

# **The Loyalty of Garuda Indonesia Customers to The Route of Jakarta-Surabaya**

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## **ABSTRACT**

Survey methods are used to determine the effect of pricing policy implementation (X1), quality of service (X2), and customer loyalty (Y) on PT. Garuda Indonesia, for Jakarta-Surabaya route in 2014. With a population of 773 154 passengers and a sample of 400 respondents, the data is obtained through questionnaires using Likert scale. With a simple and multiple linear regression analyses, simple and partial correlation, with significance level at  $\alpha = 0.05$ , it was found that, first, there is a positive relationship between pricing policy and customer loyalty. The variation that occurs in customer loyalty is determined by pricing policy. Secondly, there is a positive relationship between service quality and customer loyalty. The variation that occurs in customer loyalty is determined by service quality. Third, there is a positive influence of pricing policy and service quality on customer loyalty with the coefficient of determination  $r^2_{1.22} = 0.354$ , so 35.4% variation happening to customer loyalty is determined simultaneously by pricing policy and service quality. The implication proves that customer loyalty can be enhanced by improving the pricing policy and service quality.

**Keywords:** customer loyalty, pricing policy, service quality.

## Introduction

The great number of airlines in Indonesia has made the competition among them tighter and tighter. The development of area with business potential gives impacts on the high demand for flight routes. For example, the route of Jakarta-Surabaya has business potential so that many airlines operate in that route, providing either full service, or middle service, or no frills.

Meanwhile, those three classifications of service provided by airlines influence the implementation of pricing policy or the service quality. Pricing is a monetary unit or other measurement units (including other goods and services) that can be exchanged to obtain the right to own or utilize a good or service. In another word, price is a value that should be exchanged with products desired by consumers (Fandy Tjiptono, 2008: 151). The government regulation related to pricing policy is better known as tariff. Tariff is a price or charge that must be paid for transporting passengers, baggages, or cargoes—including the agency fee, commission, and other costs (K. Martono and Ahmad Sudiro, 2013; 150).

It is stated in Article 126 of the Law No. 1 Year 2009 regarding Aviation that “Tariff for passenger transportation consists of tariffs for economy class and non-economy class”. The tariff ceiling for economy class is regulated by the government, i.e. Minister of Transportation whereas the tariff for non-economy class is determined by market mechanism. The

economy class tariff implemented by PT. Garuda Indonesia (Persero) Tbk is the tariff ceiling stipulated by the Minister of Transportation.

In addition to tariff, the Law No. 1 Year 2009 also mentions the services stated in Article 97 paragraph 1 that “Services provided by commercial scheduled air transport enterprises in running their activities can be categorized at least into (a) services with maximum standard (full services); (b) services with medium standard (medium services); and (c) services with minimum standard (no frills)”. Garuda Indonesia falls into the category of services with maximum standard (full services).

Service quality can be defined as “a measure of how good a service is delivered in accordance with the customer expectation (Lewis & Booms in Tjiptono, 2012: 157). therefore, service quality has become a very dominant factor of an organization’s success. Principally, service quality is a form of assessment by consumers on the level of perceived services compared with the expected services. The success of an organization or a company is in accordance with or exceeds the service quality expected by the consumers. The fulfillment of service quality that leads to customer perception and results in customer satisfaction tends more to influence the customer attitude. This customer attitude is in the form of customer loyalty.

Customer loyalty is one of the core objectives of modern marketing. With the loyalty, companies expect to get

a long term advantages for the mutual relations built in a specified period of time. Boulding (in Hasan, 2008: 83) states that customer loyalty for a certain brand occurs because of the influence of satisfaction or unsatisfaction against the brand continuously accumulated in addition to the perception on the product quality.

The flight route of Jakarta-Surabaya is a domestic route served by several domestic airlines such as Lion Air, Batik Air, Sriwijaya air, Citilink, and Garuda Indonesia with the flight frequency from three up to 19 times a day. Garuda Indonesia serves the flight route of Jakarta-Surabaya 17 times a day. Based on the frequency of flight for Jakarta-Surabaya and the passengers using air transport service provided by Garuda Indonesia with the prevailing pricing policy, the delivered service quality, and the loyalty of that airline service users, this article tries to know the relationship between pricing policy and quality service and the loyalty Garuda Indonesia customers for the route of Jakarta-Surabaya based on survey 2014.

