

The Understanding of Airlines Overbooking by Some Airlines at the Soekarno Hatta International Airport

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ABSTRACT

In order to optimize operational efficiency and increase profit, the airline managers emphasize an all-out promotion of continuous improvement and make the application of techniques of operations that will lead to success. The other way is the process of overbooking that is one of the common strategies implemented practically by management of airline company. Overbooking is applied extensively in the service industry to protect themselves from unwanted situations such as cancellations and no-show passengers. But during the implementation of the parties' airline, overbooking can resist some customers when the number of arrivals exceeds the existing capacity on flights. The accomplishment of handling overbooking as well as less satisfaction can make customers upset and doubtful about maintaining their loyalties in an airline company. Therefore this study discussed about overbooking from customer perspectives in order to be able to understand more about process of overbooking and overbooking policies conducted by the airline so that customers did not feel upset. In this paper, promotional activities and customers perspective on overbooking in an airline company have a strong correlation of repurchase by the customer with a score of 73.1% or 0.731 value of pearson correlation that is done through system spss.

Keywords: promotion; customer perspective about overbooking; reservation; decision to repurchase; airline strategies; customer loyalty

Introduction

According to the information from the Air Transportation Research and Development Center, the Ministry of Transportation's Balitbang concerning matters relating to work and education in the Lebaran season of 2018, air transportation mode is the favorite transportation for public to travel this year's Lebaran homecoming. Besides being agreeable and fast, air transportation in Indonesia also has many international and domestic routes which are the main attraction to choose this mode of transportation (Ricardianto, Djajaputra, & Martono, 2017).

Overbooking is one of strategies from the airline to increase their revenue implemented by good management of the demand and capacity (Amaruchkul & Sae-Lim, 2011). Overbooking is usually done by the airlines in peak season, because they have high demand at that time. So basically, the airline has already accumulated of some data before getting the prediction in terms of how many and when the overbooking that they want to get (Lan, Ball, Karaesmen, Zhang, & Liu, 2015).

Overbooking has to be good managed with analysing the number of check-in passengers with the number of passengers that have not checked in yet (Suzuki, 2002). Then the airline has to make sure the number of reservation ticket by the passengers after that predict how many passengers that will not attend or become no-show passengers then they can give those seats for overbooking passengers (Guo, Dong, & Ling, 2016). When the overbooking is going well means the number of passengers that do not come on time or do not come can be given to the number of seat of overbooking passengers, so the airline will get maximum load factor, high revenue and also low operating cost (Feng & Xiao, 2006)

The airline industry provides the product that cannot be replaced if the door has already closed, it makes IATA give them permission to have overbooking because some passengers will not come at that flight for any reason (Issue, 2017) . When demand is low during low season, the cost can be covered by demand from peak season with having overbooking system.

Doing the overbooking is the challenging step for the airlines (Amaruchkul & Sae-Lim, 2011), because if they get the wrong prediction about making decision of the number of overbooking, they will get loss. The condition that might happen is the number of passengers coming is more than prediction, so the number of overbooking passengers makes oversales/overbooked condition and the capacity cannot cover the available seat (Pimentel, Aizezikali, & Baker, 2018). Oversales/overbooked is a condition when the airline which has made overbooking gets wrong prediction, so the passengers coming is more than capacity. The airlines have to include their regulation based on standard regulation by IATA on their website then they inform their passengers before doing the overbooking. When airlines have overbooking tickets, the airlines should ask and get an agreement from passengers to be rejected or selected by the airlines even though the airlines still give the passengers appropriate compensation (Issue, 2017). So, the airline have to prepare the compensation if they predict that the plan gets wrong (Garrow, Kressner, & Mumbower, 2011).

The writer takes Low Cost Carrier Airlines to be the business model which practice overbooking, one of LCC Airlines has the policy to close their check-in, 60 minutes before departure for domestic and international flight then close boarding, 30 minutes before departure, they give two choices for the passengers who get overbooked either the airline carry them with earlier flight that is still available without additional charge or travel in

another time based on value of the fare (Airasia.com, 2017). But in fact, the Airlines usually do not give clear rules in term of overbooking. For example, there is a passenger of KUL-CGK flight with LCC Airline who has already printed his boarding pass 1 hours 15 minutes before the scheduled departure, but when he wants to board 45 minutes before boarding, he will be rejected by the airline crew because of his lateness even though the Airline rules state that passengers must arrive for boarding at least 30 minutes before the scheduled departure, not in 45 minutes and his seat already booked must be given to the other passengers. In most of these cases, airlines are not required to give compensation for his missed flight.

