

Indonesia Airlines' Competitive Strategies

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Submitted: 02nd May 2021 | **Edited:** 03rd July 2021 | **Issued:** 01st Sept 2021

Cited on: Kumalasari, A. (2021). Indonesia Airlines' Competitive Strategies. *AKADEMIK: Jurnal Mahasiswa Ekonomi & Bisnis*, 1(3), 95-103.

ABSTRACT

For business companies, making a profit is final, so there are various ways to do it, including using a fixed-target marketing strategy. As an airline company, of course we are aware of the effect of price and service, considering that the airline business is included in the luxury business category. So paying attention to aspects of price and service is a necessity in getting big profits. Therefore, this research was conducted to see the increase in the decision to use Citilink Indonesia airline from the perspective of price and service strategy. The method used is quantitative with regression analysis. The unit of analysis is Citilink airline customers, totaling 98 people with incidental sampling technique. The results of the study suggest that the service variable dominates consumer decisions in using airline services. This indicates the importance of service as a business icon. While the effect of the price variable is still below 50%. This explains that price is a factor used as a supporting influence on the service aspect, thus there will be a strengthening of consumer decisions in using Citilink Indonesia airlines by 48% (the impact value of the two variables).

Keywords: Consumer Decisions, Pricing Strategy, Service, Airline

INTRODUCTION

The era of globalization makes the world seem borderless, countries are interconnected to facilitate communication for the creation of world economic growth and development. In fact, many companies are no longer stuck in one country but they are starting to open their branches in other countries. As a result of this, a challenge arises for airlines that are felt to be increasingly difficult, both domestic and international flights. Not to mention the aviation business is faced with international policies such as deregulation, liberalization, privatization, *multilateral agreements*, and alliance strategies that have encouraged the emergence of *megacarters* on a global scale.

For Citilink Indonesia, the business prospects in the aviation business faced today and in the future have great potential for growth. Existing markets in various regions

can still be developed further, it is estimated that the aviation market grows by approximately 5.7% per year. This is in line with rapid economic growth both domestically and in the Asia Pacific region. However, without proper preparation and implementation of a comprehensive integrated corporate strategy, Citilink Indonesia could fall in the midst of rampant competition in the aviation industry. Although government protection may still be possible to protect *airlines* , but in the future it seems that it must be released. Given the insistence on "*open sky*" through *multilateral agreements* such as GATT and *bilateral agreements* , which are getting stronger, as well as economic considerations that the contribution of the aviation business world is only about 7% of the overall economy.

Inventure (2017) provides information that the pace of competition between airlines is very tight. This is evident from the business position that Garuda and Citilink are overtaken by Lion Air with a high business growth rate and almost 50 percent market share, followed by Garuda with around 25 percent, Sriwijaya Air with almost 12 percent and Merpati Nusantara with 3 percent.

The occurrence of the above is partly due to the issuance of PP-20 which provides the widest opportunity for foreign private companies (PMA) to establish airlines in Indonesia, as well as the cooperation between the Government of Indonesia and the Government of Singapore in the tourism sector, which has opened a route direct flights from Singapore to several cities in Indonesia, both by *Singapore Airline* and *carriers* in Indonesia and also the granting of *fifth freedom* to *Singapore Airline* for flights to Australia.

On the positive side, the current flight growth is very promising, this needs to be taken seriously by Citilink Indonesia considering the market growth is getting bigger. In the category of developing countries, the Indonesian aviation industry is included in the fastest category in Asia, even the world. From 2008 to 2014, the growth in the number of airplane passengers reached 16%. Along with economic growth and the increasing number of middle class consumers, the growth in the number of airplane passengers in 2015 could reach 20%. In 2014 it is estimated that the growth in the number of passengers will reach more than 100 million people and by 2021 the number of airplane passengers in Indonesia will reach 180 million people.

Not surprisingly, Indonesian airlines are competing to develop the domestic aviation market by buying *propeller* a capacity of under 100 seats in addition to buying large-bodied aircraft in the *Singapore Airshows*. It was recorded that there were at least three Indonesian airlines that bought and ordered this small type of aircraft at the *Singapore Airshow*. The three are Lion Air, Garuda Indonesia and Citilink as well as Merpati Nusantara Airlines. After Lion Air, Garuda Indonesia and Citilink bought small propeller planes, Merpati Nusantara Airlines also ordered 40 ARJ aircraft from China through the *Singapore Airshow*. "The pigeons ordered 40 ARJ aircraft from China, they are collaborating with PT DI for this order," said Director General of Air Transportation of the Ministry of Transportation Herry Bakti S. Gumay on the sidelines of the signing of the contract for the purchase of 27 ATR aircraft by Lion Air at the *Singapore Airshow*, this weekend. Kompas.com/12 February 2012/accessed 31 March 2017). Herry added that Merpati together with PT DI had just made a *memorandum of understanding* (MoU) with ARJ which was witnessed by the State Minister for State-Owned Enterprises Dahlan Iskan.

