

The Effect of Price Fairness and Service Convenience on Customer Satisfaction and Its Impact on Customer Loyalty (Case Study: Indonesia AirAsia)

T. Mayumartiana^{1*}, A. Aulia², Y. Octora³, E. B. Setiawan⁴
^{1,2,3,4}Institute of Transportation and Logistic Trisakti, Jakarta, Indonesia
*Corresponding author: mayumartiana@gmail.com

Abstract. The development of aviation industry in Indonesia nowadays is experiencing increasing demand. However, in 2019 there were price fluctuations in the airline industry which resulted in ticket price increase at lower limit rates. The expensive prices of airline tickets have resulted in lower demand for airline service industry in Indonesia. The purpose of this study is to determine the effect of significant price fairness and service convenience on customer satisfaction and its impact on customer loyalty in Indonesia AirAsia. This study is quantitative study. The method used in this study is path analysis. The results of this research have showed that price fairness and service convenience have an effect on customer satisfaction. Price fairness and service convenience also have an effect on customer loyalty. It indicates that increasing customer satisfaction can be done through the ease of payment so that it can increase customer loyalty. Therefore, customer satisfaction can mediate interventions in relation to customer loyalty.

1. Introduction

The development of aviation industry in Indonesia from time to time continues to increase and so does the demand for airline service. However, in early 2019, price fluctuations in aviation industry have increased and resulted in increasing ticket prices. In Indonesia, domestic flight routes have experienced surge pricing for flight tickets. The prices for domestic flights are more expensive compared to prices for international flights. There are various reasons that cause the price of flight tickets to increase. According to the chairperson of the Indonesian National Air Carrier Association (INACA), Ari Akshara Danadiputra, the weakening of the rupiah against the US dollar has resulted in increasing airline ticket prices in Indonesia [1]. The expensive prices of flight tickets have resulted in declining demand for flight services. This condition is in accordance with the law of demand which states that as the price of a good or service increases, quantity demanded decreases. Conversely, as the price of a good or service decreases, quantity demanded increases. Whereas, the law of supply states that as the price of a good or service increases, the quantity of goods or services that suppliers offer will increase, and vice versa.

One airline that provides cheap ticket prices every year is Indonesia AirAsia. Indonesia AirAsia has been operating in Indonesia since December 8, 2004. Currently, AirAsia Indonesia operates a fleet of Airbus A320s sent directly from Airbus plant in Toulouse, France. Indonesia AirAsia continues to strive to open new routes so that they can serve the Indonesian with more domestic and international flight routes. As if they had manifested their company slogan “Now Everyone Can Fly”, more than 25 million passengers have flown with Indonesia AirAsia since the airline was first established. Currently, Indonesia AirAsia mainly serves international flight, with the percentage around 60%, while the remaining 40% are domestic flights.

Table 1. Award(s) Received by AirAsia Airline for the Period 2008 - 2018

CATEGORY	YEAR	Award	Source
World Best Low – Cost Airline	2009 - 2018	Skytrax World Airline Awards	[2]
World Best Low – Cost Airline Premium Cabin	2013 - 2018	Skytrax World Airline Awards	
Asia’s Best Low – Cost Airline	2018	Skytrax World Airline Awards	
World Best Low – cost Airline	2013 - 2018	World Travel Awards	[3]
World Best Low – Cost Airline Cabin Crew	2017 - 2018	World Travel Awards	

Based on Table 1, Indonesia AirAsia must be able to maintain their consistency in providing good service and cheap airline ticket for their customers in order to earn customer satisfaction and customer loyalty. From this background, this research is conducted to find out the effects of price fairness and service convenience on customer satisfaction and its impact on customer loyalty.

2. Literature Study

2.1 Price Fairness

Price is the amount of money that is used as a tool to acquire a given product or service. [4] has revealed that price fairness is a situation when a customer feels a difference between the benefits obtained in accordance with the sacrifice given. Price fairness measurement has also been described by [5] that price fairness can be determined by considering several aspects such as reasonable prices, acceptable prices for everyone, providing accurate information to customers, prices based on market forces, and accuracy of pricing. In summary, price fairness is an evaluation of a process to obtain reasonable and acceptable results so that it does not cause a difference between the benefits the customers obtain and the sacrifices the customers give.

