

Change the Paradigm Of Customer Perception On Charging Checked Baggage Fees To Purchase Decision

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Abstract. Charging checked baggage fees for low-cost carrier is the current issue in the Indonesian Airline industry. Differentiate baggage fees is one of the airline strategies to increase revenue. The price of additional checked baggage fees that not published well create some complaints from customers. On the other hand the imposition of baggage fees benefited for travelers who don't bring baggage allowance. From this case, customer of low-cost carrier has different perception about the imposition of baggage fees. This study examines the effect of customer perception on imposition of checked baggage toward purchasing decisions. This paper using quantitative data collected by questionnaires. The measurement of this study using likert scale and was analyzed using regression analysis. The data collected by 104 respondents. The respondents of this study are low-cost carrier users in Indonesia. The result of this paper will show that customer's perception of checked baggage additional fees affecting significantly to the purchase decision. the result of this study obtained that the customer perception on the imposition of checked baggage fees still not good and for variable purchase decision shows that customers are hesitant to buy an airline ticket which not include baggage allowance.

1. Introduction

In the current year, air transport industry in Indonesia facing tight competition. According to Central Bureau of Statistic (BPS), the number of air transport passengers in Soekarno Hatta International Airport in 2019 decrease compare to 2018. However, the amount of air transport passengers in Soekarno Hatta International Airport increased from 21.931.280 passengers in 2017 to 22.609.828 in 2018. Traditionally, the shortest travel time compared to other modes of transportation, safety, comfort and also affordable tariff are the basic things of people consider in choosing a mode of transportation. [1]. Coupled with the presence of Low-Cost Carrier (LCC) which helps people travel with lower fares. Nowadays the slight price escalation of airline impacts the number of passengers. But at present the airfares of low-cost carriers still higher than other modes of transport.

Low-Cost Carrier is an airline business model which offer lower fares than full-service carrier. Full service offering a high standard level of service including comfortable seat arrangement, free catering onboard, providing reading content and in-flight entertainments [2]. Meanwhile following the development of business model some airline create the low-cost carrier model to fulfill the demand in the airline market produced by the unexpected economic fluctuation [3]. The decrease of cost is the essence of low-cost carriers business model by removing some comfort and service such as the use of online booking system, no meals on board, reducing the weight of baggage allowance, and also the use of homogenous fleet Boeing 737 family or Airbus 320 is one of the innovative ways to reduce the cost [4]. Traditionally the baggage allowance of low-cost carriers is included the passenger's ticket price. But currently, some low-cost carriers eliminating the baggage allowance. Therefore passengers have to pay the checked baggage fees. There are two types of baggage, carry on baggage and checked baggage. IATA has guidelines about the baggage regulation but the size and weight free of charge variously determined by each airline [5].

Baggage service is one of the factors that affect the customer's choice in choosing an airline [6]. Currently, low-cost carriers in Indonesia have two types of pricing. One of the low-cost airlines differentiate the baggage fees from the airfares. And the other one still applying the traditional pricing which serves the baggage allowance bundled with the airfares. The amount of checked baggage processed can also impact on the efficiency of delayed flights. The process of loading, offloading, and transfer baggage from one flight to another flight takes time and causes

the rate of on-time performance [7]. This case currently raises controversy between customers and the airline. The decrease in baggage weight can reduce fuel costs which include the cost variable of aircraft operations. The weakness economy condition coupled with the growth in fuel expenses, airline were looking for alternative ways to maintain their income [8]. To increase revenue airlines tend to increase airfares through charging baggage fees rather than increasing all fares by an equal number. So, applying the strategy of separate the baggage fees successfully increasing the airline's revenue [9].

Thus, the absence of baggage allowance is one of the considerations for customers to choose an airline. Taking the decision to eliminate the baggage allowance is given that airline trying to separate business and leisure travelers [8]. Customers are not required to pay for unnecessary product attributes. Nevertheless for the passengers requiring a bundled price including baggage allowance feels aggrieved of the imposition baggage fees. The full trip airfares rise for the average leisure traveler by at least half of total price bag fees when that passenger checks a bag. However, for non-bag-checkers is benefited from a lower airline ticket price [10]. This case correlated with the consumer behavior which used to buy airline tickets inclusive with the baggage allowance. As a result, the emergence of charging any checked baggage affecting the new perception of passenger's low-cost airlines. The fact is consumers have their diversity and have different preferences and knowledge of the situation [11].

Customer perceptions are assumptions about the real condition served by a company. Therefore whenever a consumer purchase a product or service it relies on consumer's perception towards a particular product [12]. Customer perception includes perceived price, perceived quality, perceived value, and perceived risk [13]. Customers have a different perception of the charged fees of checked baggage that may lead to the airline ticket purchase decision. According to Kotler and Keller [14] Purchase decision has a process divided into five stages. These stages are the recognition of customer's need, then seeking the information, then evaluating the alternatives way, then the decision-making, and finally the after- purchasing behavior. Every decision starts with identifying of customer's need or want. Therefore, this stage is an unavoidable stage of decision-making and where the consumers are motivated to start the process of decision-making [11]. Each customer has subjective perceptions based on the knowledge of customers as a result of the search and evaluation as it reflects consumers' actions and decision-making [15]. The customer's expectations are related to perceived value and then look for opinions from their relatives to summarize experience which plays a great role in influencing the next purchase decision [16].

