This thesis entitled “Factors Affecting Customer Preferences while Choosing a Low Cost Airline” prepared and submitted by Rista Nova Carolina in partial fulfillment of the requirements for the Bachelor Degree in the Faculty of Economic has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, 14 January 2013

Acknowledged by,                        Approved by,

Irfan Habsjah, MBA, CMA                    T. Manivasugen, MBA
Head of Management Study Program            Thesis Advisor
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “Factors Affecting Customer Preferences while Choosing a Low Cost Airline” is to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, 14 January 2013

Rista Nova Carolina
The Panel of Examiners declare that the thesis entitled “Factors Affecting Customer Preferences while Choosing a Low Cost Airline” that was submitted by Rista Nova Carolina majoring in Management from the Faculty of Economic was assessed and approved to have passed the Oral Examinations on 30th January 2013.

Purwanto S.T, MM.  
(Chair – Panel of Examiners)

T. Manivasugen, MBA  
(Examiner I)

Filda Rahmiati, MBA  
(Examiner II)
ABSTRACT

The emergence of Indonesian home grown low cost airline has converted the previously customer group into potential customer. This study examines the dominant factors that influence customer preferences other than price factors while choosing a different low cost airline in Indonesia. Even though the price is the most significant factor which influences the respondents’ preferences towards the low cost airlines’ services, this research has proven that there are other significant note-worthy factors which influence their preferences. The factors included in this research are price, safety, on time performance, cabin and baggage services, personal behavior type of airlines, scheduling, food and drink, airline image, comfortable and flight network. The research concentrates on five low cost airlines in domestic flight Indonesia; Lion Air, Sriwijaya Air, Wings Air, Citilink and Batavia Air. A total of 140 Indonesian students from President University who travelled within Indonesia via low cost airlines were asked to fill in the questionnaires. The research has shown that safety is the most important factor while choosing an airline and other dominant factors which come into play are price, convenience of schedules, and comfort. The least important factors are food and drinks, cabin services and type of airplane. Sriwijaya Air has come out as the most preferred low cost airline between domestic flights in Indonesia. Batavia Air as the least preferred airline with minimum number of people voting.

Keywords: price, convenience of schedules, comfort, low cost airline, customer preferences
ACKNOWLEDGEMENT

From the depth of my heart I express my deep sincere gratitude to the Almighty for the Blessings He had bestowed upon me to do this thesis.

I am immensely pleased to place on record my profound gratitude and heartfelt thanks to my adviser, **T. Manivasugen, MBA** - Vice Rector III and Head of Marketing Department at President University for his guidance during my research at President University, who suggested the problem, extended all facilities, and provided inspiring guidance for the successful completion of my research work. I deem it as my privilege to work under his able guidance. I ever remain grateful to him.

I am very thankful to my family and beloved parents, especially for my mother for her love and continuous support – both spiritually and materially, and my brothers for their constant supports and encouragement throughout my research work.

My greatest appreciation and friendship goes to my closest friend, **Febryani Sitanggang**, who was always a great support in all my struggles and frustrations in my life and studies in President University.

Thanks to **Grace Agustina Metanfanuan** for being a great reliable person to whom I could always talk about my problems and excitement, helping me think rationally and ideas even for hearing my problems.

Finally, I thank all those who have helped me directly or indirectly in the successful completion of my thesis. Anyone missed in this acknowledgement are also thanked.
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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Transportation has played an important role in the development of a country. There are several types of transport that are currently being developed; such as land transportation, maritime transport and air transport. Since last year, the air transport has experienced a rapid growth in the number of operating companies, and particularly in low cost carrier (LCC).

The low cost carriers’ concept created in the U.S with Southwest Airline. Since deregulation on airline, the cost of air travel in U.S and Europe has fallen and the size of the airline industry has grown rapidly. In 1978, Southwest Airline has captured a big success, and shown that low cost airlines have grown to be the new strength of airline development.

Borenstein (1989) finds that high levels of route and core concentration correlated with higher airfares. In next, the low-cost carrier has become the new choice for travelers since 1990s in U.S., and has become more favorites in UK and Europe in early 2000 since Rynair and EasyJet also introduced the low cost airlines. As of 2004, low cost carriers are now edging into Australia, led by operators such as Malaysia Air Asia and Australia’s Virgin Blue.

In Asia, the low cost carrier originated in Japan and Philippines in the mid 1990s. It was launched by SkyMark and Air Do in Japan. Cebu Pacific also initiates the concept of low fares in domestic Philippines. There are several causes why the low cost system has a fast development in Asia; the outbreak of Asian financial crisis in 1997, the Asian Financial Crisis forced governments in some Asian countries to grant the right to fly international routes to airline operators other than national carriers, to open up both domestic and international aviation market. (S.P Jain Center of Management Dubai - Singapore)

The bilateral restrictions on air travel were removed by governments to facilitate growth in tourism in the region. The ASEAN Multilateral Agreement on
Air Services and ASEAN Multilateral Agreement on the Full Liberalization of Air Freight Services which were simultaneously approved on May 20, 2009 in Manila on 1 January 2010 covered the way for countries to move on to an efficient, integrated air traffic network.

The development of low cost terminals such as those which opened at Malaysia’s Kuala Lumpur airport in 2005 and Singapore’s Changi airport in 2006 further enabled low cost carriers to cut down on costs and pass the savings on the passengers become the last causes that make development of low cost carriers. (S.P Jain Center of Management Dubai - Singapore)

The recent success of low cost carriers in the airline market has influenced the emergence of a growing number of airlines trying to copy the strategy of the start-up low cost carriers (LCC). It seems surprising that low cost carriers manage to encourage new demand which means that the carriers are not taking customer away for traditional carriers, but attract new customers especially in the field of business travel and tourism.

![Figure 1.1 Volume of Air Passengers 2005 - 2010](image)

In Figure 1.1 illustrates the growth of volume of air passengers from 2005-2010 based on domestic and international flight. In this case, the number of passengers increased especially for domestic flight around in Indonesia. In 2005,
the domestic flight was 28 million and international flight was 3 million passengers, and then the number of passengers increased to 39 million for domestic flight and 3 million for international flight in 2007. In 2008, the volume of air passengers has decreased to 37 million and increased to 43 million in 2009. The last 2010, the domestic flight increased to 51 million passengers and international flight increased to 6 million passengers in Indonesia. (Directorate General of Civil Aviation Indonesia, Ministry of Transport, 2012)

The total volume increased due to the increase in airline passengers as well as the growth of low cost airlines. Most people in Indonesia are interested in using low cost carrier service where people can travel far with less cost. As Indonesia is an archipelagic country, most of the people have to travel using air transport. It is more efficient than others. Apart from that, it can also reach areas that are difficult to reach. The low cost airline has emerged in Indonesia since 1998. It provides low cost-no frills services for both domestic and international flights.

In Indonesia, there are ten big airlines that lead the number of air passengers for domestic flight in Indonesia from Soekarno - Hatta Airport International, Jakarta in first semester 2012 as illustrated from the Figure 1.2 above; PT Lion Air Mentari with 13,9 million passengers, PT Garuda Indonesia
with 7.8 million passengers, PT Sriwijaya Air 3.9 million passengers, PT Metro Batavia (Batavia Air) with 3.5 million passengers, PT Wings Abadi Air 1.2 million passengers, PT Merpati Nusantara Airline 1.1 million passengers, PT Indonesia AirAsia 882,480 passengers, PT Trigana Air with 466,085 passengers, PT Kalstar Aviation 269,659 passengers, and last is PT Travel Express Air 164,510 passengers. (Source: Viva News, 2012)

For the past two or three years, the trend of using low cost carrier to travel among ASEAN countries has grown significantly, particularly in Indonesia. The growth of air passengers in Indonesia airline has increased due to emergence of low cost carrier. It is business model is different than the traditional airline in several areas such as aircraft, airport and long destinations. The traditional airlines are well known full services carriers or premium services.

The business model as low cost carriers or called as budget airlines is primarily to keep the fares low, no frills by decreasing the operating cost. According to O’Connell (2005), there are some product features of low cost carriers shown below:

**Table 1.1 Low Cost Carriers Business Model**

<table>
<thead>
<tr>
<th>Product Features</th>
<th>Low cost carrier</th>
<th>Premium Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>One brand, low fare</td>
<td>Brand extension</td>
</tr>
<tr>
<td>Fares</td>
<td>Simplified, fare structure</td>
<td>Complex fares</td>
</tr>
<tr>
<td>Distribution</td>
<td>Online and direct booking</td>
<td>Online, travel agent</td>
</tr>
<tr>
<td>Check-in</td>
<td>Ticketless</td>
<td>IATA ticket contract</td>
</tr>
<tr>
<td>Airports</td>
<td>Secondary (mostly)</td>
<td>Primary</td>
</tr>
<tr>
<td>Connections</td>
<td>Point-to-point</td>
<td>Interlining, global alliances, code share</td>
</tr>
<tr>
<td>Class segmentation</td>
<td>One class (high density)</td>
<td>Two class (dilution of seating capacity)</td>
</tr>
<tr>
<td>In-flight</td>
<td>Pay for amenities</td>
<td>Complementary extras</td>
</tr>
<tr>
<td>Aircraft utilization</td>
<td>Very high</td>
<td>Medium to high union contracts</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Turnaround time</td>
<td>25 min turnarounds</td>
<td>Low turnaround</td>
</tr>
<tr>
<td>Product</td>
<td>One product, low fare</td>
<td>Multiple integrated products</td>
</tr>
<tr>
<td>Ancillary revenue</td>
<td>Advertising, on-board sales</td>
<td>Focus on the primary product</td>
</tr>
<tr>
<td>Aircraft</td>
<td>Single type; commonality</td>
<td>Multiple types: scheduling complexities</td>
</tr>
<tr>
<td>Seating</td>
<td>Small pitch, no assignment</td>
<td>Generous pitch, offers seat assignment</td>
</tr>
<tr>
<td>Customer service</td>
<td>Generally under performs</td>
<td>Full services, offers reliability</td>
</tr>
<tr>
<td>Operational activities</td>
<td>Focus on core (flying)</td>
<td>Extension: e.g., maintenance, cargo</td>
</tr>
</tbody>
</table>

As shown from Table 1.1, the product features explain about the differentiate of low cost carriers; airplanes that applied low cost ideally hold down maintenance costs by using one kind of aircraft and fly single routes. Since of low cost airlines fly to short-haul destination which is less than 1,500 kilometers. Low cost airline regularly chooses the Boeing 737 to have crew flexibility, lower training and maintenance cost (Cranfield University Report, 2000).

