

THESIS

**LOCALIZATION EFFECTIVENESS AND BRAND
EQUITY: THE CASE OF AGODA IN THE INDONESIAN
DOMESTIC TRAVEL MARKET**



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POLITEKNIK NEGERI BALI

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**TOURISM PLANNING STUDY PROGRAM
APPLIED MASTER PROGRAM
TOURISM DEPARTMENT
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BADUNG
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THESIS

Prepared as One of the Requirements to Obtain
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at Tourism Department, Politeknik Negeri Bali



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PREFACE

Praise and gratitude the author prays to Ida Sang Hyang Widhi Wasa / Almighty God because of His blessings and grace the author was able to complete the thesis entitled:

LOCALIZATION EFFECTIVENESS AND BRAND EQUITY: THE CASE OF AGODA IN THE INDONESIAN DOMESTIC TRAVEL MARKET

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Badung, 26 May 2025

Ida Bagus Putu Kawibhawa Suputra



POLITEKNIK NEGERI BALI

TABLE OF CONTENTS

DECLARATION OF AUTHENTICITY	iii
PREFACE	vii
TABLE OF CONTENTS.....	ix
LIST OF TABLES.....	xii
LIST OF FIGURES.....	xiii
LIST OF ATTACHMENT.....	xiv
ABSTRACT.....	xv
CHAPTER I - INTRODUCTION	1
1.1 Background	1
1.2 Formulation of Problems	8
1.3 Objective of The Study.....	8
1.3.1 General Objective	8
1.3.2 Specific Objective	9
1.4 Significances of The Study.....	10
1.4.1 Theoretical Significance of The Study.....	10
1.4.2 Practical Significance of The Study	10
CHAPTER II - LITERATURE REVIEW AND RESEARCH FRAMEWORK	12
2.1 Literature Review	12
2.2 Concept	15
2.2.1 Localization Marketing.....	15
2.2.2 Brand Equity.....	19
2.2.3 Online Travel Agencies.....	21
2.3 Theoretical Foundation	23
2.3.1 Push and Pull of Tourism Motivation.....	23
2.3.2 Relationship Marketing Theory.....	27
2.3.3 Hofstede Cultural Dimension Theory.....	31
2.3.4 AIDA Model Theory.....	40
2.3.5 GLOBE Theory	41
2.4 Previous Research	44
2.4.1 Previous Research Conclusion and Relevancy	46

2.5 Research Framework	47
CHAPTER III - RESEARCH METHOD.....	50
3.1 Research Design	50
3.2 Location and Object Research	51
3.2.1 Location.....	51
3.2.2 Object Research	51
3.3 Operational Definition of Research Variable	52
3.3.1 Linguistic Localization (X1)	53
3.3.2 Cultural Localization (X2)	53
3.3.3 Technical Localization (X3).....	54
3.3.4 Domestic Market Customer Perception and Engagement (Z1)	55
3.3.5 Brand Recall (Y1)	56
3.3.6 Brand Recognition (Y2)	56
3.3.7 Brand Awareness (Y3)	57
3.3.8 Brand Association (Y4)	58
3.4 Research Hypotheses.....	59
3.5 Type of Data and Data Sources	61
3.5.1 Type of Data	61
3.5.2 Data Sources	62
3.6 Data Collection Method	63
3.6.1 Questionnaire	63
3.6.2 Observation.....	65
3.6.3 Document Study.....	66
3.6.4 Interview	66
3.6.5 Focus Group Discussion	66
3.7 Data Analysis Technique – Quantitative	67
3.7.1 Sampling Technique	68
3.7.2 Validity and Reliability Test.....	69
3.7.3 Analysis of Structural Equation Modelling (SEM)	72
3.8 Data Analysis Technique – Qualitative.....	80
3.8.1 Data Collection Method	81
3.8.2 Data Analysis Process.....	85
3.8.3 Interpretation of Key Themes	88

