

## CUSTOMER LOYALTY AND PASSENGER SATISFACTION ON LION AIR'S LOW-COST CARRIER

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### *Abstract*

*This study aims to determine the effect of the ticket price and service quality on customer loyalty through passenger satisfaction as an intervening variable on Lion Air airlines' Low-Cost Carrier (LCC). Low-Cost Carrier airlines have a relatively cheap ticket price. However, due to the economic crisis in Indonesia, these air transportation services are relatively expensive compared to the previous year, which according to the Indonesian National Air Carrier Association, the increase reached almost 40-120% for each airline because the increase that occurred made LCC airlines, especially Lion Air, experience a very drastic decrease in passengers by 35% in 2019, apart from ticket price increases, the quality of service provided by lion air airlines is also still not good so that passengers are not satisfied with Lion Air airlines. This research was conducted at Soekarno Hatta International Airport. The study was conducted using quantitative methods, with a sample of 100 respondents, and data were taken using a questionnaire and processed using smart-PLS 3. The results of this study are from 7 proposed hypotheses, 6 of which are accepted, and 1 of the hypothesis is rejected, for the rejected hypothesis is the effect of the ticket price on the loyalty of Lion Air airline passengers*

**Keywords:** Ticket Price, Service Quality, Passenger Satisfaction, Customer Loyalty, Low-Cost Carrier Airline

### **Introduction**

Airlines have different marketing strategies to be able to compete with other airlines so that they can sell seats (seats) as much as possible and make customers satisfied with the services provided so that they will buy back the services offered, to attract the attention of customers and to support the needs of the Indonesian people for transportation services that continue to increase under the increasing development of the nation. All types of air transportation services also continue to grow, one of which is the operation of a unique flight model that is through a strategy of decreasing operating costs on all fronts that result in ticket prices can be suppressed.

This model of flight is a Low-Cost Carrier (LCC) model. LCC is an airline with a relatively cheap Ticket Price, but the economic crisis in Indonesia makes this air transportation service relatively expensive compared to the previous year. According to the Indonesia National Air Carrier Association (INACA), the increase reached almost 40-120% for each airline.

As a result of the economic crisis that occurred in Indonesia, which made Ticket Prices more expensive than usual, therefore there was a decrease in demand for aviation services due to the higher Ticket Prices since the beginning of 2019, as recorded on the official website of the Directorate General of Air Transportation about air freight traffic passenger air freight services decreased from the previous year reached 12,55%. LCC, famous for relatively cheap Ticket Prices, is equally experiencing significant Ticket Price increases. The Ticket Prices offered are also relatively expensive, even equaling the Ticket Price of air tickets offered by full-service carriers. Therefore, there has been a decrease in demand for flight services due to the increasingly high ticket price since the beginning of 2019. A very drastic decrease occurred at Lion Air where passengers decreased by 35% from the previous year, which is due to Ticket Price increases that occurred on Lion Air airlines; the Ticket Price itself is a significant factor in the decision of passengers in buying transportation services as research conducted by (Lubis & Hidayat, 2017) fattened that Ticket Price perceptions have a positive and significant effect on purchasing decisions (Lubis & Hidayat, 2017). Besides that, Ticket Price is also one factor that affects customer satisfaction as research conducted by (Harjati & Venesia, 2015) was fattening that ticket price perception has a positive and significant effect on passenger satisfaction in Tiger Air Mandala. In addition to rising ticket prices, which makes lion air passenger demand decrease drastically, Lion Air airline often disappoints customers.

Based on the results of the pre-investigation, it is known that there have been issues of attitude and customer behavior of LCC airline users, especially Lion Air airlines; in addition to criticism from Lion Air passengers on several websites, negative complaints are also widely addressed to Lion Air airlines, including delays in departures that are not appropriate or frequent delays, Ground handling is considered less good, so there are often disputes between Lion Aircrew and passengers and inhospitable crew from Lion Air airline.

**Literature Review**

**Low-Cost Carrier Airline**

According to (Yowanda & Mawardi, 2017), Low-Cost Carrier (LCC) is a no-frills and budget airline, which means a scheduled airline (schedule carrier) with a lower cost than available airlines. The adoption of low-cost airlines has grown since 1977 with deregulation by US air carriers, followed by passenger airlines in 1978, and similar changes in Europe since the mid-1990s (Dhingra & Yadav, 2018) then formed in Asia in 2000 wherein Indonesia itself was the first to use an airline using the LCC strategy was Lion Air. The implementation of the LCC has reduced the Ticket Price of air tickets and made air travel more affordable (de Wit & Zuidberg, 2012). However, it has its consequences for airplane passengers, because the fares are more affordable, the airlines that apply the LCC concept are also very simple.