Therefore, low cost airlines do not provide a seat numbers to the customers; the customer can randomly choose their own seat number. The positioning of low cost airlines is merely on price or value, and the booking online to save on commissions.

Generally, the basic of idea low cost airline model is that airline cuts down the unnecessary costs and frills from its product offering and thereby minimizes its costs of operation and management, and offer competitive fares. Some of the most common cost savings include using the internet booking online and promo tickets in distribution airlines. The lower the price an airline can offer the higher of increasing ticket sales.
Low cost airline use complex yield management to capitalize the demand and maximize the revenues. Airlines used differentiated pricing to offer varying prices to different segment of travelers simultaneously. Myron (2002) finds the factors which influence price are the days remaining until departure, the booked load factor, the forecast of total demand by price point, competitive pricing in force and variations by day of week of departure and by time of day.

Furthermore, the growth of air passengers every year in Indonesia is influenced by low cost carriers’ concept that applies in each airline, mostly for domestic flights. Additionally, the low cost airline provides low fare; it means that price is the dominant factor in customer selecting the low cost airlines.

1.2 Problem Identification

The number of passengers has increased since the emergence of low cost flights in Indonesia. According to Potter (1996:5) defines the strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors.

The premium services has lost its foothold ever since it got into a price war and relinquished its monopolistic position. And yet, it was in this scenario that low cost carrier emerged. Low cost carrier is an innovative business model which competes chiefly on price. They jostle with each other to provide the lowest fares by keeping their operating and maintenance costs to bare minimum.

In recent years, the airlines have incurred the wrath of frustrated customers of the airplane. Passengers paying full fare for business or first class seats often feel that they are being gouged. At same time, passengers in lower-priced coach seats feel that they are being ignored or abused. The certain conditions or services of airline must exist to be an effective strategy especially for segmented pricing.

There are so many ways by which airlines can cut costs, such as turnaround times leading to maximum utilization of the aircraft, using a single type of aircraft for easy maintenance, using secondary airports which have reduced landing fees, using online booking of ticket savings on ticket printing
costs and agent commissions, employing less personnel per flight, using of budget terminals which have lower costs and having least frills which allows faster boarding and deplaning, doing away with or charging for frills such as seat covers, in flight entertainment, baggage and even drinking water.

With the emerge of a number of new airlines in the market especially in Indonesia and with rising fuel costs, low cost carriers would not be able to compete on price alone for long. They have to find ways to differentiate their services from the others, particularly in domestic flights. Moreover, Indonesian people have started to pay attention to other essential services provided by each airline. By increasing the services, the values also can deliver to customer. These values can satisfy customer toward service quality. It is important that company deliver the value than looking the price to increase demand.

This research aimed to find out the predominant factors other than price which a respondent considers while choosing between low cost airlines and premium services. The factors are safety, on-time performance (OTP), baggage/luggage services, cabin services, food and drinks, convenience of scheduling, personnel behavior, flights network, type of airplane, comfort, and airline images. These factors represent the values towards the customer satisfaction and managing profitability customer relationship.

The purpose of this research is also identified strong points to underline the good service and the areas of improvement of each airline whereas researcher knows the factors which does not value to customers or respondents. Then, airline can cut down on unnecessary expenditures, and concentrates on services which value to customers.

The researcher also identified the business model of low cost carriers particularly those of five low cost airlines based or operating out of Indonesia domestic flights. As shown from the Figure 1.2 above, there are best five airlines which offer the low cost flights Airport such as: Lion Air, Wings Abadi Air (subsidiary of Lion Air Indonesia), Sriwijaya Air, Batavia Air and Citilink Indonesia as subsidiary of Garuda Indonesia.

In addition, the researcher aimed to identify the factors that might influence respondents’ choice based on their flying experiences. The researcher
also describes the most preferred and least preferred airline based on the factors of
customer choices, and strong point of each airline and areas of improvement of
each of these airlines.

1.3 Statement of Problem

Based on the background of the study, the statement problem can be
formulated as follows;

1. What are the dominant factor other than price and least preferred factor
   that influence the customer preferences while choosing among low
cost airlines?
2. What are the most preferred and least preferred airline in Indonesia and
   the factors that make them?
3. What is the customer perception on services provided by different low
cost airlines in Indonesia?

1.4 Research Objectives

Based on the statement of problem, the particular study of the research
aimed at;

1. To find out the dominant factor other than price and least preferred
   factor that influence customer preferences while choosing among low
cost airlines.
2. To find the most preferred and least preferred airline based on
   operating in Indonesia, and factors that make them so.
3. To find out customer perception of services provided by different low
cost airlines in Indonesia.

1.5 Significance of the Study

The researcher provides brief description on the various significances of
the study given to those who will benefit on the research.

1. Researcher
• Proposed research will give understanding about history of low cost carrier concept, low cost carrier business model, low cost carrier history and the development of low cost carrier in Indonesia airline industry.
• This research gives the knowledge about airline business model, and learns about analysis of factors that affect customer in low cost flights.

2. Academic
• This research will serve as their references and the knowledge about low cost carrier, and what factors that affect the customer when choose them to make the preferences of airlines.
• The research explains the conceptual of customer perception and conceptual of customer preferences based on theories.

3. Airlines company
• The knowledge about the Low Cost Carriers (LCCs) will help the airline company to prioritize their services which is preferred by customer.
• The understanding of low cost flights service will increase the profitability for airlines, and maximize the services as well as full service carriers.

1.6 Theoretical Framework

The level of importance is concluded through twelve factors; price, convenience of schedules, comfort, on time performance, in-flight food and drinks, safety, type of airplanes, handling/baggage services, cabin services, flight network, airline images, and personnel behavior.

According to Proussaloglou and Koppelman (1999) that these factors are based on the assumption that passengers is a rational decision maker who actively researches for options that satisfy his/her air travel plans, evaluates the identified options, and selects the option with the highest overall utility that satisfies his/her individual scheduling constraints.
In this research, the researcher investigated the dominant factors that might influence customers when deciding to use low cost airlines, and how the customer perception identified the factors of customer preferences while choosing the airlines. The research conclude the conceptual framework from other sources data, the framework consist of customer perception and twelve factors that influences customer preferences while choosing a low cost airline.

1.7 Scope & Limitation of Research

The scopes of the research are limited to the subject and object investigated;

1. The research scope is limited to five low cost airlines operating in Indonesia. There are several low cost airlines based on the domestic airlines market that operationally runs in Indonesia; Lion Air Indonesia, Sriwijaya Air, Batavia Air, Citilink Indonesia, and Wings Abadi Air.
2. The sample size was taken from at President University. The research identified the students who live in President Dormitory and campus area. The respondents are taken from students who study at President University from batch 2010 and 2011. The researcher also took the students who have travelled by low cost airlines especially domestic flights.

1.8 Definition of Terms

The researcher define a terms include on this research;

1. Airline : an organization providing a regular passenger air service; a route regularly used by aircraft
2. Affecting : have an effect on, pretend to have or feel (something)
3. Customer : a person or organization that buys goods and services from a store or other business; a person or thing of a specified kind that one has to deal with
4. Carrier : a company that carries good or passengers from one place to another, especially by air
5. Factor(s) : a circumstance, fact or influences that contributes to a result or outcome
6. Low Cost : inexpensive, low-priced
7. Preferences : a greater liking fro one alternative over another or others, a thing preferred
8. Perception : the ability to see, hear, or become aware of something through the senses; the state of being or process of becoming aware of something in such a way
The speed and intensity of change in service offerings has accelerated in recent years within the airline industry (Atilgan et al., 2008). Challenge in airline markets in the world becoming fast though as the passengers needs and wants are growing, the expectation of passengers using airlines also increased over time. However, one of main and most interesting aspects of the free market has been the entry in the industry Low Cost Carrier (LCC).

According to Wen and Yeh (2010: p.7) explains while there is a large amount of research on aviation very few studies have looked at positioning in this industry. The research has mostly used services quality theory as the theoretical foundation, but these studies have also identified attributes and factors important to customers’ choice of airline.

Success in a global economy is linked to a company’s ability to offer lower prices, better service, and greater choice than its competitors. In addition, Hardie et.al, Manski (1997) argues a company must understand the buying behavior of its customers and be able to use this knowledge to predict how customers make choices.

Various factors may affect pricing and traffic on air transport industry, such as the efficiency of hub and spoken operational system, the entry of low-cost airlines, the extent of market concentration, and competition from other modes of transportation, etc (Vowles, 2000 and Wang, 2005).

According to Proussaloglou and Koppelman, (1995) that selection is influenced by a number of factors (e.g., price, convenience, quality of customer service, etc.), all of which must be critically examined in order to implement the appropriate revenue management tools and strategies. These factors generally made the companies to undercut the ticket price of full cost carriers by nearly 50%. Therefore, it is necessary to introduce several new concepts in the route management, maintenance, flight plan, distribution and service management.
2.1 Factors on Customers Choice

Choices are made at the specific level, where a customer will definitely travel by air transport, and has to only choose between different airlines (Antonides, 1998:250). Airline service is made up of reservation, ticketing, the boarding process, cabin service and baggage services. This service contains a combination of heterogeneous factors, and the total image of airline can be formed only after all process is completed (Cha, Kim, and Lee, 2002).

