

THE STRATEGY OF GARUDA INDONESIA AIRLINE TO FACE THE INCREASE OF AVIATION FUEL PRICE IN 2022

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Abstract: Garuda Indonesia is one of the national airlines based on the Full-Service Airline model that has a significant reputation and brand in the domestic and international markets. In order to operate, Garuda Indonesia's aircraft with a turbine engine type requires a fuel called Aviation Turbine (Avtur). With the increase in world crude oil prices, the price of avtur soared and of course, this had a significant impact on the operational costs of Garuda Indonesia. Given these conditions, Garuda Indonesia must immediately make mitigation efforts so that the purpose of the research is to examine Garuda Indonesia's method for surviving the increased avtur prices. This is qualitative and exploratory descriptive using SWOT analysis to process data. Based on the SWOT results, the strategies that can be applied are developing Garuda Indonesia's products in the cargo sector to maintain the brand, increasing flight hours that are not included in peak hours while still providing excellent service to increase market share, optimizing available human resources according to the amount of production, increasing socialization regarding aviation safety, especially on strict health protocols applied, and strengthening the company's internal in the development of innovation and product marketing.

Keywords: *Avtur, Fuel Price, Airline, Strategy, Service*

Introduction

Air transportation is a mode of transport that uses an airplane as its mode of conveyance and the air as its route. Compared to other modes of transportation, air transportation has advantages such as providing more comfort for passengers, shortening the flight time of passengers, and being able to reach wider areas that are difficult to reach by other transportation. In Indonesia, air transportation has a bright prospect, supported by the geographical condition of Indonesia, which is the largest archipelagic country in the world, with more than 17,000 islands stretching from east to west. Therefore, air transportation becomes the backbone of national transportation and connectivity as well as driving the Indonesian economy. Although it had weakened due to limited operations during the Covid-19 pandemic, currently the domestic aviation industry is slowly starting to rise, with the start of active community mobility and the opening of tourist attractions both domestically and abroad.

PT Garuda Indonesia (Persero) Tbk, one of the aviation transportation firms in Indonesia, is a State-Owned Enterprise (BUMN) that provides national and international flights with a full-

service airline model. Currently, Garuda Indonesia serves 60 international destinations with its fleet of 32 aircraft. Garuda Indonesia is a five-star airline in Indonesia that joined SkyTeam. With the assistance of the SkyTeam alliance, Garuda Indonesia continues to expand its presence in Southeast Asia. Garuda Indonesia pays close attention to safety and comfort during the COVID-19 epidemic by implementing health and physical distancing protocol measures. During 2018-2020, the "Safe Travel Barometer" recognized Garuda Indonesia as one of the airlines implementing the best health measures in the world.

To run its aircraft operations, Garuda Indonesia requires raw materials for Avtur (Aviation Turbine), which is intended for turbine engine aircraft. The supplier of avtur raw materials is Pertamina Aviation, which has a network of aviation fuel business services or aviation business lines, both domestically and overseas. Pertamina Aviation has contributed to airlines by serving 63 domestic airports for more than 50 years. And became an avtur supplier for international airlines through cooperation facilitated by the CONCO-DELCO (Contracting Company Delivery Company) program by providing avtur filling at more than 140 locations in about 40 countries. Pertamina Aviation has DPPU (Aircraft Refueling Depot) facility to support aircraft refueling services. DPPU is an important airport service facility.

With the soaring world crude oil price triggered by the geopolitical situation of Russia and Ukraine which resulted in an imbalance in supply and demand, Pertamina Aviation also increased the avtur price because the avtur produced by Pertamina requires raw materials for crude oil imported from abroad, then it is produced independently at Pertamina's domestic factory. In 2021, the price of avtur was 11,812.67 IDR in December. In 2022, from January to September the avtur price touched 17,781.99 IDR, so the avtur price increase compared to 2021 was 50.53%. With the fluctuations in aviation fuel prices, of course, the airline's operating cost becomes higher. So that airlines must review the operational costs of the aircraft but still prioritize the needs of the community for the accessibility of flight services.

