

Loyal Customers Comes From Royal Airline

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Abstract

In this modern era of industrial growth, airlines increase their productivity from income and number of passengers every year. Moreover, the emergence of Low Cost Airlines (LCA) makes passengers easier to purchase and use the services of the airline because the price is more affordable. One of the efforts to attract and retain customers is that some airlines make a loyalty program to the customers to retain the relationship between airlines and customers. In this study, we want to discuss how the role of loyalty programs increases number of passengers and revenue, and also how some elements can be implemented effectively to create a loyal customer. We use a descriptive model which is derived from science-direct, next we determine the important points we input into the article to support our discussion. In the identification, it is found that loyalty programs play a big role in boosting the number of passengers. While the environment, human resources, security, and facilities management are the determinants of service level to make passenger satisfied. To solve the existing problem, we create an opinion policy to be developed for improving and enhancing competitiveness with other companies.

Keyword: passenger, loyalty program, garuda, service, quality

1. Introduction

In today's modern transportation era, the development of air transport in the world grows very rapidly. Many people use air transportation mode i.e. aircraft, both for commercial and public charters. The number of users of the aircraft can be seen in Table 1.

Likewise the growth of the business from the new airline company, the strategy of Low Cost Carrier (LCC) is popping up. LCC can offer a price that is more affordable because it can cut the cost of in-flight service, fleet, using secondary airports and limit amount of baggage (L. Chang & Hung, 2013). The tight competition makes the airline company has to suppress the existing fee in

order to win the competition by offering a relatively affordable price. The airline company can survive in this era required to have a good marketing strategy and also a great financial activity in supporting the operations of the company and getting more customers (Vlachos & Lin, 2014). The customer is an important factor in the survival of a company, then establishing a loyalty is the key to get more benefits because the customers will use the service of airline company repeatedly in the future (Akamavi, Mohamed, Pellmann, & Xu, 2015). PT Garuda Indonesia is one of the largest airlines in Indonesia that is able to survive in the middle of the large number of airline companies dominating low cost carrier strategy, which also contributes to the improvement of the country's economy. The number of PT Garuda Indonesia market share can be seen in Figure 1.

Tabel 1.

Years	Passenger (in million)	Percentages
2017	109	14.5
2016	95.2	15.39
2015	82.5	13.63
2014	72.6	5.67
2013	68.7	-

From Figure 1, the position of Garuda is on second rank for the market share of domestic airlines in Indonesia with a total of passengers as much as 29.9 million passengers from the two companies under the auspices of Garuda Groups, Garuda Airlines and Citilink. They have just lost to Lion group with the percentage market share of 45% with a total of approximately 31 million passengers. Lion Group is superior because they are low cost carrier airlines that use strategy for affordable prices. Indeed, most customers are not too concerned about the best service from an airline because they prioritize which airlines can sell tickets lower than others. Because of the current competition conditions, for Garuda, they must focus on

building relationships with customers by providing good quality service for customer satisfaction and creating loyalty programs so they can repurchase (Y. Chang & Chen, 2007).