A policy, according to Federick (in Agustino, 2008:7), is a series of actions or activities proposed by a person, a group of people, or government in a certain domain in which there are obstacles and opportunities to carry out the proposed policy in order to achieve specific objectives. Ealau and Pewitt (in Suharto, 2008) say, a policy is a prevailing stipulation, characterized by a consistent and repeatedly behaviour both of the policy maker and the implementer. Whereas Titmuss Suharto (2008) says, a

policy is the principles that regulate and lead actions to a certain direction.

The factors influencing a policy, according to Suharno (2010: 52) are: (1) external pressures; (2) old habit; (3) personal traits; (4) external groups; and (5) past condition. In this case, past experience, trainings, and work history are influential in making a policy or decision. For example, people worry about delegating their authority to others because they worry whether the authority will be misapplied (Suharno: 2010: 52-53).

Tariff is a determinant factor in transport business and it is a controlling device in the operation to reach effectiveness and efficiency (Salim, 2008: 95). Whereas according to Tjiptono (2006: 178), tariff is defined as the amount of money (monetary unit) and/or other aspects (non-monetary aspects) that contains certain utilities needed to get a service. Utility is an attribute or factor that potentially satisfies certain needs or wants. According to Rahardjo Adisasmita (2010: 117), transporting tariff is the price of transport service that must be paid by shippers (cargo owners) to the carriers (transport companies). Transporting tariff is a list containing the prices for transport service users arranged in order (Salim, 2012: 46).

Martono and Sudiro (2013: 150) suggest that tariff is a price or charge that must be paid for transporting passengers, baggages, or cargoes—including the agency fee, commission, and other costs. Fidel (2012:128) mentions the tariff (price)

of transport system service is a value (price) of movement service from the place of origin to a certain destination provided by a transport system service provider, in certain modes, to the travelers.

Based on the Decree of the Minister of Transportation Number: KM 26 Year 2010 on the Mechanism of Establishing and Formulating a Tariff Calculation for Commercial Scheduled Domestic Airlines for Economy class in Chapter I states the definition of tariff as follows.

- 1) The commercial scheduled domestic tariff for economy class passengers is the price of a service in a certain domestic route for transporting economy class passengers.
- 2) Basic tariff is the quantity of tariff stated in rupiah per passenger kilometer.
- 3) Distance tariff is the quantity of tariff per flight route, per once flight, for each passenger, which is the multiplication of basic tariff and distance with regard to the purchase power.
- 4) Normal tariff (normal fare) is the highest distance tariff stipulated by the airline company.
- 5) Ceiling tariff is the highest/maximum distance tariff allowed by the airline company and stipulated by the Minister of Transportation.

In the airline business, the term pricing policy is used rather than tariff. According to Oentoro (2012: 149), price is an exchange value that is analogous

with money and other goods for the benefit gained from a good or service by a person or a group at certain time and in a certain place. Whereas price according to Tjiptono (2008: 151) is a monetary unit or other measures (including other goods and services) that is exchanged to get a right to own or to utilize a good or service. In another word, price is a value that must be exchanged with the product desired by the consumer.

The concept of price is the only element of marketing mix that gives income or revenue to the company, whereas the three other elements (product, distribution, and promotion) incur some expenses (Tjiptono, 2008: 151). Price is a flexible element of marketing mix—can change rapidly. The factors influencing a price according to Kotler and Amstrong (in Oentoro, 2012: 155), are: (1) company's internal factors, including the marketing objective, marketing mix strategy, cost and organization; and (2) external factors, including the characteristics of market and demand, competition and other environmental elements. Dharmestha and Irawan (in Oentoro, 2012: 165) state that the level of price can be influenced by several factors, namely: (a) economic condition, (b) supply and demand, (c) demand elasticity, (d) competition, (e) cost, and (f) company's objective. In this case, the governmental supervisory can be brought into reality in the form of: determination of maximum price (ceiling price) and minimum price (floor price) as well as other practices that encourage or prevent

efforts leading to monopoly.