Customers are influenced by interior and exterior factors, decide the importance of selection attribute and relate to make a decision and choose the attitude of airlines (Lee, 2001). According to Kim & Lee (2000) revealed the different importance between selection attributes according to standards of relation that factors scheduling, internet booking/reservation, ticketing services, the boarding process, price of air ticket, security, communication, services information, cabin services, in-flight meals, image of airline, punctuality and types of airplanes.

There are some important factors that influence customers’ preferences that have been decided based on choices and theories;

2.1.1 Price

The sensitivity of price can influence the customer and company perspective. Based on Kotler, Saunders & Wong (1999), price is considered to be most significant facto that affects customers’ choice. Price is the sum of value that a customer is willing to pay or give in exchange for the benefits gained from the purchase of a product or service Zeithmal (1998).

According to O’Connell & Williams (2005), passengers are aware of these distinctive characteristics when buying a low cost airline ticket which explains the predominant focus on price as the main evaluation parameter. Price concerns on flying to cheaper, less congested secondary airport, and at times, airline avoiding air traffic delays and taking advantage of lower landing fees (Oliveira, 2001).

Since the features of “low fares” has by far the greatest importance for customers, pricing represents the most important marketing instrument for
low cost airline while being a long term factor for customer loyalty. Low cost airline use the price discrimination possibilities with respect to the point in time of booking and the availability of their services (day of the week/holiday period or time of the day). In most cases no differentiation is practices as far as product policy is concern, only one price is always offered for a specific flight at a certain point in time, thus simplifying the price system. The average ticket price determined by cost accounting procedures (fixed and variable costs for a certain occupancy rate) serves a basis for the offered prices.

In fact, airline companies exclusively operates in point-to-point networks on short-haul routes and typically incorporate a "one price-strategy", neglecting complex dynamic pricing process, constitute some of major cost reductions (IATA, 2006). Based on the commercial and customer-oriented aspect, the most prominent characteristics of low cost carriers are the low price, only existence of one cabin class; there is no frill, lack of the on time performances and the low priority of customer services.

Lawton (2002) pointed out that the average fares of no rills carriers were some 40%-60% lower than their full service competitors. In contrast, full services take expensive price because of the additional product services that airline provide. The price position as dominant factors directly attract the customer even the company must keep decreasing the cost and labor.

2.1.2 Convenience of schedules

The convenience of schedules convey a simple fare system, typically fares increase as the plane fills up, which rewards early reservations or called as yield management. A yield management consider may induce airline to lower price for tickets bought only a few days before the departure date.

According to Morrison and Winston (1995), since the convenience of airline schedules is a paramount concern of passengers along with the fares they pay, this omission represents a serious gap in the theoretical literature. In other hand, customers have a distribution of desired departure times, and
airlines set their flight schedules taking account of this distribution, along with the schedules of competitor, while also setting fares.

The flexibility of flight scheduling is demanded especially in the light of dynamic marketing process. Flight scheduling at low fare airlines remains complex task, involving many different dimensions and restrictions, being critical for the airlines as defining its product in both revenue potential and production cost then having fast, efficient and reliable performances.

2.1.3 On time performances

Low cost airline serve unreserved seating, encouraging passengers to board early and quickly. According to Surovitsikh and Lube (2008:78) list on-time performance as one of the attributes used in positioning study and found that this loaded on to the most important factor to consistency of service. On time performance as identified reliable flight or punctual flight before passengers take a flight. Although on-time arrivals are important for connections and the execution of the rotation plans-in the awareness of the traveler’s mind it is departure punctuality that defines passenger impression of airlines’ time performances.

Generally, on time performance (OTP) can be divided into two distinct ways: shorten actual flight time, or alternatively, they can schedule longer flights, also know as schedule padding. On time performance means word the Internet booking online that perform the high connection to book the ticket and scheduled flight, and baggage handling. In fact, passengers generally found out about a flight delay while waiting for boarding announcement or while on the plane, delay ranged form under 30 minutes to small percentages who were delayed for more than 12 hours. These performances increase the air traffic delays on flight schedules.

On other hand, on time performance as well known punctuality consists of on time departure and arrivals, on time luggage delivery on arrival, speed in check in services, and direct service to destinations. The difference between scheduled and actual arrival time can be one of flight delay measures.
2.1.4 Safety

The importance of safety and security within airlines services can be other dominant factor which is customer sensitively consider about the convenience when flies. According to Mike (2008) safety can be define as protection from accidental harm (injury and damage). Air Traffic Services Safety Requirements, CAP 670 (2003) focuses on function of service provision which ensures that all safety risks have been identified, assessed, and satisfactorily mitigated. Moreover, International Civil Aviation Organization (2006) argues a safety management system is an organized approach to managing safety, including the necessary organizational structures, accountabilities, policies and procedures.

Based on CASA Australia (2006), Safety Management System demonstrates safety policy is a clear written statement of the organization’s view, attitudes and objectives with respect to safety in relation to the other business processes. A safety plan, this involves elements of establishing standards and processes for safety, and conducting risk assessment and mitigation.

Director General of Civil Aviation Ministry of Transportation, Herry Bhakti argues safety or the safety aspect is the most important in the world of aviation and should be of concern to the aviation industry, both flight operator or airport operator. The safety aspects concern on 3S + 1C (Safety, Security, Service, Compliance)

2.1.5 Airline images

According to Connor & Davidson (1997), a company with a good image is more likely to stand out in the marketplace because it draws both repeat customers and trials users. Fombrun & Shanley (1996) argued that a planned and well manage corporate image is the most promising marketing strategy for attracting current customers. Similarly in the airline industry, the more favorable image passengers have, the more likely negative elements about the airline will be filtered out of passengers’ consciousness. Passengers
who have a favorable image of the airline consider particularly bad flight to be an exception to their impression of the airline (Ostrowski et al. 1993).

A favorable image can distinguish the company from other competitors. Gronroos (1994) identified corporate image as an important factor in the overall evaluation of the service and the company. Therefore, Ziethaml & Bitner (1996) also asserted that image can influence customers perceptions of the goods and services offered. Therefore, Hutt and Speh (2004: 288) the airline image as determinant factors that customers use to differentiate that are both important and differentiating. The importance of airlines image plays a major role in decision making when customers choose particular airlines, and has an effort on correlation between formation of attitude and behavior of selection and repeats. (Hyang and Yummi,

The studies of image attributes addresses the critical factors that affect customers’ selection of airlines and are full of suggestions for applications in marketing perspective. In addition, Yoo (1996) defines selection attributes of airlines as advertisement, promotion, logo, color interior design, shops & airport lounge, employee uniform. Park, Robertson & Wu (2004) argues that image of airlines and services perception have directly influence on customers active intention.

2.1.6 Flight network

According to experts, the airline industry has two main airline routes, hub and spoke routes, and point to point routes. Hub and spoke routes are compared with the point to point routes considering costs to the airline and value provided to customer. Paul (2002) explains that customer value focuses on passenger time and reliability of making connecting flights.

In Figure 2.1 describes the point to point model and hub and spoke routes. Low cost airline mostly airline used the flight routes – point to point model (P2P) minimizes connections, and decreasing of missing luggage on baggage transfers.
Figure 1.1 Point to Point Routes, Hub & Spoke Routes

According to Barret (1999) explains low cost airline provide simplified routes, emphasizing point-to-point transit instead of transfers at hub (again enhancing aircraft utilization) fly from uncongested hubs. Point-to-point routes are found to be superior because they provide more non stop flights, more direct flights even if stops are required and more reliable connections when connections are necessary.

There is no single point of failure, and delays flight or a closed airport will not affect other flight schedules. The task of flight scheduling consists in determining a reliable flight schedule between different destination and in defining the partial routes from an origin to a destination (Strauss 2001, p.30).

According to Hendricks et al. (1995, 1999) suggest that point to point network allows airline to compete on price less aggressively. Based on Lederer Nambimadom (1998), predict that low cost airline used point to point network if the sizes of the cities are large; distance between cities is very short, and the number of cities is small. Then, point to point routes system always earns a greater return on capiteal than the hub and spoke route system (Paul, 2002).

2.1.7 Personnel behavior

In the low cost service, employees worked in multiple roles, for instance flight attendants also cleaning the aircraft or working as gate agents (limiting personnel costs). The personnel behavior refers to cabin crew’s
credibility, physical appearance of cabin crew (tidiness, etc.), close attention by cabin crew, cabin crew’s ability to answer question, and cabin crew’s ability to speak foreign language.

In distinction, the ground personnel represent the major part of the airline staff (maintenance, sales, and handling personnel), and flight personnel (pilot and cabin staff). Personnel behavior refers to friendliness of employee, customer services roles and efficient of employee. According to Strydome et.al (2000:132) friendly/helpful of flight attendant, ground staff, and cabin crew as important attributes in airline choices.

Moreover, Tsaur er.al (2002) and Surovitskikh and Lubbe (2008) argues that courtesy of employee was important, and the latter found that the attribute loaded on to their consistency of service factor. The responsiveness of the attendant and cabin services is important factors that closely with customer service.

Empathy and responsiveness are defines as major dimensions of customer service quality, and refer to the degree to which service staff cares about their customer (Parasuraman and Grewal, 2000). The excellent performance of customer services can positively influence a customer’s purchase decision (Roth et al. 2003). The personnel responsiveness includes with deal with staff members at each travel agent stage, in-flight service and baggage claims.

2.1.8 Cabin services

According to Barret (1999) standardization of the airplane cabins, tend to have a greater number of seats in their crafts. Low cost airline do not provide customers with a seat number to induce them to reach the departure lounge largely in advance to find more comfortable seats on board.

The cabin services include cabin temperature, convenience in making reservation/booking, cabin cleanliness, and cabin ventilation and comfort the seats. Cabin Services staff at ATS are people that are always on the run. With an average of only 20-30 minutes to clean and re-stock an aircraft, they simply have no time to waste. Working in teams on a 24-hour roster, they
turn around aircraft quickly and meeting client in-flight procedures and IATA standards.

