

The Effect of Price on Applying Paid Baggage Towards Passenger Purchase Decision: Case Study of Lion Air Domestic Routes

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Abstract. In January 2019, Lion Air officially raised the price of airline tickets and applied paid baggage. Price is an important factor for consumers in making decisions to make transactions or not. This research is aimed to find out the effect of price of applying paid baggage towards passenger purchase decision with total 131 of respondents. This research used a simple regression analysis with quantitative approach. The result showed that there is an effect of the price of applying paid baggage towards the passenger purchase decision and can be proved using simple linear regression ($Y = -0.064 + 0.695X$). It means that each increasing point of variable X (paid baggage) so variable Y (passenger purchase decision) which is 0.695 in -0.064 constant. Based on the result of correlation analysis, $r = 0.824$ show that there is a very high correlation between two variables. The determinan coefficient is 0.679 prove that the price of paid baggage is has an affect of 67.9% on passenger purchase decision while the rest come from other factors (32.1%). The results from hypothesis is $t \text{ count} > t \text{ table}$ or $16.504 > 1.978$, because of t count is bigger than t table it means there is a significant effect between the variable X (price of paid baggage) and the variable Y (passenger purchase decision).

Keywords: effect of price, baggage, purchase decision

A. Introduction

As an archipelagic country, Indonesia has a significant potential for increasing domestic flight movements. Commercial flight services promise a mobilization process with a short travel time at a considerable distance. This is what makes the airline business quite able to have the ability to develop faster than other modes of transportation [1]. Lately, the world of Indonesia aviation has returned to the public spotlight. Not long ago the community protested the high cost of domestic flight tickets. This is because domestic ticket prices have soared when the crowded passenger period has ended [2]

The increase in airline ticket prices was accompanied by the application of paid baggage by a number of LCC airlines. This makes people anxious. One airline that serves passengers with domestic destinations and uses the LCC system is Lion Air. Lion Air is Indonesia's largest private airline with a domestic market share of which amounted to 34% [3]. In January 2019, Lion Air officially raised the price of airline tickets and applied paid baggage [4]. This makes people reluctant to board the plane because they have to pay a fairly high total price from the previous price.

According to Hasan (2008) in Subekti (2017), Prices are all forms of monetary costs sacrificed by consumers to obtain, own, utilize a number of combinations of goods and services of a product. In the same journal, Kotler (2002) states that price is the only marketing mix element that generates income, while other elements generate costs. Price is also the most flexible marketing mix because it can be changed quickly, unlike typical products and distribution agreements.

Price is an important factor for consumers in making decisions to make transactions or not. So it can be concluded that the tariff is the amount of money that the company has determined in return for goods or services traded and something else that the company holds to satisfy consumer desires [6]

Checked Baggage is passenger goods delivered by passengers to transporters to be transported by the same aircraft [7]. Baggage is passenger luggage that contains goods needed by passengers that will be used during the trip, which is permitted by the airline to be transported in an airplane. Paid baggage referred to here is a Checked Baggage which is passenger luggage that must be weighed and loaded in the aircraft compartment, and will be given a label number when the passenger check-in [8].

Price variables have a positive influence on purchasing decisions. Consumers will remain loyal to quality, prestigious and exclusive brands when offered at reasonable and appropriate prices. Someone's perception of the price of a product varies, in part, judging by the increasing price, the level of purchasing decisions decreases but some of them assess the higher the price, the higher the level of quality of the product [9].

According Sangadji (2013) in Putra, Mananda, & Dewi, (2016), purchasing decisions are the stage in the process of making purchasing decisions until consumers really buy a product or service. There are various kinds of factors that can be a consideration for tourists to make decisions. One of these factors can be from the price factor. The price offered by each airline has a different price according to the service of the airline. Purchasing decision is an approach to solving problems in human activities to buy an item or service in fulfilling their wants and needs which consists of the introduction of needs and desires, information seeking, evaluation of purchasing alternatives, purchasing decisions, and behavior after purchase [5] As Michael O'Leary, the CEO of Ryanair, has stated (quoted in Allon et al., 2011, pp. 2e3): "Paying for checked-in bags ... wasn't about getting revenue. It was about persuading people to change their travel behavior e to travel with carry-on luggage only ... This helps us significantly lower airport and handling costs." [11]

Henrickson and Scott (2012) and Scotti and Dresner (2015) examine the impact of baggage fees on airline ticket prices and passenger demand. Henrickson and Scott (2012) find that ticket prices are negatively correlated with baggage fees, leading to the conclusion that airlines substitute baggage fees for higher ticket prices. They also find that Southwest Airlines, which does not impose baggage fees on first and second checked bags, increased their fares on routes in which they compete with the legacy carriers after the legacy carriers imposed their baggage fees. Scotti and Dresner (2015) find that the imposition of baggage fees results in a decrease in passenger demand, but that the elasticity is much smaller than an equivalent increase in ticket fares, leading to the conclusion that carriers can increase total revenues by reducing fares and substituting baggage fees [11]. Thus the Lion Air must have a new marketing or breakthrough strategy seen from the factors that can influence tourists in making a decision to buy their tickets.