According to Lovelock dan Wright (2007: 247), the basics of pricing strategy done by a company can be illustrated as a tripod, i.e. (1) cost-based pricing; (2) competition-based pricing; and (3) value-based pricing. Meanwhile, the base for calculating the price of transport service is divided into several elements, namely service value (the value of service pricing), cost incurred (the cost of service pricing), and goods volume (what traffic will bear).

Irianto (2010:110) states that pricing is triggered by several things, namely deregulation and open sky, pricing at lower level, lower yields, decreased demand, high cost, economic recession, competition through big discounts, the lowest price offered by competitors, the emergence of new airlines, excessive supply, increasing labor costs, and the increasing fuel price as a big component of flight operation cost. The utilization of more efficient aircrafts in the case of fuel consumption will become an important choice.

According to Stephen Shaw (in Agus Irianto, 2010: 118), an airline company generally implements some conditions for low price (discounted) tickets, with some limitations as follows:

- Minimum length of stay passengers can not use the ticket for returning (return ticket) if it has not been on the due date or the time limit specified.
- Maximum length of stay, the maximum time limit the passengers can use their

return ticket and the ticket will be invalid if it has passed over the time limit specified.

- Ticket purchase should be done in advance according to the time limit specified.
- As for reserve status (stand by passenger), passengers may not reserve this kind of ticket.
- Preferential fares, type of price aimed to a certain group of passengers. For example diplomats, military, students, seafarers, etc.
- Price as a part of tour package. The price of such a ticket is usually categorized as promotion price.

Every airline company can do their publishing fare through SITA fare or air tariff publishing company (ATPCo) in addition to internal database, thus any changes of price in real time can directly be known or accessed by all the networks connected to the database like the schedule published through OAG guides and as wished by the internal reservation system.

Lovelock and Wright (2007: 247) mention that pricing strategy should be based on the clear understanding on the objective of a company's pricing. There are three basic categories of pricing objective, i.e. (1) orientation to revenue, just to get profit and cover the cost; (2) orientation to capacity; and (3) orientation to demand, that is to maximize demand, identify different purchase powers, offer payment method (credit) that will enhance the chance of

buying. Lupiyoadi and Hamdani (2006: 100) mention the objectives of pricing, such as to stand fast, to maximize profit, to maximize sales, for prestige, for return of investment (ROI).

In broad outline, pricing strategy can be classified into eight groups, namely: new product pricing strategy, established product pricing strategy, flexible pricing strategy, product line pricing strategy, leasing strategi, bundling-pricing strategy, price leadership strategy, and pricing strategy to create market share (Tjiptono, 2008: 170).

Therefore, it can be said that pricing policy is a stipulation that contains the principles to direct the action made in a planned and consistent way in order to achieve certain objectives using a monetary unit or exchange value in the form of money to be exchanged for the right to own or utilize a good or service desired by the consumers.

Deming (Zulian Yamit, 2004: 7) defines quality as whatever becomes the consumer's need and want. Crosby perceives quality as the value of defect, perfection and conformity against the requirements. Whereas Joseph M. Juran defines quality as the conformity against specification. Quality according to Kotler (2008: 143) is a totality of features and characteristics of a product or service depending on the ability to satisfy the need that is stated or implied. Quality according to ISO 9000 (Lupiyoadi & Hamdani, 2011: 175) is "degree to which a set of inherent

characteristics fulfils requirements". In this case it is "need or expectation that is stated, generally implied or obligatory".

Service according to Daviddow and Uttal (Daryanto and Setyobudi, 2014: 108) is any effort that enhances the customer satisfaction. Wyckof (in Wisnalmawati, 2005: 155) defines service quality as the expected degree of excellence and the control over the degree of excellence to fulfill the customer's want. Whereas Moenir (2002: 26) says "service is an activity done by a person or a group of people based on certain things whose level of fulfillment can only be perceived by the person who serves or who is served, depending on the service provider's ability to meet the customer expectation."

