

THE MARKETING STRATEGY OF PT AIRASIA INDONESIA INCREASE SALES VOLUME TO HUB ROUTES (LOP)

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1. INTRODUCTION

Since the deregulation arranged air transportation in 1999, in the form of a series of deregulation packages, namely one of the transportation minister's decree number 81 of 2004 concerning the Establishment of Aviation Companies in Indonesia. With the competition between foreign and local airlines operating in Indonesia, directly creates intense competition. So that competition can be seen from various offers in the form of prices, promotions, and services to attract as many consumers as possible by the Airlines. It is estimated that 57 national airlines are operating in various routes with destinations both domestic and abroad.

The aviation market share in Indonesia is an opportunity for foreign airlines to develop business markets by starting to open branches in the domestic section. The regions have considerable potential to be developed. It is estimated that flights will grow 5,7% per year. According to the Center for Aviation (CAPA), domestic air travel dominates the Indonesian market, accounting for nearly 75% of total passenger traffic. The high potential of the domestic market and the velocity of money in the aviation industry in Indonesia can attract foreign airlines

AirAsia Group has 300 flight routes with the connectivity that reaches 23 countries. To domestic, AirAsia connecting 15 cities in Indonesia. The target of AirAsia to flight 8,5 million passengers per year, although AirAsia's market is still below 4%, it does not make AirAsia daunted to expand its targeted route. Low-cost carrier company makes the hub as connecting destination to expanding tourism, from western Indonesia and connecting in Asia. Where the four main hubs of AirAsia is Medan, Jakarta, Surabaya, Bali. Until 2019 AirAsia will be launch a new hub route that is Lombok.

AirAsia observes changes in passenger behavior that customer changes buying behavior will continue to increase flight ticket prices, especially in the domestic market. Although AirAsia is known for its ticket prices that are more affordable compared to other airlines. There is price competition with other low-cost carrier airlines in domestic. Price competitor is cannot be avoided, competition make it more efficient to passengers, for example, the airline gives free baggage allowance compared to another low-cost carrier, and something unique to win the competition. To open a route requires a strategy to find out which competitors have entered competitors, in the case of sales at competitor prices, people's purchasing power, tourism potential, mix inbound and outbound routes. People can seeing good services offered by various airlines. To be the main choice of special consumers in the millennial segment, interest in traveling or in other words, traveling with the backpacker concept that runs from one place to another without relying on travel. They will be the targets of AirAsia to see the opportunity for relatively cheap ticket prices to a millennial backpacker with low budget traveling. Another advantage possessed by low-cost carrier airlines is the service from the track record, and on-time performance. Air Asia must maintain service quality so that trust is maintained.

The background described above is quite interesting to be investigated with the research entitled "Marketing strategy of PT Indonesia AirAsia increase sales volume to hub routes (LOP)".

2. LITERATURE REVIEW

To face competition, corporation, and companies must develop strategies to ensure that in the future the company can still survive and develop. Strategy becomes a part that must be prepared as early as possible and implemented in such a way as to ensure the sustainability of the corporation and the company.

2.1. Hub Airport

In the management of aircraft operation, the system is optimized when providing air service to a wide geographic area and many destinations. Passengers departing from any non-hub (spoke) city bound to another spoke in the network are first flown to the hub where they connect to a second flight to the destination. Thus passengers can travel between any two cities in the route system with one connecting stop at the hub, or, as one author described it, "from anywhere to everywhere" (Hansson, Ringbeck, & Franke, 2002, p. 1.)¹. Inbound and outbound flights are tightly timed and coordinated to minimize connection time (McShan & Windle, 1989).

2.2. Strategic Management

According to Fred R. David (2011), Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Fred R. David explained that the strategic management process consists of three stages, namely, formulating strategies, implementing strategies, and evaluating strategies.

2.3. Marketing

According to Philip Kotler(2001,p8) in, Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. This definition is based on the core concepts of product needs, wants and demands, value, costs, and satisfaction, exchanges, transactions and relationships, markets and marketing, and marketers.

2.4. Law of demand

The law of demand explains the nature of the relationship between demand for goods or services and prices. Therefore, we can state that the law of demand is a hypothesis that states the lower the price of an item or service, then, more of the demand for these goods or services. Otherwise, the higher price of an item or service, the less demand for that product or service (Sukirno, 2012:76).

