

The Effect of Paid Baggage to Purchase Intention through Price Fairness in LCC's Airlines User (Case Study on Lion Air Airline)

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Abstract. LCC or low-cost-carrier airlines are flights that offer low fares to its customers by reducing the services or facilities obtained. In response to profit reductions, LCC airlines increase service costs by applying paid baggage. The application of the paid baggage causes the price to increase very high so that it is considered unreasonable and makes the passengers reconsider the interest of buying an LCC airline ticket. The purpose of this study is to know the interest in buying consumers of Lion Air after the paid baggage is set, knowing the influence of paid baggage on the price fairness of Lion Air Products, and knowing the price fairness influence of Lion Air product of consumer buying interest. The research methods performed are quantitative. Data collection techniques by passing a questionnaire with samples of 100 respondents who have used the services of Lion Air airline. The results of this study were analyzed using path analysis techniques. The results showed that the paid baggage variables and price fairness variables influenced significantly on the buying interest variables of the consumers of the Lion Air airline users.

1. Introduction

LCC or low cost carriers are airlines that offer low fares to its consumers by reducing the services or facilities implemented by regular airlines. LCC flights also use the principle of emphasizing or reducing operational costs in order to attract lower market segments. Airlines in this minimum service group or LCC include Wings Air, Citilink Indonesia, and Lion Air. Huge increases in fuel costs become a financial burden to the airline companies and impact the profitability of the LCC business. In response to declining earnings airlines have increased service costs. LCC airlines restrict luggage to carry-on baggage. It is subject to additional baggage charges if it exceeds the limit policy paid baggage fees can be a means to increase the revenue of airline's companies, as the revenue generated allows them to retain competitive fares.

The implementation of paid baggage on LCC airlines has been widely critiqued by domestic travelers. Paid baggage mapotentially violate the upper price limit of airfare. Customers argue that it is their right to get free baggage equalling to the minimum luggage limit. Moreover, people would prefer to travel abroad rather than domestically, considering fares for international flights are much more economical than domestic flights.

The implementation of the paid baggage policy has not been embraced by customers. Passengers will reconsider purchasing an airline ticket that applies paid baggage and may switch to a competitor airline that does not apply any baggage charges but still maintain a minimum standard of service, otherwise known as "no frills". This will potentially lead to a decrease in total revenue, hence a number of additional costs will affect the tickets prices that tend to be lower compared to the ticket price of Full Service Airlines (FSA).

2. Literature Review

2.1 Paid Baggage

Baggage is the valuable property or personal belongings of a passenger that is permitted to be transported onboard by the airline and is needed by the passenger during travel[1]. However, there are differences between the baggage carried by passengers.

Baggage can be classified into three main classes[1], namely:

- a. Checked Baggage
- b. A type of passenger baggage that is registered and contained in a particular place in the aircraft called the cargo compartment. Before being put on board, the baggage must go through the weighing process to check how much it weighs. Once weighed, the baggage will be labeled with a baggage claim tag as a receipt upon check in.
- c. Unchecked Baggage
- d. Passenger belongings that are usually placed in the cabin of the aircraft. Unchecked baggage is under the supervision and responsibility of the passengers themselves. Some other names for unchecked baggage include personal effects, IATA free articles as carry on board, free carry-on items, and cabin baggage.

Cabin Baggage has the following restrictions:

1. Weight of 7 kg
2. Dimensions of L 56 x W 36 (45 cm) (ref. Garuda Indonesia Bulletin No.017/1999 Date 5 October 1999)
3. c. Unaccompanied Baggage

The luggage of passengers sent or transported as cargo. These carry-on items are transported in advance or later on the next flight. The cost of cargo is applied (weight, minimum per kilogram, distance and route, type of goods, media wrapping, documents used).

2.2 Price Fairness

Price fairness is an assessment of the result and process of achieving a reasonable and acceptable outcome[2]. The cognitive aspect of this definition suggests that price fairness research involves comparing price procedures related to standards, references or norms. Price fairness is defined as the customer's assessment of whether or not a price is accepted by the customer[3].