3.8.4 Integration of Findings	88
CHAPTER IV - OVERVIEW OF THE RESEARCH PLACE	90
4.1 Research Location	90
4.2 Products	91
4.3 Organizational Structure	94
CHAPTER V - RESEARCH RESULTS AND DISCUSSION (Mixed Method)	98
5.1 Research Phase 1 - Quantitative	98
5.1.1 Measurement Model or Outer Model	105
5.1.1 Structural Model or Inner Model	121
5.2 Research Phase 2 – Qualitative	142
5.2.1 Research Results – Interview	142
5.2.2 Research Results - FGD	151
5.3 Integration Finding Quantitative and Qualitative Results	154
5.3.1 Triangulation	154
5.3.2 Supportive Findings Across Methods.....	156
5.3.3 Additional Qualitative Insights Beyond Quantitative	157
5.3.4 Final Interpretation and Synthesis	158
5.4 Discussion for Research Question.....	160
5.4.1 Discussion for Research Question 1 - Overall impact of Agoda's localization strategies on brand equity among Indonesian domestic travelers	160
5.4.2 Discussion for Research Question 2 - Which specific linguistic, cultural, and technical localization strategies implemented by Agoda demonstrate the strongest correlation with increased brand equity among Indonesian domestic travelers?.	164
5.4.3 Discussion for Research Question 3 - Domestic travelers perceive Agoda's localization efforts	167
5.5 Research Model	169
CHAPTER VI - CLOSING	172
6.1 Conclusion	172
6.2 Recommendations	179
REFERENCES	184
ATTACHMENT	199

LIST OF TABLES

Table 1 2.1 Previous Research.....	45
Table 2 3.1 Research Hypothesis.....	60
Table 3 3.2 Likert Scale	64
Table 4 3.3 Interpretation of Average Score.....	65
Table 5 5.1 Convergent Validity Test Result.....	108
Table 6 5.2 Discriminant Validity Test Result	109
Table 7 5.3 Cross Loading Test Result	112
Table 8 5.4 HTMT Test Result	114
Table 9 5.5 AVE Test Result	117
Table 10 5.6 Composite Reliability dan Cronbach's Alpha Test Result	119
Table 11 5.7 R ² Test Result.....	122
Table 12 5.8 f ² Test Result	125
Table 13 5.9 Q ² Test Result.....	127
Table 14 5.10 Direct Hypotheses Testing Result.....	130
Table 15 5.11 Indirect Hypotheses Test Result	134
Table 16 5.12 Usage Behavior Interviewer	143
Table 17 5.13 Thematic Result	146
Table 18 5.14 FGD Thematic	152
Table 19 5.14 Triangulation.....	156

POLITEKNIK NEGERI BALI

LIST OF FIGURES

Figure 1 1.1 Global Channel Growth 2019 - 2025.....	1
Figure 2 1.2 Domestic Market Growth	3
Figure 3 1.3 Market Share	4
Figure 4 1.4 Brand Recognition Index.....	5
Figure 5 2.1 Research Framework	47
Figure 6 3.1 Research Sequence	50
Figure 7 3.2 Research Variable.....	52
Figure 8 4.1 Agoda Logo	91
Figure 9 4.2 Agoda Product	92
Figure 10 4.3 Agoda Structure.....	94
Figure 11 5.1 Agoda Users Last 12 months	98
Figure 12 5.2 Agoda Age User Group	99
Figure 13 5.3 Agoda Booking Frequency Among Respondents.....	100
Figure 14 5.4 Channels Preferred	101
Figure 15 5.5 Primary Reason Using Agoda	102
Figure 16 5.6 Usage Localization Agoda Features	103
Figure 17 SMART PLS Algorithm.....	105
Figure 18 5.2 Bootstrapping Result	140
Figure 19 FGD Meeting.....	154
Figure 20 Research Model	169

POLITEKNIK NEGERI BALI

LIST OF ATTACHMENT

Attachment 1 - Observation List	199
Attachment 2 - Questionnaire	201
Attachment 3 - Interview Guidance	204
Attachment 4 - FGD Guidance	206



POLITEKNIK NEGERI BALI

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ABSTRACT

This research explores the effectiveness of Agoda's localization strategies in enhancing brand recognition among Indonesian domestic travelers. The study employs a mixed-method approach, combining quantitative data from 130 respondents with qualitative insights from in-depth interviews and focus group discussions (FGDs). Guided by theoretical frameworks including Push and Pull Tourism Motivation, Localization Marketing, Brand Equity, Relationship Marketing, Hofstede's Cultural Dimensions, and the AIDA Model, the study assesses how linguistic, cultural, and technical localization strategies influence user perception and engagement.