2.5. Strategic Marketing

Kotler and Armstrong (2008), interpret marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Implementation of the marketing strategy through the following steps:

a. Market Segmentation

The act of dividing markets into different groups of buyers based on needs, characteristics, or different behaviors that may require different products or marketing mix.

b. Market Targeting

The process of evaluating the attractiveness of each market segment and selecting one or more segments to be served, setting a target market consists of designing strategies to build the right relationship with the right customers, or a large company might decide to offer a complete range of products to serve all market segments. Most companies enter

a new market by serving a single segment, and if this proves successful, they add segments.

c. Differentiation and Positioning

The company must decide how it will differentiate its market offering for each targeted segment and what positions it wants to occupy in those segments. A product's position is the place it occupies relative to competitor's product in the consumers' mind, marketers want to develop unique market positions for their products.

Generic competitive strategy (Porter, Competitive Advantage), a generic strategy is distinguished by its competitive advantage and the intended target market:

- **Cost Leadership**

This strategy, the company strives to achieve production cost capabilities and lowest distribution, so that it can provide a lower product price than competitors and won a competition in a large market share.

- **Differentiation**

The strategy a company to more focused on it is efforts in creating distinctive product characteristics as well as in marketing programs so that it can win the competition by creating its own image for consumers.

- **Focus**

This strategy, the company is focusing its efforts on serving a small market segment and does not serve the market widely. This effort is carried out by recognizing the target market in detail and implementation of the overall cost advantages or differentiation in these small segments.

Michael Porter (1980) and has been modified and distributed to others. Michael E. Porter translates the analysis into a competitive strategy based on 5 (five) competitive forces, namely competition in the industry:

1. Threat of New Entrants

From these competitive strategy, the players in the same industry must have goals, opportunities and resources that can support the company's position in competition. The company must be able to use these strengths to reach a profit. The seriousness of the threat of potential new entrants depends on two factors, barriers to entry and reaction from the company beforehand to its entrants.

There are several types of obstacles when new entrants enter in terms of economy, cost and resources, experience, the inability of newcomers to use technology.

2. Bargaining Power of Suppliers

The competitive pressure from the buyer is strong when the buyer is able to carry out the purchase and increase bargaining power over price, quality, service, or other attributes in the sale. Bargaining power, buyers are weak if prices move to substitute products.

3. Bargaining Power of Buyers

The competitive pressure from the strong or weak provider depends on whether the provider can exercise bargaining power which sufficiently influences the relationship and conditions to provide goods of interest, can expand vendor collaboration in that industry.

4. The Threat of Substitute Products

The threat from substitute items is strong when substitute items are readily available and have attractive prices and are relatively lower than existing goods and are affordable by customers, the customer feels that the substitute goods can be compared or have better characteristics, and costs incurred for these substitute products are cheap.

5. Rivalry Among Existing Competitors

In the intensity of competition that occurs in the industry, the best strategy of a company depends on the competitive ability and the strategy held by the competitor company. Such a state of interdependence means that wherever a company makes its strategy to be implemented, competing companies often make retaliatory steps by building defenses or attacking them.

3. FRAMEWORK

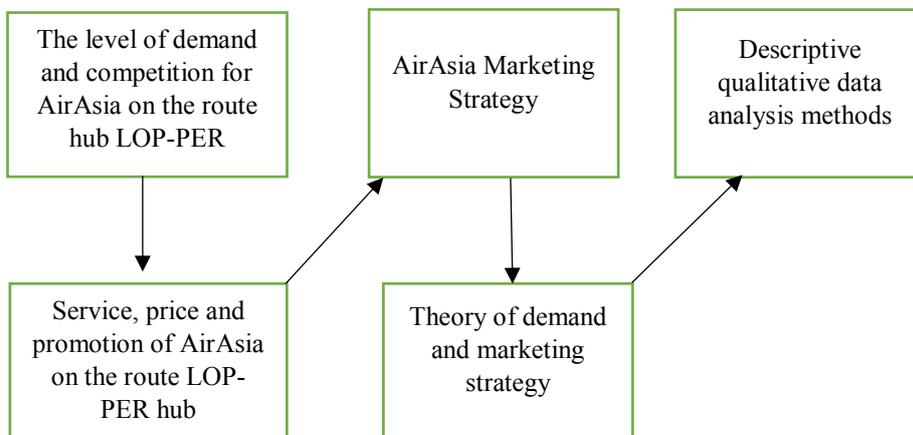


Figure 1.

Hypothesis : With the demand for lop-per and per-lop route passengers. then Indonesia AirAsia can realize Lombok to be the 5th hub. So AirAsia is strategy will be to offer sales at low prices, and attractive promotions and raising ancillary income targets to be able to raise the level of tourism in Lombok.

