

The Effect Of Price And Paid Baggage Towards Customer Loyalty Through Purchasing Decision Of Lion Air Airline

Nurul Humaira^{1*}, Cindy Novita Audria², Edhie Budi Setiawan³, Aisyah Rahmawati⁴

^{1,2,3,4} Institut Transportasi dan Logistik Trisakti, Jakarta, Indonesia

*Corresponding author: nhumaira152@gmail.com

Abstract. The application of the paid baggage sparked problems and rejection due to the free of charge baggage facility that has been used by many customers to be unavailable. Besides that, the increase of fees due to the rise of aviation fuel prices made the customers having second thoughts to use services by Lion Air airline. This study explores the impact of price and paid baggage towards customer loyalty through the purchasing decision on Lion Air airline. Using the method of collecting questionnaire given to Lion Air users that is analyzed using Partial Least Square – Structural Equation Modeling (PLS-SEM). The result shows that price positively affect customer loyalty, price positively affect the purchasing decision, paid baggage positively affect the customer loyalty, paid baggage positively affect the purchasing decision, and the purchasing decision mediates the relation between price and paid baggage towards the customer loyalty.

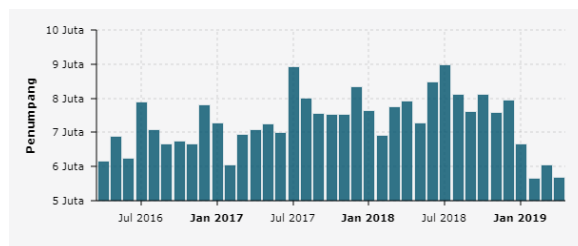
Keywords: price, paid baggage, customer loyalty and purchasing decision

1. Introduction

Transportation holds a significant role in activity that involves moving from one place to another. One of the channels people choose in their moving's activity is by using the services of commercial airlines. Commercial airline services are divided into three categories namely, full service carrier is airline services with the highest airfare and provides full services; medium service carrier is an airline service that provides medium service provision; and low cost carrier is an airline service which offers low airfare that does not provide food and beverages and entertainment services along the trip.

With the abundant availability of commercial airlines in Indonesia, many airlines apply low fare strategy to attract customer. As a response, the government regulates airfares to avoid losses between the customer and the airline company that is stated in Ministerial Regulation No. 126/2015 about floors and ceilings prices. Fare limits are the highest service charge allowed and calculated based on the components of tax charges while floor prices is earned from 30% of the ceiling prices (Manurung 2019).

In January 2019, the Ministry of Transportation granted permission to Lion Air airline to apply the paid baggage system. The application of the paid baggage sparked problems and rejection due to the free of charge baggage facility that has been used by many customers to be unavailable. Besides that, the increase of fees due to the rise of aviation fuel prices made the customers having second thoughts to use services by Lion Air airline (Wirabrata, 2019).



Source : Badan Pusat Statistik, 10 Juni 2019 (accessed from databoks)

Figure 1. Graphic of the Amount of Domestic Airline Passenger (Apr 2016-Apr 2019)

The increased airfare results in decreasing the amount of domestic airline passengers. Therefore, this study will explore the price and the paid baggage application in affecting customers' loyalty in deciding to purchase Lion Air airline services.

1.1 Literature Review

Price

Price is the value exchanged by customers for the benefits of owning or using goods / services (Ofela, 2016). According to Yustiawan (2016) price is one of the decisive factors that determines purchasing decision by customers. Price is a mixture of marketing elements that provides income to the organization and is also an easily adjusted element. Yet the setting of prices is not easy to be done. If the prices are being set too high, the company would lose customer because of the probability that the customer will lean to competitors. If the prices are being set too low, the profit gain would decrease (Amron, 2018). Price setting decision needs to be done consistently. Price setting involves complex decision, many factors could influence the price setting decision (Kodu, 2007).

Paid baggage

Checked baggage is the baggage being brought by passenger that is carried using the same plane. Cabin baggage is the baggage being brought by the passenger that is supervised by the passenger themselves. Both checked baggage and cabin baggage are baggage that is allowed by the airline to be brought to the plane for the passengers needs along the trip or at their destination (Yuliana, 2014).

