

Factors Affecting Customers' (Millennials) Loyalty in Airline Ticket Online Purchasing Of Traveloka In South Jakarta, Indonesia

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ABSTRACT

The rapid development of the technology has contributed toward business activities improvement. It also played an important role in shifting the customer behavior from offline to online setting. One of the most famous online businesses nowadays is online ticket booking company, which is marked by numbers of new online booking websites in Indonesia. The competition in the booking online business offers many alternative for customers and thus loyalty among customers are become an increasingly critical issue. This research attempt to identify the influencing factors of the loyalty of millennial customer towards decision over online airline ticket. This research studied the interrelationship among factors namely price, promotion, and service quality to loyalty. This study used quantitative approach with data collected from 180 respondents living in South Jakarta. The result showed that both price and service quality have positive significant impact toward customer loyalty in online airline ticket purchasing decision, meanwhile promotion have no significant impact toward customer loyalty in online airline ticket purchasing decision. This research suggests that Traveloka should maintain their low prices offer through several hotel and ticket purchase bundling program and also strengthen their service quality in order to maintain the customers' loyalty continuously.

Keywords: Price; Promotion; Service Quality; Loyalty; Online Ticket Booking

1. INTRODUCTION

A research from We Are Social found that the internet users in Indonesia has projected to increase with 132.7 million people in 2018, including 130 million people as social media users and 120 million people are mobile social users [17]. In line with the development of internet, the growth of tourism also increased year by year and one of the reason of the growth was the internet. By 2030, the annual spending of respondents for traveling is predicted to reach US \$ 105 billion, started from US \$ 26 billion alone in 2011, which indicated a significant increase of Indonesian people interest in traveling year to year [6].

In order to survive the industrial rivalry, travel agents in Indonesia were shifting and developing their system into an online basis website and application which used internet to sell their product. According to a research conducted by [11], Traveloka had become the most visited Online Ticket Sites with the percentage of 47.4%, followed by Tiket.com, Agoda, Wego, and Pegipegi.com with a percentage of 14.9%, 8.5%, 3.3%, 3.3%, respectively.

2. RESEARCH PROBLEM

Traveloka as online ticket booking company face a challenge in the industry in term of competition. Traveloka main business is focus on flight, accommodation, and hospitality services.

Newcomers in online e-ticketing business industry had increased in numbers and were engaged in a head to head rivalry with each other. The

advancement of the internet had also provided the customers with more information regarding cheaper price, what airline should they choose, what kind of benefit would they receive from booking at any specific website, and many more. This led to how customers had been shifting from one online booking websites to another online websites, which mostly based on who would provide even cheaper price than the latter.

Quality of service is an important differentiation factors in online ticket booking industry. With a good quality of service, an online ticket booking providers might be able to maintain the customer satisfaction and trust. Traveloka aim to target the millennials as they are perceived to be more open to new things and while also being technology savvy.

To meet customers expectation of a good quality services, Traveloka has put emphasized on providing customers convenience and customers security. For customer's convenience, there were only a easy few steps required to book a ticket in Traveloka, as well to reschedule a ticket which sometime become source of customer complaints in the industry. With only a few clicks, customers could change the flights and the cancellation fees also calculated automatically. To provide security to customers, Traveloka used leading industry data security and encryption standards to make all data and transactions are safe and confidential. For credit card payment, Traveloka has partnered with CyberSource. All the customers credit card data remained protected, confidential and secure as it was encrypted with 256-bit security and isolated as 'token' at the CyberSource server. Customers personal data could only be accessed when customers login to Traveloka's system, which means customers have total control over the data.

Other than service quality, promotion activities were also required for customers to be loyal. A data from [12] stated that Traveloka expenses for local television advertisement were as follows: for Kompas TV was 1,406,400,000 IDR, Metro TV was 230,400,000 IDR, RCTI was 723,000,000 IDR, TV One was 6,024,000,000 IDR, and Trans TV was 1,449,000,000 IDR. Traveloka was also mentioned as the online booking service provider that spent the largest amount of money for doing advertisements at television channels and news program where the advertising expense had reached 103 Billion IDR in the first quarter of 2016 (www.bisnis.tempo.co, 2016). So far, Traveloka has been doing their

promotion activities through television advertisements and had outranked most of other online booking service provider in Indonesia.

As the promotion strategies, Traveloka offers cheaper price compare to the airline company published price. Traveloka even managed to be the online website that could provide the cheapest price of a variety of flight tickets ranging from various airline options from all over the world [16]. Based on the report from Adstensity in *Indotelko.com* (2017), Traveloka spent 659 Billion IDR for their advertising expense. This was higher compared to Traveloka's biggest competitor, Trivago, which only spent 199 Billion IDR for their advertising expense. Traveloka had also spent their promotion expense in television advertising channel by more than 32.000 ads posted by local television stations [5].

