

Effect of Price on Service Quality That Determines Passenger Occupancy in Low Cost Carrier (LCC) Airlines (Case study of Citilink)

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Abstract. The presence of transportation is important to support the public need in traveling from one place to another. One of the transportation that is quite popular is air transportation. The air transportation industry, consisting of Low Cost Carriers to Full Service Carriers airlines can be a choice for customers. One of the Low Cost Carrier (LCC) based airlines that is growing rapidly in Indonesia is Citilink airline. The data used in this study is primary data collected from a sample of Citilink service users by distributing questionnaires to 100 respondents. This study used quantitative methods with path analysis techniques. Data processing was performed using SPSS 26.0. The results of this study prove that 1) Price has a significant effect on Service Quality,; 2) This study proves that Price does not have a significant effect on Passenger Occupancy,; 3) This study proves that Service Quality has a significant effect on Passenger Occupancy.

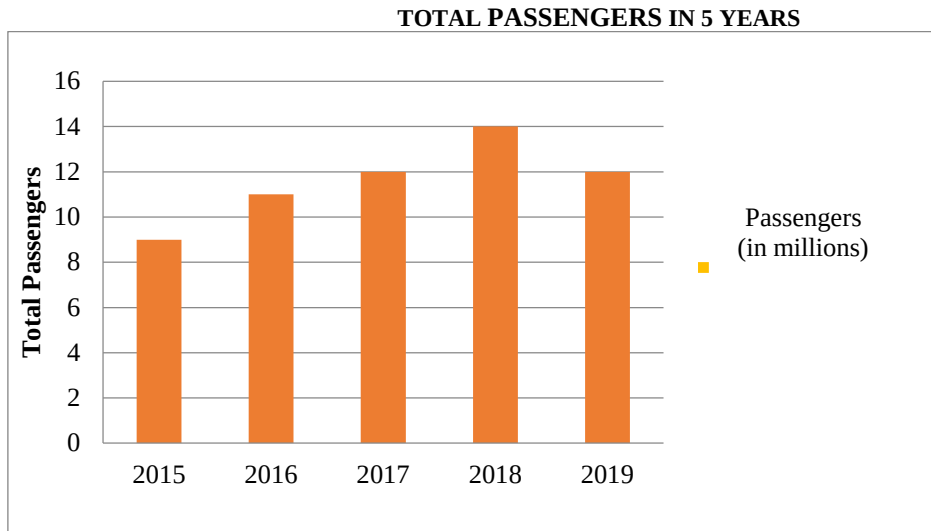
Keyword: Price, Service Quality, Passenger Occupancy, path analysis

Introduction

The presence of transportation is important to support the public need in traveling from one place to another. One of the transportation that is quite popular is air transportation. Air transportation is one of the modes of transportation with minimum risk of accidents. Therefore using air transportation for traveling is the right choice.

Low Cost Carriers to Full Service Carriers airlines can be a choice for customers. Low Cost Carrier (LCC) based airlines are growing rapidly in Indonesia. By implementing low-cost airlines into a preferred choice by consumers, and supported by the increasing public purchasing power so that Low Cost Carrier airlines in Indonesia can always exist. One example of a low cost carrier is the Citilink airline.

Citilink is an airline that offers flights to consumers who are concerned with price, On Time Performance, and safety technology. Citilink is a part of a subsidiary of PT. Garuda Indonesia (Persero), Tbk, which was established on July 16, 2001, is located at Jalan Merdeka Selatan No.13 Jakarta. Initially, Citilink only opened domestic flight routes, but there was a significant increase in Citilink, and they started to open international flight routes such as: Malaysia, China, Timor Leste, Australia and Jeddah. Citilink is a Low Cost Carrier-based airline that entered the TOP BRAND Award for 3 years in a row on the 3rd place after Garuda Indonesia and Lion Air. Citilink proves that Low Cost Carrier airlines can maintain its competitiveness with other airlines.



Data source : Garuda Indonesia (2019)

The data above shows the ups and downs of the number of Citilink passengers over the past 5 years. This study was conducted to determine the effect of prices on service quality that determines passenger occupancy.

Literature Review and Hypothesis

a. Price

Price is the monetary value charged by a business unit to the buyer or customer for goods or services sold or delivered (**Amilia 2017**).

Price is the various benefits possessed by a service product compared to the various costs (sacrifices) incurred in consuming that service (**Sulistiyana 2015**).

Definition of price is the amount of money charged for a product or service or the amount of value exchanged by consumers for the benefits of owning or using the product or service (**Latief 2018**).

b. Service Quality

Service is any action or activity that can be offered by one party to another party, basically intangible and does not result in any ownership. (**Manullang 2008**).

Comparison is between perceived service (perception) of consumers and service quality expected by consumers (**Normasari, Kumadji, and Kusumawati 2013**).