Customer Loyalty

Customer loyalty holds an important role in a company, if a company could preserve loyal customers, surely it would increase the financial and ensure the sustainability of the company (Sinurat, Lumanauw, and Roring 2017). Customer loyalty relates to the product or services. Customer loyalty is defined as the thought process of the customers with positive attitude towards a certain product or service, a desire to repurchase and to give recommendations to others to own or to use the said product or services (Yunus, Bojei, and Rashid 2013). Customer loyalty is a loyalty done by the customer without any force and the customer is committed to not lean to other product or services that appeals better (Nurwidayat, 2015).

Purchasing Decision

Purchasing decision is an action or behavior of purchasing by the customer (Rachmawati et al., 2019). The purchasing decision is the decision making done by customer to purchase a certain product. Customer made preferences from various brands chosen (Antonius and Sugiharto 2013). The forming of the decision started from the customer demands. Customer needs to decide about the place of purchase, time of purchase, brand, model, amount of purchase, amount of money spent and the paying methods. This decision can be influenced by the marketer that delivers information of their product or service, that eventually affected the customers judgment (Hanaysha 2018).

1.2 Hypothesis Formulation

Price-Purchasing Decision

In general, price is one determining factor in deciding to purchase a product. Price delivers great influence for purchasing decision. In setting up price, company took measurement from the amount of demand of the product/service (Satya and Irna 2016). Price enables customers to decide the product or service preferable that is adjusted with their purchasing power (Yustiawan 2016). Previous studies conducted posit that price delivers positive and significant impact towards purchasing decision (Made 2015).

H1 : Price has a positive effect on purchasing decision.

Paid baggage-Purchasing Decision

Baggage is something brought by the passenger. When the free paid baggage facility made unavailable by the airline, it surely will burden the passenger. Passenger carrying checked baggage most likely have less spending (Brueckner et al. 2014). Therefore, if the baggage has add-on fee, it will influence the passenger's decision to purchase ticket (Scotti et al. 2016).

H2 : Paid baggage has a positive effect on purchasing decision.

Price-Customer Loyalty

If the service quality given is pleasing, the customer will be committed to use Lion Air airline service, and if the customer repeatedly use the Lion Air airline service, then the customer will be loyal (Winata and Fiqri 2017). Price is highly influential with customer loyalty, if the price being set and the service provided fulfil the customer's expectation, then the customer will feel satisfied and will be loyal to the company (Putra and Ekawati 2017). Customer that is aware with price, will spend their money in accordance to the service they will receive (Tomida and Satrio 2016).

H3 : Price has a positive effect on customer loyalty.

Paid baggage-Customer Loyalty

Paid baggage is a factor that influence the passenger demand in repurchasing service of an airline (Prabowo et al. 2017). The implementation of paid baggage is hoped to increase the amount of Lion Air passenger and the increase of service quality. Yet what happened was the other way around. There is a decrease of passenger due to passenger's dissatisfaction towards the service given by Lion Air. Unsatisfied passengers are likely to not repurchase the service of the said airline (Fadhilla et al. 2015).

H4 : Paid baggage has a positive effect on customer Loyalty.

Purchasing Decision-Customer Loyalty.

Purchasing decision is the preference made by the customer upon the available option of brands (Antonius and Sugiharto 2013). Prior to purchasing, the customer would firstly make other alternative options whether they will purchase or not. The customer that keeps on making purchases can be considered as a loyal customer. Customer loyalty is an attitude that proves likeness towards a brand that is represented in a consistent purchasing of the brand over time. Consumer that conducted purchase and values it higher is likely to show likeness to the product that can be considered as a loyal customer (Diansyah and Putera 2017).

