

The Influence of Differentiation Strategy and Promotions on Competitive Advantage of Indonesia AirAsia (Airlines)

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Abstract. One of company's strategies in creating market share is to set low prices for services they offer. This strategy is also widely applied in Indonesia's aviation industry which involves several competitive low-fare airlines. The airline that will be discussed in this paper is Indonesia AirAsia which operates scheduled domestic and international flights and offers low fares, especially for international routes. The purpose of this study is to determine the influence of differentiation strategy and promotions on competitive advantage. The population of this study were passengers of Indonesia AirAsia. Data were collected by distributing questionnaires to 100 respondents. The research method was simple random sampling and data were processed using the SPSS Statistics Version 24. The results of this study have shown that there is a positive and significant relation between differentiation strategy and promotions on competitive advantage of Indonesia AirAsia. Indonesia AirAsia offers relatively low-price tickets and it becomes interesting advertisements to promote their services so that they are easily accepted by public.

Keywords: differentiation strategy, promotion, competitive advantage

1. INTRODUCTION

The rapid development of Indonesia's aviation industry has increased flight service users. Many service and manufacturing companies in Indonesia compete to find business opportunities with high investment value, one of which is business in aviation industry. As everyone knows, aviation nowadays is an industry that can be managed and offered with various kinds of creativity through commercial aviation services. In its development, the aviation industry sector has helped Indonesia's economic growth. There are several competitors from low-cost airlines that operate flights to many destinations, even international ones, and offer cheap airfare deals to attract passengers. Indonesia AirAsia is one of them.

PT Indonesia AirAsia was established on December 1, 2005 to operate scheduled domestic and international flights. Indonesia AirAsia is an Indonesian associate carrier of low-fare airline AirAsia International, the airline that offers low fares for international routes. Flight and airfare deal promotions offered by Indonesia AirAsia apparently have affected sales figures and increased profits of the airline. To increase sales in early 2019, Indonesia AirAsia has offered 1.9 million seats promotion for the booking period on January 6 to January 20, 2019 which would be valid for flights until July 31, 2019.

With competitive advantage, airlines are able to gain economic benefits and attract customers to use their services. Therefore, stakeholders involved in the airlines need to innovate on creating promotions, so that they can achieve the targeted market share. The rise of competition in the aviation industry has caused airlines to create different marketing strategies in order to attract consumers.

The purpose of this study is to determine the influence of differentiation strategy and promotions on competitive advantage. This study is expected to be able assist companies in knowing that the differentiation strategy and promotions applied by Indonesia AirAsia may influence competitive advantage of similar companies in Indonesia's aviation industry.

2. LITERATURE REVIEW

2.1. *Differentiation Strategy*

According to Hilman (2009) in [1], organizations that apply differentiation strategy tend to set differences in various dimensions to make consumers understand the difference between their products or services and competitors'. Thompson and Martin (2005) in [2] have said that successful differentiation strategy involves three aspects: competitive product prices, increasing sales because new consumers are interested in different specifications of products offered, and earning consumer loyalty. Barney and Hesterly (2006) in journal [3] have stated that differentiation is a reflection of individuals and groups that work in a company. When compared to competitive rivalry, differentiation strategies provide higher profitability in creating brand loyalty and low price sensitivity (Porter, 1988). Therefore, it can be said that differentiation strategy is a strategy applied by companies to compete with their business competitors by creating differences in products or services they offer.

2.2. *Promotions*

According to Pi and Huang (2011) in [4], promotional programs are part of the marketing mix that affects consumer loyalty through information involvement to support repeat purchases. Conversely, consumers who do not have information about the product will not be able to repeat purchases and thus, it will reduce consumer loyalty. Kotler (2010) in [5] has defined that promotion is various activities carried out among companies to communicate the benefits of their products and to convince target consumers to buy the products. Sidhanta and Chakrabarty [6] in [7] have said that the concept of promotion includes all marketing activities that are used to inform, persuade, and remind the target market about the company and its products or services, in such a way as to build a favorable image in customers' mind. Hence, it can be concluded that promotion is an effort to provide information and persuade consumers to buy products or services offered in order to increase target market and achieve company goals.