According to Lehtinen (in Daryanto & Ismanto, 2014: 110), service is an activity or a sequence of activities happening in the direct physical interaction with human beings or machines to provide customer satisfaction. Meanwhile, Gumehsoston (in Daryanto & Ismanto, 2014: 110) states that service is something that can be traded and even can not be disappeared.

Service quality becomes a must in a company in order to survive and gain the customer trust. The customer's consumption pattern and life style require the company to provide quality services. The success of a company in delivering quality service can be determined by a service quality approach developed by Parasuraman, Berry and Zenthaml (in Lupiyoadi, 2006: 181). Service quality becomes the main thing

seriously paid attention by the company, involving all the resources it has. Service quality can be defined as “the measure of how good a service which is delivered can conform the customer expectation (Lewis & Booms in Tjiptono, 2012: 157).

The elements in service quality according to Daryanto and Setyobudi (2014: 59), are appearance, punctuality and promise fulfillment, willingness to serve, knowledge and expertise, politeness and hospitality, honesty and trust, legal security, openness, efficiency, cost, non-raciality, and simplicity. Parasuraman, Zeithaml and Berry (in Zulian Yamit, 2004: 32) mention that the efforts which can be done to improve a service are related to some factors, namely reliability, responsiveness, competence, credibility, tangibles, understanding the customers, and communication.

The dimension or measurement of service quality according to Sviokla (in Lupiyoadi & Hamdani, 2011: 175) has eight measurements: performance, product diversity (features), reability, conformity, durability, serviceability, aesthetics, and perceived quality.

Therefore, service quality is an activity done by a person or a group of people in order to serve other people’s need in accordance with the existing requirements.

Loyalty is the customer’s decision to subscribe voluntarily and continuously to a certain company for a long term (Lovelock & Wright, 2007, 133). According to Oliver

(in Kotler & Keller, 2012: 127) loyalty is “a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior”. Customer loyalty is a buying behaviour that can be defined as a nonrandom buying expressed over time by some units of decision making (Griffin, 2005: 5).

This opinion is strengthened by Lovelock (2012: 360). To him, customer loyalty is the customer willingness to continuously buy from a company in a long term and recommend the product to friends, including preference, wish, and intention in the future.

Lupiyoadi & A. Hamdani (2011: 195) state that loyalty is divided into three categories, i.e. behaviour approach, attitude approach, and integrated approach. The factors influencing customer loyalty usually focus on the customer decision and barrier to move (Dick & Basu, 1994; Gerpott, Rams, and Schindler, 2001; Lee and Cunningham, 2001).

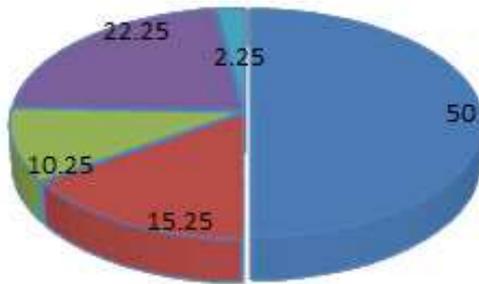
The indicators of loyalty are making rebuy (repurchase), referring the product or service to other people, talking about positive things to other people, and showing immunity to competitor’s attraction (Jill Griffin, 2005: 31).

Thus, it can be said that loyalty is behaviour of a buyer to commit, obey, voluntarily rebuy the preferred product or service in a long term and recommend it to other people.

**Results & Discussions**

Based on the aims of travel, it is found that the travel for official duty 50%, business 15.25%, tour 10.25%, family interest 22.25%, and others 2.25%, as shown in Chart 2.

Chart 2 Aims of Travel



**1. The Influence of Pricing Policy on Customer Loyalty**

Table 1 Simple Regression  $X_1$  with Y

Model		Unstandardized coefficients		Standardized coefficients	T	Sig.
		B	Std. Error	Beta		
1	Constant	37.324	3.847		9.701	.000
	$X_1$	0.788	0.090	0.402	8.763	.000

- a) The regression equation is  $Y = 37.324 + 0.788X_1$ .
- b) The constant value is 37.324, the explanation may mean that if it is not influenced by independent variable, namely Pricing Policy, then Customer Loyalty will not change (constant).