H5 : Purchasing decision has a positive effect on customer loyalty

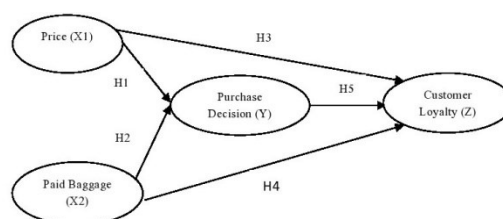


Figure 2. The Conceptual Framework

2. Research Method

This study used the simple random sampling method, where the collection of samples and population were gathered randomly without looking at the level existing in the population (Sugiyono 2017:82). For data collecting method the study used survey with the questionnaire technique. According to Sugiyono (2017:142) questionnaire technique is a data collection technique by handing out a number of questions and statements in writing towards respondents to be answered. Questionnaire was spread using google form towards Lion Air users. Later the data was analyzed by the Partial Least Square – Structural Equation Modeling (PLS-SEM) analysis method.

Table 1. Indicator

Variable	Indicator
Price (Komala and Mudiantono 2018)	X1.1 Suitability of product prices with product quality X1.2 Price comparison with the prices of another or similar product X1.3 Price suitability with the benefits gained
Paid Baggage (Scotti et al. 2016)	X2.1 Changing the flying habit with carry on baggage
Purchase Decision (Firdausy and Idawati 2018)	Y.1 The need for the product Y.2 The desire to try Y.3 Consistency will be the quality Y.4 Decide to buy
Customer Loyalty (Logiawan et al. 2014)	Z.1 Say positive thing Z.2 Recommend friends Z.3 Continue purchasing

3. Result

3.1 Evaluation of the Measurement Models (Outer Model)

The evaluation of the measurement model consists of 3 steps, namely, convergent validity test, discriminant validity test, and composite reliability test.

Table 2. Convergent Validity and Average Extracted

Construct	Item	Sample Mean (M)	Outer Loading	AVE	Result
Price	X1.1	0,880	0,880	0,746	Valid
	X1.2	0,837	0,836		Valid
	X1.3	0,873	0,875		Valid
Paid Baggage	X2.1	1,000	1,000	1,000	Valid
Purchase Decision	Y.1	0,800	0,802	0,728	Valid
	Y.2	0,870	0,872		Valid
	Y.3	0,853	0,853		Valid
	Y.4	0,883	0,884		Valid
Customer Loyalty	Z.1	0,848	0,848	0,775	Valid
	Z.2	0,887	0,887		Valid
	Z.3	0,905	0,905		Valid

According to Hair Jr et al. (2017), outer loading is stated as valid if the result is more than 0,50. At table 2 it can be seen that all outer loading have values above 0,50, so the indicator that is used in this study had reach convergent validity. According to Table 2, all variables have AVE value of more than 0,50, so the convergent validity for AVE is good. AVE result for price is 0,746, meaning 74% can represents the three indicators in the price variable. AVE result for paid baggage is 1,000, which means 100% can represent the indicator in the paid baggage variable. AVE result for purchasing decision is 0,728, which means 72,8% can represent four indicators in the purchasing decision variable. AVE result for customer loyalty is 0,775, which means 77,5% can represent three indicators in the customer loyalty variable. This shows that the average of each variable can represent more than 50 percent of the information included in the indicator.

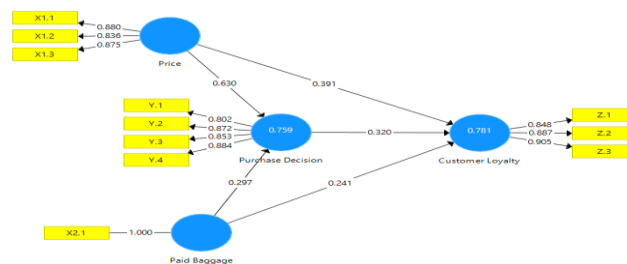


Figure 2. PLS Algorithm
Table 3. Discriminant Validity

	Price	Paid Baggage	Purchase Decision	Customer Loyalty
X1.1	0,880	0,663	0,736	0,734
X1.2	0,836	0,698	0,712	0,726
X1.3	0,875	0,537	0,749	0,715
X2.1	0,732	1,000	0,758	0,770
Y.1	0,663	0,520	0,802	0,602
Y.2	0,722	0,708	0,872	0,786
Y.3	0,795	0,661	0,853	0,730
Y.4	0,731	0,680	0,884	0,715
Z.1	0,698	0,673	0,661	0,848
Z.2	0,771	0,653	0,755	0,887
Z.3	0,745	0,708	0,783	0,905