The prices offered and the reasons to offer certain prices may lead to the perception of price injustices[4]. Perception of price can cause negative consequences for sellers, including buyers who stop making purchases and disseminate negative information. Selling price can be compared with previous buyer experience in buying products]. Prices are considered reasonable and personally fair. However, prices are also considered unfair when they do not meet the expectations of society. Society expects prices that adhere to the social norms of equity, equality, and need[3].

Price fairness can be measured by the following attributes[4]:

- a. Consumers feel that a reasonable price was paid on each purchase transaction.
- b. Price-level reference, where consumers feel it is reasonable if a product or service of the same type from different companies is set at different prices.
- c. Pricing policies determined by the company are reasonable and acceptable to the customer.
- d. The stipulated price is considered ethical, where the customer is always notified of the price change to be made by the company before the new price is set.

2.3 Purchase Intention

Purchase intention is a situation where consumers tend to purchase a particular product under certain conditions[5]. It can measure the possibility of consumers buying the product, and the higher the intent of the purchase, the higher the willingness of consumers to buy the product.

Purchase intention can be identified through the following indicators[6]:

- a. Transactional intention, which is a person's tendency to purchase the product.
- b. Reference intention, which is the tendency of one to make a product reference to others.
- c. Preference intention, which describes the behavior of a person who has a primary preference for a product. This preference will only change if something happens to the product of choice.
- d. Explorative intention, which describes the behavior of a person who always finds information about the product he or she likes to support the positive features of the product.

2.4 The Effect Between Paid Baggage and Price Fairness

The paid baggage policy impacts the price of airfare and passenger demand[7]. It was found that airfare was negatively correlated with paid baggage when the LCC airline implemented a paid baggage policy to increase the airfare. It was also discovered that the implementation of baggage charges resulted in a decline in passenger demand. Passengers are classified into two types based on the products offered. High-quality products/full service (airline seat selection with a checked-bag service) are provided with a higher effective price (including baggage charges) for passengers who prefer high value while other passengers opt for low cost carrier products (random airline seats without checked-bag service) at a lower price (without using baggage fees)[8]. Passengers who choose a low-cost carrier (LCC) airline expect a low ticket price with free baggage allowance. However, the paid baggage is determined by the LCC airline at a high price rate which results in the increase of airfare and a decline in aircraft passengers. Passengers declare that the paid baggage rate is unreasonable and have asked the government to set a reasonable limit on the airlines' baggage fees.

H1: There is an influence of paid baggage (X) on price fairness (Y) in Lion Air.

2.5 The Effect Between Paid Baggage to Purchase Intention

"Paying for checked-in baggage was not about attracting revenue" said [9], but about persuading people to change their travel behavior by only carrying luggage that can be brought into the aircraft cabin. It has also proved to be very beneficial in lowering the cost of airport maintenance significantly. However, evidence based observations by Waters suggests that passengers do not like paid baggage. This sense of dislike can lead to an increase of customer complaints. From their research point of view, Low Cost Carrier (LCC) airline passengers may be put off by additional charges that include paid baggage and such charges may prevent their purchase intention[10].

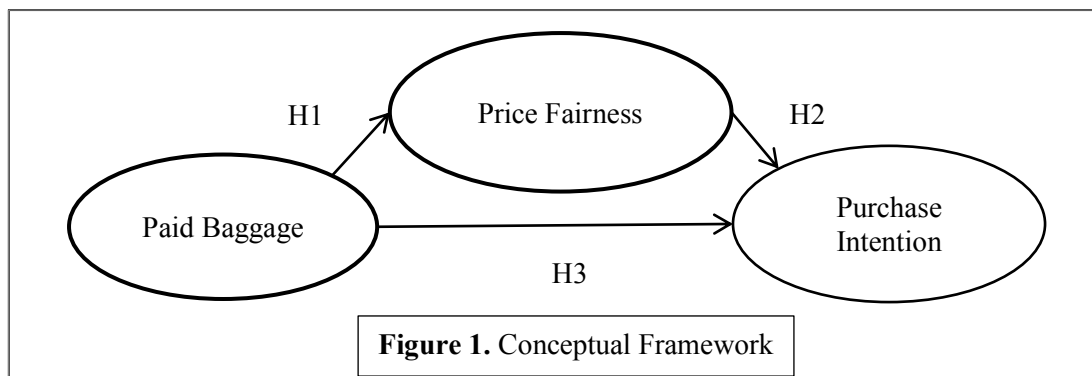
H2: There is an influence of price fairness (Y) on purchase intention (Z) in Lion Air.