- c) b (coefficient value of regression  $X_1$ ) is 0.788 meaning that if Pricing Policy is enhanced, while other variables are constant, then Customer Loyalty will increase 0.788.

Based on the above regression equation, the regression equation line is found as follows.

$$Y = 37.324 + 0.788X_1$$

**2. The Influence of Service Quality on the Customer Loyalty**

Table 2. Simple Regression  $X_2$  with Y

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	15.490	4.124		3.756	.000
	$X_2$	0.847	0.063	0.560	13.484	.000

- a) The regression equation is  $Y = 15.490 + 0.847X_2$
- b) The constant value is 15.490, the explanation may mean that if it is not influenced by independent variable, namely Service Quality,

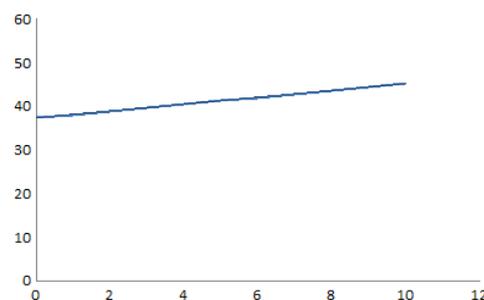


Figure 2 Regression Equation Line of the Pricing Policy Variable

then Customer Loyalty will not change (constant).

- c) b (coefficient value of regression X2) is 0.847 meaning that if Service Quality is enhanced, while other variables are constant, then Customer Loyalty will increase 0.847.

Based on the above regression equation, the regression equation line is found as follows.

### 3. The Influence of Pricing Policy and Service Quality on Customer Loyalty

Table 3 Multiple Linear Regression Analysis

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.	
	B	Std. Error	Beta			
1	Constant	5.735	4.461		1.286	.199
	X <sub>1</sub>	0.426	0.086	0.218	4.972	.000
	X <sub>2</sub>	0.719	0.066	0.476	10.862	.000

From the result of the above multiple regression equation, it can be understood that:

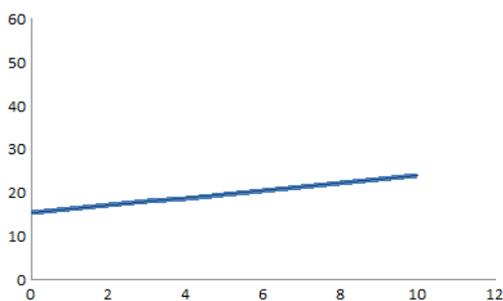


Figure 3 Regression Equation Line of the Service Quality Variable

- a) The regression equation is  $Y = 5.735 + 0.426X_1 + 0.719X_2$

- b) The constant value is 5.735, the explanation may mean that if it is not influenced by independent variable, namely Pricing Policy and Service Quality, then Customer Loyalty will not change (constant).

- c) b1 (coefficient value of regression X1) is 0.426 meaning that if Pricing Policy is enhanced, while other variables are constant, then Customer Loyalty will increase 0.426.

- d) b2 (coefficient value of regression X2) is 0.719 meaning that if Service Quality is enhanced, while other variables are constant, then Customer Loyalty will increase 0.719.

Based on the regression equation, the most dominant factor that influences Customer Loyalty is Service Quality, proven by the coefficient value of regression which is the biggest, that is 0.719.

### 4. Correlation Test and Determination Coefficient

Table 4 Determination Coefficient (R<sup>2</sup>) of Pricing Policy with Customer Loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402 <sup>a</sup>	.162	.160	10.07378

Based on table 4, it can be seen that the value of  $r$  for Pricing Policy is 0.402 meaning that there is a positive and sufficient influence of Pricing Policy variable on the Customer Loyalty. The percentage of Customer Loyalty variable can be explained by the independent variable (determination coefficient) shown by the value of R Square ( $R^2$ ) 0.162. In this case, Customer Loyalty can be explained by Pricing Policy having value as many as 16.2%.