Quantitative findings reveal that linguistic localization has the most significant impact on brand equity, followed by cultural and technical factors. Qualitative insights further underscore the importance of clear Bahasa Indonesia interface, culturally resonant marketing visuals (such as using national celebrities), and localized payment methods like bank transfers and e-wallets. Thematic analysis identifies trust, ease of use, and cultural relevance as key mediators between localization and brand equity. Triangulation confirms that qualitative themes align closely with quantitative data, while also uncovering additional layers of user sentiment and behavioral drivers.

The research concludes that effective localization—rooted in cultural understanding and technological adaptability—is essential for increasing Agoda’s competitiveness in Indonesia’s domestic market. The findings contribute to the academic discourse on localization marketing and brand engagement, offering practical recommendations for multinational OTAs seeking to resonate with culturally diverse audiences.

Keywords: Localization Strategy, Brand Equity, Online Travel Agency, Indonesian Domestic Travel, Mixed Methods, Hofstede, Relationship Marketing, AIDA Model



POLITEKNIK NEGERI BALI

CHAPTER I - INTRODUCTION

1.1 Background

Localization has become a critical strategy for global platforms like Agoda to strengthen brand equity and expand their market share across diverse regions. The online travel industry has transformed the way consumers plan, book, and experience their journeys, with Online Travel Agencies (OTAs) playing a pivotal role in this transformation. As noted by Runfola et al. (2013), OTAs have emerged as reliable digital intermediaries offering consumers extensive access to travel inventories across geographies and segments. Talwar et al. (2020) define OTAs as digital aggregators that connect consumers with a variety of travel-related services via online platforms.

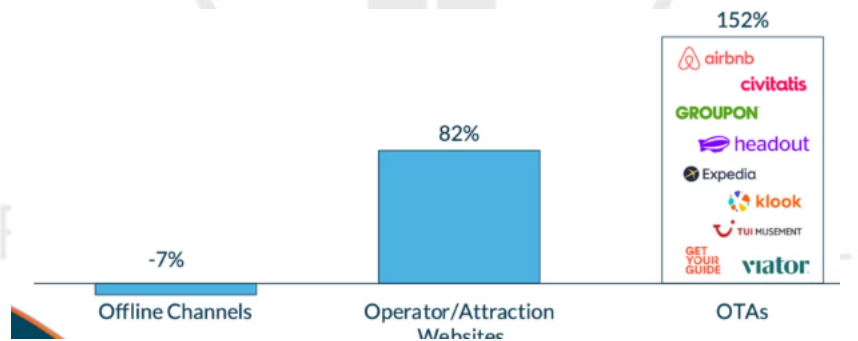


Figure 1 1.1 Global Channel Growth 2019 - 2025

Source: <https://arival.travel/article/top-otas-to-watch-in-asia-pacific/>

When compared to other channels, the use of Online Travel Agencies (OTAs) has increased by 152%, as seen by the data on figure 1.1. This increase is being driven by websites that provide convenience and a large

selection of travel options, such as Airbnb, Expedia, Klook, and Agoda. Offline channels have decreased by 7%, which is indicative of the trend of consumers moving towards digital platforms. Travelers' inclination for direct communication with service providers is highlighted by the fact that operator/attraction websites, which expanded by 82%, continue to be a formidable rival to OTAs. According to studies looking into the history of traditional travel agencies, the reason for these difficulties is the rise in online demand; more and more customers are planning their trips through e-commerce websites or online travel agencies (Bilgihan et al., 2016). This pattern suggests that even while OTAs control most of the market, attracting customers demands more than convenience. OTAs like Agoda need to set themselves apart to be competitive, especially in niche areas like Indonesia.

Domestic tourism in Indonesia is observing the rise of this mobility. In fact, the Covid-19 hygienic situation offers a chance to boost domestic travel, according to several researchers. The data on figure 1.2 shows a consistent rise in the domestic market for global OTA from 2019 to 2024, which is indicative of travelers' increasing desire for locally tailored travel options. Even though the global market is still very important, domestic travel is now a major growth engine, especially in culturally varied nations like Indonesia.