2.6 The Effect Between Price Fairness to Purchase Intention

The price fairness perceived by consumers will determine the level of consumer satisfaction for the suitability of the offered price[11]. This suitability triggers purchase intention and even re-purchase intention. Research conducted by Dai found that price fairness had a significant direct impact on purchase intention, where the perception of the price fairness is related to the consumer's purchase intention

H3: There is an influence of paid baggage (X) on purchase intention (Z) in Lion Air.

2.7 Framework



3. Research Method

3.1 Sample and data collection

The data used in this study was quantitative data collected from a sample of users of the services of Lion Air in various locations. The research used in this study was the primary data type namely data obtained directly from the research subjects through the filling of questionnaires. Primary data is data derived from the source by sharing or disseminating questionnaires. The authors also utilized secondary data to acquire the material resources discussed. The sampling technique used in this paper was non-probability sampling. This technique makes it easier to take samples with uncertified population counts. The type of non-probability sampling used was purposive sampling where researchers conduct assessments to select members of the population that are deemed to be the most appropriate as an accurate source of information. The criteria used in this study were respondents that were aware of and had traveled with Lion Air. This was done with the intention of avoiding invalidation of the data obtained. Therefore, calculations using the Slovin's formula were used to determine the magnitude of the samples in this study.

3.2 Measures

The scale used in this research was the Likert scale, which is used to measure the attitudes, opinions and perceptions of a person or a group about events or social symptoms. The Likert scale comprises of (1) strongly disagree (2) disagree (3) neutral (4) disagree (5) strongly agree. The indicators for the statements in the questionnaire utilized various journal references, such as the paid baggage variable using a questionnaire indicator from [1], the price fairness variable was obtained by using the questionnaire indicator from [4], and the purchase intention variable was obtained by using a questionnaire indicator from [6].

4. Result and Discussion

4.1 Validity and Reliability Test

it can be concluded that the validity test results of the three variables contained in each instrument is valid due to $R_{count} > R_{table}$. Based on the reliability test, the paid baggage variable resulted in a value of 0.670. Whereas the price fairness variable generated 0.826 and a value of 0.870 was obtained for purchase intention, therefore it is considered as reliable.

4.2 Substructure 1

The calculation of paid baggage influence to fairness of price can be viewed in the table below:

Table 1. Table Effect of Paid Baggage on Price Fairness
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,703	1,181		3,981	,000
	Paid Baggage	,739	,115	,544	6,410	,000

a. Dependent Variable: Price Fairness

In Table 1, it can be concluded that the above analysis resulted in a significant value of the paid baggage of $0.000 < 0.005$ that could directly indicate the influence of the significant positive relationship between the paid baggage variable on the price fairness variable. The results show that since Lion Air implemented the paid baggage policy, passengers opted to only bring carry-on luggage. This policy minimizes queues at check-in counters and resulted in flights arriving on time due to a smaller load of checked-in luggage. This indicates that the price applied is reasonable and acceptable to the consumer.