This research will focus on studying the behavior of millennial customer specifically on choosing an online booking ticket websites. This would also leads to how they maintain their loyalty over their choices of online booking ticket website. According to Nielsen Traveler Study Report in 2017, The Millennials' were gifted with the digital world, where most Millennials were categorized as adults that took part as young customers. This means, the opportunities to connect with them were served through digital platform such as social media and smartphone screens. In addition to being hyper connected and digitally driven in this era, Millennials were focused on personal experiences and were generally very interested in travel because in fact, they travel more than any other generation as their incomes and financial standings grow [15].

As a generation that wanted to be in control of how important experiences are, Millennials were strongly driven by search—a quest for just the right experience that fits their mood, interest, and personality. As they created their own travel plan, Millennials often sought out low-cost flights and peer-to-peer accommodation sharing options instead of booking a hotel [15].

2.1 Research Questions

There are several research questions as follows:

1. Does price have a significant impact to customer loyalty in airline ticket online purchasing?
2. Does service quality have a significant impact to customer loyalty in airline ticket online purchasing?

3. Does promotion have a significant impact to customer loyalty in airline ticket online purchasing?

2.2 Research Objectives

The objective of this study is to provide insight and understand on the relationship of price, service quality, and promotion with customer loyalty in online ticket booking industry.

3. LITERATURE REVIEW

3.1 Customers Buying Process

The basic psychological processes (i.e. motivation, perception, learning, memory, personality, and attitude) played an important role in understanding how the decision process takes place. Smart companies tried to understand the customers' buying decision process at the deepest level possible, such as all their experiences in learning, choosing, using and even disposing of a product [10]. When purchasing an item, the buyer actually passed through five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behaviour [7].

3.2 Factors Influencing Customers Buying Behaviour

3.2.1 Price

According to [9], price had the definition of the amount of money charged for a product or a service. Furthermore, price is defined as the sum of all values that customers give up to gain the benefits of having or using a product or service [9]. Meanwhile, Peter & Olson in [3], price is defined as an expenditure of money, time, and effort that customers incur in purchasing and consuming services. Therefore, price can be defined as the amount of money the customer give as a form of payment for the purchased product or services.

3.2.2 Promotions

Sales promotion is defined as a special offer or a part of marketing communication activities. Sales promotion is an independent variable and on the other hand social surroundings, buying behavior, free sample, price reduction and discount level are dependent variables on sales promotion [1].

3.2.3 Service Quality

Service can be related as tangible product or intangible product. According to [9], services are defined as a form of product that consists of

activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything. On the other hand, Brady and Cronin in [2] mentioned that 'Service quality is a focused evaluation that reflects the customer's perception of element of service such as interaction quality, physical environment quality, and outcome quality'.

3.2.4 Customer Loyalty

Reference [8] identified customer loyalty as the willingness of a customer to continue consuming a specific product or service. In addition, [13] defined customer loyalty as a consumer's loyal attitude and behavior toward a specific service firm, despite competitors providing alternative services in the market. Based on the result of the research conducted by [3], airline ticket price and service quality had positive and significant effects toward the customers' purchase decision, further has impact to customer loyalty in the case of online airline service provider.

4. RESEARCH METHODOLOGY

4.1 Research Model

In this research, the independent variables are Price, Service Quality, and Promotion. These three factors are predicted to influence customer decision to purchase online airline ticket and also loyalty towards the online booking company. The independent variable, Price, as by definition of [9] is defined as the sum of all values that customers give up to gain the benefits of having or using a product or service. Price is measured by three dimensions namely Affordability, Price Suitability with Service Quality, and Price Competitiveness. The next independent variable, Service Quality, as by definition of [2] is defined as a focused evaluation that reflects the customer's perception of element of service such as interaction quality, physical environment quality, and outcome quality. In this context, Service Quality can be measured by three dimensions namely Customer Retention, Customer Advocacy, and Customer Repurchase Intention. The last independent variable, Promotion, as by definition of [4], is defined as any type of marketing communication used to inform or persuade target audiences of the relative merits of a product, service, brand or issue. In this context, Promotion can be measured by three dimensions namely Range of Promotion, Quantity of Promotion, and Quality of Promotion. All

measurements are using 5 Likert Response Scale, ranging from 5 which is strongly agree to 1 which is strongly disagree.