This study was made to determine the effect of prices on the application of paid baggage affecting the purchasing decisions of domestic Lion Air passengers.

B. Methods

This research used a simple linear regression analysis with a quantitative approach to see the impact between two variables. Quantitative Research is a research method based on the philosophy of positivism, used to research in a particular sample, data collection using research instruments, quantitative data analysis, with the aim of testing a predetermined hypothesis [12].

Fitantri, Madhani, & Widiastuti (2017) explains that quantitative methods are used when:

- a. When the problem from the starting point for conducting research is clear. The problem discussed is the deviation between what should happen and what happens, between rules and execution, between theory and practice, between plans and implementation.
- b. if the researcher wants to get broad information from a population. Quantitative research methods are suitable for broad information but not for obtaining in-depth information.

Astria Hijriani (2016) in Fathurahman *et al*, (2018) state that Regression analysis is a method that determine the relationship between the dependent variable (Y) and a series of independent variables (X). The simple linear regression model is the simplest regression model because it has only one independent variable (X). Regression analysis has several uses, one of them is to determine the effect on the dependent variable (Y).

In the methodology, the measurement of each variable in this research used an ordinal scale and the scale of the instrument used in this research was by Likert Scale with a score range of 1 to 5. Determination of the sample in this research referred to Malhotra theory that the number of samples or respondents is at least five times the number of items studied. The number of items examined in this research is 17, so the minimum sample for this research was at least 85 respondents. Therefore, we took a random sample of 131 respondents who had been and not used yet Lion Air service by distributing questionnaires based on respondents' perceptions. Data collection techniques used in this research are by distributing questionnaires. The main data obtained from the respondents who answer statements through questionnaire.

C. Discussion and Result

This research aims to analyze the effect of airlines delays towards customer retention particularly for low-cost airline customers in Indonesia. This research data is as much as 120 respondents who had been affected by delays when using low-cost carrier services by distributing questionnaires.

From the results of the questionnaire, data recapitulation taken from the characteristics of respondents based on age, occupation and travel destination using the Low Cost Carrier airline from the data below:

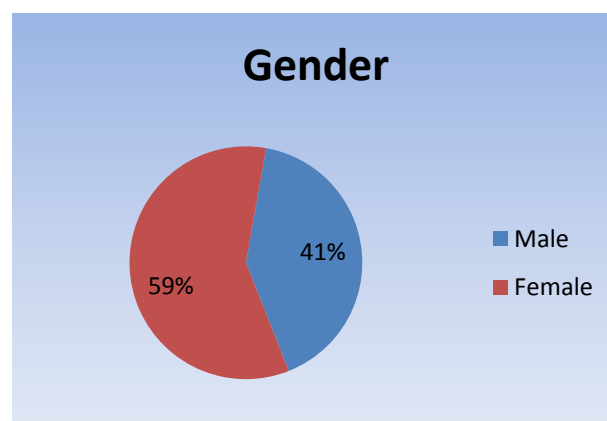


Figure 1. Characteristic of Respondents by Gender

Based on **Figure 1**, gender dominated more than half of female respondents is equal to 59% or 77 respondent, and 41% or 54 respondents are male.

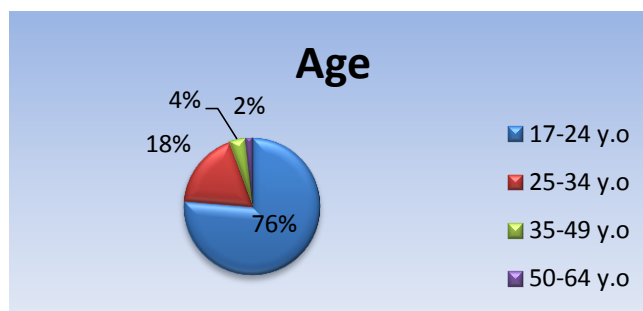


Figure 2. Characteristic of Respondents by Age

Based on **Figure 2**, most of the average respondents are people aged 17-24 years old with a percentage of 76% or 100 respondents, then 18% or 24 respondents aged 25-34 years old, 4% or 5 respondents who 35-49 years old, 2% or 2 respondents aged 50-64 years old.