4.3 Substructure 2

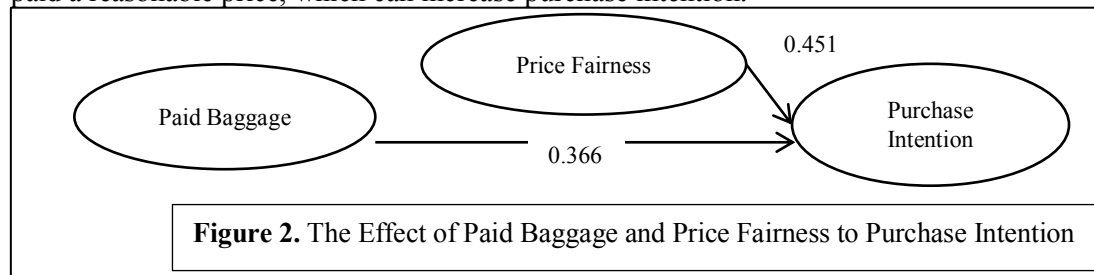
The calculation of the influence of paid baggage and price fairness on purchase intention is shown in the table below:

Table 2. The Effect of Paid Baggage and Price Fairness to Purchase Intention

		Coefficients ^a				
		Unstandardized Coefficients	Standardized Coefficients			
Model		B	Std. Error	Beta	T	Sig.
2	(Constant)	0,934	1,132		,825	0,411
	Paid Baggage	0,532	0,122	0,366	4,354	0,000
	Price Fairness	0,481	0,090	0,451	5,356	0,000

a. Dependent Variable: Purchase Intention

In Table 2, the significant value of the paid baggage variable was $0.000 < 0.005$, while the significant value of the price fairness variable was $0.000 < 0.005$; this means that the paid baggage variable and the price fairness were significant to purchase intention. It can be concluded that paid baggage can minimize flight delays; therefore the customer feels they have paid a reasonable price, which can increase purchase intention.



4.4 Direct Effect

The calculation results above show that there are direct effects between variables, as follows:

Table 3. Direct Effect Between Variable

Relationship of Variable	Direct Effect	T Statistic	Description
Paid Baggage → Price Fairness	0,544	6,410	Accepted
Price Fairness → Purchase Intention	0,366	5,356	Accepted
Paid Baggage → Purchase Intention	0,451	4,354	Accepted

It is concluded that the research confirmed the three hypotheses. For H1 is $6.410 > 1.98$; For H2 is $5.356 > 1.98$; And for H3 is $4.354 > 1.98$.

4.5 Indirect Effect

The calculation result of the indirect effect of paid baggage on purchase intention through price fairness is presented below:

Table 4. Indirect Effect

Relationship of Variable	Indirect Effect	Sobel Test
Paid Baggage → Price Fairness → Purchase Intention	$(0,544) \times (0,451) = 0,245$	4,1091

In Table 4, it can be concluded that the Sobel test result is $4.109 > 1.98$ and the value in Two Tailed Probability $0.00003973 < 0.05$, therefore the indirect relationship of paid baggage through purchase interest is proven to be significant.

4.6 Total Effect

The total influence based on the framework is as follows:

Table 5. Total Direct Effect and Indirect Effect

Variable	Direct	Indirect	Total
Paid Baggage → Price Fairness	0,544	0	0,544
Price Fairness → Purchase Intention	0,366	0	0,366
Paid Baggage → Purchase Intention	0,451	0,245	0,696

5. Conclusion

This study focuses on the purchase intention of Lion Air consumers that are influenced by paid baggage and price fairness. Based on the results of the research and discussion above, we can conclude a number of things:

1. There is a direct significant influence of paid baggage on price fairness. The paid baggage implemented by Lion Air resulted in passengers being limited in bringing their luggage. This policy minimizes queues at check-in counters and results in flights to arrive on time due to a smaller load of checked-in luggage. This indicates that the price applied is reasonable and acceptable to the consumer.
2. There is a direct significant influence on price fairness against purchase intention. Lion Air informs customers of price changes, so consumers can determine their purchase intention after obtaining the information.
3. There is a direct and indirect significant influence of paid baggage on purchase intention through price fairness. The paid baggage policy implemented by Lion Air causes the customer to reconsider their intention in using Lion Air.

6. References

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