This purchase decision impacts the company's performance to facing tight competition in the airline industry. The alternative strategy adopted by airlines is start charging baggage fees and separated with the airline ticket price. The traditional paradigm of low-cost airline's customer need transformation of the new policy of low-cost airline pricing. This study will analyze the impact of customer perception of baggage fees on the purchase decision low-cost airlines in Indonesia. To maintain the airline company performance, this study examines whether the strategy of charging baggage fees is efficient or inefficient for customer's low-cost airline and how the paradigm of customers perception on imposition of baggage fees.

2. Methodology

This study examines the effect of customer perception of additional baggage fees on the purchase decision. The type of research using quantitative and descriptive methods. The data collected by survey using questionnaires. Variable independent is customer perception (X) and variable dependent is purchase decision (Y). The instrument of questionnaire constructed based on related theories. The source of data is the primary data collected directly by filling the questionnaire. The questionnaire composes of 20 questions consist of 12 questions for variable customer perception and 8 questions for variabe purchase decision. The questionnaire was filled by 104 respondents who have experienced travel by low-cost carrier in Jakarta. The questionnaire survey conducted in May-June 2019. The authors take a simple random sampling which means the retrieval of the sample from the population is done randomly [17]. The

population and sample are low-cost airline users in Indonesia. This paper measured using likert scale with a scale of 1 to 5. The lowest score is 1 stands for strongly disagree and the highest score is 5 stands for strongly agree. This study using simple regression analysis technique. Besides the primary data, this study also conducts the secondary data from the previous research, books, and journal.

3. Result and Discussion

The questionnaire data have gone through validity, reliability and normality tests on 104 respondents using the SPSS 25 software. The results of the validity tests state that all questions in the questionnaire are valid. The reliability value of variable customer perception is 0.814 and the variable purchase decision is 0.775. the normality test obtain using kologorov-smirnov test obtained asymp.sig 0,128>0,05. It means that the natural data of this research are normally distributed. The results of each variable is describe below.

3.1. Variable Customer Perception

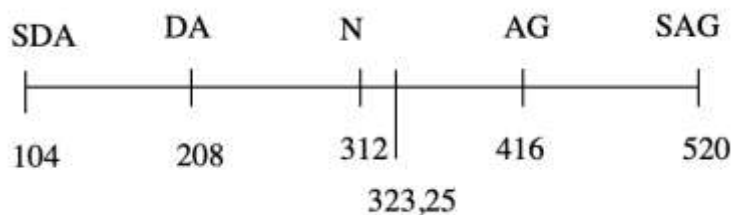


Figure 1. Variable Customer Perception

The research questionnaire of variable customer perception consisted of 12 statements with a scale 1 to 5. Therefore the highest score is 520 and the lowest score is 104. Based on the results of the questionnaire stated that the average of average score variable customer perception on charging baggage fees is 3.11. This can be interpreted that the variable customer perception is in a moderate position and it means the customer perception on the imposition of baggage fees is not good enough. From each item, the highest weight 3.79 states that the customers agree that the price of the ticket that includes baggage is considered beneficial for the customer. The lowest point with a weight of 2.55 in the statement of affordable baggage surcharges determined by low-cost carrier gets a bad perception so that based on the perception of the customer the cost of baggage fees is relatively expensive.

Customers still cannot adjust the emergence of separating baggage fee regulation implemented by several airlines. Customers are still accustomed to buying airline tickets that are relatively cheap and included baggage allowances as in the application of the traditional pricing policy for low-cost carriers. Nevertheless, on one side by separating separate baggage fees it is beneficial for customers who do not carry luggage. Here is the customers do not understand that the operating costs of airlines are strongly influenced by the exchange rate of the currency rupiah against the dollar or foreign currency. This can be proven by one of the low-cost carrier airlines submitting a letter of postponement of debt repayment.

The lack of information on the baggage rates by the airlines will impact negatively to the customer. Customer is not willing to pay separate prices for each product attribute. The customer paradigm is still not good at understanding the implementation of this paid baggage. Basically, a low-cost carrier is a flight for passengers who do not carry luggage, but most domestics passengers only compare the lowest prices without knowing what services are obtained. Meanwhile, some foreign airlines have been implementing this regulation for a long time.