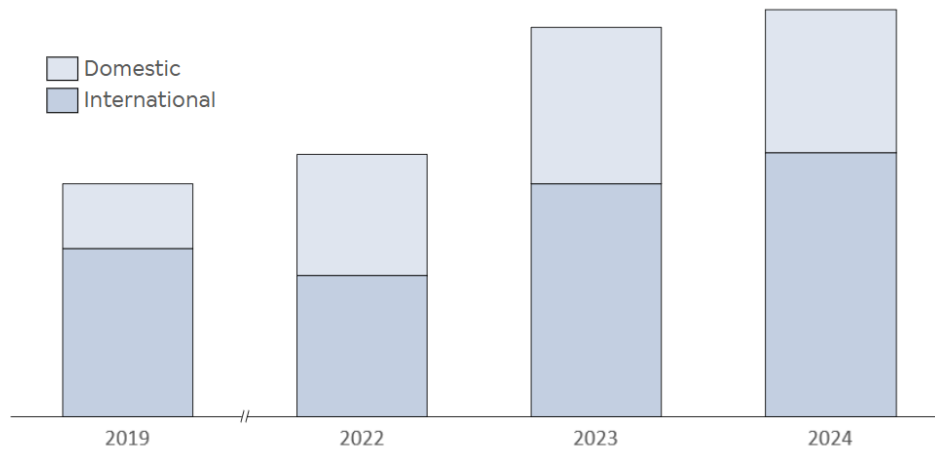


Figure 2 1.2 Global OTA Domestic Market Growth

Source: <https://www.statista.com/statistics>

In Indonesia—one of Southeast Asia’s fastest-growing travel markets—the presence of OTAs like Agoda, Traveloka, and Booking.com has intensified competition, particularly in the domestic segment. This market presents both substantial opportunities and unique challenges due to Indonesia's cultural diversity, digital consumer behavior, and preference for local platforms. Competing successfully requires more than a global reputation; it demands strategic localization. To remain competitive and relevant, Agoda must move beyond surface-level translation. Effective localization involves integrating cultural sensitivity, fostering regional partnerships, and implementing marketing strategies that align with local consumer preferences. Without such alignment, Agoda risks low brand visibility, weak emotional connection with users, and diminished competitive advantage.

The figure 1.3 provides a visual representation of Agoda’s market performance in Indonesia, distinguishing between international (dark blue)

and domestic (light blue) segments. The data reveals that while Agoda maintains a strong international presence, its domestic market share remains relatively small and stagnant, suggesting challenges in establishing deeper engagement and brand recognition among Indonesian travelers. The consistent yet unremarkable domestic market trend indicates that Agoda may not be fully leveraging localization strategies to compete effectively with local OTAs, such as Traveloka and Tiket.com, which have a more established presence and stronger resonance with domestic consumers.

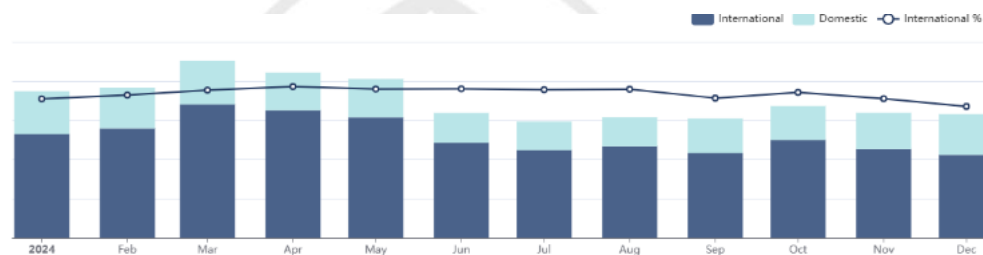


Figure 3 1.3 Market Share

Sources: partnerhub.agoda.com/id-id

This pattern aligns with the identified research gap, as despite holding more than 20% domestic market share, Agoda lacks comprehensive, data-driven insights into which localization strategies are most effective in enhancing brand equity and consumer engagement. The figure also suggests that Agoda's current localization efforts may not be sufficiently compelling or differentiated, limiting its ability to capture a larger portion of the domestic market. While international travelers continue to drive Agoda's overall performance, its relatively flat domestic market trajectory highlights the need

for strategic improvements in linguistic adaptation, cultural integration, and technical customization.