Bad or good the facility that the airlines provide for their passenger can affect the satisfaction and loyalty from the customer (Pengguna et al., 2016). Nowadays, several passengers do not know what overbooking is and the other half know and understand about it. But all of the passengers have same expectation about getting the good service from the airline then arrive safely to the destination. So, when the airlines have the overbooking then the passengers who get overbooked might have a big problem and this will make the passengers feel disappointed (Guo et al., 2016). Reduction in loyalty of customers can be affected by this overbooking because once they get a rejection of flight from one airline company, they will move to another airline company in the future. This case brings the writer to make a research about “The Understanding about Airline Overbooking by Passengers”.

Method

This research was carried out at the Soekarno-Hatta International Airport, the time used for this research is about 1 month, from July 1st until July 31st 2018. Type of data used in this research is quantitative data. The source of the data obtained in this study is the primary data.

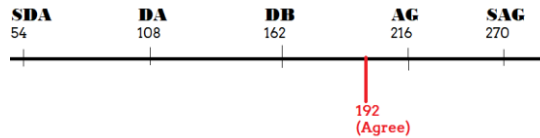
The primary data is the data used were obtained directly from the results of filling questionnaires given to the respondent that contain the respondent's perception of information about advertising, sales promotion and purchase decision. Data collection technique used in this research was collected by filling in a questionnaire in a survey. The detailed questionnaires were filled in by customers of low-cost airline with the route of the CGK-KUL. The writer conducted the research using a Quantitative Research Method. The Quantitative Research method is a method of research based on the philosophy of positivism and used to test in a particular sample, data collection using the instruments of research, quantitative data analysis/statistics, with the purpose to test the hypothesis that has been set (Sheard, 2018). In the methodology, the measurement of each variable in this study used the ordinal scale and the instrument of this study used was the Likert Scale with ranges of 1-5 which had been taken by a random sampling of 54 respondents at Soekarno Hatta International

Airport with the distributed questionnaires in google form filled by the respondents.

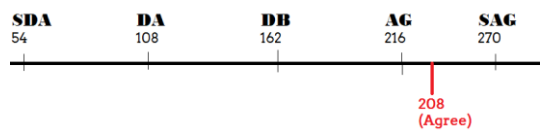
Discussion and Result

A. PROMOTION

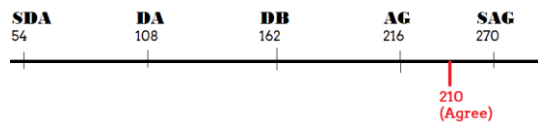
- 1) The respondents agree that decision to choose the airline is based on airline ads that use direct selling through advertising media on the internet



- 2) The respondents agree that airline's ads can influence their interest to choose the airline



- 3) The respondents agree that communication made by the airline has been successful in positioning the airline brand in the mind of the customers



- 4) The respondents agree that the business done by the airline which they choose has a good reputation in public

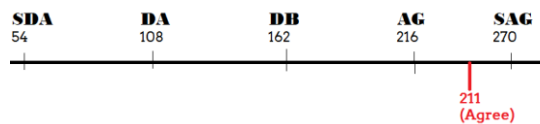


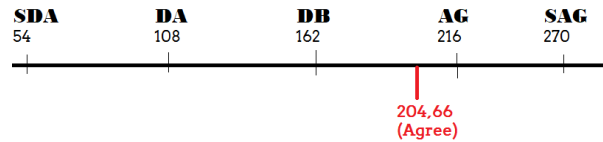
Table 1

Decision to choose the airline use based on airline ads that use direct selling through advertising media on the internet	54 respondents	192	3,55
Airline's ads can influence their interest to choose the airline	54 respondents	208	3,85
Communication made by the airline they selected has been successful in positioning the airline brand in the mind of the customers	54 respondents	210	3,88
The business done by the airline which they	54 respondents	211	3,90

Source: Authors

choose has a good reputation in public			
AVERAGE		204,66	3,79

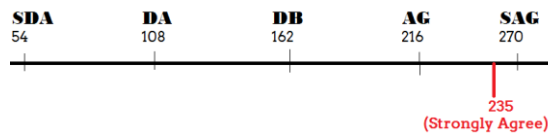
5) From 4 curve above we will get the average below :



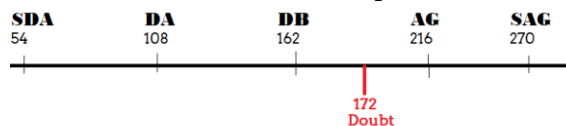
For promotion's variable, the average of airline's promotion is 3,79 which means good score of interpretation and this shows that the promotion has a high impact in term of customer's interest to choose the airline.

