.447/367 = 1.96	Good Fit
P-value of Chi-square	0.000	Poor Fit
Root Mean Square Error of Approximation (RMSEA)	0.068	Good Fit
Goodness of Fit (GFI)	0.801	Marginal Fit
ss-Validation Index (ECVI)	4.103 for ECVI 4.163 for saturated ECVI	Good Fit
Comparative Fit Index (CFI)	0.906	Good Fit
Normed Fit Index (NFI)	0.828	Marginal Fit
Tucker-Lewis Index (TLI)	0.896	Marginal Fit
Incremental Fit Index (IFI)	0.907	Good Fit
Relative Fit Index (RFI)	0.809	Marginal Fit
Adjusted Goodness of Fit Index (AGFI)	0.764	Poor Fit
Parsimony Goodness of Fit Index (PGFI)	0.676	Good Fit
Akaike Information Criterion (AIC)	857.447 for AIC 870.000 for saturated AIC	Good Fit
Consistent Akaike Information Criterion (CAIC)	1153.050 for CAIC 2760.992 for saturated CAIC	Poor Fit

The measurement model fit can be analyzed using (1) construct validity test, (2) convergent validity test, (3) discriminant validity test and (4) reliability test (Adam, 2018; Henseler, Ringle, & Starstedt, 2014). The construct validity test result can be checked in Table 4.3 by looking at the critical ratio (CR) score and probability (P) value. The CR score should be above 1.96 while P value should be below 0.05 or show "***" which symbolizes that the results accumulate to < 0.001. The result in the table shows that all the measurement items of each latent variable are valid.

Table 3

Construct Validity Test Results

	Estimate	S.E.	C.R.	P	Label
PBA4 <--- PBA	1,000				
PBA3 <--- PBA	1,034	,085	12,093	***	par_1
PBA2 <--- PBA	,934	,078	11,937	***	par_2
PBA1 <--- PBA	,828	,081	10,278	***	par_3
BEA4 <--- BEA	1,000				
BEA3 <--- BEA	,973	,068	14,326	***	par_4
BEA2 <--- BEA	,936	,063	14,862	***	par_5
BEA1 <--- BEA	,881	,066	13,316	***	par_6
PF4 <--- PF	1,000				
PF3 <--- PF	1,113	,114	9,736	***	par_7
PF2 <--- PF	1,119	,120	9,319	***	par_8
PF1 <--- PF	1,136	,125	9,102	***	par_9
CI5 <--- CI	,934	,134	6,999	***	par_10
CI4 <--- CI	1,316	,155	8,474	***	par_11



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CI3	<---	CI	1,350	,160	8,462	***	par_12
CI2	<---	CI	1,060	,132	8,044	***	par_13
PV1	<---	PV	1,000				
PV2	<---	PV	1,140	,099	11,539	***	par_14
PV3	<---	PV	,951	,097	9,773	***	par_15
PV4	<---	PV	,927	,104	8,945	***	par_16
PV5	<---	PV	1,199	,117	10,235	***	par_17
PV6	<---	PV	1,338	,112	11,893	***	par_18
PV7	<---	PV	1,258	,114	11,053	***	par_19
PI1	<---	PI	1,000				
PI2	<---	PI	1,322	,114	11,630	***	par_20
PI3	<---	PI	1,405	,121	11,578	***	par_21
PI4	<---	PI	1,280	,119	10,729	***	par_22
CI6	<---	CI	1,000				
CI1	<---	CI	1,016	,138	7,348	***	par_30

On the other hand, the convergent validity test result can be seen in Table 4.4. To be concluded as valid, an item should have a Standard Factor Loading (SFL) score above 0.50 (Hair et al., 2010). Here, it can be seen that all the measurement items are valid as they all have SFL scores above 0.50.

Table 4
Convergent Validity Test Results

			Estimate (SFL)
PBA4	<---	PBA	,763
PBA3	<---	PBA	,835
PBA2	<---	PBA	,816
PBA1	<---	PBA	,717
BEA4	<---	BEA	,804
BEA3	<---	BEA	,855
BEA2	<---	BEA	,890
BEA1	<---	BEA	,816
PF4	<---	PF	,700
PF3	<---	PF	,756
PF2	<---	PF	,753
PF1	<---	PF	,745
CI5	<---	CI	,599
CI4	<---	CI	,847
CI3	<---	CI	,857
CI2	<---	CI	,745
PV1	<---	PV	,753
PV2	<---	PV	,766
PV3	<---	PV	,666
PV4	<---	PV	,616
PV5	<---	PV	,724
PV6	<---	PV	,831
PV7	<---	PV	,779
PI1	<---	PI	,696
PI2	<---	PI	,866
PI3	<---	PI	,883
PI4	<---	PI	,811
CI6	<---	CI	,572
CI1	<---	CI	,665

Discriminant validity should be conducted to ensure that all latent variables in the model are different from each other, which is very important in doing research especially in the study of marketing literature (Voorhees et al., 2015). The discriminant validity test result can be checked in Table 4.5, which shows the heterotrait-monotrait ratio of correlations (HTMT) criterion results. For a strict discriminant validity criterion, the value should be below 0.850, however other researcher also agrees to have the value at least below 0.900 (Henseler, Ringle, & Starstedt, 2014; Voorhees et al., 2015). Based on the table, it can be concluded that all are valid since they are below 0.850.