From Table 3, it can be seen that all indicator in each construct have higher relation in comparison with the result of other loading constructs, so it can be concluded that the discriminant validity is good. The reliability resting in use is the Composite Reliability (CR) method and Alpha-Cronbach method. The questionnaire is trusted if the CR and Alpha-Cronbach value is more than 0,70.

Table 4. Realibility Test

Variable	Composite Realibility	Cronbach's Alpha
Customer Loyalty	0,912	0,855
Paid Baggage	1,000	1,000
Price	0,898	0,830
Purchase Decision	0,915	0,876

Table 4 shows that all latent variables that were measured in this study holds the Cornbach's Alpha value and Composite Reliability that is higher than 0,70 meaning that it can be considered that all latent variables as reliable.

3.2 Evaluation of Structural Models (Inner Model)

Table 5. R-Square and Hypothesis Testing

Model	Path	Path Coefficient (Standardized)	T-statistics	P Value	Decision	R-Square
First	P – PD	0,630	9,177	0.000	H1 : Sign (+)	0,759
	PB – PD	0,297	4,177	0.00	H2 : Sign (+)	
Second	P – CL	0,391	3,944	0.000	H3 : Sign (+)	0,781
	PB – CL	0,241	3,163	0.002	H4 : Sign (+)	
	PD – CL	0,320	3,235	0.001	H5 : Sign (+)	

$$Q^2 = 1 - (1 - 0,759)(1 - 0,781) = 0,95$$

The Q result gained is 0,95. Since Q is larger than 0 mean that this model can be considered as strong value.

According to Table 5, the first model holds the R-square value of 0,759. This can be interpreted that the construct variability from price and paid baggage of 75,9% can explain the variability of purchasing decision. The second model has R-square of 0,781. This can be interpreted that the construct variability of price and paid baggage of 78,1% can explain the variability of customer loyalty.

The first hypothesis can be accepted where price has positive effect on purchasing decision of 0,630 with the significant value of 0,000. Second hypothesis can be accepted where the paid baggage has positive effect on purchasing decision of 0,297 with the significant value of 0,000. With this, the amount of price and paid baggage will affect the purchasing decision. Third hypothesis can be accepted where the price has positive effect on customer loyalty of 0,391 with the significant value of 0,000. Fourth hypothesis can be accepted where the paid baggage has positive effect on customer loyalty of 0,241 with the significant value of 0,002. The larger the price and paid baggage value will affect customer loyalty. Fifth hypothesis can be accepted where the purchasing decision has positive effect on customer loyalty of 0,320 with the significant value of 0,001. The larger the amount of customer decide to repurchase, then it will create customer loyalty.

3.3 Indirect Effect

Table 6 shows that there was an indirect relationship between price and paid baggage towards customer loyalty through purchasing decision as an intervening variable.

Table 6. Indirect Effect

Effect	Coefficient Indirect	T Statistics	P-Value	Result
P B □ P D □ CL	0,095	2,478	0,014	Significant
P □ P D □ C L	0.202	3,002	0,003	Significant

PB: Paid Baggage; PD: Purchase Decision; CL: Customer Loyalty; P: Price

First, purchasing decision indirectly effects the paid baggage towards customer loyalty with a T statistic of 2.478 and P-Values of 0.014, the result was significant. Second, purchasing decision also indirectly effects the price towards customer loyalty with a T statistic of 3.002 and P-Values of 0.003, the result was significant. Based on table 6, it can be concluded that purchasing decision is proven to mediate the relationship between price and paid baggage with customer loyalty.