It is undeniable that the increasingly competitive condition of the airline industry between companies has triggered every company to want to expand the market.

PT. Citilink Indonesia (Citilink) is a low cost airline or *Low Cost Carrier* (LCC) a subsidiary of PT. Garuda Indonesia (Persero) Tbk. The company was established in 2001 as the Strategic Business Unit (UBS) of Garuda Indonesia and functions as an alternative low-cost flight in Indonesia. Since July 30, 2012 Citilink has officially operated as a separate business entity from Garuda Indonesia after obtaining an *Air Operator Certificate* (AOC) with the flight code "QG". Currently Citilink serves flights in 28 cities in Indonesia and 1 international flight with a total of 54 flight routes and 228 flight frequencies every day. All Citilink flights use the latest aircraft fleet, namely the *Airbus A320* with a capacity of 180 people. In Semarang City, Citilink serves four flights on the Semarang - Jakarta route every day, namely QG9316, QG117, QG119, and QG121.

The Citilink Marketing and Communication Department (2017) shows that the number of passengers/*Passengeron Board* (POB) of the Citilink airline on the Semarang – Jakarta route from 2012 to 2016 experienced fluctuations. However, when

viewed from the level of passenger occupancy or *Seat Load Factor* (SLF), the percentage experienced an average trend. Passenger occupancy rate or *Seat Load Factor* (SLF) is the percentage obtained from the comparison of the number of passengers/*Passenger on Board* (POB) with the capacity provided by Citilink airlines. In 2013, the passenger occupancy rate was 77.97%. Then in 2014, there was an increase in the passenger occupancy rate to 83.65%. However, in 2015 and 2016, the passenger occupancy rate decreased to 82.40% and 82.12%, respectively.

The problem faced by Citilink is the fluctuation of the passenger occupancy rate. Citiink has taken various ways to increase the number of its service users, such as providing a 25% discount for children under 12 years of age, expanding *channels* at various minimarkets to make it easier for consumers to make purchases and pay for tickets, and cooperate with various card issuing banks. credit so that consumers can get *cashback* when purchasing tickets. However, the efforts that have been made have not resulted in an increase in the level of passenger occupancy or the *Seat Load Factor* (SLF).

There are many factors that influence consumer decisions in buying tickets, including the price factor and service quality. Research conducted by Berliansyah & Suroso (2018) suggests that there is a positive and significant effect of price and service quality on purchasing decisions.

THEORETICAL BASIS

Price is a level of a person's ability to value an item with a value or unit of measurement in rupiah so that he can have the goods or services offered (Ali & Suciana, 2019). This means that price is one of the determinants of consumers in determining a purchase decision on a product or service. Moreover, if the product or service to be purchased is a daily necessity such as food, drink and other basic needs, consumers will pay close attention to the price (Widianti & Sabar, 2019).

In general, when consumers make purchases, the price factor is the first factor to be considered, then adjusted according to their own abilities (Mbete & Tanamal, 2020). If the price offered is quite attractive and in accordance with the consumer's purchasing ability, then the possibility that consumers will make a purchase decision is very large.

On the other hand, it is likely that consumers will delay or move to another place that is considered to offer the right price, even though there are some consumers with upper middle income who think that the price offered is expensive, not a measure (Wilis & Nurwulandari, 2020). Therefore it is important to determine and set an attractive price strategy, one of which can be done by carrying out a discount strategy (*big sale*), giving *cash back*, giving gifts if you buy certain goods or a certain amount, setting prices based on sales and psychological prices. In other words, we can conclude that the price factor is a factor that can determine purchasing decisions.

Service quality is an effort given by the company in order to meet consumer needs to achieve satisfaction (Pradita & Sitio, 2020). Meanwhile, what is meant by service quality according to Ghani (2020) is an action taken to meet the needs of other people (consumers, customers, clients, guests, etc.) whose level of satisfaction can only be felt by those who serve and those who are served.

Referring to the notion of service quality, the meaning of the concept of service quality is a responsiveness and reality of the services provided by the company (Amelia, et, al., 2019). Good service quality usually first looks at the needs of new customers after which adjustments are made to what services are right for consumers and how to implement services that can give birth to customer satisfaction. Some simple things that can be done are to establish a policy of friendly attitude from employees such as greetings, greetings, smiles, responsiveness to consumer needs, responsiveness to consumer complaints and a friendly attitude to customers. If the service attitude of the company is getting better, it will foster a sense of customer satisfaction and in the end will shape the attitude of consumers who make decisions to make purchases at the company (Anjani, et, al., 2018).