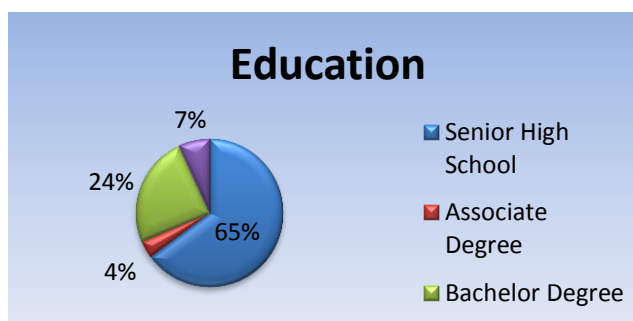


Figure 3. Characteristic of Respondents by Education

Based on **Figure 3**, most of the average respondents are people Senior High School graduates and most of them are university students with a percentage of 68% or 85 respondents, then 26% or 32 respondents are bachelor degree graduates, 4% or 9 respondents who have master degree, 2% or 5 respondents are associate degree graduates.

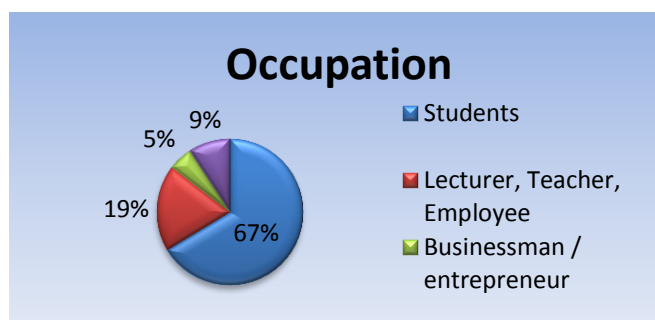


Figure 4. Characteristic of Respondents by Occupation

Based on **Figure 4**, almost three quarters are students with a percentage of 67% or 87 respondents, then 19% or 25 respondents are lecture, teacher, and employee, 9% or 12 respondents who have other occupations, 5% or 7 respondents are businessman or entrepreneur.

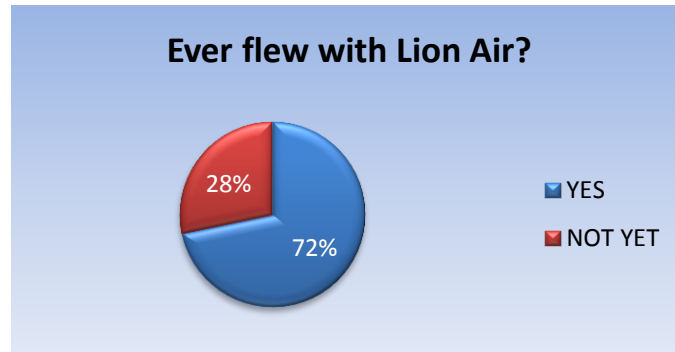


Figure 5. Characteristic of Respondents by Experience

Based on **Figure 5**, as many as 94 respondents or 72% have been using the services of Lion Air, while the remaining 37 or 28% claimed to have never used the services of Lion Air.

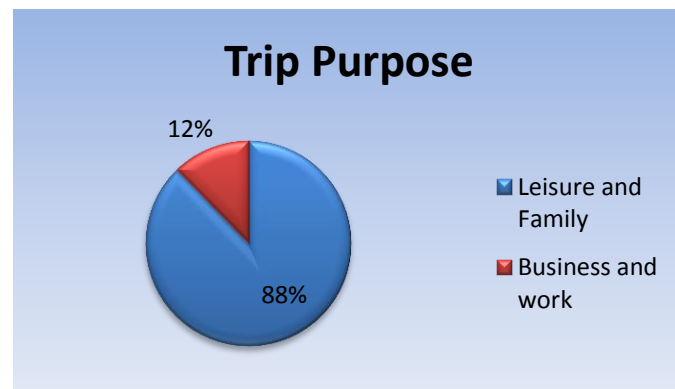


Figure 6. Characteristic of Respondents by Trip Purpose

Based on **Figure 6**, more than three-quarters of the total respondents will or have been trip to travel or for family, while almost one-quarter of them will be due to business and work reasons.