**Customer Loyalty**

Customer loyalty is a commitment from passengers that persists sincerely to subscribe to the company again or make repeated purchases of selected products or services repeatedly, even though there are situational influences and marketing efforts that have the potential to change behavior (Hurriyati, 2010). Customer loyalty indicator by (Kotler & Armstrong, 2018); (1) Repeat Purchase (Loyalty to product purchases), (2) Retention (Resistance to negative influences on the company), and (3) Referrals (Totally referencing the existence of the company).

**Service Quality**

Service is all actions and performances that can be offered by one party to another; in conclusion, the quality of service is intangible and does not result in any ownership of the receiving (Kotler & Armstrong, 2018). (Gures et al., 2014) there are five main dimensions to the quality of service, reliability, responsiveness, assurance, empathy, tangible.

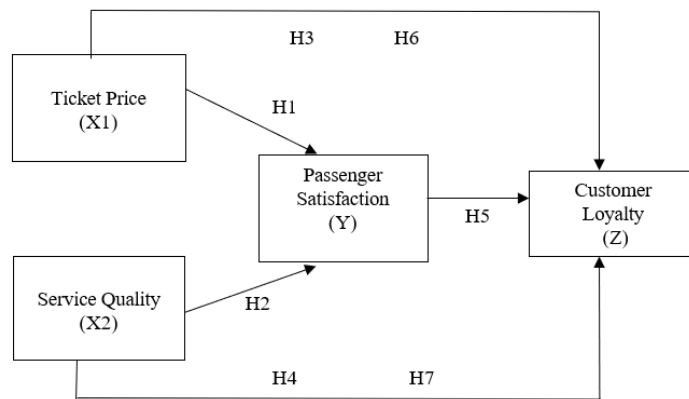
**Ticket Price**

Ticket Price is one element of the marketing mix that generates revenue; another aspect generates costs (Kotler & Armstrong, 2018). According to Stanton in Rosvita (Dua, 2014), four indicators characterize ticket price, namely, ticket price affordability, ticket price conformity with product quality, ticket price competitiveness, and ticket price conformity

**Customer Satisfaction**

Customer satisfaction is the feeling of pleasure or disappointment that a person feels because it compares the performance perceived by the company or product (or results) to the expectations or expectations of customers (Kotler & Armstrong, 2018). If the performance fails to meet expectations, the passenger will feel dissatisfied, and if the performance is under expectation, the passenger will feel satisfied. According to (Suwardi 2011), Indicators of customer satisfaction can be seen from; (1) Creating Word-of-Mouth, (2) Creating Brand Image (brand), and (3) Re-purchase.

**Hypothesis**



**Figure 1.** Research Framework

- H1: Ticket Price has a positive influence on passenger satisfaction
- H2: Service quality has a positive effect on passenger satisfaction
- H3: Ticket Price has a positive influence on customer loyalty
- H4: Service quality has a positive influence on customer loyalty
- H5: Passenger satisfaction has a positive influence on customer loyalty
- H6: Ticket Price has a positive influence on customer loyalty mediated by passenger satisfaction
- H7: Service quality positively influences customer loyalty mediated by passenger satisfaction.

## Research Methods

This research was conducted at Soekarno Hatta international airport from December 2020-January 2021. The population in this study was all Lion Air airline passengers at Soekarno Hatta International Airport with a route to Surabaya, and the sample in this study was taken from 15% of the existing population, which was  $15\% \times 664 = 99.6$  rounded to 100. Therefore the sample in this study is 100 respondents. Data collection methods using questionnaires. The data analysis method used in this study was the analysis of inferential statistical data measured by SmartPLS software ranging from model measurement (outer model), model structure (inner model), and hypothesis testing. This method supported prediction-oriented objectives, i.e., explaining/ predicting target construction in structural models (Hair et al., 2011)