Figure 4 1.4 Brand Recognition Index

Sources: <https://blog.staah.com/news/top-sea-online-booking-channels-for-2023-revealed-by-staah>

The strength of localized techniques in conquering the domestic market is demonstrated by Traveloka's strong position as the top channel. Traveloka has become the preferred platform for Indonesian tourists by emphasizing cultural relevance, language integration, and customer-centric services. Global OTAs like Agoda and Booking.com, meanwhile, continue to hold a significant market share, but their capacity to compete with regional behemoths largely depends on their capacity to adjust to the peculiarities of local markets. With strong local competitors like Traveloka and Tiket.com, which already cater specifically to Indonesian travelers' preferences, Agoda must ensure that its linguistic, cultural, and technical localization efforts

resonate with the local audience. Failure to do so would hinder its ability to differentiate itself, compete effectively, and secure its desired market share in this key growth region. As Indonesian travelers increasingly favor platforms that offer personalized experiences, culturally relevant promotions, and seamless local payment options, Agoda must continuously refine its localization strategies to avoid losing potential customers to more locally attuned competitors.

As Kotler & Pfertsch (2007, p. 222) emphasize, a brand's visibility and recognizability are critical components of brand equity. A strong brand must be present in the consumer's mind—triggering recall, familiarity, and trust. If Agoda's localization efforts fail to connect with Indonesian travelers, it may suffer from low brand recall and recognition, ultimately hindering its ability to build meaningful customer relationships and expand its footprint in the domestic market.

Based on the STAAH data on figure 1.4 ranks the leading online travel channels brand in Indonesia. With Traveloka, Booking.com, and Agoda in the top three spots, the rankings demonstrate the fierce competition in the Indonesian online travel market. This illustrates how many domestic and foreign OTAs are present to meet Indonesia's expanding travel needs.

One of the foundations of successful localization is cultural relevance. It's about recognizing the significance of context in every digital contact and realizing that what works in one region of the world might not work in another. Another crucial component of localization is language. Speaking the

language of the audience is essential for effective communication. This includes knowing idioms, slang, and regional dialects in addition to the language itself. The frontlines of this communication are digital platforms, such as social media and websites. It's critical to modify digital strategy to accommodate the subtleties of a diverse market in an era where digital technologies are changing how companies engage with customers.

This study aims to bridge this gap by evaluating the effectiveness of Agoda's localization marketing strategies in strengthening its brand equity among Indonesian travelers. By understanding the specific localization elements that influence domestic consumer behavior, trust, and engagement, Agoda can refine its strategies to enhance market penetration, build stronger relationships with Indonesian travelers, and remain competitive against local and global OTAs. The insights derived from this research will provide actionable recommendations for Agoda to optimize its localization approach, ensuring that it not only retains relevance in Indonesia but also expands its domestic market share effectively.

1.2 Formulation of Problems

Based on the above background, the formulation of problems for this study are:

- a. What is the overall impact of Agoda's localization strategies on brand Equity among Indonesian domestic travelers?
- b. Which specific linguistic, cultural, and technical localization strategies implemented by Agoda demonstrate the strongest correlation with increased brand equity among Indonesian domestic travelers?
- c. How do Indonesian domestic travelers perceive Agoda's localization efforts, and what mediating factors (e.g., cultural relevance, perceived value, ease of use) explain the relationship between these perceptions and brand recognition?

1.3 Objective of The Study

1.3.1 General Objective

This study's main goal is to assess how well localization marketing techniques work to increase Agoda's brand equity among Indonesian domestic tourists. The study intends to determine the main elements impacting customer preferences and perceptions, evaluate how localized marketing initiatives affect brand equity, and offer practical suggestions for enhancing Agoda's competitiveness in the Indonesian travel industry.