Table 5
Discriminant Validity Test Result

	PBA	BEA	PF	CI	PV	PI
PBA						
BEA	0,765					
PF	0,641	0,641				
CI	0,322	0,316	0,282			



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PV	0,539	0,678	0,615	0,557	
PI	0,467	0,563	0,517	0,466	0,738

Similar to convergent validity test, reliability test also uses value in table 4.6. The reliability test result will be evaluated using 2 scores, the construct reliability (CR) score and average variance extracted (AVE) score. Table 4.6 shows the reliability test results.

Table 6
Reliability Test Results

Latent Variables	CR Score ≥ 0.70	AVE score ≥ 0.50	Reliability Conclusion
Parent Brand Attitude	0.864	0.614	Reliable
Brand Extension Attitude	0.906	0.708	Reliable
Perceived Fit	0.827	0.545	Reliable
Consumer Innovativeness	0.865	0.522	Reliable
Perceived Value	0.892	0.542	Reliable
Purchase Intention	0.888	0.667	Reliable

The last step in testing fit is determining the structural model fit or usually known as hypothesis testing. To test the hypothesis, first, the critical ratio (CR) score should be compared with t-table; in other words, CR score should be above 1.96. The second requirement is checking the probability (P) value; P-value should be below 0.05 for a hypothesis to be accepted.

Table 4.7 shows the output from AMOS that contains the CR score and P value for hypothesis testing while table 4.8 shows the standardized factor loading (SFL) that indicates one variable's contribution in affecting the other variables. Last but not least, table 4.9 displays the result and conclusion of the hypothesis testing.

Table 7
Structural Model Fit Result from Regression Weights

			Estimate	S.E.	C.R.	P	Label
BEA	<---	PBA	,714	,107	6,638	***	par_23
BEA	<---	PF	,361	,114	3,169	,002	par_24
PV	<---	BEA	,400	,082	4,860	***	par_25
PV	<---	PF	,305	,093	3,288	,001	par_26
PV	<---	PBA	-,138	,095	-1,447	,148	par_27
PV	<---	CI	,301	,059	5,137	***	par_29
PI	<---	PV	,862	,102	8,437	***	par_28

Table 8
Standardized Regression Weight

			Estimate (SFL)
BEA	<---	PBA	,593
BEA	<---	PF	,264
PV	<---	BEA	,516
PV	<---	PF	,288
PV	<---	PBA	-,148
PV	<---	CI	,363
PI	<---	PV	,753

Table 9
Hypothesis Test Result and Conclusions

Hypothesis	Path	SFL < 1	CR Score > 1.96	P Value < 0.05	Conclusion
H1: Parent Brand Attitude is positively correlated with Brand Extension Attitude	PBA → BEA	0.593	6.638	0.000	Accepted
H2: Perceived Fit is positively correlated with Brand Extension Attitude	PF → BEA	0.264	3.169	0.002	Accepted
H3: Parent Brand Attitude is positively correlated with Perceived Value	PBA → PV	-0.148	-1,447	0.148	Rejected
H4: Perceived Fit is positively correlated Perceived Value	PF → PV	0.288	3,288	0.001	Accepted
H5: Brand Extension Attitude is positively related with Perceived Value	BEA → PV	0.516	4,860	0.000	Accepted
H6: Consumer Innovativeness is positively correlated with Perceived Value	CI → PV	0.363	5,137	0.000	Accepted



H7: Perceived Value is positively correlated with Purchase Intention	PV \square PI	0.753	8,437	0.000	Accepted
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4.3 Hypothesis Discussion