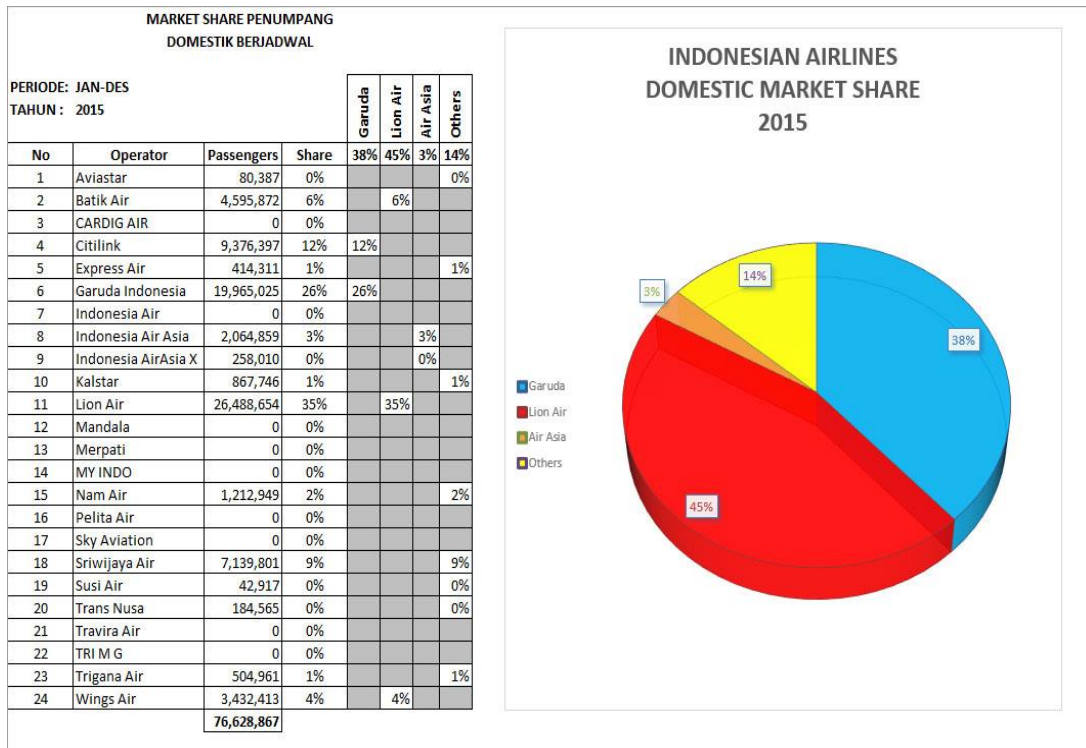


Figure 1

The definition of customer loyalty is forwarded by (Oliver, 2014): “a deeply held commitment to re-buy and re-patronise a preferred product or service constantly in the future despite situational influences and marketing efforts having the potential to cause switching behaviour”(Akamavi et al., 2015). According to Lam, Shanka, Erramilli and Murthy (2004, p. 294), customer loyalty is “a buyer's overall attachment or deep commitment to a product, service, brand, or organisation”. Whereas Oliver (1999) emphasizes that loyalty refers to the repeat purchase of goods or services, Lovelock and Wirtz (2004) and Severt, Wang, Chen, and Breiter (2007) highlight that loyal customers purchase a good or

service, are willing to recommend their service provider, and spread positive word-of-mouth and word-of-mouth". Moreover, scholars such as Caruana (2004), Griffin (1995), Reichheld and Sasser (1990) and Yang and Liu (2003) reveal that customer loyalty reduces marketing costs, lowers transaction costs, reduces turnover expenses, increases cross-selling, provides positive word of mouth and reduces failure costs. Additionally, Reichheld and Sasser (1990) find a positive economic effect of customer loyalty on firms' performance. Furthermore, they note that the costs of winning a new customer are six times greater than the costs of maintaining an existing customer (p.45). Duffy (1998) also recognizes that it is difficult to reach and acquire new customers.

Consequently, the acquisition costs of winning a new customer far exceed the costs of maintaining a loyal customer (Reichheld & Sasser, 1990; Rosenberg & Czepiel, 1983; Yieh, Chiao, & Chiu, 2007).

In order to increase the number and maintain customers, PT Garuda Indonesia created a program which was originally called Garuda Frequent Flyer (GFF), which has now changed its name to Garuda Miles. Garuda Miles has several classes, namely regular Garuda Miles, Garuda Miles Junior, Executive Card Plus (EC Plus), and also Garuda Indonesia Citi Card (GIC), which of course each class has its own advantages. In general, this program collects as many points as possible by using Garuda Airlines services, the aim is point that customers got can be exchanged with various rewards such as free tickets.

Figure 2 is a statistic of the number of members from the Garuda Miles program, which in 2015 had reached 1.55 million members, in 2014 with 1.05 million members, and in 2013 approximately 850 thousand members.

With some of the explanations above, the purpose of this paper is to see an illustration of how the influence of loyalty programs in maintaining and increasing the number of customers and what elements the company must pay attention to

support the program and also the response from the passenger side about the existence of the Garuda Miles program.