4. RESEARCH METHODS

The type of research that will be used is descriptive, with a qualitative approach. The study was conducted at PT Indonesia AirAsia airline company located in Indonesia, Tangerang, Banten. Fact based research, analysis of data obtained and triangulation. The focus of the study includes the analysis of Indonesian AirAsia passenger statistics in the opening of the new Lombok hub route with the destination Perth Australia. And find out the marketing strategy implemented by AirAsia in the interest of the hub route that has just been developed by PT Indonesia AirAsia, Lombok. While secondary data is developed from internet sites and reports on air traffic statistics for lop-per, and per-lop routes. The collection technique of data with conducted by interview, observation, and documentation. The analysis method used the analysis data of Miles and Huberman that is data collection, data condensation, data presentation, and conclusion.

5. RESULTS AND DISCUSSION

The concept of the flight network of the hub route patterns used by AirAsia is Hub and spoke. There are currently five hubs in Indonesia, namely Medan, Cengkareng, Surabaya, Bali, and Lombok. AirAsia Indonesia-run hub on the route Lombok aims to inspire potential passengers

and travelers to catch up with the amazing AirAsia offer for Lombok 2 allows everyone to get a West Nusa Tenggara trip and use Lombok as a link or continue on the next adventure.

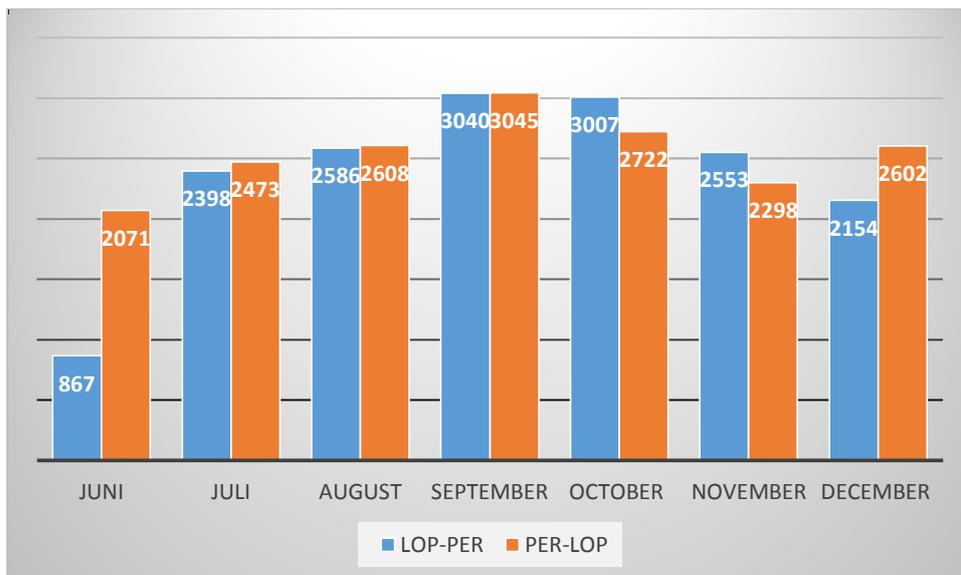
In 2012 AirAsia has planned to open its fifth hub in eastern Indonesia, started to make Sorong as the fifth hub because of the Sorong-Raja Ampat destination. However, AirAsia was reversed in addition to a request from the Governor of Lombok to carry out recovery after natural disasters and help increase the tourist attractions in Nusa Tenggara Barat. Starting flown by Malaysia AirAsia with Perth (PER) – Kuala Lumpur (KUL) – Lombok (LOP) route. And the company sees that the higher demand will be transferred to Indonesia AirAsia.

Based on data from the airasia.com web booking frequency AirAsia.

Table 1.

LEG	TIMING	CONFIG	AIRCRAFT TYPE
LOP-PER	ETD 06.46/ ETA1040	QZ 470	QZ2A
PER-LOP	ETD 11.30/ ETA 15.25	QZ 471	QZ20
FREKUENSI	First week D2, D4, D6 Second week D1,D3,D5,D7		

From the graph below, it can be seen how aircraft passenger data in the first year of opening the route in June 2019, issued by AirAsia Indonesia. And it is estimated that passenger growth will continue to the present. The AirAsia Lombok route has been flown for one month after nearly two months of grounded flight due to the covid-19 pandemic. The scheduled flights for AirAsia routes on Lombok (LOP) are currently only d2 and d6. AirAsia is currently planning again on the development of the 5th hub in Lombok. The average load factor of flight routes from Lombok and to Lombok reaches 85%.