Table 5 Determination Coefficient ( $R^2$ ) of Service Quality with Customer Loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.560 <sup>a</sup>	.314	.312	9.11603

Based on table 5, it can be seen that the value of  $r$  for Service Quality is 0.560 meaning that there is a positive and strong influence of Service Quality variable on the Customer Loyalty. The percentage of Customer Loyalty variable can be explained by the independent variable (determination coefficient) shown by the value of R Square ( $R^2$ ) 0.314. In this case, Customer Loyalty can be explained by Service Quality having value as many as 31.4%.

Table 6. Determination Coefficient ( $R^2$ ) of Pricing Policy and Service Quality with Customer Loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595 <sup>a</sup>	.354	.351	8.85591

Based on the above table, it can be seen that the value of  $r$  for  $X_1$  and  $X_2$  is 0.595 meaning that there is a positive and strong influence of Pricing Policy variable and Service Quality variable on the Customer Loyalty ( $Y$ ). The percentage of Customer Loyalty variable can be explained by the independent variable (determination coefficient) shown by the value of R Square ( $R^2$ ) 0.354. In this case, Customer Loyalty can be explained by Pricing Policy and Service Quality having value as many as 35.4% whereas the other 64.6% is explained by other variables.

## 5. Hypothesis Test

$t$  test. In this partial test, it is used to know whether there is or there is not an influence of Pricing Policy ( $X_1$ ) and Service Quality ( $X_2$ ) on the Customer Loyalty ( $Y$ ). The following is the result of partial test of which calculation is processed by SPSS program.

Table 7. The Value of  $t$  count

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	5.735	4.461		1.286	.199
	$X_1$	0.426	0.086	0.218	4.972	.000
	$X_2$	0.719	0.066	0.476	10.862	.000

The result of partial test ( $t$  test) in the above table can be explained as follows.

The influence of Pricing Policy on the Customer Loyalty is shown by the value of  $t_{count} = 4.972$  and  $t_{table} = 1.984$  with the value of significance 0.000 which

is less than 0.05, thus it can be said that there is a significant influence of Pricing Policy on the Customer Loyalty partially can be accepted.

#### a. Hypothesis 1

H1:  $\rho \neq 0$ , meaning there is a significant relationship between the independent variable of Pricing Policy (X1) and the dependent variable of Customer Loyalty (Y). The following is the normal curve graphic for t test of variable X1:

The influence of Service Quality on the Customer Loyalty is shown by the value of  $t_{count} = 10.862$  which is more than  $t_{table} = 1.984$  with the significance value  $0.000 < 0.05$ , thus it can be said that there is a significant influence of Service Quality on the Customer Loyalty partially can be accepted.

#### b. Hypothesis 2

H1:  $\rho \neq 0$ , meaning there is a significant relationship between the independent variable of Service Quality (X2) and the dependent variable of Customer Loyalty (Y). The following is the normal curve graphic for t test of variable X2.

Simultaneous tests are used to test the hypotheses about the simultaneous influence of Pricing Policy and Service Quality on the Customer Loyalty. The following is the result of simultaneous tests through ANOVA table.

Table 7 Simultaneous Tests (F Test)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17047.404	2	8523.702	108.683	.000 <sup>a</sup>
	Residual	31135.596	398	78.427		
	Total	48183.000	400			

Based on the calculation, the value of  $F_{count}$  is 108.683 with the significance 0.000, whereas the *degree of freedom* for the figure 2 and 398 in the table of  $F_{table}$  is 3.04 so that the value of  $F_{count}$  is 108.683, more than the value of  $F_{table} = 3.04$  (significant). This means that Pricing Policy and Service Quality simultaneously have a significant influence on the Customer Loyalty. Therefore, the third hypothesis stating there is a simultaneous influence of Pricing Policy and Service Quality on the Customer Loyalty is acceptable.

#### c. Hypothesis 3

H1:  $\rho \neq 0$ , meaning there is a significant relationship between the independent variable of Pricing Policy (X1) and Service Quality (X2) and the dependent variable of Customer Loyalty (Y). The following is the normal curve graphic for F test of variable X1 and X2 against variable Y.