## Result and Discussion

### Results

#### Measurement Model Testing Convergent Validity (Outer Loading Factor)

**Table 1.** Result of Outer Loading Factor

	Ticket Price	Passenger satisfaction	Service Quality	Customer Loyalty
X1.1			0.762	
X1.10			0.793	
X1.11			0.835	
X1.12			0.815	
X1.2			0.801	
X1.3			0.422	
X1.4			0.832	
X1.5			0.828	
X1.6			0.784	
X1.7			0.786	
X1.8			0.776	
X1.9			0.765	
X2.1	0.824			
X2.2	0.904			
X2.3	0.895			
X2.4	0.839			
X2.5	0.844			
Y.1		0.870		
Y.2		0.891		
Y.3		0.866		
Y.4		0.774		
Y.5		0.851		
Y.6		0.814		
Y.7		0.706		
Y.8		0.620		
Z.1				0.790
Z.2				0.786
Z.3				0.892
Z.4				0.886
Z.5				0.844

Based on Table 1, it was known that there were two question items with an extreme loading value of  $< 0.7$ , namely X1.3 and Y.8, then the two items were omitted in this study.

**Table 2.** Result of Outer Loading Factor 2

	<b>Ticket Price</b>	<b>Passenger satisfaction</b>	<b>Service Quality</b>	<b>Customer Loyalty</b>
X1.1			0.765	
X1.10			0.797	
X1.11			0.840	
X1.12			0.814	
X1.2			0.802	
X1.4			0.832	
X1.5			0.825	
X1.6			0.780	
X1.7			0.788	
X1.8			0.776	
X1.9			0.768	
X2.1	0.824			
X2.2	0.904			
X2.3	0.895			
X2.4	0.839			
X2.5	0.845			
Y.1		0.878		
Y.2		0.890		
Y.3		0.868		
Y.4		0.773		
Y.5		0.862		
Y.6		0.827		
Y.7		0.703		
Z.1				0.788
Z.2				0.784
Z.3				0.893
Z.4				0.887
Z.5				0.845

Based on Table 2, it was known that all outer loading values had a value of > 0.7, so they were released in this test and further investigated.

**Reliability Test and validity**

**Table 3.** Cronbach's Alpha (Reliability test)

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Rule of Thumb</b>	<b>Result</b>
Ticket Price	0.913	> 0.70	Reliable
Passenger Satisfaction	0.924	>0.70	Reliable
Service Quality	0.943	> 0.70	Reliable
Customer Loyalty	0.896	> 0.70	Reliable

From Table 3, the Cronbach Alpha values of all variables were above 0.7; therefore, the variable is reliable.

**Table 4.** Composite Reliability

Variable	Compost Reliability	Rule of Thumb	Result
Ticket Price	0.935	>0.70	Reliable
Passenger Satisfaction	0.940	>0.70	Reliable
Service Quality	0.951	>0.70	Reliable
Customer Loyalty	0.923	>0.70	Reliable

Based on Table 4, the composite reliability coefficient for four variables in the research was greater than 0.7, which meant it had followed the criteria. Therefore, this measurement model was accurate and reliable.

**Table 5.** Average Variance Extracted Test

Variable	AVE	Rule of Thumb	Result
Ticket Price	0.743	>0.50	Valid
Passenger Satisfaction	0.691	>0.50	Valid
Service Quality	0.639	>0.50	Valid
Customer Loyalty	0.707	>0.50	Valid