2.3. *Competitive Advantage*

According to Robert Grant (2009) in [8], competitive advantage is the condition in which two companies compete (in the same market) and one company has an advantage over another. The condition occurs when the company obtains a high level of profit or has the potential to obtain higher profits. Yudoko [9] in [10] has stated that competitive advantage is an ability of a company to meet expectations, wants, needs, income, and willingness of service users. According to Peteraf and Barney (2003), a firm that has competitive advantage has created more economic value than its competitors have [11]. Competitive advantage is what distinguishes a company from other companies and gives a characteristic for companies to meet market needs [12]. Broadly, competitive advantage is company's efforts to create excellence in a product or service in order to be able to compete with other companies so that they can obtain benefits

2.4. *The Influence of Differentiation Strategy on Competitive Advantage*

Ferdinand (2003) has stated in [13] that competitive advantage achieved from differentiation strategy is expected to lead a company to a successful marketing. Kotler (2006) in research [14] has said that one of competitive advantage possessed by a company is offering differentiation that will provide more value to consumers than competitors' offering will. So, it can be concluded that the differentiation strategy applied by a company will create a competitive advantage to market the services so that many people will be interested in using the services of the company. According to Walters et al. (2005), competitive advantage of companies that pursue differentiation strategy is often the result of management decisions regarding the development of new products and services, product design, product features, brand image, Superior Services, technology, and distribution [15].

H1: Differentiation Strategy Has Influence on Competitive Advantage

2.5. The Influence of Promotions on Competitive Advantage

Promotion is a method to communicate a company's marketing to the target and is known as integrated marketing communication (Wells et al., 2007) in [16]. Trivena and Airdianingsih [17][18] in their research on "factors that influence the competitive advantage of batik SMEs" have stated that marketing followed by promotion on electronic media as a marketing medium and professional business management can ultimately create competitive advantage in businesses. In other words, a company's competitive advantage can be seen in their marketing, especially in promotions offered to consumers by giving competitive prices.

H2: Promotions Have Influence on Competitive Advantages

H3: Simultaneous Differentiation Strategy and Promotions Have Influence on Competitive Advantage

2.6. Frame Work

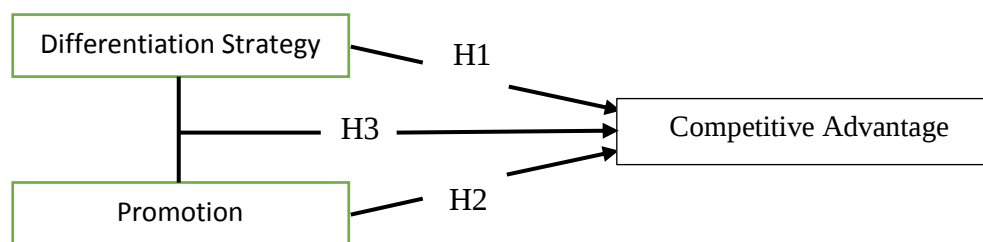


Figure 1. Conceptual Frame Work

3. Method

This research was conducted on the consumers of Indonesia AirAsia. The variables in this study consisted of three variables, namely, differentiation strategy (X1), promotion (X2), and competitive advantage (Y). This study used questionnaire to obtain quantitative data. Questionnaires were distributed to 100 respondents who were the users of the service of Indonesia AirAsia. Data were analyzed using multiple linear regression and processed using SPSS Statistics Version 24. The indicators of this study refer to previous studies. Those indicators were differentiation strategy from Cross (1999) in [19], promotions (Pi & Huang, 2011) in [4], and competitive advantage from [20].

4. Result and Discussion

The results of the validity and reliability tests can be seen in the table below:

Table 1. The Result of Validity and Reliability Tests

Variable/dimension		Indicator	Average	R count	Cronbach Alpha
Differentiation Strategy	X1.1	Maintenance facilities for similar services.	3.71	0.541	0.676
	X1.2	Better service quality than competitors.	3.54	0.455	
	X1.3	Management and benefits of differentiation fees.	4.12	0.472	
Promotions	X2.1	Advertising Appealing.	4.10	0.428	
	X2.2	Deliver a good information in the media promotion.	4.03	0.389	

	X2.3	Ticket promotion satisfy consumer.	4.01	0.711	0.779
	X2.4	consumer like the promotion program.	4.06	0.636	
	X2.5	Promotion program beneficial for me.	3.77	0.612	
Competitive Advantage	Y1	Boarder customer resource.	3.83	0.516	0.735
	Y2	Better advertisement efficiency.	4.05	0.624	
	Y3	Better customer relationship.	3.54	0.510	
	Y4	Better price competition.	4.00	0.474	

Validity test was used to measure the validity of a questionnaire (Ghozali, 2011) [21]. In Table 1 above, r_{table} of 0.195 was obtained from the table of $r_{statistic}$ where the value of $df = N$ (number of respondents), which was -2. Each value of $r_{count} > r_{table}$ and thus, all variables were considered to be valid.