In response to this increase in avtur prices, the Ministry of Transportation through the Decree of the Minister of Transportation Number 142 of 2022 issued new rules regarding the imposition of additional costs or fuel surcharges for airline tickets due to fluctuations in avtur fuel. The increase in fuel surcharge is intended for economy class domestic flights by applying an upper limit fare and a lower limit fare. Additional fees for jet-type aircraft to a maximum of 15% of the Upper

Limit Tariff (TBA), and 25% for propeller-type aircraft. So that each airline can adjust the price of flight tickets but still follow the existing rules.

Clearly impacted by this increase in avtur prices, the company must strive to survive so that Garuda Indonesia may continue to compete with other airlines. This influence will not only affect the company's operating costs and organization restructuring, but it will also have a significant effect on the cost of airline tickets, which will be required to add a variable in their cost structure component. Previously excluded from the ticket component, the fuel surcharge must now be included in the computation. However, Garuda Indonesia will continue to sell tickets at competitive prices despite the increase in fuel costs.

In order to survive and remain competitive in the aviation business, PT Garuda Indonesia must formulate, implement, and evaluate the appropriate strategy to face the increase of avtur prices.

Method

This survey research is qualitative and exploratory descriptive. The application of this form of research is predicated on the findings of research that describe the conditions and phenomena that exist and occur at PT Garuda Indonesia.

Included among the forms of data gathered for this study are primary data gained through interview and confirmed by a questionnaire sent to the relevant speaker. PT Garuda Indonesia's Operation Support division, under the supervision of the Directorate of Operations, served as the source of information for this study's respondents. All obtained data will be examined using SWOT (Strengths, Weaknesses, Opportunities, and Threats) analytical techniques, which is one of the approaches used to evaluate Strengths, Weaknesses, Opportunities, and Threats in PT Garuda Indonesia's own business speculation. This SWOT analysis is used to develop a strategy for analyzing strengths, weaknesses, opportunities, and threats. This analysis is founded on the reasoning that can simultaneously optimize strengths and opportunities while minimizing weaknesses and threats.

Discussion and Result



Figure 1. Avtur Price Data for January to December 2021

Source: <https://onesolution.pertamina.com/Harga>

The price of avtur increased in 2021, which impacted the company's business. From January to May 2021, avtur prices climbed by 15.17% to 9,841.06 IDR; from May to September, increased by 5.51% to 10,382.87 IDR; and from September to December, increased by 13.77% to 11,816.67 IDR. So that the comparison of avtur prices from January and December was 8,545.09 IDR and 11,812.67 IDR, so the avtur price increased by 38.24%.



Figure 2. Avtur Price Data 2021 and January to September 2022

Source: <https://onesolution.pertamina.com/Harga>

Figure 2 demonstrates that there has been a significant increase in the price of avtur. This growth occurred in less than two years. In 2021 from January to December the price of avtur increased by 38.24% by touching the price of 11,812.67 IDR in December. In 2022 from January to September the avtur price touched the price of 17,781.99 IDR so the increase in avtur price compared to 2021 was 50.53%.

Price increases in the aviation industry have a direct impact on all airlines, including Garuda Indonesia. So far, no alternative fuel can replace avtur as an airplane fuel. Therefore, airlines must be capable of strategizing in order to endure the phenomenon of price fluctuation.

In establishing this strategy, PT Garuda Indonesia considered both internal and external variables, notably its strengths and weaknesses, as well as its opportunities and threats. As demonstrated in Table 3, the identification of internal characteristics is utilized to determine PT Garuda Indonesia's strengths and weaknesses.