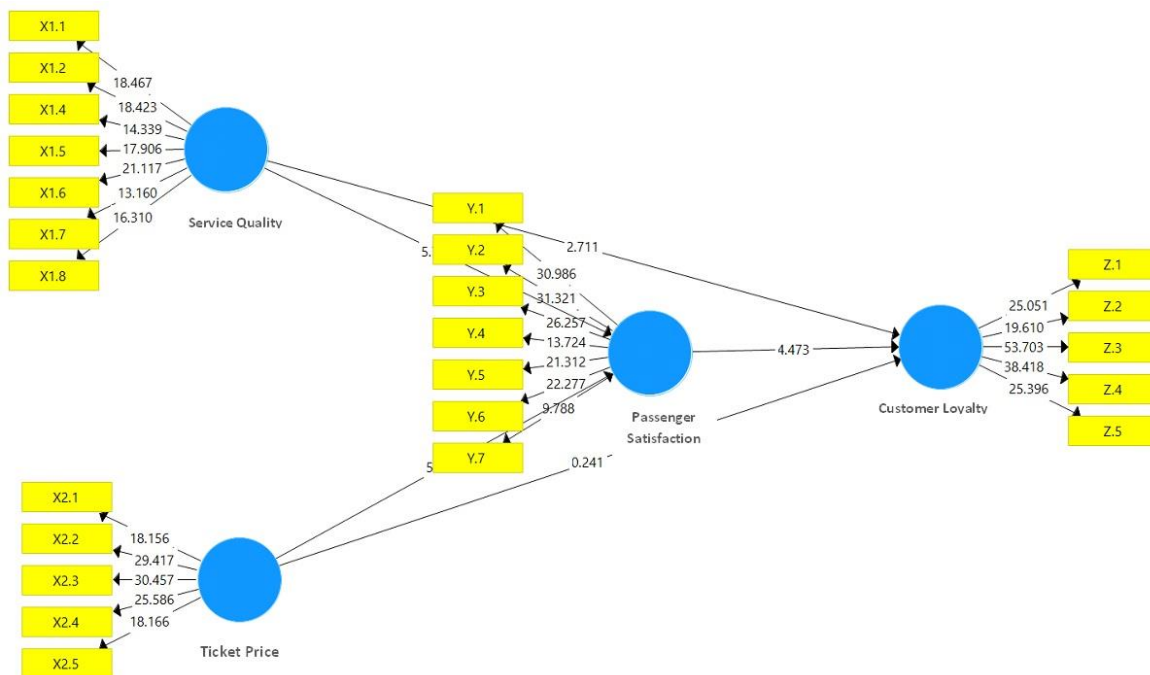
Based on Table 5, the Average Variance Extracted for four variables in this study was more significant than 0.5, which meant it had followed the criteria. Therefore, this measurement model was accurate and valid.

**Table 6.** Structural Model Test

Variable	R Square	R Square Adjusted
Passenger Satisfaction	0.848	0.846
Customer Loyalty	0.711	0.705

Based on Table 6, the contribution of service quality variables and Ticket Prices of 0.846 or 84.6%, while the remaining 15.4% (100-84.6) was contributed by variables outside the research conducted. Based on Table 7, the contribution of variables in service quality, ticket price, and passenger satisfaction to customer loyalty amounted to 0.705 or 70.5%. In comparison, the remaining 29.5% (100-70.5) was contributed by variables outside of the research conducted.

**Hypothesis Test**



**Figure 2.** Research model results

**Table 7.** Regression Results (Direct Effect)

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t <sub>Statistics</sub> ( O/STDEV )	P Values	Results
Ticket Price -> Passenger Satisfaction	0.457	0.446	0.089	5.147	0.000	Accepted
Ticket Price -> Customer Loyalty	-0.030	-0.027	0.123	0.241	0.810	Rejected
Passenger Satisfaction -> Customer Loyalty	0.578	0.583	0.129	4.473	0.000	Accepted
Service Quality -> Passenger Satisfaction	0.494	0.504	0.086	5.718	0.000	Accepted

There was a significant influence on the ticket price variable on passenger satisfaction because the P-values were  $0.000 < 0.05$ . Therefore, H<sub>0</sub> was rejected, and H<sub>a</sub> was accepted. There was no significant effect on the ticket price to customer loyalty variable due to P-values of  $0.576 > 0.05$ . Therefore, H<sub>0</sub> was accepted, and H<sub>a</sub> was rejected. There was a significant influence on the passenger satisfaction variable on customer loyalty due to P-values of  $0.000 < 0.05$ . Therefore, H<sub>0</sub> was rejected, and H<sub>a</sub> was accepted. There was a significant influence on the service quality variable-> passenger satisfaction due to the value of P-values of  $0.000 < 0.05$ . Therefore, H<sub>0</sub> was rejected, and H<sub>a</sub> was accepted. There was a significant influence on the service quality variable -> customer loyalty due to the value of P-values  $0.017 < 0.05$ . Therefore, H<sub>0</sub> was rejected, and H<sub>a</sub> was accepted.

**Table 8.** Indirect influence

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t <sub>Statistics</sub> ( O/STDEV )	P Values	Results
Service Quality -> Passenger Satisfaction -> Customer Loyalty	0.285	0.296	0.092	3.103	0.002	Accepted
Ticket Price -> Passenger Satisfaction -> Customer Loyalty	0.264	0.258	0.072	3.668	0.000	Accepted

There was a significant influence on the ticket price variable -> passenger satisfaction -> loyalty due to the value of P-values of  $0.004 < 0.05$ . Therefore, H<sub>0</sub> was rejected, and H<sub>a</sub> was accepted. There was a significant influence on the service quality variable -> passenger satisfaction -> loyalty due to the value of P-values of  $0.000 < 0.05$ . Therefore, H<sub>0</sub> was rejected, and H<sub>a</sub> was accepted.