Tasks include complete catering and equipment exchange, and a complete dressing of cabins, which includes vacuuming, emptying of seat pockets, sanitizing meal tray tables, folding and stowing of blankets and pillows and ensuring that the seat surrounds are clean. The type of cabin services are aircraft movements, cabin service staff, clean and maintain equipment, pre-set meal trays, crosscheck equipment and meal loading checklists and manuals. The cabin team is a good mixture of long-serving ATS people as well as young energetic recruits with a reputation for friendliness, robustness and reliability. (Air Terminal Services, 2006)

2.1.9 Type of airplane

Low cost airlines refer to single type of airplane, commonly the Airbus A320 as well known Boeing 737 (reducing training and servicing costs). Boeing 737 aircraft chosen because the flexibility of large crew, higher pilot to aircraft ratios, fewer stands-by crews, lower training and maintenance costs (Stanford University Report, 2000). Airlines use different aircraft and business models depending on the characteristics of each city - pair market (and market size is an important element). For financing their planes and required technical equipment, low cost airlines mainly use the leasing option.

The success of low cost segment was the opportunity to buy second-hand aircraft. The company use second hand aircraft to decreasing the operating cost. Based on InterVistas Consulting Inc., aircraft type includes: Boeing 747 (400 seats per flight), airbus A340 (280 seats per flight), Boeing 767-300 (220 seats per flight), Boeing 737-700 (140 seats flight), and regional jet (100 seats per flight).

2.1.10 Comfortable

Most of passengers want the comfort while choosing airlines. But a single passenger class or eliminated business class as the service of low cost
airline. According to historian John Crowley, interpretation of comfort as “self conscious satisfaction with the relationship between one’s body and its immediate physical environment”, date from the seventeenth century (Crowley, 2001, p.142).

Comfortable consist of class of passengers, such as seat number of passenger in cabin. The comfort can be including the space of seat, number of seat and also the facilities in cabin places. The comfortable can defines as the services onboard such the cabin environment, the entertainment facilities that make comfort for passengers.

According to Ekaterina (2012) in-flight services have evolved recently, with introduction of in flight shopping, and developing technology that led to introduction of interactive audio and video entertainment. For instance, the airline has in-flight entertainment facilities/program, the airline has clean and comfortable facilities and seats onboard, free newspapers and entertainment possibilities.

2.1.11 Baggage services

Another factor at arrival stage is post-arrival services such as lost luggage services, help upon arrival (Westwood et.al, 2000). It affected the passenger confidentially. The baggage services can be a key component for all airline services. Gilber & Wong (2003) the mishandled luggage or baggage services can be broken, missing or delayed, and lost. Strydom et al. (2008:78) argues that handling of luggage loss or damage; mishandled baggage loaded on to reliability factor.

Baggage means such articles, effects and other personal property of a passenger as are necessary or appropriate for wear, use, comfort or convenience in connection with the trip. Unless otherwise specified, it includes both checked an unchecked baggage of the passengers. In recent research, airlines outsource their luggage handling to third party supplier (may be local airport services, or a company providing services personnel on leasing base), and thus are not directly delivery the services themselves.
In the aviation industry, major airports have been looking for opportunities in the baggage handling area since 1999, Chang et al. (2006).

2.1.12 Food and drinks

In regards the food and drink service concern on “free” in-flight catering and other “complimentary” services are eliminated, and replaced by optional pain-for-in flight food and limited in flight service (Lederman and Januszewski, 2003). The services of attributes are amount of the food served during flight, variety of food served during flight, timeliness of food and drink service, quality of food served (Air transport Management 9, 2003).

According to O’Hara, L & Strugnell (1997) in flight meals/food services now are seen as part of marketing strategies in attracting business or leisure travelers to a particular airline. Some airlines have invested a great deal of money for in-flight meals/food to better treat their passengers and in fact offering a choice of pre-bookable in-flight meals/food and discounts for an early booking by the passengers.

The big concern for passenger is the in-flight catering, such as economy class services. McCool (1995:47) explains that unique perspective could perhaps be explaining the overall effect food and beverages that have in the physical and mental appeasement or relaxation of the passenger, considering the effects of reduced cabin pressure, and a cramped environment.

2.2 Conceptual of Customer Preferences

This definition of “preferences” is at variance with that used in buyer behavior, where the term usually has been defined as the desirability or choice of an alternative. Oliver and Swan (1989) demonstrate the “preferences” refers to an exchange outcome in which the perceiver receives more benefits or outcomes than other party.

This is used primarily to mean an option that has the greatest anticipated value among a number of options. This is an economic definition and does not tap
into ‘wishes’ or ‘dreams’ (for e.g. that safe drinking water was free, that there should be world peace) but for all practical purposes is an appropriate definition.

According to Chris Fife (2007), defines the preference and acceptance can in certain circumstances mean the same thing but it is useful to keep the distinction in mind with preferences tending to indicate choices among neutral or more valued options with acceptance indicating a willingness to tolerate the status quo or some less desirable option.

The information search about the airlines can make preferences to customers. Solomon (2002) defines information search is the process by which the customer surveys of his or her environment for appropriate data to make a reasonable decision. Thus, the purchase of airline tickets should be considered at the higher end of this continuum.

2.3 Customer Perception

According to Wade & Tavris (1987) note that the senses corresponding to the human sense organs have been categorized at least since Aristotle’s time as: vision (our eyes), hearing (our ears), taste (our tongues), touch (our skin), and smell (our noses). There are numerous definitions in literature explaining perception from customer behavior perspective, Walters et.al (1989, p.133) provides particular clarity on the topic defines as the entire process by which an individual becomes aware of the environment and interprets it so that it will fit into his or her frame or reference.

According to Walters et.al (1989) expand on the definition by station that every perception involves a person who interpret through the senses some thing, event, or relation which may be designated as the percept. Moreover, Schiffman et al. (1991), it is important that marketers understand the whole notion of perception and its related concepts so that they can more readily determine what influences customers to buy.

In added, Hawkins and Mothersbaugh (2010:278) explain that perception begins with customers’ exposure and attention to marketing stimuli and ends with their interpretation of the stimuli. Manning and Reece (2007:202), Longenecker et
al. (2006:284-287), and Wood (2004:201) suggest that customers perceive the product’s value based on its benefits which, in turn, is influenced by the product’s performance, features, quality, warranties, packaging and labeling.

2.4 Low Cost Carriers

The airline industry has recently experienced an unprecedented expansion of so called “low-cost carriers”.

2.4.1 Definition of Low Cost Carrier

Low cost carriers or low cost airline known as a no frills, discount carriers/airline). According to Nadja (2003) the low cost carrier to be an airline that operated a point to point network, pays employee below average wages, and offers no frills services.

Low cost carrier emerged in the 1990s with the specific aim to of operating with a lower cost structure than traditional operators in order to create lower fares (Alamdari and Fagan, 2005). The concept of low cost carriers was started in the 70s by the American domestic, South West airline, with the sole objective of offering cheap airfares to the customers.

Generally, there is no single description of a low cost or no frills carrier, and they vary in form (Mercer Management Consulting, 2002), there seems to be some general agreement about their basic characteristic. According to Barret (2004b), low cost carrier offer low fares by using broad strategies and not all are used by every low cost airline. These strategies both remove some elements of cost from their production functions, and reduce the levels of many of the remaining costs. Mason (2000) indicates that low cost airlines more likely to be successful in attracting business travelers from small and medium sized companies.

Low cost carriers cause price distribution to compete with other lower across all market segments. The low cost carriers growing market share brings to light to the consequence of competitive entry in the airline industry. Moreover, a low cost presence is correlated with a flatter price distribution, a higher degree of competitiveness, and a decline in the
relevance of concentration, frequency, hubs and capacity constraints in predicting market prices.

The lower cost structure can be quantified by aggregating the cost savings of point-to-point network, wage savings, and savings from not providing numerous add on services. However, Nadja (2003) argues the primary cost for any carriers is labor related and labor cost controlled from the bottom line.

2.4.2 Characterization of Low Cost Carrier

The success of low cost airline can be attributed as well known a low-cost leadership position strategy adopted by each airline. According to Flouris & Oswald (2006), the goal of a low-cost leader is to contain the costs to the lowest relative to industry rivals and, in essence, to create a sustainable cost advantage over the competition. The key to this strategy is that cost is not equal to price.

By the company consideration, the low cost is closed with the price and takes a minimum operating cost as much as possible. The original low cost model is designed based on this concept and as outlined by Alamdari & Fagan (2005, p.378), the original South West low cost carriers’ model consisted of the following:

- **Fares**: unrestricted and low fares/price
- **Network**: point to point high frequency route
- **Distribution**: travel agents and call centers provider, no tickets
- **Fleet**: high utilization, same type of aircraft across the fleet
- **Airport**: secondary airports with short turnaround times
- **Staff**: high productivity with competitive wages and profit sharing

This concept was designed as well and accepted in airlines industry market since the SouthWest airline launch their low cost concept. Many of the low cost airlines all around the world originally base their strategy on
the Southwest concept model. As the number of low cost airlines (LCA) increased every year, these airlines have modified the low cost model to survive in the industry due to the competition.

The fundamental of operation of low cost airlines focused on lowest price by undercutting the price levels of legacy carriers. Some low cost airlines previously modified their strategy to prove their airlines still running in market competition; therefore the company tries to offer something different to make them stand out from the rest of the industry. The strategy already is known as differentiation strategy based on Alamdari & Fagan (2005, p. 378). The differentiation strategy is obvious in the mature market, such as United States where major of part United States market seem to have gone for a balance between low cost model and the full service model.

The nature of the low-cost concept model consists of cheap ticket, low fares, and no frills, which are made possible by reduction of a vast amount of complexity costs. The fact that airline companies exclusively operates in point-to-point networks on short-haul routes and typically incorporate a ”one price-strategy”, neglecting complex dynamic pricing process, constitute some of major cost reductions (IATA, 2006). Based on the commercial and customer-oriented aspect, the most prominent characteristics of low cost carriers are the low price, only existence of one cabin class; there is no frill, lack of the on time performances and the low priority of customer services.