Internal Strategic Factors	
Strengths	Weaknesses
<ol style="list-style-type: none">1. Prioritizing the safety flight2. Have a strong brand and have been recognized in the domestic and in international markets3. Having adequate in-flight facilities and advanced technology (mobile application) that makes it easy for passengers to make reservations until check-in4. Ranked first in having On Time Performance (OTP) flight punctuality5. Have a high value of Service Excellence (service to passengers)	<ol style="list-style-type: none">1. Has a complex organizational structure so the bureaucracy is complicated and communication becomes slow2. Have a large number of employees3. Having contracts with third parties that are not optimal and effective yet4. Has high operational costs so the flight ticket prices are more expensive5. Ticket prices are not reach all market segments

Figure 3. Internal Factors (Strengths and Weaknesses) That Affect PT Garuda Indonesia In Facing Avtur Price Increase In 2022

Source: Processed primary data, 2022

Figure 3 outlines the internal characteristics that contribute to PT Garuda Indonesia's competitive advantage: prioritize the safety flight, have a strong brand and have been recognized in the domestic and international markets, having adequate in-flight facilities and advanced technology (mobile application) that makes it easy for passengers to make reservations until check-in, ranked first in having On Time Performance (OTP) flight punctuality in May 2022, ranked 5th globally and 3rd in the Asia region, and have a high value of Service Excellence (service to passengers) proven by winning Top 4 World's best cabin crew 2021 & Top 15 World's best Airline 2021.

Although the phenomena of rising avtur price have a significant impact, PT Garuda Indonesia still consistently provides excellent services, putting On-Time Performance (OTP) as a top priority. It does not gradually restrict its services in response to the rising cost of fuel; rather, it is only implementing operational savings. This is the reason why Garuda Indonesia is still better than other airlines during these challenging times, and its brand is still highly powerful and enduring. Internal variables that influence PT Garuda Indonesia's market share are a complex organizational structure that the bureaucracy is complicated and communication becomes slow, have a large number of employees, having contracts with third parties that are not optimal and effective yet, has high operational costs which the flight ticket prices to be more expensive, and the ticket prices that are not reach all market segments.

As a result of the increase in avtur prices, PT Garuda Indonesia is forced to take steps that are either lucrative or allow it to survive and avoid losses. Adapting the number of human resources with the set of production (number of aircraft) so that employees are offered early retirement programs. This program has been implemented by PT Garuda Indonesia in 2019. In addition, reorganization is essential and needs to be adaptable so that the business processes become more efficient and effective.

External factors are identified to identify the opportunities and challenges facing PT. Garuda Indonesia is displayed in Figure 4.

External Strategic Factors	
Opportunities	Threat
1. Demand on the off-peak hour flight 2. Optimizing the domestic market	1. The avtur price that keeps increasing 2. Fuel dependent on Pertamina

3. Increase Business to Business (B2B) collaboration with other agencies	3. Other cheaper airlines and varied flight schedules
4. Increase revenue from the cargo sector	4. Intense price competition between competitors
5. Expanding international market coverage by joining as a member of the SkyTeam alliance	5. Aggressive competitor's marketing strategy

Figure 4. External Factors (Opportunities and Threats) Affecting PT Garuda Indonesia in Facing Avtur Price Increases in 2022

Source: Processed primary data, 2022

Figure 4 shows external factors that are opportunities, which are: demand on the off-peak hours flight, optimizing the domestic market, increase Business to Business (B2B) collaboration with other agencies, increase revenue from the cargo sector, and expanding international market coverage by joining as a member of the SkyTeam alliance. The product development that Garuda Indonesia carries out varies from external factors that affect the threat of PT. Garuda Indonesia's market share is: when the avtur price keeps increasing, the fuel that is dependent on Pertamina, other cheaper airlines and varied flight schedules, intense price competition between competitors, and aggressive competitor's marketing strategy.

The internal and external factors identified are then evaluated using the Internal Factor Evaluation (IFE) matrix which is an evaluation material for the strengths and weaknesses of PT. Garuda Indonesia faces the increase in avtur prices in 2022 and the External Factor Evaluation (EFE) matrix which is an evaluation material for the opportunities and threats owned by PT. Garuda Indonesia in connection with the increase in avtur prices in 2022.