4. Conclusion

The result shows that price and paid baggage has a positive effect on the Lion Air customer loyalty. Proven by the positive result of the data that shows that price and paid baggage affect the customer loyalty that is also mediated by the purchasing decision. Furthermore, price and paid baggage has a positive effect on the purchasing decision. It can be concluded that the purchasing decision positively affect the customer loyalty. Price and paid baggage are the factors that influence the customer to purchase the ticket. If the customer commits to repurchasing Lion Air services, it can be considered that the customer is loyal. The conclusion of this research is the effect of price and paid baggage towards customer loyalty through purchasing decision is proven right.

References

- Amron, Amron. 2018. "Effects of Product Quality, Price, and Brand Image on the Buying Decision of City Car Product." *Archives of Business Research* 6(4):1–8.
- Antonius, Ian Ong, and Sugiono Sugiharto. 2013. "Analisa Pengaruh Strategi Diferensiasi, Citra Merek, Kualitas Produk Dan Harga Terhadap Keputusan Pembelian Pelanggan Di Cincau Station Surabaya." *Manajemen Pemasaran* 1(2):1–11.
- Brueckner, Jan K., Darin N. Lee, Pierre M. Picard, and Ethan Singer. 2014. "Product Unbundling in the Travel Industry: The Economics of Airline Bag Fees by Product Unbundling in the Travel Industry : The Economics of Airline Bag Fees."
- Cho, Woohyun, and Martin E. Dresner. 2018. "The Impact of a Baggage Fee Waiver on Airline Choice: Evidence from the Washington-Baltimore Region." *Transportation Research Part A* (xxxx):1–14.
- Diansyah, Diansyah, and Rachmat Meidian Putera. 2017. "Pengaruh Ekuitas Merek Dan Promosi Penjualan Terhadap Loyalitas Pelanggan Dimediasi Keputusan Pembelian." *Media Ekonomi Dan Manajemen*.
- Fadhilla, Rezky, Aprillia Zimbali, Aswanti Setyawati, and Didiet Anthony. 2015. "The Impact of Price Fairness and Service Quality on Customer Satisfaction and Loyalty of Lion Air Airlines Due to Paid Baggage Policy on Domestic Flights at Soekarno Hatta Airport." 170–77.
- Firdausy, Carunia Mulya, and Rani Idawati. 2018. "Effects of Service Quality , Price and Promotion on Customers ' Purchase Decision of Traveloka Online Airline Tickets in Jakarta , Indonesia Effects of Service Quality , Price and Promotion on Customers ' Purchase Decision of Traveloka Online Airline Tickets in Jakarta , Indonesia." (January).
- Hair Jr, Joseph, G. Toma. Hult, Christian Ringle, and Marko Sarstedt. 2017. *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM) - Joseph F. Hair, Jr., G. Tomas M. Hult, Christian Ringle, Marko Sarstedt*.