## 6. The Strategy to Enhance the Loyalty of Garuda Indonesia Service Users

Based on the correlation and determination coefficient analyses on calculation described before, the influence of Pricing Policy and Service Quality on the Customer Loyalty is 0.595 for correlation and 35.4% for determination coefficient.

With these results, a strategy is needed to enhance the loyalty of Garuda Indonesia service users. One strategy that can be analyzed is the generic strategy proposed by Michael Porter, which is better known as Generic Porter strategy.

The strategy includes:

- a. Low cost strategy. Low cost strategy (cost leadership) stresses on the efforts to produce standard products with a very low cost per unit. Such products is usually targeted to the consumers who are relatively easy to be influenced by price shift or changes (price sensitive) or use the price as the determinant factor for decision making. Consumers generally choose the relatively lower price for the same products. Based on the survey done by the author, in the statement point for the variable of loyalty “Not influenced to use other airlines” (“Tidak terpengaruh untuk menggunakan maskapai penerbangan lain”) obtains the answer of strongly agree 6.25%, agree 37.75%, neutral 45.5%, disagree 10%, and strongly disagree 2%.

The statement point “Never think about moving to other airlines” (“Tidak pernah terpikir untuk berpindah ke airline lain”) obtains the answer of very agree 6%, agree 39.75%, neutral 43.25%, disagree 10.5%, and very disagree 2%. From this statement, it is known that the users of Garuda Indonesia services still consider the

price in buying a product, in this case, a flight route.

In order to implement a low cost strategy, a company should be able to fulfill the requirements in two aspects: resources and organization. This strategy can be implemented if the company has some excellences in the company resources, namely, substantial capital, skills in process engineering, strict supervision, ease to produce, and low costs of distribution and promotion. Whereas in organization, the company should have ability to strictly control the costs, good information on control, target-based incentive (incentive allocation based on results) (Umar, 1999).

In the case of Garuda Indonesia, the pricing policy for a route is based on the ceiling price stipulated by the government because Garuda Indonesia is an airline which provides full services. Therefore, the pricing made by Garuda Indonesia will not compete with other airlines which operate more as low cost carriers. However, Garuda Indonesia is able to make the existing costs efficient.

- b. Product Differentiation Strategy. This strategy encourages the company to find its uniqueness in its target market. The uniqueness of product suggested here allows a company to attract the interest of potential consumers. Product differentiation varies, regarding the

nature and physic of a product or the experience of satisfaction obtained by the consumer from that product. Easy maintenance, additional features, flexibility, comfort, and other things that is difficult for competitors to imitate is a differentiation. This kind of strategy is usually targeted to the potential consumers who relatively do not prioritize price in making decision (price insensitive). The other risk of this strategy is that if in fact the difference or the uniqueness offered by the product is not appreciated or considered as common by the consumers. If it happens, competitors who offer standard products with low cost strategy will easily grab the market. Therefore, in this kind of strategy, research and development (R&D) plays a significant role. In general, there are requirements in two aspects to be fulfilled when a company decides to implement this strategy, namely resources and organization. From the aspect of company resources, to implement this strategy requires high strengths in product marketing, creativity and talent, product engineering, market research, company reputation, distribution, and work skills. Whereas from the aspect of organization, the company should be strong and able to make a coordination among related management functions, hire personnels with high competence, and measure the subjective as well as objective incentives (Umar, 1999).

Garuda Indonesia is an airline which operates with full services. Up to now, there is no other domestic airlines can compete with it. Since its pricing policy can not compete with other airlines, the strategy that needs to be strengthened is differentiation through its uniqueness, namely safety and security in conformity with the results of survey done by the author to the users of Garuda Indonesia. Those who answer safety and security is as many as 73.5%. In addition to the safety and security provided by Garuda Indonesia, it is good service quality such as quick service, attention to customer needs, responsiveness, convenience, and employee's competence and professionalism that makes users choose Garuda Indonesia.