INTERNAL FACTORS				
NO	STRENGTH	WEIGHT	RATING	SCORE
1.	Prioritizing the safety flight	0.11	4	0.43
2.	Have a strong brand and have been recognized in the domestic and international markets	0.11	4	0.43

3.	Having adequate in-flight facilities and advanced technology (mobile application) that makes it easy for passengers to make reservations until check-in	0.09	3	0.26
4.	Ranked first in having On-Time Performance (OTP) flight punctuality	0.11	3	0.33
5.	Have a high value of Service Excellence (service to passengers)	0.11	3	0.33
NO	WEAKNESS	WEIGHT	RATING	SCORE
1.	Has a complex organizational structure so the bureaucracy is complicated and communication becomes slow	0.11	4	0.43
2.	Have a large number of employees	0.11	3	0.33
3.	Having contracts with third parties that are not optimal and effective yet	0.09	2	0.17
4.	Has high operational costs so the flight ticket prices are more expensive	0.11	3	0.33
5.	Ticket prices are not reach all market segments	0.07	2	0.13
	TOTAL	1.00		3.17

Figure 5. IFE (Internal Factor Evaluation) Matrix

Source: Processed primary data, 2022

The total weighted score can range from a low of 1.0 to a high of 4.0. If the average total is below 2.5, it means that the company's internal condition is in a weak state. Meanwhile, if the average total is above 2.5, it means that the company's internal condition is in a strong state. The IFE table above shows that the strength and weakness factors have a score of 3,17 which means the internal condition of PT. Garuda Indonesia is strong.

EXTERNAL FACTORS				
NO	OPPORTUNITIES	WEIGHT	RATING	SCORE
1.	Demand on the off-peak hours flight	0.10	4	0.41
2.	Optimizing the domestic market	0.10	4	0.41
3.	Increase Business to Business (B2B) collaboration with other agencies	0.08	3	0.23
4.	Increase revenue from the cargo sector	0.13	4	0.51
5.	Expanding international market coverage by joining as a member of the SkyTeam alliance	0.10	3	0.31
NO	THREAT	BOBOT	RATING	SKOR
1.	The avtur price that keeps increasing	0.13	2	0.26
2.	Fuel dependent on Pertamina	0.13	2	0.26
3.	Other cheaper airlines and varied flight schedules	0.10	3	0.31
4.	Intense price competition between competitors	0.08	4	0.31
5.	Aggressive competitor's marketing strategy	0.05	4	0.21
	TOTAL	1.00		3.21

Figure 6. EFE (External Factor Evaluation) Matrix

Source: Processed primary data, 2022

It is probable that the highest total score is 4.0 and the lowest is 1.0. A total score of 4.0 implies that the organization is capable of embracing opportunities and avoiding risks in a suitable manner. A total score of 1 shows that the organization is incapable of embracing opportunities and avoiding threats in an effective and suitable manner (Fred R. David's theory). In the preceding EFE table, the opportunity and threat factors are near to 4.0, indicating that PT. Garuda Indonesia is able to take advantage of opportunities and avoid threats.

According to Fred R. David's theory, the SWOT (Strengths, Weaknesses, Opportunities, Threats) Matrix is an important matching tool that helps managers develop four types of strategies: SO (strengths-opportunities) strategies, WO (weaknesses-opportunities) strategies, ST (strengths-opportunities) strategies. threats) and WT (weakness-threats) strategies. The SWOT (Strengths, Weaknesses, Opportunities, and Threats) matrix is used to develop alternatives to Garuda Indonesia's corporate strategy for coping with growing avtur prices by combining internal and external aspects coming from the input phases of the IFE and EFE matrices, as shown in figure 7. The criteria covered in the SWOT matrix are those with high score values.