Based on table 4.9, it can be concluded that parent brand attitude has positive and significant influence towards brand extension attitude as the CR score has exceeded 1.96 and the P-value is below 0.05. In other words, it can be inferred that **H₁ is accepted**. This finding is in line with the recent previous study by Riley, Pina and Bravo (2015) in vertical brand extension of luxury products. Looking further at the standard loading factor, parent brand attitude scores 0.593, meaning that the variable contributes 59% in affecting consumer's brand extension attitude. In other words, parent brand attitude has a moderate influence. One of the factors that leads to this outcome is due to consumer's proper understanding about the overall information of the parent brand which afterwards generates a positive attitude (Aaker & Keller, 1990). In this case, it can be seen from the frequencies of using *Airbnb*, where 48% of the respondents had used the application 2 – 3 times and even 22.9% had used it for more than 5 times, indicating that they clearly know what is *Airbnb*, how it works and also had experience with the products and application beforehand. In the second hypothesis, **H₂ is accepted** since the result of the hypothesis testing shows that the CR score is above 1.96 and the P-value is below 0.05. Voelckner and Sattler's (2006) findings further explain that perceived fit is one of the strongest and influential determinants of brand extension success among 23 variables. However, in this research, although perceived fit is proved to be positively correlated with brand extension attitude, there is only 26% influence.

Inconsistent with previous studies, this research finds that parent brand attitude does not have a positive effect on perceived value of the brand extension. The CR score and P-value respectively are -1.447 and 0.148, indicating that they do not pass the hypothesis test parameter. Therefore, it can be concluded that **H₃ is rejected**. Possible explanation is due to the characteristics of the consumers in this study. The targeted respondents are young adults within the age 17 – 35 years old which scientifically are categorized as millennials and generation Z. Although these two generations have differences in characteristics, both are still considered as generations that are critical to changes, especially in responding to globalization (Francis & Hoefel, 2018). In the fourth hypothesis, **H₄ is accepted**. The result shows that perceived fit and perceived value has positive relationship as they have a CR score above 1.96 and P-value below 0.05. Previous studies by Martinez and Pina (2003) as well as Musante (2007) also indicate the positive relationship between perceived fit and perceived value. This means that perceived fit can directly translate into perception of value for the extension when consumers consider the extension brand as logical, appropriate and fits the image of the parent brand. In this study, brand extension attitude is found to have positive and significant influence towards perceived value. Therefore, **H₅ is accepted**. Looking at the field data, majority of the respondents – almost 72% of the total sample – are familiar and already have understanding of *Airbnb Experiences*. Eventually, this finding is in line with the functional theory of attitude where attitude is believed able to further facilitates social behavior (Solomon, 2009). In fact, in this study, brand extension attitude has the biggest influence towards perceived value among other variables, which is 52%.

Based on the hypothesis test result, consumer innovativeness is found to be positively correlated with perceived value, which makes **H₆ accepted**. Here, consumer innovativeness is also found to have 36% influence towards perceived value. This result can be explained from the millennials and generation Z point of view who are the targeted sample of this research. Millennials are believed to seek and prioritize experiences, want to make differences but not act in a standard way while generation Z search for uniqueness and more freedom of expression, tend to be effective and innovative (Berkup, 2014; Francis & Hoefel, 2018). In the seventh hypothesis, **H₇ is accepted**. The result shows that perceived value is positively correlated with purchase intention. This finding is in line with other previous studies on brand extension in various industries as well as on another context that use the same variables (Grewal, Monroe, & Krishnan, 1998; Sweeney & Soutar, 2001; Salehzadeh & Pool, 2016; Riley, Pina, & Bravo, 2015). Furthermore, based on the standard loading factor, perceived value has 75% influence towards purchase intention.

5. Conclusion

This research has a purpose to investigate the relationship of parent brand attitude, perceived fit, brand extension attitude and consumer innovativeness towards perceived value of the extension as well as its impact towards purchase intention in the case of *Airbnb Experiences* in Indonesian market. The unit observation in this research are Indonesian young adults (17-35 years old) who have used *Airbnb* application at least once within the past one year and consider themselves as someone who likes to try new things or experiences. This research adopts descriptive quantitative method with non-probability sampling, specifically using online questionnaire to gather the primary data. A total of 360 responses were gathered during the collection period. However, only 210 respondents passed the screening questions, thus making them the one who were eligible and qualified to fill in the questionnaire. The accumulated data was first processed using SPSS for the multivariate assumption test and continued by SEM procedure using AMOS software version 24.

Based on the hypothesis testing result, there are several conclusions that can be inferred. First, all of the variables are important in determining the success factors of brand extension as each has its own influence in building the relationships. Second, out of all hypothesis proposed, only one relationship is found negative; parent brand attitude shows negative correlation with perceived value. Possible explanation is due to the characteristic of the consumers in this study, where in terms of age, only young adults within the age 17 – 35 can participate. The age 17 – 35 indicates that they are millennials and generation Z, where both generations are considered very critical to changes and have to access the information first in order to develop a point of view. Therefore, parent brand attitude does not translate directly to perceived value. Third, *Airbnb Experiences* are perceived to have both utilitarian and hedonic value that is worth for the consumers, hence giving a stronger push for them to have intention, consider or even plan to purchase the experiences.

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