According to Pompl (2002a, p.118; p.190) cited from Seven Gro, (2007) that airports are mainly offered on parallel markets, i.e. cities with several airports which are not yet being served by competitors, or secondary airports in the neighborhood of larger economic centers. By secondary airport, company has decrease air traffic and takes an efficiency turnaround time performances. In addition, aero planes fly back and forth along a single route, out of the way airports which charge lower landing fees.
2.5 Low Cost Airlines in Indonesia

Based on the large number of passengers on domestic flights in Indonesia, illustrated in Figure 1.2, the low cost airline focused on five airlines and the review focus on their background, business model and services;

2.5.1 Lion Air

Lion Air formed by PT. Lion Mentari Airlines, largest private Indonesia carrier. Lion Air (PT. Lion Mentari Airlines) is an Indonesia low cost airline based in Soekarno - Hatta International Airport, Jakarta and was established in October 1999, and started operation on June, 2000.

Lion Air is set to expand its fleet in 2013 with 36 airplanes with Lion Air subsidiaries Wings Air and Malindo Airways. The passengers for domestic flights increased 5.16% to 4.22 million in first 9 months to September of 2012, from 38.25 million in the same period of 2011 (Indonesia Today.com, 2012).

Lion Air provide the domestic flight to popular destination in Indonesia such as Medan, Denpasar, Ambon, Solo, Makassar, Semarang, Yogyakarta which is the company aims to focus on domestic destination. In case, Lion Air was one of the seven airlines in the world to incorporate the new spacious 737 Boeing sky interior in late 2010, it shows innovative interior design and give a greater connection to the flying experience as main strategy compete Garuda Indonesia.

Lion Air operates a combined fleet of B-737-900ER/400/300S and MD-90s. The company started selling tickets on its own aircraft in 2000 after its owner took advantage of the lower cost of entry existing in post 1997 economic crisis Indonesia to take on flag carrier Garuda’ dominance in the domestic market. Lion Air now operates a 36 aircraft fleet, and has become the archipelago nation largest domestic airline and presently serves Kuala Lumpur, Penang and Singapore.

There are some services provided in the low cost flights, as follows: number of free seats, reservations via the Internet, and other
alternative services, SMS Booking, Lion Air Passport and Mobile Check-in.

2.5.2 Batavia Air

Batavia is a low cost carrier that operated with Airbus A-320-family aircraft. Airbus A-320 has seating 150 passengers in a two class cabin-or up to 180 in a high-density layout for low cost and charter flights. They provide total flight envelope and airframe structural protection for improved safety, fewer mechanical parts, and flight smoothness and stability. Currently, Batavia operates 33 fleet consist of 15 Boeing 737-300, nine Boeing 737-400, a Boeing 737-500, and Airbus 321, five Airbus 320 and two Airbus 330.

“Trust Us to Fly” is a Batavia Air tagline that operating in Indonesia for more than 20 years. The tagline has inspired to Batavia Air staff to give their best performance for the long lasting of company operation in order to strive for excellence to our customers. Having a high commitment and integrity that make Batavia Air a trusted carrier and customer will trust us to fly.

Batavia is one of two airlines besides Lion Air which had already captured the potential the new trend and had planned to open a new flight from Manado (North Sulawesi) to Guangzhou (China). Batavia launched the flight to

In September 2007, Batavia Air has launched the use of an Electronic Distribution Interface (EDI). The main function of EDI is to simplify the process of booking and issuing of Batavia Air’s tickets. The EDI system is specifically designed by a team of IT personnel at Batavia Air in response to the demand for a better reservation system in the airline industry. In addition, the system also optimizes the accuracy of a passenger’s data and reduces the chances of counterfeit tickets.

The total revenues of Batavia Air increased to 250 million dollar in 2010. In 2011, Batavia Air increases revenues to 275 million dollar (Jakarta Globe, 2011)
Batavia Air had preached to be acquired by AirAsia airline. AirAsia, the regions biggest budget carrier is set to buy control of Indonesia’s Batavia Air. In October 2012, AirAsia has dropped its plans to acquire Batavia Air. The company had fallen to reach and agreement with AirAsia and Fersindo (Batavia Airs partners). In the agreement, under the Memorandum of Understanding (MoU), AirAsia will own 49 percent of Metro Batavia, while Fersindo will hold the remaining 51 percent. These issues will affect the price scale of Batavia Air to be lowest carriers in Indonesia market.

2.5.3 Wings Abadi Air

Wings Air is one of subsidiary of Lion Mentari Airlines, launched the first flight from Polonia airport, Medan, South Sumatera to Silangit airport. Wings Air is the subsidiary of Lion Air was founded in 2003 and officially in operation since June 13, 2003.

Wings Air serves approximately 30 domestic routes and one international route. There are flies to Indonesia cities, such as Denpasar, Manado, Ternate, Sorong, Luwuk, Palembang, Mataram, Malang, and Pekanbaru. Wings Air also serves international flight destinations, Malaysia and Singapore.

Wings Air airline serves near and medium-haul routes, and uses ATR 72-500 and ATR 72-600 aircraft. ATR 72-500 and 72-600 are lowest seat mile costs and more efficiency-reliability for regional operation. In fact, under banner of tagline “Fly is Cheap”, Wings Air does not have the best safety record. Other side, it takes that Wings Air still need improve the safety concerns.

There are some services that provide in Wings Air, such as Wings Air has features to board at the rear of the plane. They provide only doors at the front are the emergency exits and the cargo/baggage door. The baggage allowance is a loosely-enforced 15kg for checked baggage, 7 kg for hand luggage. In-flight comfort and legroom was adequate, every seat had in-flight magazine.
2.5.4 **Sriwijaya Air**

Sriwijaya served 8 business class seats and 168 economy class seats configuration. Sriwijaya Air concerns on safety as most priority above all. Sriwijaya Air takes attention about level of the aviation safety and flight training. “You Fly Partner” as tagline means everyone on board is Sriwijaya Air partner, they acknowledge everyone can fly with pride and prestige.

Sriwijaya Air now operated 38 aircraft serving domestic and international routes. The company has 14 Boeing 737-200, 12 Boeing 737-300, 7 Boeing 737-400, and six Boeing 737-800 NGs (Centre for Aviation, 2011).

Sriwijaya Air is one of Indonesia’s largest airline flew more than 700,000 passengers each month. Sriwijaya Air reaches more than 41 destinations including two states in the region and areas in popular tourist destinations around in Indonesia. Sriwijaya Air based at Jakarta and has expanded from regional bases, Balikpapan, Makassar, Surabaya and Medan.

Sriwijaya Air increased the revenue from 320 million dollar to 352 million dollar in 2011 (Jakarta Globe, 2011). According to Deputy Commercial Director, Hasudungan Pandiangan, Sriwijaya Air expecting to carry some 8 million passengers in 2011, up from about 7.2 million passengers in 2010. (Jakarta Post, 2011)

2.5.5 **Citilink (subsidiary of Garuda Indonesia)**

Citilink is a low cost airline owned by Garuda Indonesia and founded on July 2012. Citilink used Airbus A320s aircraft with 180 seats passenger, Boeing 737-300 with 148 seats, a Boeing 737-400 with 170 seats. Citilink add 50 jets that goes the program adding 194 fleet owned by Garuda Indonesia in 2015.

According to Innovata data 2012, Citilink currently operates 82 daily flights, or 574 weekly frequencies, to 70 domestic destinations and 16 international routes. The carrier’s largest base is Surabaya, accounts for
about 60 percent of Citilink’s total capacity. The destinations are Medan, Denpasar, Makassar, Banjarmasin, Balikpapan, Batam and Surabaya.

Citilink strategy to focus on improved seat density, aircraft utilization, frequencies/load factors and lower distribution costs. These approaches can decreasing operation cost and keep bare minimum cost.

In recent times, Citilink Indonesia already carried 1.84 million in the first half of 2012, increased of 62% over the same period last year 1.14 million passengers.

Citilink was awarded Leading Low Cost Airline Travel 2011/2012 in the event of awarding Indonesia Travel and Tourism Awards (ITTA) is organized by the ITTA Foundation, Best Overall Marketing Campaign at the Budgies and Travel Awards 2012, and most recently the Service to Care awards 2012 for the category of Markplus Insight Airlines.

In addition, Citilink concern on some services to strengthen the low-cost airline business (Low Cost Carrier/LCC), PT Citilink Indonesia presents a variety of programs, including Citilink Story, Citilink TV, Citilink Hotel, and Citilink Mobile. The purpose is to improve the company's relationship with airline customers.
CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Method

Crotty (1998) defines research methods as techniques or procedures used to gather and analyze data related to some research questions or hypothesizes. In most case, the customer especially traveler and backpackers must had flown on low cost carriers for a domestic route of within three/four flight times. In this research, the customers who actually frequently uses low cost airline were selected use sampling technique.

In this study, the researcher used the deductive reasoning approach, also known as “top-down” approach. The principal of the deductive approach is theory, hypotheses, observations, and confirmation. Deductive approach is testing a theory, in which the researcher develops a theory and test the formulated theory.

Deduction is a form of reasoning in which the conclusion must necessarily follow from the premises (reason) given. According to Henwood & Pidgeon

![Figure 3.1 Deductive Reasoning Approach]
(1993), in deductive approach, the researcher starts "....with an abstract, logical relationship among concepts then move(s) towards concrete empirical evidence.” Haider Ali (1997) argues the role of deductive existing theory, development of hypotheses, the choice of variables, and the resultant measures which researchers intend to use.

The researcher ideally combined the quantitative and qualitative methods on this research. The deductive method will give a better understanding of customer preferences while choosing a low cost airline. The main methods on this research are questionnaire survey and statistical analysis. The statistical analysis would form the basis for interpretation and also findings which would in turn facilitate conclusions.

### 3.2 Sampling Design

The sampling design method chosen for this research is simple random sampling. In quantitative research, the need to sample is one that is almost invariably encountered. The sampling constitutes a key step in the research process in social survey research.