- c. Focus Strategy. It is used to build competitive advantages in a narrower market. This kind of strategy is aimed at serving consumers who are relatively small in number while their decision to buy is not influenced by the price. In its implementation, especially in the middle and big scale companies, focus strategy is integrated to one of the two other generic strategies, i.e. low cost strategy or product differentiation strategy. This strategy is usually implemented by "niche market" (a specific segment in a certain market) providers to fulfill the need for certain goods and services. The requirements for implementing this strategy are sufficient market size, good potential

for growth, and being ignored by the competitors in achieving its success. This strategy will be more effective if the consumers need a specific uniqueness in which the competitors are not interested. Usually the company which implements this strategy concentrates more on a certain niche market, a certain geographic area, or a certain product or service with its ability to meet the consumer needs in an excellent delivery (David, 1998; Fournier and Deighton, 1997; Pass and Lowes, 1997; Porter, 1980 and 1985). The results of the survey show that the users of Garuda Indonesia are of special segment; the ticket price of Garuda Indonesia does not match with the purchase power of Indonesian common people but 34.75% of its users are people from middle-up class. This can also be seen from the characteristics of respondents based on their professions; 35% of its users are army/police/civil servants and 36% are private/state-owned enterprise employees. If the two professions are combined, then employees are 71% of the total users. Meanwhile, 50% of the travels are made by the passengers who is going to travel for official duties.

Based on the above description, Garuda Indonesia can make this focus strategy to become its superiority in order to enhance the loyalty of its users.

## Conclusion

Based on the above description, it

can be concluded that there is a positive and significant relationship between pricing policy (X1) and customer loyalty (Y) which is shown by the equation  $Y = 37.324 + 0.788 X1$  with the correlation coefficient of pricing policy (X1) to the customer loyalty (Y) as  $(R) = 0.402$  at the level of  $\alpha = 0.05$ . The determinant coefficient of R square ( $R^2$ ) = 0.162 or 16.2%, meaning the variable of pricing policy can only explain the change of customer loyalty as many as 16.2%, whereas the other 83.8% is explained by the variables other than pricing policy. Likewise, there is a positive and significant relationship between service quality (X2) and customer loyalty (Y) shown by the equation  $Y = 15.490 + 0.847X2$  with the coefficient of correlation between service quality (X2) and customer loyalty (Y) as many as  $(R) = 0.560$  at the level of  $\alpha = 0.05$ . The determinant coefficient R square ( $R^2$ ) = 0.314 or 31.4%, meaning the variable of service quality can only explain the change of customer loyalty as many as 31.4%, whereas the other 68.6% is explained by the variables other than service quality.

In addition, there is also a positive and significant relationship between pricing policy (X1) and service quality (X2) and customer loyalty (Y) shown by the equation  $Y = 5.735 + 0.426X1 + 0.719X2$ . with the coefficient of multiple correlation among pricing policy (X1), service quality (X2), and customer loyalty (Y) as many as  $(R) = 0.595$  at the level of  $\alpha = 0.05$ . The determinant coefficient R square ( $R^2$ ) = 0.354 or 35.4%, meaning the variable of pricing policy and service quality can only

explain the change of customer loyalty as many as 35.4%, whereas the other 64.6% is explained by the variables other than pricing policy and service quality.

Meanwhile, PT. Garuda Indonesia (Persero) Tbk, through the implementation of pricing policy and service quality, can achieve its target in enhancing the customer loyalty, i.e. (1) the stipulation of pricing policy is in conformity with service cost, competition with other airlines, and the value or level of service; (2) improving service quality will encourage the company to achieve customer satisfaction which has positive impact on the provider's image; and (3) enhancing customer loyalty impacts on obedience, habit, commitment, recommendation, rebuying the service offered by the producer, in this case is PT. Garuda Indonesia (Persero) Tbk.

Therefore, the author suggests Garuda Indonesia to enhance the socialization of its new aircrafts operation that can build the perception of public and airline users in order to understand the superiority of new aircrafts; to enhance the technology-based low cost promotion through the use of internet to access Garuda Indonesia's website or to deliver news about the excellence and superiority of Garuda Indonesia in the social media; to provide a number of seats in economy class for promotion price like the price of airlines in the category of Low Cost Carrier (LCC) to build the public perception that the price of Garuda Indonesia ticket is in conformity with the purchase power of Indonesian consumers.

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