	Strengths (S)	Weakness (W)
Internal Analysis / External Analysis	<ol style="list-style-type: none"> 1. Prioritizing the safety flight 2. Have a strong brand and have been recognized in the domestic and international markets 	<ol style="list-style-type: none"> 1. Has a complex organizational structure so that the bureaucracy is complicated and communication becomes slow
Opportunities (O)	SO Strategy	WO Strategy
<ol style="list-style-type: none"> 1. Demand on the off-peak hours flight 2. Optimizing the domestic market 3. Increase revenue from the cargo sector 	Develop Garuda Indonesia's products in the cargo sector to maintain the brand. Increase flight hours on the off-peak hours flight while still providing excellent service to increase market share.	Optimizing available human resources according to the amount of production
Threats (T)	ST Strategy	WT Strategy
<ol style="list-style-type: none"> 1. Intense price competition between competitors 2. Aggressive competitor's marketing strategy 	Increase socialization regarding flight safety, especially on strict health protocols applied.	Strengthening the company's internal in development of innovation and products marketing.

Figure 7. SWOT Matrix
 Source: Processed primary data, 2022

The results of the SWOT matrix in the figure above show that the SO (Strength-Opportunity) strategy is a combination of internal factors (Strength) and external factors (Opportunity), this strategy is made by utilizing all the strengths possessed by PT. Garuda Indonesia to be able to take full advantage of opportunities. The SO strategy adopted is to develop Garuda Indonesia products in the cargo sector to maintain the brand and increase flight hours that are not included in peak hours while still providing excellent service to increase market share.

In developing the cargo sector itself, Garuda Indonesia needs to develop and expand its international flight network specifically for cargo. Currently, Garuda Indonesia has opened a special direct flight service for cargo on the Semarang - Singapore route. With this direct flight, of course, it will further increase the competitiveness of the quality of export products with a faster delivery process via air cargo. This is a follow-up to the strategy carried out by Garuda Indonesia to maintain the brand by optimizing the cargo business line through the expansion of the international flight network specifically for cargo.

In addition, Garuda Indonesia also needs to increase flight hours that are not included in peak hours (off-peak hours). With this, Garuda Indonesia can optimize market share opportunities, especially the domestic sector, so it can present a more seamless and diverse flight schedule option while still prioritizing excellent service.

WO (Weakness-Opportunity) strategy is a combination of internal factors (Weakness) and external factors (Opportunity), this strategy is applied based on the utilization of existing opportunities by reducing the weaknesses possessed by PT. Garuda Indonesia. The WO strategy that can be carried out by Garuda Indonesia is to optimize the available human resources according to the amount of production.

As we know, PT. Garuda Indonesia is a large company and has a complex organizational structure, which causes Garuda's own bureaucratic path to take a long time and convoluted. In order to survive in this phenomenon, Garuda Indonesia must maximize its human resources by conducting organizational restructuring which is one of the most effective strategies to implement. By maximizing the available human resources in accordance with the current production amount, it is clear that it can help ease the company in dealing with the unstable increase of avtur price.

ST strategy (Strength-Threat) is a combination of internal factors (Strength) and external factors (Threat), this strategy uses the strengths of PT. Garuda Indonesia to overcome all existing threats.

The result of this ST strategy is to increase dissemination regarding flight safety, especially on the strict health protocols applied.

Currently, all airlines are competing to maintain their respective companies by designing well-structured marketing strategies. Good marketing will certainly produce good output, in this case, Garuda Indonesia needs to increase the dissemination of flight safety to ensure passengers that while traveling on the plane, they will be in a safe condition. Although currently COVID-19 has subsided, there is nothing wrong with Garuda disseminating information regarding the health protocols that are strictly implemented. With this, passengers can see that Garuda Indonesia is still paying attention to the health and safety of passengers.

WT strategy (Weakness-Threat) is a combination of internal factors (Weakness) and external factors (Threat), this strategy is based on activities that are defensive in nature and tries to avoid possible external threats to reduce company weaknesses. The WT strategy adopted by PT. Garuda Indonesia is to strengthen the company's internal development of innovation and product marketing.