3.2. Purchase Decision

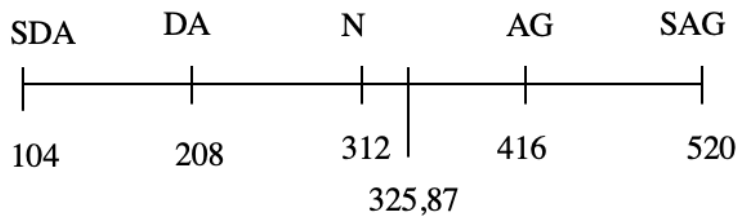


Figure 2. Purchase Decision

The research questionnaire of variable purchase decision consisted of 8 statements and the scale from 1 to 5. Based on the data result show that the average of the average score in the purchase decision variable obtained with a weight of 3.13. In this variable, low-cost carrier's customers are hesitant to use low-cost carrier flights with paid checked baggage. The questionnaire consists of 8 questions in the purchase decision variable the highest score was weighted 3.69 which states that customers agree to choose low-cost carriers which include baggage fees. Beside the highest score, the lowest score obtained with a weight of 2.81. From these results, it can be interpreted that customers are hesitant to recommend buying low-cost carrier tickets which not include baggage fees to other people.

According to these results, it can be analyzed that the customer having unsatisfactory experience when the imposition of baggage fees. In addition, customers are easier and more practical with ticket price including baggage allowance. Customer dissatisfaction can cause the bad reputation of low-cost carrier. Less purchasing power causes customer doubt to buy ticket of low-cost carrier which excludes baggage allowance. At the time of purchasing a flight ticket, customers tend to looking for a cheaper price, but do not understand the new pricing policy of some low-cost carrier. Some passengers also do not know how much the baggage cost must be paid by passengers. As a result, customers no longer want to use low-cost carrier airline that do not included baggage fees.

Based on the results of research from customer perception and purchase decision variables, price perception is the main consideration in purchasing decisions. Poor customer perceptions and poor purchasing decisions on the implementation of paid baggage can lead to sales reduction in low-cost carrier.

3.3. Simple Linear Regression Analysis

According to the data of questionnaire, the simple linear regression analysis are described below.

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,744 ^a	,553	,549	3,46785

^a Predictors: (Constant), Customer Perception

3.3.1. R Square Test (Determinant Coefficient)

Based on table 1 the R square analysis obtained the relationship between variables customer perception and purchase decision has a strong correlation with r value of 0.744. In addition, from the table above the determinant coefficients on the variable customer perception of the purchase decision influence 55.3%, while the other 44.7% is influenced by other factors.

Table 2. Coefficients^a.

Model	Unstandardized Coefficients	Standardized Coefficient	T	Sig.
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	B	Std. Error	Beta		
1 (Constant)	4,367	1,874		2,331	,022
Customer Perception	,555	,049	,744	11,235	,000

^a Dependent Variable: Purchase Decision

3.3.2 Regression Test

From the results of the table above, it can be seen that the consistency value of variable purchase decision are 4.367. Variable customer perception has a positive influence on the purchase decision, that is every 1% increase in customer value on paid baggage, the purchase decision value increases by 0.55. So that the regression equation can be written, $Y = 4.367 + 0.55X$.

3.3.3. T Test (Partial)

According to table 2 noted that the value of t count 11.235 is greater than the value of t table 1.986. $t \text{ count } 11,235 > 1,986 \text{ t table}$. Based on the value of t, the variable customer perception has a significant influence on the purchase decision variable. Based on the significance value obtained a significant value of 0,000 < 0,05. It was concluded that variable customer perception had an effect on the purchase decision.

4. Conclusion

Based on the results of this study, it was found that for the variable customer perception charging checked baggage fees on the purchase decision had a significant effect. The results of the questionnaire show that the average value of the variable customer perception of the paid baggage policy received medium response. It means the customer perception of the additional baggage fees is not good enough. Customers of Low-cost carriers feel more benefited if the ticket price includes baggage fees. In addition, low-cost carrier customers have a poor perception of baggage costs. So that the baggage fees set by the airline are considered unreachable. The results obtained for the purchase decision variable can be interpreted that customers are hesitant to buy tickets with paid baggage. The highest score is found that the customer agrees to buy a flight ticket that includes baggage allowance. And the lowest score on the statement is that customers are hesitant to recommend buying tickets that not include baggage allowance to other people.

To change the paradigm of customer perception about the new regulation of paid checked baggage, the airline needs to provide continuous socialization that some low-cost airlines do not provide baggage allowances as long as foreign airlines have applied. Moreover, it is important to inform the baggage tariff that must be paid by the customer. This act proposed to prevent the customer's complaint, so the customer can prepare the fees if carrying baggage.

The cooperation between government and airline is also necessary to sharing, and socializing to the passengers about the new regulation of charging baggage fees. The fixed price of checked baggage fees has to determine by the cooperation of airline and government to avoid the significant escalation of the tariff. Regarding the increase of airfares, the airline has to equalize the outcomes between the commercial, comfort and safety to keep the passengers loyal to airlines. Other than that the airline flight ticket escalation should be balanced with the improvement of quality services such as on-time performance, baggage transported guaranteed, and also efficiency in the check-in process, so that customers are not hesitant to buy airline tickets despite price increases. With customer trust and customer satisfaction with the airline, customers can purchase tickets repeatedly and the performance of low-cost airlines remains stable.

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