Source : Payload Statistic of PT Indoneia AirAsia

From the Indonesia AirAsia flight chart, the Lombok-Perth and Perth-Lombok routes obtain the number of domestic and international passengers. Can be seen in September Perth (PER) – Lombok (LOP) routes are the most, namely 3045 passengers for 7 months. So as with the outbound Lop-Per as many as 3040 passengers transported by AirAsia. Within one month the frequency that AirAsia runs is configured in the first week D2, D4, D6, and the second week D1, D3, D5, D7. Flights are scheduled at ETD 06.46 / ETA 1040 LOP-PER and ETD 11.30 / ETA 15.25 PER-LOP.

Australiana has a considerable tourism interest in Lombok. Besides that AirAsia also observed a decrease in the Bali-Australia load factor, then another alternative is to open a direct route from lop-per or per-lop. The target is Australians. It is seen that the Perth (PER) – Lombok (LOP) route in September AirAsia Indonesia is developing a market. development of the right products to consider for passengers through pricing strategies from AirAsia, where demand is high, the price offered will be high and if demand is high, the price offered will be high and if the demand is low, for example, during low season the price offered will be low. In accordance with the law of demand according to 'Sukirno, 2012:76'.

From Cost leadership strategy "Generic competitive strategy (Porter, Competitive Advantage)" pricing. AirAsia's low cost factor is:

- Only operate 1 type of Airbus single type aircraft. Airbus 200 series with seat capacity of 180-186, so that aircraft maintenance is simpler, pulling off spare parts is far less than many types of aircraft. At the fifth hub in Lombok, AirAsia is storing 2 planes at the Praya Lombok Airport. 1 aircraft to fly on international spoke routes and 1 aircraft to domestic spoke routes.
- From an operational perspective, AirAsia Utilization reaches 12.4 hours per plane / day. Very helpful because the fix cost is divided for other operations, pilot certificate, cabin crew, and engineers only for Airbus, so the type of cost rating can be cut.
- The ratio of aircraft between rental and self-owned is 80:20.
- According to an online news interview with Mr. Dendy Kurniawan as the President Commissioner of PT Indonesia AirAsia. AirAsia has a low Available Seat Capacity under 4 cents\$, measurement, and efficiency parameters for airlines.

AirAsia opens all channels or information technology channel as access to enjoy the value of the services provided. Superior in terms of efficiency and practicality and supported by technology, that is company sites, mobile applications, and conventional direct selling points. And for a loyal customer, the company has a loyalty program called Big Loyalty which offers special benefits and interesting. One of the differentiation strategies in Asia. The company focuses in 2019 and the future is to increase the ancillary revenue target by 25% through a number of revenue channels such as administrative costs, baggage fees, AirAsia 'Santan' (dishes that can be ordered during a flight), seat selection, the RedCargo, the FlyThru, the insure AirAsia, and the new e-Commerce Market Place channel, Merchandise and duty free in "OurShop".

The focus strategy carried out by AirAsia is transporting tourists. Sourced from an interview with one of the employees from the product and planning division. The market run by Indonesia AirAsia on the Lombok route is the Perths who go to Lombok. With inbound to Lombok more than the interest in purchasing power Perth itself, seen from the development of passenger data charts in 2019. The main focus of the Company is to keep costs low, to ensure competitive services. Take advantage of the AirAsia Group's extensive network, which provides a variety of destination choices.



Figure 1 Table of Airlines Domestic Aviation Services in Indonesia in 2019 (Komisi Pengawas Persaingan Usaha, 2019)

Not seeing many competitors from the airlines that operate domestic. Where the growth in demand for aviation services especially in Indonesia in recent years has increased, the emergence of new low-cost airlines that are becoming competitive. Consisting of Garuda Indonesia, which has a subsidiary of Citilink by dominating the domestic market share of 33%, there are also airlines from Sriwijaya Air and Nam Air which have a 13% market share, and the biggest competitor for AirAsia in the domestic is Lion Air. The company has a partner company Batik Air and Wings Air has half of the domestic market share of 50%. AirAsia is domestic market share is still below the target of 2% according to Dendy Kurniawan. Where is the target for the next five years Indonesia AirAsia will increase the domestic market to 5% to the same as the international market share? AirAsia Strength still determines the international route seen from the data, total passengers carried by AirAsia 2019 were 7.9 million passengers. In terms of capacity, AirAsia has increased the number of seats available per kilometer ("ASK") by 58% to 3,071 million, due to an increase in the fleet to 25 aircraft from the previous year 15 aircraft. Passenger occupancy / Load Factor ("LF") in this quarter also increased by 1 point to 82% compared to the same period last year.