1.3.2 Specific Objective

Based on the formulation of problems above, the specific objectives for this study are:

- a. To assess the overall impact of Agoda's localization strategies on brand equity among Indonesian domestic travelers by measuring and quantifying consumer awareness, trust, and engagement. This objective aims to determine whether Agoda's localization efforts have had a positive, negative, or neutral effect, providing insights into the effectiveness of linguistic, cultural, and technical adaptations.
- b. To identify which specific linguistic, cultural, and technical localization strategies implemented by Agoda demonstrate the strongest correlation with increased brand equity among Indonesian domestic travelers. This objective enables a quantitative analysis to measure the effectiveness of each localization element, facilitating a comparative evaluation to determine the most impactful strategies in enhancing consumer awareness, trust, and engagement.
- c. To examine how Indonesian domestic travelers perceive Agoda's localization efforts and identify the mediating factors (e.g., cultural relevance, perceived value, ease of use) that explain the relationship between these perceptions and brand equity. This objective seeks to uncover the underlying mechanisms influencing the impact of localization, recognizing that traveler perceptions do not directly translate into brand recognition but are shaped by various intervening variables.

1.4 Significances of The Study

1.4.1 Theoretical Significance of The Study

This study adds to the body of evidence already available on localization marketing by examining how it affects brand equity in the online travel sector. It broadens theoretical frameworks concerning brand awareness, customer perception, and cultural adaptability in developing countries such as Indonesia. This study offers a better understanding of how cultural relevance, language adaptation, and personalized marketing affect brand equity by analyzing the relationship between localized methods and customer behavior.

The results of this study will also fill in gaps in the scholarly literature about how well localization initiatives work to increase brand equity in markets with a variety of cultural backgrounds. This study sheds light on how multinational corporations such as Agoda may strike a balance between local adaptation and global standardization by concentrating on the Indonesian market.

1.4.2 Practical Significance of The Study

a. For Researcher

This study offers the researcher a valuable opportunity to gain practical insights into the application of localization marketing strategies in a real-world context. By analyzing Agoda's efforts in the Indonesian market, the researcher will develop a comprehensive understanding of how cultural

relevance, language adaptation, and personalized marketing can influence brand equity and consumer behavior.

b. For Politeknik Negeri Bali

This study provides Politeknik Negeri Bali with valuable insights into the practical applications of marketing theories in a rapidly evolving industry. By focusing on localization marketing strategies within the online travel sector, the research aligns with the institution's goals of producing industry-ready graduates equipped with knowledge relevant to real-world challenges.

c. For Industry Practitioners

This study provides industry practitioners, particularly those in the online travel and hospitality sectors, with actionable insights into the effectiveness of localization marketing strategies. By focusing on the Indonesian market, the research highlights practical approaches to enhance brand equity through culturally relevant and consumer-focused marketing initiatives.

d. For Company Researched

This study provides Agoda with valuable insights into the impact of its localization marketing strategies on brand equity among domestic travelers in Indonesia. By analyzing the effectiveness of these efforts, the research identifies specific areas where Agoda can refine its marketing initiatives to better align with the preferences and cultural nuances of Indonesian consumers

6.2 Recommendations

Based on the findings and conclusions of this study, several strategic recommendations can be made to further enhance Agoda's localization efforts and strengthen its brand equity among Indonesian domestic travelers. These recommendations focus on optimizing cultural, linguistic, and technical localization strategies, improving customer engagement, and ensuring long-term brand loyalty in the highly competitive OTA market.

6.2.1 Strengthening Cultural Localization for Deeper Market Penetration

Since cultural localization had the strongest impact on brand recognition ($\beta = 0.354$, $p < 0.001$), Agoda should prioritize culturally tailored marketing strategies to resonate more deeply with Indonesian travelers. To achieve this, Agoda should:

- a. Leverage Local Festivities and Traditions – Align promotions with major Indonesian cultural events (e.g., Idul Fitri, Nyepi, Batik Day) to create emotionally engaging marketing campaigns.
- b. Enhance Localized Visual Content – Use culturally familiar images, symbols, and colors in marketing materials to strengthen the emotional connection with Indonesian consumers.
- c. Collaborate with Local Influencers & Travel Bloggers – Partner with Indonesian social media personalities to enhance brand trust and awareness, as local recommendations hold higher credibility among domestic travelers.