The reliability test was conducted on items that were otherwise valid. This test is to measure questionnaire which is an indicator of a variable or construct (Ghozali, 2011) [21]. In Table 1, it can be seen that the value of Cronbach's Alpha for each variable is > 0.6 and thus, all instruments on each variable were reliable.

Table 2. The Results of Multiple Linear Regression on Differentiation Strategy, Promotions, and Competitive Advantage

Coefficients ^a					
		Unstandardized Coefficients		Standardized Coefficients	
	Model	B	Std. Error	Beta	t
1	(Constant)	3.235	1.141		2.836
	Differentiation Strategy	.597	.096	.486	6.237
	Promotion	.282	.058	.376	4.825
					Sig.
					.006
					.000
					.000

a. Dependent Variable: Competitive Advantage

Source: Data processed by the author using SPSS 24.00.

From the table above, the regression equation is obtained as follows: $y = 3.235 + 0.597X_1 + 0.282X_2$ In the equation, 3,235 is a constant value. If it is assumed to be constant or equal 0, then the competitive advantage is 3,235 units. If differentiation strategy is increased by 1 (one) unit, it will be followed by a sales level of 0.597 units and if the promotion is increased by 1 (one) unit, then the ticket sales level will be 0.282.

Table 3. The Coefficient of Determination

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749 ^a	.561	.552	1.355

a. Predictors: (Constant), Promotion, Differentiation Strategy

b. Dependent Variable: Competitive Advantage

Source: Data processed by the author using SPSS 24.00.

It can be seen that the adjusted coefficient of determination or (r^2) was 0.561. This result means that the independent variables, which were differentiation strategy and promotion, could

explain 56.1% of competitive advantage, which was the dependent variable, while the remaining 43.9% was explained by other variables that were not included in this model.

Table 4. F-Test Result

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	228.013	2	114.006	62.076	.000 ^b
	Residual	178.147	97	1.837		
	Total	406.160	99			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Promotion, Differentiation Strategy

Source: Data processed by the author using SPSS 24.00.

In the F-Test, it can be seen that $F_{count} > F_{table}$ ($62,076 > 3,09$) and thus, H_0 was rejected and H_A was accepted. It means that differentiation strategy and promotion variables simultaneously have a positive and significant relationship with the variable of competitive advantage.

5. Conclusion

The application of differentiation strategy has shown a positive and significant influence on competitive advantage. This condition is caused by good management with relatively low ticket prices that can be perceived by passengers of Indonesia AirAsia. To improve competitive advantage, Indonesia AirAsia should be able to provide better service quality.

Promotions also have positive and significant influence on competitive advantage. Attractive advertising to promote their services plays an important role here. To improve promotion program, Indonesia AirAsia should provide more seats promotions so that more passengers will perceive that Indonesia AirAsia is better than other airlines.

Differentiation strategy and promotions simultaneously have a positive and significant influence on competitive advantage. To increase competitive advantage, Indonesia AirAsia should be able to maintain good relationship with customers and promote differentiation strategy.

6. Implication Managerial

Based on the analysis and conclusion of this study is expected to provide benefits for AirAsia Indonesia in terms of implementation of differentiation strategies and promotion to competitive advantage. The implications of this study are as follows

1. Indonesia AirAsia can further optimize differentiation and promotion strategies made to create competitive advantage with other competitors.
2. With this research, Indonesia AirAsia can provide more promo seats so that all users can feel the promo offered.
3. Indonesia AirAsia should improve the quality of services such as cabin crew should be fast on responding so that customers can feel the comfort, then keep a relatively low ticket price and able to maintain the image of the companies.
4. The good relationship between customers and airlines is important to achieve competitive advantage. The results of this research show that Indonesia AirAsia has a poor relationship to customers, it can be suggested to AirAsia Indonesia should improve the customer service performance in providing information and serve according to the needs of Customer thus creating a better relationship to the customer.

7. References

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