- Hanaysha, Jalal Rajeh. 2018. "An Examination of the Factors Affecting Consumer's Purchase Decision in the Malaysian Retail Market." *PSU Research Review*.
- Kodu, Sarini. 2007. "HARGA, KUALITAS PRODUK DAN KUALITAS PELAYANAN PENGARUHNYA TERHADAP KEPUTUSAN PEMBELIAN MOBIL TOYOTA AVANZA." *Journal of Polymer Science, Part A: Polymer Chemistry* 45(8):1432–45.
- Komala, Arine Magna, and Mudiantono. 2018. "ANALISIS FAKTOR-FAKTOR YANG MEMPENGARUHI (Studi Pada Konsumen Maskapai Lion Air Di Kota Semarang)." 7:1–10.
- Logiawan, Yenny, Program Manajemen Pemasaran, Universitas Kristen Petra, and JI Siwalankerto. 2014. "ANALISA CUSTOMER VALUE TERHADAP CUSTOMER LOYALTY DENGAN CUSTOMER SATISFACTION SEBAGAI VARIABEL INTERVENING PADA RESTORAN BANDAR DJAKARTA SURABAYA." 2(1):1–11.
- Made, Muhammad Gigih. 2015. "PENGARUH PROMOSI DAN HARGA TERHADAP KEPUTUSAN PEMBELIAN SURAT KABAR HARIAN SUARA MERDEKA." 1–12.
- Manurung, indra mangaratua. 2019. "REGULASI PENETAPAN TARIF TIKET PESAWAT UDARA PADA MASKAPAI LION AIR UNTUK PENERBANGAN DOMESTIK." *Journal of Chemical Information and Modeling* 53(9):1689–99.
- Nurwidayat, Ayu. 2015. "Jenis-Jenis Loyalitas." *Analisis Pengaruh Pelayanan Dan Keragaman Barang Terhadap Loyalitas Konsumen (Studi Pada Pasar Bunder Di Sragen)* 8–25.
- Ofela, Hana. 2016. "Pengaruh Harga, Kualitas Produk Dan Kualitas Pelayanan Terhadap Kepuasan Konsumen Kebab Kingabi." *Jurnal Ilmu Dan Riset Manajemen* 5:1–15.
- Prabowo, A. W., S. W. Nisya, Ira Rachman, R. S. Marthaleina, and Abdul Ghafar. 2017. "The Effect of Price on Applying Paid Baggage Towards Passenger Purchase Decision : Case Study of Lion Air Domestic Routes." (2008):322–30.
- Putra, M., and N. Ekawati. 2017. "PENGARUH INOVASI PRODUK, HARGA, CITRA MEREK DAN KUALITAS PELAYANAN TERHADAP LOYALITAS PELANGGAN SEPEDA MOTOR VESPA." *E-Jurnal Manajemen Universitas Udayana*.
- Rachmawati, Dwi, Sakinah Shukri, S. M. Ferdous Azam, and Ali Khatibi. 2019. "Factors Influencing Customers' Purchase Decision of Residential Property in Selangor, Malaysia." *Management Science Letters*.
- Satya, Adhitama, and Cut Irna. 2016. "Product Attributes and Price on Purchase Decision of Xiaomi Smartphone." *TRIKONOMIKA*.
- Scotti, Davide, Martin Dresner, and Gianmaria Martini. 2016. "Baggage Fees, Operational Performance and Customer Satisfaction in the US Air Transport Industry." *Journal of Air Transport Management* 55:139–46.
- Sinurat, elinawati susi mentari, Bode Lumanauw, and Ferdy Roring. 2017. "PENGARUH INOVASI PRODUK, HARGA, CITRA MEREK DAN KUALITAS PELAYANAN TERHADAP LOYALITAS PELANGGAN MOBIL SUZUKI ERTIGA." *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*.

- Sugiyono. 2017. *Metode Penelitian Kuantitatif, Kualitatif Dan R&D*. ALFABETA.
- Tomida, Merinda, and Budhi Satrio. 2016. "Pengaruh Harga Dan Citra Merek Terhadap Loyalitas Pelanggan Produk Footwear Yongki Komaladi Di Surabaya." *Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya*.
- Winata, Andri, and Isnawan Ahlul Fiqri. 2017. "Pengaruh Harga Dan Kualitas Jasa Terhadap Loyalitas Pelanggan Hotel Emersia Di Bandar Lampung." *Jurnal Manajemen Magister* 03(02):133–49.
- Wirabrata, Achmad. 2019. "KEBIJAKAN TARIF TIKET PESAWAT."
- Yuliana, Dina. 2014. "Jurnal Perhubungan Udara Pengukuran Tingkat Kepuasan Pengguna Jasa Angkutan Udara Terhadap Kinerja Penanganan Bagasi Pada Maskapai Penerbangan PT . X Di Bandara Husein Sastranegara – Bandung." 235–50.
- Yunus, Nor Sara Nadia Muhamad, Jamil Bojei, and Wan Edura Wan Rashid. 2013. "Service Quality towards Customer Loyalty in Malaysia"s Domestic Low Cost Airline Services." *International Journal of E-Education, e-Business, e-Management and e-Learning* 3(4).
- Yustiawan, Ody. 2016. "PENGARUH KUALITAS PRODUK, HARGA, DAN CITRA MEREK TERHADAP KEPUTUSAN PEMBELIAN HONDA VARIO." 5:1–20.