The quality of service received by consumers and their level of satisfaction has a direct influence on consumer behavior in the aviation industry (**Paska, Kecelakaan, and Terbang 2010**).

Quality of service is a measurement of how well the level of service provided is able to match customer expectations. (**Dewi 2016**).

c. Passenger Occupancy

Passenger occupancy is a proxy of the purchase interest approach. The demand for transportation services depends on the demand of the products transported. The demand for aggregate transport services is closely related to the level of economic activity in general. In times of prosperity, production, income, and high purchasing power require greater transportation services compared to the times of depression (poverty) **(Ashari n.d.)**.

d. Effect of price on service quality.

Pricing is very important considering the products offered by these services are intangible. The price charged for the services offered makes an indication of the quality of what kind of services the customer will receive. The most important thing is that various pricing decisions must be consistent with the overall marketing strategy, giving different prices in different markets also needs to be considered. If a product requires consumers to spend more than the benefits received, then what happen is the product will have a negative value resulting a decreasing level of consumer loyalty, and vice versa **(Pramana and Sukresna 2016)**

H¹ : There are the significant effects between Price (X) toward Service Quality (Y) in Citilink.

e. The effect of service quality on passenger occupancy.

Service quality has an effect on consumer purchase interest, when the service quality is not good it will reduce consumer purchase interest. As in the purchase interest process there is an evaluation and decision making happening before making a purchase, when the quality of service is not good it will have an impact on customer dissatisfaction and make the customer choose the competitors instead, and this means the consumer purchase interest will decrease. On the other hand, if the quality of service is good then consumers will feel happy and will come back again and will not choose the competitors. In the sense that when the quality of service is good, the consumers purchase interest will also increase. **(Bariroh 2015)**

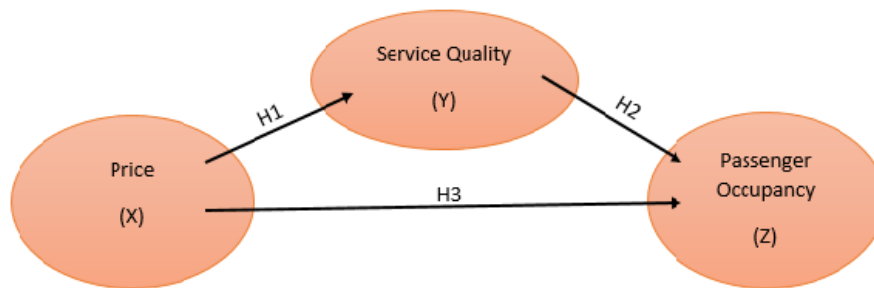
H² : there are the significant effects between service qualities toward the passenger occupancy in Citilink.

f. The effects of price on passenger occupancy

Price is an important factor in determining consumer purchase interest. High and low prices are also determined by the quality of the product or facilities offered. **(Sugiarto and Subagio 2014)**

H³ : There are direct and indirect effects toward price though the service quality toward the Purchase Interest on Citilink.

Raw Model



Method

The data used in this journal were quantitative data collected from a sample of Citilink service users. Quantitative researches are approaches to empirical studies to collect, analyze, and display data in numerical form rather than narrative (Prajitno 2008). The data used in this journal were primary data that obtained directly from research subjects through questionnaires. Primary data is data that comes from the source directly by passing out or distributing questionnaires to respondents. The sampling technique in this paper was non-probability sampling. This technique was used to facilitate sampling where the population was not recorded. The type of non-probability sampling used was purposive sampling, in which the researcher conducted an assessment to select the most appropriate population members as a source of accurate information. The criteria used in this study were respondents who knew and had used Citilink Airline. The purpose was to avoid the invalidity of the data obtained. Therefore, to determine the size of the sample, this study used the calculations proposed by Slovin. In this study, researchers used a 10% error level so the sample in this study consisted of 100 respondents. Data analysis technique used in this study was the path analysis technique with data management using SPSS 26.0.

Discussion and Result

Data Quality Test

Data Validity Test

To test the validity of research data, the author uses Pearson correlation analysis, if the total value of r count $>$ r table, then the research data is declared valid. The validity test result of the data can be seen below :

Table 1.
Data Validity Test
Correlations

		Price	Service quality	Passenger Occupancy
Price	Pearson Correlation	1	.638**	.366**
	Sig. (2-tailed)		.000	.000
	N	99	99	99
Service quality	Pearson Correlation	.638**	1	.385**
	Sig. (2-tailed)	.000		.000

	N	99	100	99
Passenger Occupancy	Pearson Correlation	.366**	.385**	1
	Sig. (2-tailed)	.000	.000	
	N	99	99	99

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data processed, 2020

From table 1 above, by using the Pearson correlation test, Price, Service Quality, and Passenger Occupancy variables are declared valid. The r-count value (Pearson) for all the variables above is greater than the r-table value (1,660) with a significance level of 5% using a two-tailed test (*uji dua sisi*).