- d. **Develop Regional-Specific Promotions** – Offer promotions that cater to different regions in Indonesia, considering regional travel behaviors and cultural preferences (e.g., eco-tourism in Bali, adventure tourism in Sumatra, historical tourism in Yogyakarta).

6.2.2 Enhancing Linguistic Localization to Improve Brand Perception

Since linguistic localization significantly influences brand recognition ($\beta = 0.267$, $p < 0.001$), Agoda should refine its language adaptation strategies to create a seamless and locally relevant experience. Recommended actions include:

- a. **Improve Bahasa Indonesia Translation Quality** – Ensure that all translations on Agoda's platform, marketing materials, and customer support channels use natural, conversational language, rather than direct or machine translations.
- b. **Provide Multilingual Customer Support** – Expand real-time chat and call center support in Bahasa Indonesia, ensuring that Indonesian travelers feel valued and understood.
- c. **Use Regional Dialects in Marketing (If Applicable)** – Incorporate local slang and culturally specific expressions in marketing campaigns to make Agoda feel more personal and relatable to various customer segments.

- d. Personalized Language Preferences – Offer users the ability to customize language settings based on their regional or dialect preferences, making their experience feel more tailored and engaging.

6.2.3 Optimizing Technical Localization for Seamless User Experience

Technical localization also plays an essential role in enhancing brand recognition ($\beta = 0.214$, $p < 0.001$), especially by improving the ease of use, convenience, and accessibility of Agoda's platform. Agoda should focus on:

- a. Expanding Local Payment Methods – Increase integration with Indonesian e-wallets (GoPay, OVO, Dana, ShopeePay), bank transfers, and PayLater services, as many Indonesian travelers prefer using familiar and trusted payment methods.
- b. Enhancing Mobile User Experience – Given that most Indonesian travelers book via mobile, Agoda should continue refining its mobile app's UI/UX to make navigation, search, and checkout smoother and more intuitive.
- c. Providing Location-Based Personalization – Offer region-specific hotel recommendations, pricing strategies, and travel insights based on the traveler's current location or frequently searched destinations.

- d. Integrating AI-Driven Customer Service – Deploy AI-powered chatbots with Bahasa Indonesia support to provide quick, localized responses to user inquiries, enhancing customer satisfaction and engagement.

6.2.4. Strengthening Customer Engagement to Improve Brand Equity

The study highlights that domestic market customer perception and engagement strongly mediates the impact of localization strategies on brand recognition ($\beta = 0.733$, $p < 0.001$). To strengthen customer perception and long-term engagement, Agoda should:

- a. Develop an Indonesia-Specific Loyalty Program – Offer a localized rewards program with exclusive benefits, such as discounts at local partner restaurants, free travel insurance, or priority check-in services.
- b. Encourage User-Generated Content & Reviews – Promote customer testimonials, reviews, and travel experiences on Agoda's platform to build trust and encourage more organic brand recall.
- c. Engage in Localized Social Media Marketing – Focus on hyper-localized digital campaigns on Instagram, TikTok, and Facebook using content that resonates with Indonesian travel trends and preferences.
- d. Host Community-Based Travel Initiatives – Organize social impact programs, sustainability projects, and local travel challenges to create a deeper emotional connection with travelers and strengthen brand association.

6.2.5. Futureproofing Agoda's Localization Strategy

As consumer behaviors continue to evolve, Agoda must ensure that its localization efforts remain relevant and adaptive. To sustain and expand its market dominance, Agoda should:

- a. Leverage Big Data for Personalization – Use AI-driven analytics to understand Indonesian travelers' behaviors, preferences, and booking patterns, allowing for more targeted and effective localization strategies.
- b. Monitor Competitor Localization Strategies – Continuously evaluate how competitors like Traveloka, Tiket.com, and Booking.com are adapting their localization efforts to ensure that Agoda remains one step ahead in the market.
- c. Expand Research on Localization Impact – Conduct regular consumer sentiment analysis and A/B testing to measure the effectiveness of Agoda's localization initiatives and refine strategies accordingly.
- d. Invest in Local Partnerships – Form long-term collaborations with local travel agencies, hotels, airlines, and tourism boards to create exclusive deals and deeper market penetration.

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