2.2 Service Convenience

Service convenience is customers' perception based on time and effort [6]. Meanwhile, [7] have explained that they recommend five types of service convenience, namely decision convenience, access convenience, transaction convenience, benefit convenience, and post-benefit convenience. From the definition, it can be concluded that service convenience is an understanding based on time and effort in the mechanism of purchasing and using services.

2.3 Customer Satisfaction

Customer satisfaction is customer evaluation obtained from the experience of buying or consuming a product or service [8]. [9] have measured customer satisfaction by: 1). Performance perception; 2). Customer assessment; 3). Conformity expectations. In other words, customer satisfaction is assessment by customers based on comparison between the perception and the expected results of product or service performance.

2.4 Customer Loyalty

According to [10] customer loyalty is a consistent commitment of customers to use the same brand, product, or supplier and is indicated by customer satisfaction and repeat purchase of a product or service. Kotler and Keller (2007: 76) in [11] have explained that "loyalty can be measured by repeat purchase (loyalty to product purchase), retention (resistance to negative information about the company), and referalls (totally referring to the company's existence)". From definitions mentioned above, it can be said that customer loyalty is the loyalty of customer to purchase or use products or services repeatedly.

2.5 Conceptual Framework

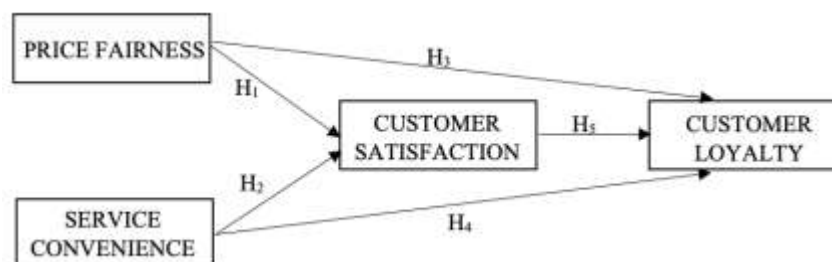


Figure 1: Conceptual Framework

2.6 Price Fairness on Customer Satisfaction

Has revealed that price is an important component of purchasing. Price has a huge impact on customer satisfaction[12]. A research by [9] has shown that price fairness has a positive and significant effect on customer satisfaction. The research has been also reinforced by a research conducted by [13] which has proven that price fairness has a positive and significant effect on customer satisfaction.

H1 : Price fairness has a positive effect on customer satisfaction

2.7 Service Convenience on Customer Satisfaction

Service convenience can be defined as an easy approach that requires only a little effort [14]. Based on research conducted by [15], there is a positive relationship between service convenience and customer satisfaction. If service convenience is good, customer satisfaction will increase. From the results of the study by [16], the dimensions of service convenience also have a positive impact on customer satisfaction.

H2 : Service convenience has a positive effect on customer satisfaction.

2.8 Price Fairness on Customer Loyalty

Price is one of the determinants of customer loyalty [17]. In the study by [17], price fairness has an effect on customer loyalty. That result is the same as the result of the study by [4] which has stated that price fairness has a positive effect on customer loyalty.

H3 : Price fairness has a positive effect on customer loyalty

2.9 Service Convenience on Customer Loyalty

Has stated that service convenience is a strategy applied by a company to meet customer needs by saving customers' time and effort in getting benefits from a product or service, giving customers satisfaction and trust in consuming the same products or services [18]. Research by [10] has shown that service convenience has a significant effect on customer loyalty. Research conducted by [14] has found out that decision convenience, access convenience, transaction convenience, and post-benefit convenience directly affect customer loyalty.

H4 : Service convenience has a positive effect on customer loyalty

2.10 Customer Satisfaction on Customer Loyalty

Customers who are satisfied with product or service they bought may allow repeat purchases and referrals called loyalty [19]. In the result of research by [20], customer satisfaction has an effect on customer loyalty. The same result has been also proven by research conducted by [21] which states that customer satisfaction has a significant effect on customer loyalty.

H5 : Customer satisfaction has a positive effect on customer loyalty

3. Research Method

This study is quantitative research. The population of this study were all users of the services of Indonesia AirAsia. The number of samples was 100 respondents. The data used in this study were primary data obtained directly from concerned parties by distributing questionnaires. Secondary data obtained from other sources were also used. The method employed was non-probability sampling. The non-probability sampling technique chosen for this study was purposive sampling in which sampling was based on certain criteria [22]. This study used path analysis program, which is the development of multiple linear regression, with the help of SPSS software. Path analysis aimed to test the contribution shown by the path coefficients on each path diagram of the causal relationship between variables X1, X2 and X3 and Y and its impact on Z. Path analysis is usually used to measure direct and indirect relationships between variables and to what extent certain variability is determined by individual causes [23].