4.1.1 Sampling

This research focused on millenials between 18 to 35 years old since they were known to be more familiar with the internet usage and tended to travel more. The population targeted are customer who lived in South Jakarta. Survey questionnaire were distributed from September to December 2018 through online to around five hundreds respondents and managed to collect 180 valid response, The sampling method was non-probability sampling with the convenience sampling approach. The research model is depicted as follow:

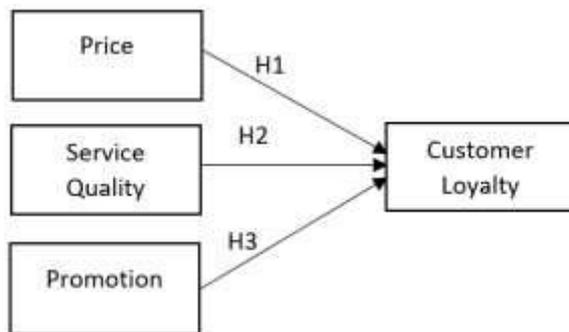


Fig 1: Research Model

From the model, this research developed several hypotheses as follows:

H1: Price has a significant impact toward customer loyalty in airline ticket online purchasing.

H2: Service quality has a significant impact toward customer loyalty in airline ticket online purchasing.

H3: Promotion has a significant impact toward customer loyalty in airline ticket online purchasing.

5. FINDINGS & RESULTS

The profile of the respondents can be reputed as follow. From 180 respondents, there are 54.9% respondents who are Male, followed by female with 45.1% of the total respondents. The greatest percentage for age category is 18 to 24 years old with 51%, followed by 25 to 29 years old with 39.2% and small number for 30 to 35 years old with 9.8%. Their last education are mostly Undergraduate Program with 80.4% followed by Graduate Program 19.6%. Most of the respondents expenses for transportation are in between 700,000 to 899,000 (23.5%), followed by expenses in between 900,000 to 1,099,000 (23.5%). And for

frequency of buying airline ticket through online, 86.3% buy the tickets between 0 to 3 times a month, followed by frequency between 4 to 6 times a month which is 9.8%. The reliability test revealed that variable Price has Cronbach's Alpha of 0.912, variable Promotion has Cronbach's Alpha of 0.790, and variable Service Quality has Cronbach's Alpha of 0.807. Meanwhile, the dependent variable, loyalty has Cronbach's Alpha value of 0.816. Therefore, all variables are reliable. The validity test revealed that each construct of variable Price has the value of 0.850, 0.765, 0.710, and 0.911. Each construct of variable Promotion has the value of 0.770, 0.742, and 0.644. And each construct of variable Service Quality has the value of 0.735, 0.710, and 0.780. Meanwhile, the dependent variable, loyalty, has the value of 0.850 and 0.850 for each construct. Therefore, all variables are valid.

Table 1. ANOVA Table of Hypotheses Testing

Model		Coefficients ^a		Standardize d Coefficients	t	Sig.
		Unstandardized Coefficients	Std. Error			
1	(Constant)	2.440	.485		5.032	.000
	Price	.142	.065	.305	2.204	.029
	Servqual	.130	.063	.219	2.076	.039
	Promotion	.147	.076	.219	1.935	.055

a. Dependent Variable: loyalty

SPSS analytics using multiple regression analysis is used to analyse the data and hypotheses testing. The multiple regression model equation is in following:

$$Y = 2.440 + 0.142X_1 + 0.130X_2 + 0.147X_3 + e$$

Table 1 above can be explained as follows:

- Constant value is 2.440, which means that if Price (X₁), Service Quality (X₂), and Promotion (X₃) value is 0, then Customers' Loyalty (Y) value is 2.440.
- The regression coefficient of Price (X₁) is 0.142, which means if Price (X₁) increased a unit, then Customers' Loyalty (Y) will turn into 0.142, assuming the value of the other independent variables remained unchanged.
- The regression coefficient of Service Quality (X₂) is 0.130, which means if Service Quality (X₂) increased a unit, then Customers' Loyalty (Y) will turn into 0.130, assuming the value of the other independent variables remained unchanged.
- The regression coefficient of Promotion

(X3) is 0.147, which means if Promotion (X3) increased a unit, then Customers' Loyalty (Y) will turn into 0.147, assuming the value of the other independent variables remained unchanged.

- e. The significant value of Price (X1) is $(0.029 < 0.05)$. Thus, H1 is accepted.
- f. The significant value of Service Quality (X2) is $(0.039 < 0.05)$. Thus, H2 is accepted.
- g. The significant value of Promotion (X3) is $(0.055 > 0.05)$. Thus, H3 is rejected.

Hypothesis testing are shown in the results of the table below.