B. CUSTOMER OVERBOOKING PERSPECTIVE

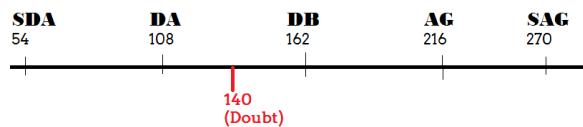
1) The respondents strongly agree that they have known about overbooked practice allowed by IATA (International Air Transport Association) before they get overbooked



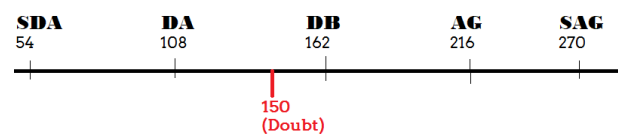
2) The respondents doubt that the compensation they received from the airline is worth with their expected before



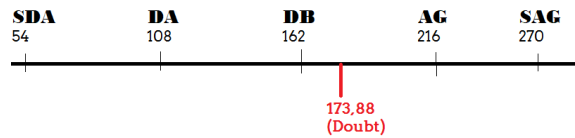
3) The respondents doubt that the decision of the airline chosen in term of overbooking process is satisfaction for them



4) The respondents doubt that the airline choosen has been quite alert in handling overbooking customers



5) From 4 curve above we will get the average below :



The passengers have known about overbooked practice allowed by IATA (International Air Transport Association) before they get overbooked	54 respondents	235	4,35
The compensation they received from the airline is worth with their expected before	54 respondents	172	3,18
The decision of the airline chosen in term of overbooking process is satisfaction for them	54 respondents	140	2,59
The airline chosen has been quite alert in handling overbooking customers	54 respondents	150	2,77
AVERAGE		173,88	3,22

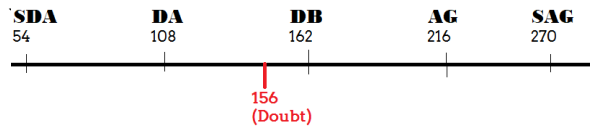
Table 2

Source: Authors

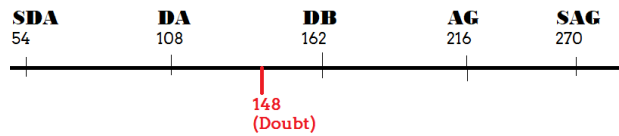
For Customers Perspective of Overbooking variable, the average of Customers Perspective of Overbooking is 3,22 which means standard score of interpretation and this shows that the passengers have already known about overbooking but they still doubt their satisfaction that they get from the airline after overbooking.

C. PURCHASE DECISION BY CUSTOMER

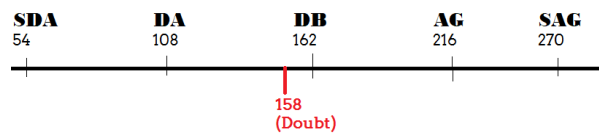
- 1) The respondents doubt that the airline they have chosen will give satisfying service after the airline has done overbooking for them



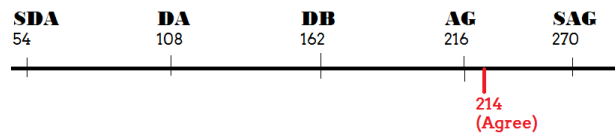
- 2) The respondents doubt about recommending the airline they have chosen to their friends and family after they have got overbooking



- 3) The respondents doubt about using the same airline for next trip after they have got overbooking from the airline



- 4) The respondents agree about making decision to move to another airline after they have got overbooking



- 5) From 4 curve above we will get the average below :