Full Year 2019 Operating Statistics

Indonesia AirAsia	2019	Jan - Dec 2018*	Change
Passengers Carried ¹	7,967,267	5,238,022	52%
Capacity ²	9,530,460	6,412,860	49%
Load Factor (%) ³	84%	82%	+2ppt
ASK (mil) ⁴	12,629	8,880	42%
RPK (mil) ⁵	10,556	7,228	46%
Number of stages ⁶	52,947	35,627	49%
Average stage length (km)	1,323	1,350	-2%
Size of fleet at month end ⁷	28	24	4

*Note: 8 A320 aircraft operated by PT Indonesia AirAsia Extra (IAAX) were transferred to PT Indonesia AirAsia (IAA) in 4Q 2018.

Source : Annual Report Indonesia AirAsia

The problem in this research is the analysis of the marketing strategies used by PT Indonesia AirAsia in this new hub, the case is the Lombok-Perth and Perth-Lombok routes. Analysis of the marketing strategy used by PT Indonesia AirAsia at this new hub, the case being the Lombok-Perth and Perth-Lombok routes. Lombok-Perth is one of the focuses to increase flight frequency for several existing routes. In terms of market share expansion, in the government's strategic plan is to develop "10 New Bali" throughout Indonesia. This will be achieved through the construction of 10 new airports to support the availability of regional infrastructure. Sourced from AirAsia Annual Report. The company also believes in the strength of the brand built by the AirAsia Group. AirAsia Indonesia Commerce Director Iwan Kamaruddin said that with the increased frequency of flights from Lombok, AirAsia targets a 30% growth in the number of foreign tourists brought to this city. AirAsia became an LCC-based airline to make other cost

reductions or service quality by innovating from the latest technology. Indonesia AirAsia is the first airline to implement a number of IT breakthroughs, like an electronic ticket, Mobile application for ticket reservations, electronic payments, electronic check-in, and self check-in kiosk. In 2018, we are back with two important innovations that will strengthen the Company's position as a leader in terms of technology among other LCC airlines in the Asian region. These innovations include E-POS, point of sale systems and FACES, facial recognition technology.

In the AirAsia Marketing section, there is a special section for managing social "social media influencers" for sales marketing opening promos from social media, television, and the web.

The marketing person looks back at his request for the route to be opened. The sales strategy to attract passengers on AirAsia tickets is to sell tickets with basic fare starting from 0Rp for 5 tickets, and sell all AirAsia flight routes. The sales system is divided based on time or term and condition at night. Our promotion has a maximum limit for 6 months if the demand is already what we expect, if for example already, we will slowly enter the normal price, but if not, it will have to adjust and try to stimulate the request. Information from one of the operational employees. And until now, the strategy that has been intensified by AirAsia to enter the wider domestic market is the expansion of existing destinations in Indonesia, especially hub routes, like Jakarta, Medan, Denpasar, Surabaya, and Lombok. AirAsia's business can grow by adding this new hub, especially in the Indonesian region

- **Segmentation**

The market segment targeted by AirAsia is the lower-middle class and focus carrier tourism, and focus transports tourists who want to travel between countries by netting certain areas. consumers who are not concerned with service but are price sensitive.

- **Targeting**

Target person or community from PT Indonesia AirAsia is targeting digital consumers by connecting through the airasia.com web, and everyone can see the network of scheduled flight routes. Both those who only buy flight tickets or prospective passengers who want to get additional services provided by AirAsia.

- **Positioning**

AirAsia airlines can position themselves by entering the low-per route, due to the absence of competitors from domestic airlines. So the price quote is quite cheap and airlines that get 'the best On-Time Performance (OTP) low-cost carrier airline' from TripAdvisor. And AirAsia has a number of IT breakthroughs, like an electronic ticket, Mobile application for ticket reservations, electronic payments, electronic check-in, and self check-in kiosk and these innovations include: E-POS, point of sale systems and FACES, facial recognition technology.

6. CONCLUSION

Based on the research result, Indonesia AirAsia has a relatively high market share on Lombok flights, because of the Lombok government assistance, AirAsia became one of the airlines that made Lombok a hub route increasing tourism in Lombok after the 2019 disaster. The research problem here here is marketing analysis strategies used by PT Indonesia AirAsia in the new hub. Lombok-Perth and Perth-Lombok routes become a serious case for a superior marketing strategy by Indonesia AirAsia on its efficiency, and practicality and technological support, such as company sites, mobile application, and conventional direct selling points.

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