#### 3.2.1 Population

A population is the whole group that the research focuses on (Jacobsen, 2002). Population was taken from students at President University, Jababeka – Cikarang.

<table>
<thead>
<tr>
<th>Batch</th>
<th>Population</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>661 students</td>
</tr>
<tr>
<td>2011</td>
<td>771 students</td>
</tr>
<tr>
<td>Total</td>
<td>1432 students</td>
</tr>
</tbody>
</table>

#### 3.2.2 Sample

The sample size was determined using the Slovin’s formula (Serakan, 1992 cited in James Monday):
\[ n = \frac{N}{1 + (Ne^2)} \]

where \( n \) is the sample size, \( N \) is the population size, and \( e \) is the margin of error. The researcher applied 10% error margin and population 1432 students from batch 2010 and 2011.

\[
n = \frac{1432}{1 + (1432(0.1)^2)}
\]

\[
n = \frac{1432}{15.32} = 93.47 \neq 93 \text{ respondents}
\]

In this research, the technique of sample that used is purposive sampling method which is respondents frequently used nations airline and low cost flights. The minimum sample consisted of 93 respondents, but researcher spread out 150 questionnaires and taken 140 respondents of sample size.

### 3.3 Data Collection

The questionnaire was designed based on the survey of literature and user opinions. A pilot survey was conducted to ensure that questionnaire was comprehensible. The researcher used the nominal data, such as multiple-choice, multiple response scale that offers participant multiple options and solicits one or more answer (also called a checklist) and multiple-choice, single-response scales that offers a scale more than two category responses but seeks a single answer. The multiple choice format can offer the respondent three or more responses, or just two choices: “yes or no” with the dichotomous choice format. (Kynda, 2008)

The questionnaire was designed with rank model; the questionnaire used the descriptive analysis data. The questionnaire describes the factors which is
affecting customer, where customers prefer to choose low cost airlines in Indonesia. The questionnaire is divided into 4 main sections;

1. Personal Information (batch year, gender and faculty)
2. Customer Preferences on Low Cost Airlines (most important and least importance factors; most preferred and least preferred low cost airlines; and factors that follow the airlines).
3. Customer Perception (pleasant and unpleasant experiences on low cost airlines)

In second section, the respondents had to pick 2 most important factors and 2 least important factors. The factors listed out were price, convenience of schedules, comfort, on time performance, food and drinks, safety, types of airlines, baggage services, cabin services, flight network, airline images, and personnel behavior. The respondents were asked about low cost airlines that described in literature review and asked to select the most preferred and least preferred airline. The factors were also listed out and respondents were asked to select on which factors the best airline scored high and least preferred airline has to improve on.

The last section is customer perception. This section asked customers to describe any pleasant experience and unpleasant experience which they faced by any of the low cost airlines listed above.

3.4 Sources of Data

In this research, the researcher explores both primary data and secondary data. Western Extension Marketing Committee defines the secondary data “is information that has already been collected and is usually available in published or electronic form.” The secondary data covers the background of the low cost airlines market, modes of operation, service provided, and literature. Secondary sources were journal articles, monographs, encyclopedias, textbooks, magazine, newspaper articles, and websites. It helped acquire background of the research and also the literature review.
Grossmont College Library defines as main text or work that is discussing, actual data or research results or historical documents – first hand testimony. Westminster Giovale Library argues that primary sources consist of information that has not been analyzed, commented on, or interpreted, can be biased and depending on the view-point of the author. Primary research consists of a questionnaire research conducted in Indonesia from a random sample of 140 respondents. This data is analyzed using frequency distribution in Excel.

3.5 Limitations

In doing this research, there are some limitations faced by the researcher. Firstly, some respondents were not willing to fill in the questionnaire for many reasons, such as: some claimed that they did not have time; some utterly said that they were not interested to fill in the questionnaire, etc.

Secondly, since the questionnaire was written in English, some respondents couldn’t comprehend the question well.

Despite the limitation, the researcher managed to distribute and retrieve the questionnaires from the respondents.
CHAPTER IV

DATA INTERPRETATION & ANALYSIS OF RESULTS

This chapter focused on analysis and interpretation of primary data from the sample of 140 respondents. The descriptive information related to the properties of the subjects participating in the research can be seen in the tables and chart shown below;

4.1 Customer demographic of Respondents

A limited socio-demographic profile of the respondents who participated in the study is shown in Table 4.1. The sample was dominated by female respondents (60.71%) and the majority of the respondents (54.3%) from batch 2011. They were evenly distributed between batches 2010 and 2011.

The faculty of the respondents could be classified into five main groups, of which the Economic (management and accounting) formed the majority (31.42%), Engineering formed 23.5 percent of the respondents, and Communication (Visual Design Communication, and International Relationship) major with 17.14% followed by Computing major with 12.14%. Business/Law faculty formed with 14.3%, and others faculty means the faculty not mentioned in questionnaire.

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>55 students</td>
<td>39.28%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>85 students</td>
<td>60.71%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>140 students</strong></td>
<td><strong>100 %</strong></td>
</tr>
<tr>
<td>Batch Year</td>
<td>2010</td>
<td>64 students</td>
<td>45.7%</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>76 students</td>
<td>54.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>140 students</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>
In Figure 4.1, the pie chart below shows the percentages of distribution gender of respondents.

![Distribution of Gender](image)

**Figure 4.1 Distribution of Gender**

In Figure 4.2, the pie chart below shows the percentages of batch year of respondents.

![Distribution of Batch Students](image)

**Figure 4.2 Distribution of Batch Year**
In Figure 4.3, the pie chart below shows the percentages of distribution of faculty that have in President University.

![Distribution of Faculty](image)

**Figure 4.3 Distribution of Faculty**

### 4.2 The Factors According to Customers

#### 4.2.1 Frequency of travel

This section explained the frequency of respondent has travelled by using the low cost airline.

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travelled in above airlines 1 past year</td>
<td>Yes</td>
<td>123</td>
<td>87.85%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>17</td>
<td>12.14%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>140</td>
<td>100%</td>
</tr>
<tr>
<td>How many times fly in the past 1 year (LCAs)</td>
<td>More 3 times</td>
<td>74</td>
<td>52.85%</td>
</tr>
<tr>
<td></td>
<td>Three times</td>
<td>19</td>
<td>13.57%</td>
</tr>
<tr>
<td></td>
<td>Two times</td>
<td>17</td>
<td>12.14%</td>
</tr>
<tr>
<td></td>
<td>Once</td>
<td>22</td>
<td>15.71%</td>
</tr>
</tbody>
</table>
Total number of respondents is 140. The maximum number is 74 respondents which are 52.85% of the total respondents have travelled one more than three time a year. This is followed closely by people who have travelled thrice a year is 19 respondents which is 13.57%, and twice a year is 12.14%. The least happens to be once a year and never which is 15.71% and 5.71% respectively.

4.2.2 Airlines Travel by

This section shows the frequency and percentage of people who have travelled by each of the low cost airlines described in literature review. The graph describes the students frequently used Lion Air, and then followed by Sriwijaya Air, Citilink, and others (Indonesia AirAsia and Merpati Airline), Batavia Air and last is Wings Abadi Air.

![Figure 4.4 Low cost airline that customer have travelled](image)
The graph describes the students frequently used Lion Air, and then followed by Sriwijaya Air, Citilink Indonesia, and others (Indonesia AirAsia), Batavia Air and last is Wings Abadi Air. As shown in the Figure 4.4, the maximum number of people 42.14% has travelled by Lion Air Airlines. This is followed by Sriwijaya Air with 26.42% and Batavia Air with 13.5%. Wings Air comes next with 2.5% followed by Citilink with 2.14%. There is other respondent that has travelled with other airlines, such as Mandala Air and Indonesia Air Asia.

4.2.3 Most Important Factors

The factors that affecting customer while choosing between low cost airlines presented were;

- safety
- price (low fare)
- on time performance (punctuality, less delay, and cancellations)
- cabin services (seat numbers, seat spaces)
- baggage services (handling baggage services, amount of baggage allowed)
- flight network (a lot of destinations)
- personnel behavior (flight attendants, and customer services)
- airline image (brand image)
- food and drink quality in flight
- comfort class (a passenger class, cleanliness)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>57</td>
<td>20.35%</td>
</tr>
<tr>
<td>Comfort</td>
<td>38</td>
<td>13.57%</td>
</tr>
<tr>
<td>Safety</td>
<td>68</td>
<td>24.28%</td>
</tr>
<tr>
<td>Convenience of Schedules</td>
<td>45</td>
<td>16.07%</td>
</tr>
</tbody>
</table>
One should not be misled by the small numbers for the other factors. The following chart shows the factors which customer consider important and the percentage of people who consider them important.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline images</td>
<td>11</td>
<td>3.92%</td>
</tr>
<tr>
<td>Personnel behavior</td>
<td>9</td>
<td>3.21%</td>
</tr>
<tr>
<td>Type of airplane</td>
<td>2</td>
<td>0.71%</td>
</tr>
<tr>
<td>Baggage services</td>
<td>19</td>
<td>6.78%</td>
</tr>
<tr>
<td>Cabin services</td>
<td>2</td>
<td>0.71%</td>
</tr>
<tr>
<td>Flight network</td>
<td>4</td>
<td>1.42%</td>
</tr>
<tr>
<td>On time performances</td>
<td>23</td>
<td>8.21%</td>
</tr>
<tr>
<td>Food and drinks</td>
<td>2</td>
<td>0.71%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

From the Figure 4.5 describes the safety has the first ranks with 24.28% of the respondents. The percentage is closely followed by price factors 20.35% and convenience of schedules 16.07% of the respondents. Comfort is 13.57% and on time performance factor with 8.21% of
respondents which is consider while choosing airlines. These factors have been chosen to be the most important factors out of a list of factor.

4.2.4 Least Important Factors

The least important factors according to respondents described in Table 4.5. It is important to know the factor which does not value to respondents. By being aware of a service which does not add value to the respondents could help airlines can cut down on unnecessary expenditures and effort on such services; and instead concentrate on services which add value to respondents.