In line with the explanation above, Isa, Set, al. (2020), Wijayajaya & Astuti, (2018) and Mensah & Mensah (2018)) stated that price and service quality are not only statistics have an effect on purchasing decisions, but both also have the opportunity to influence satisfaction and loyalty. Even the price variable in certain circumstances can create *word of mouth*, where consumers/customers naturally become a free promotional tool.

METHOD

In order for the ideas that have been built to be studied and analyzed, scientific steps are needed (research methods), including:

1. The nature of research using deductive (departing from *the Research gap* and theory).
2. The research approach uses quantitative.
3. The type of explanation is descriptive and verification.
4. The object of research is Citilink Indonesia.
5. The unit of analysis is consumers and customers of Citilink Indonesia
6. sample technique uses *Accidental Sampling*.

The method of analysis used multiple linear regression.

RESULTS

Based on the data research, can be stated that the relationship between price and purchasing decisions goes to Strong category (0.669). Meanwhile, the relationship between service quality and purchasing decisions is in the Medium category (0.571). Can be concluded; 1) in the aviation industry, the main factor influencing consumer decisions to make purchases is influenced by price. 2) the characteristics of consumers/users of air transportation (airlines), especially in Indonesia, are dominated by consumers with middle income levels, so that service quality is not the first priority, but price. Therefore, it is not surprising that if the price of airline tickets goes up, the volume of ticket sales decreases drastically. 3) the behavior of users of air transportation services, especially in Indonesia, has other alternatives, such as trains and ships, thus air transportation is an alternative choice, not the main choice.

Table 1. Partial Analysis

Variables	Regression Coefficient	t	Sig.
Price	0.510	5,484	0.000
Service Quality	0.258	2.768	0.007

Source: Research data, 2020

The price variable has a t-count value greater than t table ($5.484 > 1.984$). This means that the price is proven to have a positive effect on purchasing decisions. By interpretation, if the price increases by one unit, the purchase decision will increase by

0.510. The significant value is less than 0.05 ($0.000 < 0.05$). This means that the price has a significant effect on purchasing decisions. By interpretation, the price variable is able to explain purchasing decisions well with a regression coefficient of 0.510.

The service quality variable has a t-count value greater than t-table ($2.768 > 1.984$). This means that service quality has a positive effect on purchasing decisions. By interpretation, if the quality of service increases by one unit, the purchasing decision will increase by 0.258. The significant value is less than 0.05 ($0.007 < 0.05$). This means that service quality has a significant effect on purchasing decisions. By interpretation, the service quality variable is able to explain purchasing decisions well with a regression coefficient of 0.258.

Table 2. Simultaneous Analysis

Model	Variable	Contribution Value	F	Sig.
1	Price and Service Quality - Purchase Decision	0.000	0.477	Source
			45.311	

Source: Research data, 2020

Based on the table above, it is known that the calculated F value of 45.311 is greater than F table of 3.09, it can be concluded that together the price and service quality has a positive and significant effect on purchasing decisions. Furthermore, it is also known that the contribution value of price and service quality variables is 0.477 or 47.7% on purchasing decisions, while the remaining 52.3% is explained by other variables outside of this study.

CONCLUSION

The findings of this study are; 1) The results of the regression analysis prove that the price strategy has a positive and significant effect on purchasing decisions of 0.510 and t count 5.484. 2) The results of the regression analysis prove that service quality has a positive and significant effect on purchasing decisions of 0.258 and t count 2.768. and 3) The results of the regression analysis prove that the price strategy and service quality together have a positive and significant effect on purchasing decisions with a contribution of 47.7% while the remaining 52.3% is explained by other variables outside of this study.

From the results of the analysis, the following suggestions can be made: 1) The results of the correlation test show that the price strategy variable which reads "Payment tickets can use vouchers" has the smallest correlation value. It is hoped that the Citilink airline management can create a payment program with a variety of payment methods, one of which can pay with the voucher method. 2) The results of the correlation test show that the service quality variable which reads "Citilink flight attendants understand the best service needed by passengers" has the smallest correlation value. It is hoped that the Citilink airline management will periodically provide service quality training to flight attendants and supervise the implementation of the service SOPs that have been set and an assessment of the flight attendants who have implemented the service SOPs well. 3) The results of the correlation test show that the purchase decision variable which reads "I want to use Citilink airline" has the smallest correlation value. It is hoped that the management can create marketing programs that can increase the desire or interest in purchasing Citilink airline tickets, for example weekend promo programs, all-in promo programs (tickets + hotel packages, etc.). 4) The results of the analysis show that service quality has the smallest effect and correlation value compared to the price strategy variable. It is hoped that the Citilink airline management will continue to improve the quality of passenger service, for example by providing friendly, courteous and responsive flight attendant services. Then provide quality service in terms of the quality of aircraft facilities, for example, free drinks, free meals and internet access are available.

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