Data Reliability Test

The reliability level of a variable or research construct can be seen from the results of the Cronbach's Alpha (α) statistical test. Variables or constructs are reliable if the Cronbach's Alpha value > 0.6 . The closer alpha values to one, the more reliable they are. The reliability test results can be seen below :

Table 2.
Reliability Test Results

Case Processing Summary

		N	%
Cases	Valid	99	99.0
	Excluded ^a	1	1.0
	Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.712	.721	3

Source: Primary data processed, 2020

From table 2 above it can be seen that all variables, Price, Service Quality, and Passenger Occupancy are all reliable (consistent), this can be seen from the Cronbach's alpha value of all variables, which are above 0.6.

Hypothesis test

Multiple Regression Analysis

The hypothesis in this study tested using multiple regression analysis (*analisis*

regresi berganda). The test results for hypotheses 1, 2 and 3 can be seen in the tables below :

Table 3.
Regression Test Results X against Y

		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
Model		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
1	(Constant)	18.287	3.235		5.652	.000	11.865	24.708
	Price	.915	.112	.638	8.154	.000	.692	1.137

a. Dependent Variable: Quality Service

Source: Primary data processed, 2020

Path coefficient 1

The significance value of the variable (X) = 0.000 < 0.05, Regression model 1, Price variable, has a significant effect on Service Quality. Based on the R square value of 0.407, it states that the contribution of Price variable to Service Quality is 41% and the remaining 59% is the contribution of other variables outside this model.

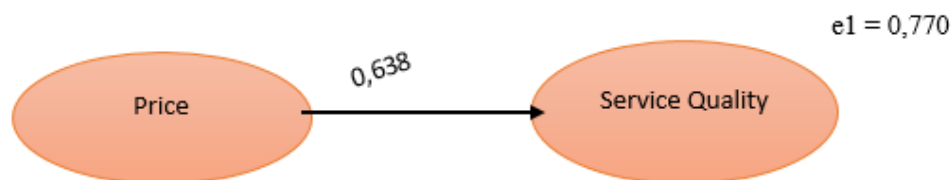


Figure 1.

Table 4.
Regression Test Results X and Y against Z

		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
Model		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
1	(Constant)	6.479	3.126		2.072	.041	.274	12.685
	Price	.206	.122	.204	1.690	.094	-.036	.449
	Service Quality	.180	.085	.255	2.119	.037	.011	.349

a. Dependent Variable: Passengers Occupancy

Source: Primary data processed, 2020

Path coefficient 2

The significance value of variable $X = 0.094$ states that the variable Price does not have a significant effect on Passenger Occupancy. While the Service Quality variable with a significance value of $Y = 0.037 < 0.05$ shows that Service Quality has a significant effect on Passenger Occupancy. Based on the value of R square of 0.173, it shows that the contribution of Price and Quality of Service to Passenger Occupancy is 17% and the remaining 83% is contributed by other variables outside the research model



Figure 2.

Table 5.
Direct Effect

Variable Relationship	Direct Effect
X – Y	0.638
Y – Z	0.255
X – Z	0.204

Table 6.
Indirect Effect

Variable Relationship	Effect	Sobel test result
X – Y – Z	$(0.638) \times (0.255)$ $= 0.162$	2.28

Table 7
Total Effect

Variable	Direct	Indirect	Total
X – Y	0.638	0	0.638
Y – Z	0.255	0	0.255

X – Z 0.204 0.162 0.366

Table 8

Hypothesis result

	Original Sample (O)	T Statistic	P values	R square
X – Y	0.638	8.154	0.000	0.407
Y – Z	0.255	2.119	0.037	0.173
X – Z	0.204	1.690	0.094	

Conclusion

From the data obtained and analyzed through this study, it can be concluded that:

1. This study proves that Price has a significant effect on Service Quality, i.e. $0.000 < 0.05$, meaning that Service Quality has met the standards and criteria for the price.
2. This study proves that the Price does not have a significant effect on Passenger Occupancy, i.e. $0.094 > 0.05$, meaning that the Price is not used as a perimeter or a measurement of Passenger Occupancy.
3. This study proves that Service Quality has a significant effect on Passenger Occupancy, i.e. $0.037 < 0.05$, which means that Service Quality is the main factor affecting passenger occupancy.
4. This study proves that Price through Service Quality on Passenger Occupancy has a direct effect of 0.204, and indirect effect of 0.366 so the total effect of Price is $0.204 + 0.162 = 0.366$. Thus it can be said that Price through Service Quality has a significant effect on Passenger Occupancy. This is proved by the number of indirect effects which is greater than the direct effect ($0.366 > 0.204$). The same result obtained by using the sobel test and it can be concluded that the sobel test results of $2.28 > 1.96$ proves the indirect effect of Price through Service Quality on Passenger Occupancy is declared valid.

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