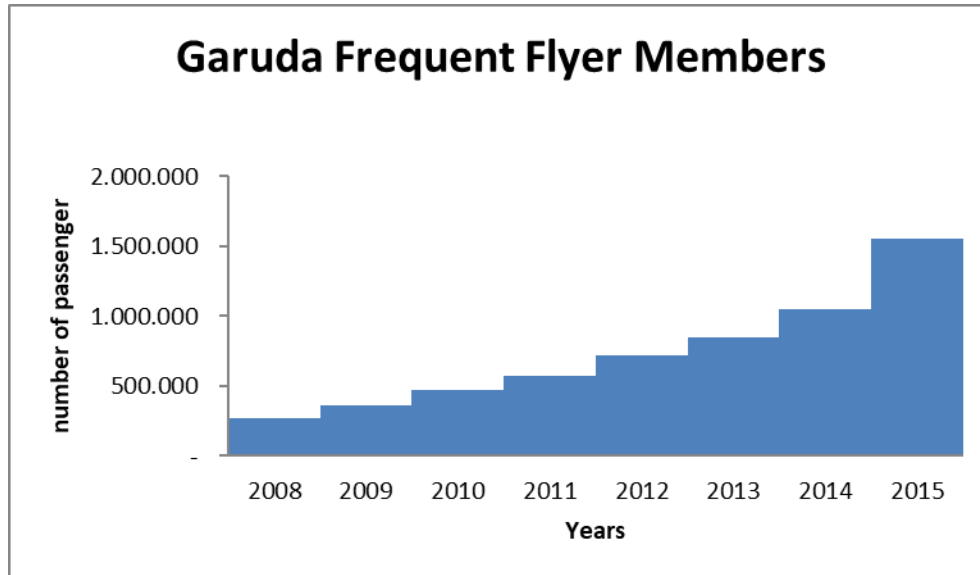


Figure 2

2. Method

A case study is a way to understand and know more about the issues discussed by extending knowledge through discussions that have been done before. According to (Stauvermann & Kumar, 2017), they describe the case study is one method of approach and social assessment through the process of analyzing a case of individuals with a thorough and complete in order to provide results of intensive analysis in researching existing social phenomena. A case study called Kumar is a research approach that has more details in its analysis, which is often overlooked in other research methods.

In this article, the types are descriptive and verification. Descriptive which means this article will illustrate the Garudamiles program in an effort to increase loyalty from the Garuda Airline users' side. While verification is testing whether Garudamiles can increase the number of Garuda Airline users. To support this

article, we have conducted a survey to obtain information from a portion of the population about the object we studied, in this case Garuda Airlines with its Garudamiles program.

In the survey we spread to the population through the online form, google form, to find out information about Garudamiles, which includes; responses to brands, responses to services and responses to processes. By collecting data online, we find it easier to get the population and redistribute it. The target of this population is those who have used Garuda Airlines services. As for calculating the assessment on questionnaire tables we use a Likert scale, with the following formula;

$$p = \frac{f}{n} \times 100\%$$

p = percentage

f = frequency of questionnaire answers

n = maximum value

3. Discussion

In the current airline industry business, according to (Mikuli & Prebe, 2011) passengers are more concerned with safety in choosing an airline compared to the service needs they will get. In addition, for airline companies with the LCC price is a very important strategy in increasing the number of passengers. Unlike LCC, full service airlines such as Garuda Airlines can provide discounts to prospective passengers using the loyalty program. With the loyalty program, it is expected that customers can purchase repeatedly accompanied by the best service and satisfy their perceptions with the price paid (Forgas, Moliner, & Sa, 2010). In general, the target customers that can be taken for loyalty programs are those who regularly reserve ticket flights such as business travelers and frequent travelers, while

loyalty programs cannot be applied for those who reserve ticket flights as leisure travelers and casual travelers (Dolnicar, Grabler, Grün, & Kulnig, 2011). According to a study that has been carried out earlier, one of them is (et al), proving that the majority of loyalty programs are business people who do not care with price, but concern the services they get during pre-flight, in-flight and post-flight. Therefore, Garuda Airline is required to pay attention to all company operations in order to maintain good service (Fu, Zhang, & Chan, 2018).

The influence of Garudamiles program on loyalty according to (Henderson, Beck, & Palmatier, 2011) reveals that "Loyalty programs that prioritize value or value models that consist of service, brand and process are one way to maintain the loyalty that has been created." Steps to retain existing passengers become repeat customers are by building a brand, service, and process (BSP) (Harris & Goode, 2004). Brand increases product value in terms of emotional, service increases confidence and reduces other expenses, while process allows passengers to get quality products, low costs, and fast delivery (Jiang & Zhang, 2016). To increase the level of passenger loyalty to a higher level, loyal client, once again the company must increase the benefits provided for passengers (Gilbert, 1996). According to Hermawan Kartajaya (2005: 155), he reveals that "Loyalty always moves in line with the increase in benefits." If the company cannot provide additional benefits or value to passengers, during that time passenger loyalty will not move to a higher level.