Table 2. Hypotheses Testing Result

Hypothesis	Statement	t-value	Sig	Conclusion
H1	Price has an impact to customer loyalty in airline ticket online purchasing.	2.204	0.029	Data is supporting H1
H2	Service quality has an impact to customer loyalty in airline ticket online purchasing.	1.951	0.039	Data is supporting H2
H3	Promotion has an impact to customer loyalty in airline ticket online purchasing.	1.076	0.053	Data is not supporting H3

The hypotheses testing results found that Price (H1) and Service Quality (H2) have positive and significant impact toward the Customers' Loyalty on online airline ticket purchasing decision. Meanwhile, Promotion (H3) on the other hand had no significant impact toward the Customers' Loyalty on online airline ticket purchasing decision. Price is revealed to have stronger impact compared to Service Quality, meanwhile Promotion had the least impact on Customers' Loyalty in online airline purchasing decision.

6. CONCLUSION

This research reveals interesting findings. First, price is found to have positive significant impacts toward customers' loyalty on online airline ticket purchasing decision. Second, service quality is also found to have positive significant impacts toward the customer loyalty. On the other hand, promotion, which for most company is the most essential, have no significant impacts toward customers' loyalty instead. It was also found that the three variable used in this research contributed 48.8% in explaining the impact of the independent variables toward the customers' loyalty in their online airline ticket purchasing decision, while the remaining 51.2% was affected by another factors that were not

included in the scope of this research.

As a conclusion, it was noted from the questionnaire that the greatest percentage of 47% came from respondents whose transportation expense ranges from Rp. 700,000 to Rp. 1,099,000. Based on the result, it was assumed that when the flight ticket are low, customers would love to travel more frequently. Therefore, Traveloka will need to maintain the low price consistently in order to maintain the customers' loyalty in purchasing online airline ticket while also attracting new customers. Furthermore, the findings revealed that the majority who used online airline booking company were between 18 to 24 years old (51% of respondents), which is due to the fact that those were mostly known as the group of people who are technology savvy and have the tendency to use quick and easy to understand services that also provide high security. Therefore, it is necessary for Traveloka to maintain their service quality in order to increase the customers' loyalty in this particular segment of customer in buying the online airline ticket through their website. Meanwhile, since promotion has no significant impact toward the the customers' loyalty on online airline ticket purchasing decision, it might be better for Traveloka to lower their promotion expense by converting the mostly spent budget on television advertisement to promote through social media platforms instead. This is due to the fact that millennials spend most of their time surfing through several social media platforms rather than watching television program, and are likely to make a flight ticket purchase online rather than going to conventional travel agent.

6.1 Managerial Implication

Managerial implication based on the founding of this research are as follow:

6.1.1 Price

Price is shown to have positive significant impact toward customers' loyalty in purchasing online airline ticket, Traveloka should maintain their low prices strategy to the customers because the competition in the travel industry is pretty tight and Traveloka would need to face lots of competitors when it came to low prices since most of the other competitors came with the same strategy as well. Since the majority of the customer came from millennials' group, Traveloka need to come up with a new innovation regarding their low prices offer,

such as how the company could provide a low budget flight ticket and hotel booking as a travel package for the millennials who will indeed look for the cheapest price yet good quality to conclude their decision, based on the characteristic of the demographic where most of the millennials were still student or working at public sector business.

6.1.2 Service Quality

Service quality is shown to have positive significant impact toward customers' loyalty in purchasing online airline ticket, it is necessary for Traveloka to focus on giving their best in maintaining their service quality to enable the customers to feel more convenient and secure, as those two factors were believed to be the most affecting factors in maintaining the customers' loyalty to purchase their airline ticket at Traveloka. In order to keep the millennials group's loyalty, Traveloka need to upgrade their website layout to be more user-friendly, while adding some smart and helpful features to be added as extras for people who need more information regarding travelling to places they have never been before, such as the information of must-to-go places and cultural sites, traditional food, and many other interesting events.

6.1.3 Promotion

Promotion is shown to have no significant impact toward customers' loyalty in purchasing online airline ticket, it is not necessary for Traveloka to spend most of their budget on promotion activities. However, Traveloka could still do frequent advertisements simply to increase their brand awareness to wide area of possible new customers. To reduce the promotion cost, it might be better for Traveloka to focus their promotion on the website and online media social platform, since nowadays millennials spend more time surfing the internet through their private social media platform rather than watching television program.

In conclusion, the results of this research showed that by improving Price and Service Quality factors in their business, Traveloka will be able to obtain customers' satisfaction that might lead to customers' loyalty in purchasing their online airline ticket through Traveloka.

7. FUTURE RESEARCH

Observation and sample from other region city or country could tap in similar consumer segment would provide a more robust insight for further

study. Other factors to explore and to study such as the government policy over the practice of online and e-commerce industry as well as the readiness and market adoption to technology are likely to give more knowledge and contribute to practice.

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