Based on the results of the research, validity of each items can be seen below:

Table 1. Validity Test Price on Paid Baggage Variable

Items	R count	R table 5% (131)	Validity
1	0,677	0,1443	Valid
2	0,732	0,1443	Valid
3	0,758	0,1443	Valid
4	0,650	0,1443	Valid
5	0,709	0,1443	Valid
6	0,484	0,1443	Valid
7	0,466	0,1443	Valid
8	0,616	0,1443	Valid
9	0,739	0,1443	Valid
10	0,809	0,1443	Valid

Table 2. Validity Test Passenger Purchase Decision Variable

Items	R count	R table 5% (131)	Validity
1	0,880	0,1443	Valid
2	0,846	0,1443	Valid
3	0,738	0,1443	Valid
4	0,809	0,1443	Valid
5	0,847	0,1443	Valid
6	0,851	0,1443	Valid
7	0,541	0,1443	Valid

Based on **Table 1** and **Table 2** above, it proved that all the items from variable are valid because r count is bigger than r table. Because of all the items are valid, it can be used in this research.

Table 3. Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,824 ^a	,679	,676	3,79644

a. Predictors: (Constant), Price of Paid Baggage

Table 4. Simple Correlation

Correlations

		PriceOnPaidBaggage	PassengerPurchaseDecision
PriceOfPaidBaggage	Pearson Correlation	1	,824**
	Sig. (2-tailed)		,000
	N	131	131
PassengerPurchaseDecision	Pearson Correlation	,824**	1
	Sig. (2-tailed)	,000	
	N	131	131

Based on **Table 3** and **Table 4** above, it explains how much the correlation value is represented by (R), which is equal to 0.824. According to the correlation interpretation guidelines proposed by [12] it means that the variables has a high correlation level. The determination coefficient value represented by (R Square) is 0.679. It proved that total price after paid baggage application has an affect of 67.9% on purchase decision while the rest (32.1%) come from other factors, which was not discussed by the researchers. Also it is proved that the value of significance on the simple correlation test is 0.00, below 0.005 that means between the price and passenger purchase decision variable have a correlation.

Table 5. ANOVA

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3925,706	1	3925,706	272,373	,000 ^b
Residual	1859,271	129	14,413		
Total	5784,977	130			

a. Dependent Variable: Passenger Purchase Decision

b. Predictors: (Constant), Price of Paid Baggage

Based on **Table 5** above, explains that the F count value of this research is 272,373 with a significance value of 0,000. Because of the significance value is below 0.005 we can conclude that price of paid baggage variable have a significant impact towards passenger purchase decision variable and simple linear regression analysis can be used to predict passenger purchase decision variable.

Table 6. Coefficient

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-,064	1,185		-,054	,957
Price of Paid Baggage	,695	,042	,824	16,504	,000

a. Dependent Variable: Passenger Purchase Decision

Based on **Table 6** above, we can conclude that the result of simple linear regression is $Y = -0.064 + 0.695X$. In this equation the constant is -0.064. Meanwhile, the regression coefficient X is 0.695 claim that every addition of one value or number on price of paid baggage (X), then the value of customer retention (Y) increases by 0.695. The regression coefficient is positive, so it can conclude the direction of variable influence (X) on (Y) is positive. Also based on Table 5 above, The result from coefficients test is t count > t table or 16.504 > 1.978 it means there is a significant impact of variable X (price of paid baggage) towards variable Y (passenger purchase decision).

D. Conclusion

Based on the result and data analysis can conclude that the effect of price of paid baggage towards passenger purchase decision in Lion Air's domestic routes are:

- Based on the term of the simple linear regression test is all the items are valid and there is a linear relation between the independent variable, which is price of paid baggage, and the dependent variable, which is passenger purchase decision.
- The result of the simple correlation (R) is 0.824. It is proved that the relation between the price of paid baggage and the passenger purchase decision is at the level of very high (0.8 – 1.00). In addition, it is proved that the value of significance on the simple correlation test is

- 0.00, below 0.005 that means between the price of paid baggage variable and passenger purchase decision variable have a correlation.
- c. The result of the determination coefficient test (R Square) is 0.679. It means that price of paid baggage (then affects the total price) has an affect of 67.9% on passenger while the rest (32.1%) come from other factors. The percentage shows that the effect of price of paid baggage towards passenger purchase decision is positive.
 - d. The result of the simple linear regression is $Y = -0.064 + 0.695X$. It means that each increasing point of variable X (paid baggage) so variable Y (passenger purchase decision) will increase as much as 0.695 and the constant in this equation is -0.064.
 - e. The result of the hypothesis test is t count > t table or $16.504 > 1.978$, because of t count is bigger than t table it means there is a significant effect between the independent variable which is price of paid baggage and the dependent variable which is passenger purchase decision.

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