Before starting to compete with other competitors, Garuda Indonesia must strengthen internally, especially in terms of developing innovation and in marketing products. With good cooperation within the company's internal, it will spark interesting innovations in marketing the company's products. If the internals are in one voice and the strategy is well designed and structured, then Garuda will be able and ready to face tough price and marketing competition between competitors. To determine the alternative strategies applied by the company in order to survive in the face of rising avtur prices, it can be seen through the Grand Strategy Matrix.

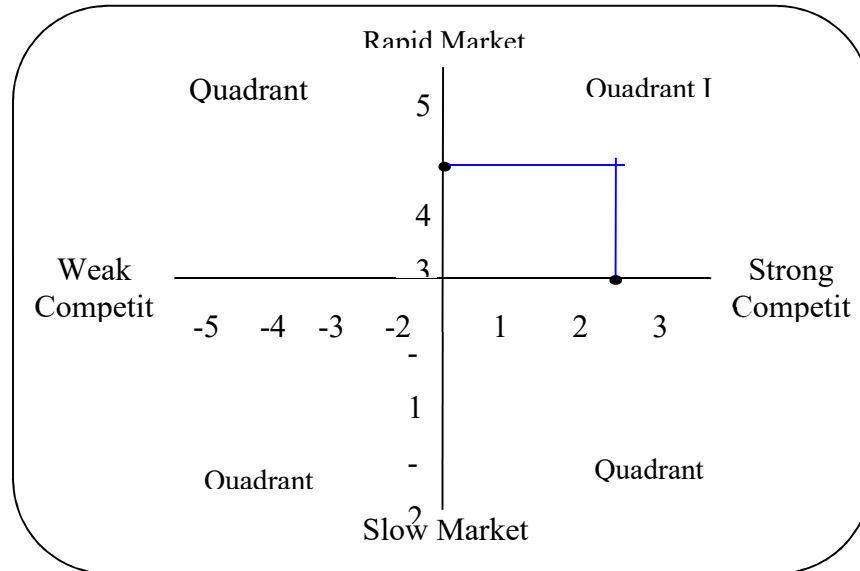


Figure 8. Grand Strategy Matrix

Source: Processed primary data, 2022

Based on the grand strategy matrix above, it is stated that PT. Garuda Indonesia is included in quadrant I. This explains that PT. Garuda Indonesia is a strong competitor with high market growth. For companies in this quadrant, market penetration, market development, and product development are the right strategies to run.

Conclusion

As is well-known, this huge surge in avtur prices has had a significant effect on all airlines throughout the globe. This price increase was noticed by the increase in global crude oil prices, such that the current price of avtur in Indonesia is 17,781.99 IDR (In September 2022) with a price increase of 50.53% compared to 2021 where the avtur price was at 11,812.67 IDR in December. This situation compels all airlines to develop survival and competitive tactics.

In the IFE matrix, the internal strength factor is 1.78 and the weakness factor is 1.39, resulting in a total score of 3.17. So it can be concluded that the company has a total score above average, it means PT. Garuda Indonesia has strong internal factors. For the results of the EFE matrix, the external opportunity factor is 1.87 and the threat factor is 1.33 so a total score of 3.21 is obtained and it can be concluded that the company's ability to deal with threats is above average and is very good.

Based on the SWOT Matrix, the result of this SO strategy is to develop Garuda Indonesia products in the cargo sector to maintain the brand and increase flight hours that are not included in peak

hours (off-peak hours) while still providing excellent service to increase market share. The WO strategy that can be carried out by Garuda Indonesia is to optimize the available human resources according to the amount of production. ST's strategy is to increase the dissemination of safety flight, especially on strict health protocols. And, the WT strategy adopted by Garuda Indonesia is to strengthen the company's internal development in product innovation and marketing.

After the IFE matrix, EFE matrix, SWOT matrix, and grand strategy matrix have been carried out, the alternative strategies that can be applied by PT. Garuda Indonesia is to carry out market penetration, market development, and product development.

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