Table 4.4 Percentages of Least Important Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>15</td>
<td>5.35%</td>
</tr>
<tr>
<td>Comfort</td>
<td>18</td>
<td>6.42%</td>
</tr>
<tr>
<td>Safety</td>
<td>10</td>
<td>5.55%</td>
</tr>
<tr>
<td>Convenience of Schedules</td>
<td>17</td>
<td>6.07%</td>
</tr>
<tr>
<td>Airlines images</td>
<td>27</td>
<td>9.64%</td>
</tr>
<tr>
<td>Personnel behavior</td>
<td>22</td>
<td>7.85%</td>
</tr>
<tr>
<td>Type of airplane</td>
<td>40</td>
<td>14.28%</td>
</tr>
<tr>
<td>Baggage services</td>
<td>23</td>
<td>8.21%</td>
</tr>
<tr>
<td>Cabin services</td>
<td>39</td>
<td>13.82%</td>
</tr>
<tr>
<td>Flight network</td>
<td>14</td>
<td>5%</td>
</tr>
<tr>
<td>On time performances</td>
<td>7</td>
<td>2.5%</td>
</tr>
<tr>
<td>Food and drinks</td>
<td>48</td>
<td>17.14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The following chart shows the factor which customer consider least important and the percentage of people who consider the factors.
Figure 4.6 illustrates that the four best percentages of least important factors from the customer's point of view are food and drink services with 17.14%, type of airplanes with 14.28%, cabin services with 13.82% and baggage services with 8.21%.

Therefore, low cost airline are vindicated on their stance of providing none or optional food services. Premium services also feature priority boarding and check-in prominently. The researcher found that some respondent the food and drink quality services is not dominant factor but can affect customer than airline did not give the services.

4.2.5 Most Preferred Airline in Indonesia

Knowing the most preferred airline in Indonesia focuses on domestic flights would help analyze what the customers really appreciate about the airline services. In Table 4.5 describes the details of percentages of people preferring a particular airline.
Table 4.5 Percentages of Most Preferred Airlines

<table>
<thead>
<tr>
<th>Airlines</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lion Air</td>
<td>41</td>
<td>29.28%</td>
</tr>
<tr>
<td>Sriwijaya Air</td>
<td>64</td>
<td>45.71%</td>
</tr>
<tr>
<td>Batavia Air</td>
<td>10</td>
<td>7.14%</td>
</tr>
<tr>
<td>Wings Air</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Citilink</td>
<td>20</td>
<td>14.28%</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>3.57%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>140</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The Figure 4.7 shows the Sriwijaya Air got the highest percentage with 45.71% of the respondents, followed by Lion Air which encompasses 29.28% of the respondents; then Citilink Indonesia got 14.28% of respondents and Batavia Air with 7.14%.

Wings Abadi Air does not feature at all in the list of most preferred airline in Indonesia. On other hand, there is other options for other airlines.
that customer considered for most preferred airlines, such as Indonesia Air Asia.

### 4.3.2 Least Preferred Airlines in Indonesia

In this section, the least preferred airline would help gauge customer dislikes and make improvement accordingly. The results will identify that airline can improve the quality of services and management to challenge them for better values. The following table shows the detail of percentages of people who consider choosing the least preferred airlines in Indonesia.

<table>
<thead>
<tr>
<th>Airlines</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lion Air</td>
<td>36</td>
<td>25.71%</td>
</tr>
<tr>
<td>Sriwijaya Air</td>
<td>14</td>
<td>10%</td>
</tr>
<tr>
<td>Batavia Air</td>
<td>55</td>
<td>39.28%</td>
</tr>
<tr>
<td>Wings Air</td>
<td>17</td>
<td>12.14%</td>
</tr>
<tr>
<td>Citilink</td>
<td>14</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>2.85%</td>
</tr>
<tr>
<td>Total</td>
<td>140</td>
<td>100%</td>
</tr>
</tbody>
</table>

The following chart in Figure 4.8 shows the percentage of people who least prefer a particular airline. Batavia Air has come out to list for least preferred airline in Indonesia which is 39.28% of respondents. Previously, Batavia Air becomes the fourth rank as most preferred airlines.

Lion Air becomes the second rank with 25.71% of respondent of least preferred airlines. Even Lion Air has second rank of most prefer and least prefer airline, but contain of question is quite different. The most preferred airline means respondent choose the best preferred airline that they have travelled. Instead, least preferred means that best percentage of respondent to choose airline that has a lack of services which is make respondent not choose that airline.
After Lion Air, it is followed by Wings Abadi Air with 12.14% of the total respondent. This is followed closely by Citilink Indonesia and Sriwijaya Air which is 10% of respondents.

As shown in Figure 4.8 that Batavia Air has most percentage on least preferred airline than other airline. In Figure 4.7 already shown most preferred airline chart, Batavia Air has last preferred airline list then followed by Lion Air, Wings Air, Sriwijaya Air and Citilink Indonesia.

In these two charts, the data shown Lion Air got the second rank between most preferred and least preferred airlines. It describes that Lion Air still most preferred because the strong image and familiar to passenger. Other hand, if customer travelled by Lion Air, there is so many lacks of services that make some respondents feel Lion Air needs improve the management and services.

In last, Wings Abadi Air does not list as most preferred airline but Wings Air got the third rank of least preferred airline list. The respondent mostly not interested at all about Wings Air because they have a lack of services.
4.3 Airline Analysis Based on Factors

This section focuses on each of the low cost airlines in detail. The sub-sections below concentrated on the strong points and areas of improvement of each airline based on analysis of primary data.

4.3.1 Lion Air

- Strong point

![Bar chart showing frequency of strong points: Convenience of schedules, Price, Flight Network.]

Lion Air scores high on convenience of schedules, price and flight network. Some respondents have really appreciated the convenience of schedule of the airline, such as the access of online ticket booking that easily than other low cost airline. In addition, the flights have more networks than other airline that respondent have more choose because more destinations flights. Some of the pleasant experiences which Lion Air received are;

“The aero plane is bigger than the other airline, so it’s more comfortable.”

“Flight attendants is nice, they provide free meal/snack when delayed.”
“I can booked the ticket to Singapore by online ticket with debit card, easily.”

“Nice performance of Airlines crew.”

“Lion Air has cheap price.”

“The schedule to Medan is more than other airlines, and more cheap.”

“Even though, Lion Air didn’t provide food and drink during the flight, but I felt comfort.”

“I choose Lion Air because the price is cheap and quite safe, and my friends also said that.”

“Good convenience of schedules.”

“Lion Air - good rates for domestic flight, especially when I’m going to Medan, and Batam.”

“The network for domestic area was better than other airlines.”

“More cheaper than Sriwijaya Air”

“I can access by phone for booking the tickets easily.”

- Areas of Improvement

The following figure shows the factors on which Lion Air has to improve on;

![Figure 4.10 Areas of improvement: Lion Air](image)
Lion Air really needs to improve on the on time performances, safety and comfort services. Respondents complained about the delays schedule and cancelation without announcement or information about re-scheduled. The time management has one dominant of the factors that make some passengers feel unsatisfied about Lion Air. So many cancelation and lack of management system toward time performance can show every time. Some of respondents’ remarks were;

“Lion Air waiting for two and half hours flight without any kind of food and drink”
“Lion Air the baggage services are not good at all, sometimes I waiting for 15 minutes for baggage handling.”
“Lion Air flight was delayed.”
“Lion Air delayed for 5 hours.”
“The food is unpleasant.”
“Lion Air did not land roughly and it made me as passengers not feeling safety anymore.”
“Flight attendants are not friendly.”
“Lion Air has poor time of performance.”
“At the time, Lion Air gives uncomfortable seating.”
“I already have an own seat number, but other passenger taken my seat number and no one conscious especially for Lion Air.”
“Lion Air always delays even it until midnight. Then, my father lost his watch and no responsibility from Lion Air.”
“Lion Air almost all the flight of Lion Air does not fly based on the flying schedules.”
“Lion Air has small cabin.”
“Cancellation of flight was not informed when I will fly to Medan.”
“Lion Air takes off late, and no information about delays.”
“Very poor customer services, so many cancellations on one day, and the seats on cabin uncomfortable.”
“Always late. They change schedules and don’t inform.”
“Flight never on time and bad ground customer services.”
“Flight attendants don’t fell satisfied and no friendly.”
“I can not buy the ticket directly, because they said the ticket sold out, even the business class tickets.”

4.3.2 Sriwijaya Air

- **Strong points**

In Figure 4.11 shows the factors on which Sriwijaya Air scores high:

![Figure 4.11 Strong points: Sriwijaya Air](image)

Sriwijaya Air scores on safety, comfortable, and on time performances. According the respondent perceptions, Sriwijaya Air has the most comfortable accommodation and safety than other airlines. In terms of time performances, Sriwijaya Air has precious on time of schedules. Some of respondents’ remarks were:
“The food and drink (snack) was good.”
“Sriwijaya good services on time, and they give us snack, really good services.”
“The good services and comfort and friendly services.”
“Sriwijaya Air flight attendants is so kind and on time performances.”
“The flight attendants so kind, and comfort.”
“On time performances-no delay, comfortable and safety.”
“On time schedule.”
“Sriwijaya is the best impression to customer because the schedule on time.”
“Sriwijaya Air, their flight attendants are so friendly and its comfortable, and always give on-time performances.”
“I felt safety, when boarding or landing uses Sriwijaya.”

- Areas of Improvement

![Figure 4.12 Areas of Improvement Sriwijaya Air](image)

Sriwijaya Air has to improve on price, flight networks and on time performances on its flights. Even Sriwijaya Air has strong
point of on time performances, but some respondent still remain that time performance of Sriwijaya Air needs improve and listed on areas of improvement. Sometimes, Sriwijaya take delay and cancellation of scheduling. Its improvement areas can be summed up by customers as follows;

“Sriwijaya always delay when the time flight is evening or night.”
“I have ever had a postponed schedule for 2 hours, and they give lunch box to all passengers”
“The landing was terrible.”
“Time management is need to be improved, delayed their flight and suddenly changed the gates to the airplane.
“Sriwijaya is not comfort and the chair is dirty.”