## Discussion

### H1: Ticket Price Has a Positive Influence on Passenger Satisfaction

This meant that the ticket prices offered by passenger airlines affected the Satisfaction of Lion Air airline passengers. The results of this study were also supported by previous research by (Nabil 2019) showed the results where the Ticket Price had a significant effect on passenger satisfaction executive train, (Asma et al., 2018) showed the results of research where the Ticket Price had a positive effect on passenger satisfaction with Turkey Airline.

### H2: Service Quality Has a Positive Influence on Passenger Satisfaction

This meant that when Lion Air provided good quality of service and made passengers feel more satisfied with Lion Air, as the results of this study were also supported by previous research by (Firatmadi, 2017) which discussed the influence of service quality at PT Pelita Air Service, besides (Gambo 2016). This study revealed the influence between service quality and passenger satisfaction on domestic flights in Nigeria.

### H3: Ticket Price Does Not Have a Positive Effect on Customer Loyalty

Therefore, the increase or not the Ticket Price of lion air airline tickets did not affect these customers' loyalty because loyalty was not only commonly obtained at a low ticket price. Therefore, the airline could not rely solely on cheap ticket prices. This study was supported by research conducted by (Khamza, 2018) who got insignificant results between ticket price perceptions of customer loyalty to train users, in addition to the same results was shown by (Mahmud et al., 2013) where the research results obtained that the ticket price had a negative relationship to customer loyalty in the aviation industry.

#### **H4: Service Quality Has a Positive Influence on Customer Loyalty**

The better the service quality provided by an airline, the more loyal passengers will be loyal to the airline. If the quality provided by the airline is not good, it will make passengers move to other airlines. This was also supported by research from (Kartikasari & Albari, 2019; Risal, 2018), which stated that service quality positively affects customer loyalty.

#### **H5: Passenger Satisfaction Has a Positive Influence on Customer Loyalty**

The test results stated that the more satisfied customers are with the end of the period, the more loyal the passengers are to the airline because passenger satisfaction affected the increase in market share for the company and made customers more loyal to the company. Customers who felt satisfied with the product and services provided by the company made customers repeat the purchase because the customer had a good experience. The results of this study were also supported by (Tabita & Setiawan, 2017) previous researcher who stated significant results between the influence of customer satisfaction on loyalty and research conducted by (Wiennata 2019) stated significant results between the influence of passenger satisfaction on customer loyalty.

#### **H6: Ticket Price Has a Positive Influence on Customer Loyalty Mediated by Passenger Satisfaction**

Unlike if ticket price had a direct effect with little customer loyalty, if mediated with passenger satisfaction, the ticket price significantly impacted customer loyalty. This meant passenger satisfaction acts as a mediation of the development of ticket price on customer loyalty. Passengers who were loyal to Lion Air were passengers who already had a good experience due to the ticket price provided by Lion Air. The results of this study were also supported by (Aji 2017). The analysis results showed that passenger satisfaction was able to mediate between ticket price and customer loyalty significantly.

#### **H7: Service Quality Has a Positive Influence on Customer Loyalty Mediated by Passenger Satisfaction**

Passenger satisfaction was also the mediation of the influence between the service quality to customer loyalty, customers whose customer loyalty had passenger satisfaction with the quality provided by Lion Air airline. This research was also supported by (Lembana & Valucy, 2019), who got results where research showed that Satisfaction made passengers who were satisfied with the quality of airline service loyal to Lion Air in addition to the results of research conducted by Namusaka (2013) obtaining results where passenger satisfaction as a mediation variable also significantly affected customer loyalty.

#### **Conclusion**

The study aimed to determine the effect between service quality and ticket price on passenger satisfaction, affecting customer loyalty to low-cost carrier Lion Air. This study was quantitative monitoring and used methods to analyze relationships between variables by Smart-PLS version 3. Based on the analysis of research results and discussion in the previous section, it was concluded that the proposed hypothesis got the results of 6 accepted or significant hypotheses, and there was one rejected.

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