4. Result and Discussion

4.1 Validity and Reliability Tests

Table 2. Validity and Reliability test results

Variable	Indicator	Average	R count	Cronbach's Alpha
Price Fairness	X1.1 Reasonable Prices	3,94	0,753	0,849
	X1.2 The accuracy of pricing	4,03	0,669	
	X1.3 Prices are based on market forces	3,72	0,604	
	X1.4 Provide accurate information to customers	3,81	0,604	
	X1.5 Acceptable prices to everyone	4,04	0,669	
Service Convenience	X2.1 Decision Convenience	3,95	0,684	0,874
	X2.2 Access Convenience	3,96	0,745	
	X2.3 Transaction Convenience	4,15	0,699	
	X2.4 Benefit Convenience	3,8	0,731	
	X2.5 Post-benefit Convenience	3,71	0,656	
Customer Satisfaction	Y.1 Customer assessment	4	0,772	0,845
	Y.2 Performance Perception	3,96	0,681	
	Y.3 Conformity expectations	3,81	0,691	
Customer Loyalty	Z.1 Repeat Purchase	3,92	0,722	0,863
	Z.2 Referalls	3,94	0,797	
	Z.3 Retention	4,09	0,706	

The validity test results can be seen in Table 2. All instruments from the four variables, namely, price fairness, service convenience, customer satisfaction, and customer loyalty were valid because the R count was greater than R table ($R \text{ count} > R \text{ table}$). Based on the results of the reliability test, price fairness was 0.849, service convenience was 0.874, customer satisfaction was 0.845, and customer loyalty was 0.863. The instruments in the study were relevant because questionnaire instruments were greater than Cronbach's Alpha of 0.6 ($CA > 0.6$).

4.2 Substructure 1

The effects of price fairness and service convenience on customer satisfaction are as follows:

Table 3. The Effect(s) of Price Fairness and Service Convenience on Customer Satisfaction

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.511	.588		.869	.387
1 Price Fairness	.162	.055	.252	2.931	.004
Service Convenience	.414	.053	.672	7.821	.000

Dependent Variable: Customer Satisfaction

Based on Table 3, it is known that price fairness probability (Sig) was 0.004 and service convenience probability (Sig) was 0,000 or smaller than 0.05. It can be concluded that the output of substructure 1 had a significant effect. The direct effect of price fairness on customer satisfaction was 0.252, meaning that the price offered by Indonesia AirAsia airline is fair and can be accepted by the customers well. The customers feel convenient and satisfied with the service. Meanwhile, the direct effect of service convenience on customer satisfaction was 0.672. Indonesia AirAsia airline has created easy ticket payment services so that the customers feel convenient and satisfied with their services.

4.3 Substructure 2

The effects of price fairness, customer satisfaction, and service convenience on customer loyalty are the following:

Table 4. The Effect(s) of Price Fairness, Customer Satisfaction, and Service Convenience on Customer Loyalty

	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.102	.698		.146	.884
	Price Fairness	.204	.068	.298	2.997	.003
	Customer Satisfaction	.247	.120	.232	2.058	.042
	Service Convenience	.253	.080	.386	3.168	.002

Dependent Variable: Customer Loyalty

Based on Table 4, it can be seen that price fairness probability (Sig) was 0.003, customer satisfaction probability (Sig) was 0.042, and service convenience probability (Sig) was 0.002. The outputs of substructure 2 with price fairness, customer satisfaction, and service convenience variables were smaller than 0.05, which means that the outputs had significant effects. Moreover, the value of the direct effect of price fairness on customer loyalty was 0.298. It indicates that the price offered can be accepted by the customers and the customers will be impressed by Indonesia AirAsia and their cheap ticket prices and good service. Meanwhile, the direct effect of customer satisfaction on customer loyalty was 0.232, which means that the customers feel convenient and satisfied with the services provided by Indonesia AirAsia airline and the customers can quickly remember Indonesia AirAsia airline and their cheap ticket prices and good services. Further, the effect of service convenience on customer loyalty was 0.386. Indonesia AirAsia provides convenient ticket payment services, cheap ticket prices, and good services for customers and thus, Indonesia AirAsia airline will be quickly remembered by their customers.