Garuda Frequent Flyer has four membership levels, which are Blue, Silver, Gold and Platinum, and internet sites for GFF members which provides online services including the Millage Calculator to calculate miles (flight miles) and the number of miles needed to get a ticket free.

The results of this study provide useful insights into the behaviours of Garuda Airlines passengers. The behavioural intention of passengers was affected by

SESE (Service employees' self-efficacy), SR (Service recovery), Pr (Price), PS (satisfaction) and PT (trust) (Karatepe, 2006). Three of those factors SESE, SR and Pr represent antecedents of PS, whereas PT in a LCA is shaped through the interaction among SESE, SR, Pr and PS. This study's result should help to enlighten the efforts of any front staff ensuring that passengers receiving SR efforts perceive a high level of satisfaction (Karatepe et al., 2006; H.B. Kim et al., 2009; Yukselet al., 2006). An effective SR effort after faulty service must be carefully planned and executed to establish long-term relationships with passengers (Lindenmeier & Tscheulin, 2008; Mattila, 2001).

The following is a table containing the questionnaire results that we have disseminated to see the responses from customers regarding the ratings for Garuda airline in terms of brand, service, and also the processes that airline has provided to customers. There are 51 correspondents who have responded, with the following results on below

Statement	Result	Statement	Result	Statement	Result
1	Agree	7	Agree	13	Agree
2	Agree	8	Agree	14	Agree
3	Agree	9	Agree	15	Agree
4	Agree	10	Agree	16	Enough
5	Agree	11	Agree	17	Enough
6	Agree	12	Agree		

From the result of the questionnaire that has been distributed, based on the calculation table above, the research on the Garuda Indonesia brand has been very good in the eyes of the public. They agree that Garuda Indonesia is the largest airline in Indonesia with a score of 87.4%, this is because Garuda is the first airline and has been operating in Indonesia since 1949. In terms of service and process, the community is very satisfied with the services provided by Garuda Airlines, as evidenced by their assessment of several variables tested in the questionnaire provided. The lowest score in the Garuda section is the main choice for them,

because the price is quite high compared to low cost airlines. Because of the essence, those who use Garuda services are not routine, are more tempted when there is an offering of low prices that are owned by other airlines. The highest score in terms of service and process is that the fleet is always in good condition when it is operating so that it can make passengers comfortable and satisfied when they use the services of Garuda. The lowest assessment is in the Garudamiles section which is not very good in promoting their program regarding Garudamiles.

4. Conclusion

Value-based service programs on program loyalty have a significant influence on Garuda Indonesia's passenger loyalty, both partially and simultaneously. Thus the findings of the researchers corroborate the theory of Hermawan Kartajaya (2005: 155) that loyalty always moves in the direction of the increase in benefits. If the company cannot provide additional benefits to passengers, during that time passenger loyalty will not move to a higher level.

Percentage of business objectives is the biggest reason of respondents to use Garuda Indonesia flight services, this can be understood because most respondents are official employees or tied to government agencies that impose an ad-cost policy that is to return money travel policy in accordance with the exit. Ministry of Finance Policy No. 20 of 2005.

Based on the results of the study, a number of conclusions can be drawn as follows:

1. Respondents' response to the value-based service program in the Garudamiles program was generally good, judging from the dimensions of the value-building service-based program factors on Garuda miles in Garuda Indonesia flight influenced sequentially by brand, service and process. Of these forming factors, the brand is the highest factor in determining Garuda Indonesia's

passenger loyalty, this is because the brand of Garuda Indonesia is very well known by the public and is the oldest airline brand in Indonesia owned by the government. Service is the smallest factor, this happens because Garuda Indonesia in practice is more focused on the brand and service process, because in the process of dimension service will definitely follow by itself.

2. Passenger loyalty which consists of regular purchases (repeat regular purchases), buying out of product / service lines, recommending products to others (Refers to others), and showing immunity from the attractiveness of similar products from competitors (demonstrates an immunity to the full of the competition). Level scores recommend Garuda Indonesia products because loyalty is the highest score compared to other levels of loyalty. This is because, the brand of Garuda Indonesia is very well known and easily to be remembered by the passengers of Garuda Indonesia itself even if it is compared to the service and process perceived by passengers it is quite good.

3. Value-based service programs on Garuda Miles have a positive influence on passenger loyalty. Based on the results of the calculation, the formation of marketing value-based programs is more influenced by the dimensions of the brand so that every business practice that is formed with good planning in implementing value-based service programs on Garuda Miles will get high passenger loyalty.

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