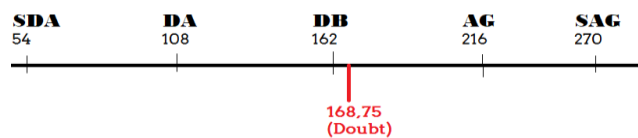


Table 3

The airline they have chosen will give satisfying service after the airline has done overbooking for them	54 respondents	156	2,88
Recommending the airline they have chosen to their friends and family after they have got overbooking	54 respondents	148	2,74
The passengers will use the same airline for next trip after they have got overbooking from the airline	54 respondents	158	2,92
Making decision to move to another airline after they have got overbooking	54 respondents	214	3,96
AVERAGE		168,75	3,125

Source:
Authors

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omer's variable, the average of Purchasing Decision by Customer is 3,125 which means standard score of interpretation and shows that the passengers doubt to keep their loyalty to the same airline after got overbooking.

Table 4

Model Summary

Predictors: (Constant), Customers' Perspective of overbooking, Promotion

Mo del	R	R Squar e	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Chang e	df1	df2	Sig. Change
1	.731 ^a	.534	.516	1.94252	.534	29.270	2	51	.000

Source: Authors

THE BASIS OF DECISION MAKING

- If Value of sig.F change $<0,05$, It correlates
- If Value of sig.F change $>0,05$, It is not correlated

THE GUIDELINES OF THE DEGREE OF RELATIONSHIP

- If pearson Correlation 0,00 s/d 0,20 = It is not correlated
- If pearson Correlation 0,21 s/d 0,40 = The correlation is weak
- If pearson Correlation 0,41 s/d 0,60 = Medium correlation
- If pearson Correlation 0,61 s/d 0,80 = strong correlation
- If pearson Correlation 0,81 s/d 1,00 = Perfect correlation

Based on the result above, Promotion and customer perspective about overbooking has a strong correlation of next purchasing decision by customers with a score of 73.1% or 0.731 value of pearson correlation is done through spss system. Promotion such as giving good communication, direct selling, interesting ads and also brand image is the first step of airline to get more passengers effectively. But when peak season then airline does the overbooking the passengers will doubt about being satisfied of the airline service once they get overbooking, even though they already know about what the overbooking is. The result also shows the impact after the passengers get overbooking; they will doubt about giving their loyalty to the same airline and will feel disappointed. That doubt makes the low performance of airline in customers perspective and will affect the reputation of the airline (Akamavi, Mohamed, Pellmann, & Xu, 2015).

Conclusion

Based on the result of the research that has been conducted toward the promotions conducted by the airline, it gets good value and shows that the promotion has a fairly strong influence toward the attraction of customers in choosing the airline. Customer perception toward handling and overbooking policy decisions conducted the airline gets enough value and shows that the customers already know the overbooking but remain doubtful about the satisfaction they get from the airline when the customers affect airline overbooking. For purchasing decision the airline gets enough value that indicates that customers feel doubt to repurchase the airline's services after they are exposed to overbooking.

The airline's promotion has a 3.79 average value of good interpretation and points out that the promotion has a fairly strong influence toward the attraction of customers in choosing the airline. The perspective of the customer against overbooking has an average of 3.22 value of the standard interpretation and shows that customers already know the overbooking but remains doubtful over the satisfaction they get from the airline. Buying decisions by customers has an average of 3.12 with value

standard interpretation and shows that customers feel doubtful to repurchase the airline's services after they are exposed to overbooking.

Promotional activities and perspective customers against overbooking that passengers get from the airline have a strong correlation of repurchase by the customer with a score of 73.1% or 0.731 value of pearson correlation done through spss system.

Airline Overbooking is a problem that makes customers feel disappointed because the airline cannot be able to perform flight smoothly. Besides handling provided by the airline to customers affected by overbooking has not satisfied customers over the decision given by the airline as well as the compensation accepted by customers cannot heal the disappointment of customers. This will affect the decision of customers to use the service of the airline again, they will doubt about using service of the airline and probably will move to other airlines, so it could affect the airline's ticket sales.

As for the suggestion that the author can convey are:

1. The company should do more interesting promotions through media advertising on the internet and make an easy booking process so that it will make customers more interested
2. The company should improve the process of handling customers affected by overbooking
3. The company should adapt the policies about overbooking based on customer deal also, so that the airline company can understand the expectation of customers and the customers will be satisfied
4. Companies should improve their service quality so that customers always want to use the airline's services.

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