4.4 Direct Effects

The direct effects of price fairness and service convenience on customer satisfaction and the impact of customer satisfaction on customer loyalty are as follows:

Table 5. Direct Effects

Variable	Direct Effect	T statistic	Result
Price Fairness → Customer Satisfaction	0,252	2.931	Accepted
Service Convenience → Customer Satisfaction	0,672	7.821	Accepted
Price Fairness → Customer Loyalty	0,298	2.997	Accepted
Service Convenience → Customer Loyalty	0,386	3.168	Accepted
Customer Satisfaction → Customer Loyalty	0,232	2.058	Accepted

Based on Table 5, it can be concluded that in this study, there were 5 accepted hypotheses. They were H1, which was $2,931 > 1.98$; H2, which was $7,821 > 1.98$; H3, which was $2,997 > 1.98$; H4, which was $3,168 > 1.98$; and H5, which was $2,058 > 1.98$.

4.5 Indirect Effects

The indirect effects of price fairness and service convenience variables on customer loyalty by means of customer satisfaction can be seen below:

Table 6. Indirect Effects

Variable	Effect	Sobel Test
Service Convenience → Customer Satisfaction → Customer Loyalty	$(0,672) \times (0,232) = 0,156$	1,990391
Price Fairness → Customer Satisfaction → Customer Loyalty	$(0,252) \times (0,232) = 0,060$	

Loyalty

1,68719

The result of the Sobel Test in Table 6 was $1.990391 > 1.98$, which can be interpreted that the indirect relationship between service convenience and customer loyalty by means of customer satisfaction had a significant and valid effect. Meanwhile, the data result of 1.68719 indicated that the indirect relationship between price fairness and customer loyalty by means of customer satisfaction was not significant.

4.6 Total Effect

The total effects of price fairness and service convenience variables on customer loyalty by means of customer satisfaction are the following:

Table 7. Total Effect

Variable	DIRECT	INDIRECT	TOTAL
Price Fairness on Customer Satisfaction	0,252	-	0,252
Service Convenience on Customer Satisfaction	0,672	-	0,672
Price Fairness on Customer Loyalty	0,298	-	0,298
Service Convenience on Customer Loyalty	0,386	0,156	0,542
Customer Satisfaction on Customer Loyalty	0,232	-	0,232

5. Conclusion

The results of this study have explained that price fairness has a positive effect on customer satisfaction. The price offered by Indonesia AirAsia airline can be accepted by prospective customers so that price becomes one of the criteria in increasing the level of customer satisfaction. Service convenience also has a positive effect on customer satisfaction. Indonesia AirAsia airline provides convenient ticket payment services (via electronic payment like mobile banking and via nearby outlets at convenience stores) so that services provided to customers can increase customer satisfaction. Price fairness has a positive effect on customer loyalty. The price offered by Indonesia AirAsia airline can be accepted by the customers so well that price is one of the criteria which increases customer loyalty to Indonesia AirAsia airline. Another finding is that service convenience has a positive effect on customer loyalty. Indonesia AirAsia airline makes it easy for customers to pay tickets. They also offer cheap flight tickets and provide good service. These are criteria that increase customer loyalty to Indonesia AirAsia airline. Indirect relationship between Service Convenience and Customer Loyalty through Customer Satisfaction as the intervening variable has a significant influence and can increase customer loyalty. Furthermore, this study has been able to explain that customer satisfaction has a positive effect on customer loyalty. Customers feel convenient and satisfied with the services provided so that it becomes one of the criteria in increasing customer loyalty to Indonesia AirAsia.

6. Managerial Implications and Suggestion

The prices offered by Indonesia AirAsia are not in accordance with the applicable policies. Therefore, the researchers suggest that Indonesia AirAsia evaluates the ticket pricing according to the policy. Indonesia AirAsia airline has not responded quickly to the complaints of passengers. Therefore, the researchers recommend that Indonesia AirAsia should improve the service convenience regarding complaints.

Suggestion for the next research is testing the relationship of price fairness and customer loyalty through customer satisfaction as an intervening variable and testing relationship of price fairness and service convenience on customer satisfaction and its impact on customer loyalty.

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