4.3.3 Batavia Air

- Strong Points

In Figure 4.13 shows the factors on which Batavia Air scores high:

![Bar chart showing the frequency of strong points of Batavia Air]

Figure 4.13 Strong points of Batavia Air
The price, convenience of schedules and flight network are strong factors influencing customers’ choice to choose Batavia Air. Meanwhile, airline images, personnel behavior, type of airplane and baggage services do not become customers’ consideration when choosing Batavia Air airline. Some of respondents’ remarks are:

“The attendants are so kind.”
“Batavia is cheap enough.”
“Batavia Air bigger leg space, and give food and drinks.”
“The customer services was bad, I can not find the officer to complained the schedules.”

- Areas of improvement

![Figure 4.14 Areas of Improvement: Batavia Air](image)

In this Figure 4.12, the least preferred airlines consist of least following factors, on time performance, safety. These factors need to be improving about the services, include the on time performance and safety of passengers.
“Batavia is not comfort anymore, so noise and narrow.”
“Batavia Air don’t have exactly flight schedules to my hometown, Jambi”
“Batavia Air delayed for 2.5 hours and it was so annoying”
“The facility in the airplane is quite bad; it makes me uncomfortable during the flight”
“Batavia Air delay for 2 hours, limited space, and the stewardesses are not nicely.”
“Batavia lateness, the airline did not give any food after waiting 3 hours and I take off at 10 pm”
“Batavia is bad customer care, uncontrolled baggage management.”
“Once I was told our flight Batavia was delayed for an hour, but after waiting for an hour, it got delayed for other 3 hours. It was so unpleasant for me; I needed to be in my destination place by certain time but ended in stuck in the airport”

4.3.4 Citilink Indonesia

- Strong point

![Figure 4.15 Strong Points of Citilink Indonesia](image)
In this chart, the most preferred airlines consist of the following dominant factors: price, safety and airline images. Some of respondents were remarks as followed:

“Citilink the price is cheap and comfortable enough.”
“Have a good services and the price really cheap to Bali.”
“In term of safety, Citilink is better than other low cost airlines, when they landed in Balikpapan which has short circuit for landing, Citilink land it smoothly not so bumpy.”
“Citilink has the best service among all the low cost airlines that make the customer feel satisfied.”
“As good as like Garuda Indonesia images.”
“First time, I flied with Citilink, I felt comfortable not like other airlines, so friendly, and never delay, and safety of my belonging.”

- Areas of Improvement

![Figure 4.16 Areas of Improvement: Citilink Indonesia](image)

In Citilink airline, the factors that need to be improved on the services are safety, convenience of schedules, airline images
and comfort. In previous chart, Figure 4.1, Citilink Indonesia got airline images for second best factor for strong point, and got third best factor of areas of improvement. In this research, it describes that some respondents feel Citilink has strong image from Garuda Indonesia brand airline, they think Citilink will give the best services as good as Garuda Indonesia gave. In fact, some respondent feel the services not better than Garuda Indonesia, so they comment to improve their services as good as Garuda Indonesia even Citilink jus subsidiary of Garuda Indonesia.

In this questionnaire, some respondents were remarked as followed;

“The price is still not cheap; I fly to Bali more than 500 hundred thousand”
“The flight has not much destination”
“The service is very poor, I feel not uncomfortable because the space between passengers is too close and they even did not turn off the lamp. And a delay is too long.”
“Delay for 30 minutes”
“The seat space is narrow than Lion Air.”

4.3.5 Wings Abadi Air

- Areas of Improvement

In areas of improvement, as shown in Figure 4.17 below, Wings Abadi Air has some factors that need to be improving on the services are safety, convenience of schedules, comfort (seat space/passenger class), airline images and flight network.

As new subsidiary of Lion Air, Wings Abadi Air take the same terminals, and as new subsidiary, that so many improving especially for safety (quality of security) and scheduling factors.
Some of respondents were remarks as followed;

“The baggage services of Wings Air is not organized at all”

“Wings Air not comfortable, seat so small.”

Figure 4.17 Areas of Improvement: Wings Abadi Air
CHAPTER V

CONCLUSION

5.1 Conclusion

The main objective of this research is to find the predominant factors which influence customer’s choice while choosing low cost airlines. This finding has been further corroborated by the fact that the airlines which customer preferred most scored high on those factors.

Based on the discussion and analysis of the data, the researcher concluded some points in the following lines;

1. Safety, convenience of schedules, price and comfort are considered as the most important factors in order rank by customer preferences of low cost airlines in Indonesia.

2. Baggage services, on time performance and airline images are considered moderately important factors.

3. Food and drinks, type of airplane, cabin services and handling baggage services are considered as the least important factors as compared to other factors.

4. Sriwijaya Air is considered as the most preferred low cost airline followed by Lion Air Indonesia, Citilink Indonesia then Batavia Air. Batavia Air has proved to be the least preferred airline in Indonesia, particularly in domestic flights.

5. Wings Abadi Air did not get any number respondent of strong points.

The results are respondents preferred safety as main consideration beside prices. It can influences because so many accident from Indonesia’s airline. Then, customer start to think selective and consider about safety when choose a low cost airline.
Sriwijaya Air as most preferred airline with highest rank on safety factors. It makes Sriwijaya Air more safety than other airlines. Batavia Air need to improve the areas related with on time performances, safety quality.

The conclusion was clear from the research that airlines can not compete on price alone for long term where safety becomes the predominant factor in Indonesia. Some factors also determine the value of quality services and make respondent satisfied than they offered price tagline.

5.2 Recommendation

In recommendation, the researcher recommended that some points that might improve the services of low cost airlines;

1. Further research

   The findings of this research study must be interpreted in the light of several limitations, such as limitation of sample size. Further research should examine the big sample size of respondents and number of operating airlines in Indonesia.

   This study considered that future research examines the causality among these theories to better understand about the factors and customer preferences towards low cost carriers, particularly in Indonesia market. In service management, this research can help other researchers to examine other value through services.

2. Airline industry

   The price can not be the main strength for low cost airlines for long term business. In long term business, value can be strong than price that company provides the services that more memorable and focus on quality.

   This research allows the airlines companies to see the expectancy level of customer for low cost carrier services attributes, and start to prioritize the differentiated value through different services attributes based on factors that explained on this research. Then, company can deliver the values and maintain the customer satisfaction. The research
found that the importance of the service quality for low cost carriers as main strength for company can increase the profit.

Safety and other factors showed as very important factor in customer preferences for low cost carriers than price. The findings from this research are considered to be conclusive in nature in that airline companies should improve and developing the values through delivering services and create the strong points of services used as input into management system.
REFERENCES


APPENDICES

Questionnaire
This questionnaire is designed to identify the dominant factors that influence customer preferences while choosing different low cost airlines in Indonesia. The secondary aim is of this questionnaire to examine the customer perception of low cost airlines. All the data gathered from this questionnaire will be used only in academic research and will totally keep in confident.

I. Personal Details
   1. Batch Year
   2. Gender
   3. Faculty

II. Factors influences customer on Low Cost airlines
   4. Which low cost airlines that have you travelled by?
      - Lion Air
      - Sriwijaya Air
      - Batavia Air
      - Wings Abadi
      - Citilink (subsidiary of Garuda Indonesia)
      - Others

   5. Have you traveled in any of above airline in the past 1 years?
      - Yes
      - No
6. How many times did you fly with low cost airlines in the past 1 years?
   - More three times
   - Three times
   - Two times
   - One times
   - Never

7. Choose the 2 most important factors that you consider while choosing between low cost airlines?
   - Price
   - Comfort (passenger class services)
   - Safety
   - Convenience of schedules (time of flight)
   - Airline images (brand/flight entertainment programs)
   - Personnel behavior (employees’ role)
   - Types of airlines (type of airplane)
   - Baggage services (amount if baggage you are allowed)
   - Cabin services (number of seats in the aircraft)
   - Flight Network (point-to-point transit)
   - On time performances (board early and quickly)
   - Food and drinks

8. Choose the 2 factors that have the least importance while choosing between low cost airlines? (choose only 1)
   - Price
   - Comfort (passenger class)
   - Safety
   - Convenience of schedules
   - Airline images
   - Personnel behavior
9. a. If you have travelled with any of the below low cost airlines operating Indonesia, which one of these do you prefer the most?
   - Lion Air
   - Sriwijaya Air
   - Batavia Air
   - Wings Air
   - Citilink
   - Others

b. Which of the following factors do you think the best low cost airlines?
   (choose more than 1 but limit your choices to 3)
   - Price
   - Comfort (passenger class)
   - Safety
   - Convenience of schedules
   - Airline images
   - Personnel behavior
   - Types of airplane
   - Baggage services
   - Cabin services
   - Flight Network
   - On time performances
   - Food and drinks

10. a. Which among the following low cost airlines do you think lags behind services? (choose only 1)
    - Lion Air
    - Sriwijaya Air
b. Which of the following factors do you think the airline above really has to improve on? (choose more than 1, but limit your choices to 3)

- [ ] Price
- [ ] Safety
- [ ] Airline images
- [ ] Types of airplane
- [ ] Cabin services
- [ ] On time performances
- [ ] Comfort (passenger class)
- [ ] Convenience of schedules
- [ ] Personnel behavior
- [ ] Baggage services
- [ ] Flight Network
- [ ] Food and drinks
III. Customer Perceptions

11. Did you have an especially pleasant experience with a particular airline?
(name the airline, and describe the incident. Note: the airline should be among the low cost airlines specified above)

12. Did you have a particularly unpleasant experience with an airline which gave you bad feeling about that airline?
(name the airline and describe the incident. Note: the airline should be among the 5 low cost airlines in Indonesia specified above)