

## Improving Customer Loyalty Lion Air's Influenced By Customer Experience and Airline Reputation

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### Abstract

*The aviation service industry in Indonesia has the lowest level of loyalty compared to other industries. This condition is suspected to be related to problems related to customer experience, as well as reviewing the reputation of the airline, loyal customers of national airlines in Indonesia; and the influence of airline reputation, on customer experience and on customer loyal customer. This study uses a quantitative approach. The unit of analysis is a national airline company that has issued a customer relationship management program consisting of 3 airlines, namely Lion Air. The unit of observation is more than one airline passenger. The time horizon in this study is cross sectional. Primary data collection was done by questionnaire to 300 respondents with purposive sampling technique. The verification analysis was carried out using the Structural Equation Modeling (SEM) model. The findings show that the airline's reputation is not high, price attractiveness is perceived as attractive, and customer loyal customer is not high. Airline reputation does not have a positive influence, while customer relationship management and price attractiveness have a positive influence on the loyal customer of airline customers. Customer experience has a positive influence on the loyal customer of airline customers in Indonesia.*

### Keywords

customer experience;  
airline reputation; loyal  
customers



## I. Introduction

One of the fastest growing modes of transportation in Indonesia is air transportation. The development of air transportation is one of the indicators of the progress of a nation. Moreover, for Indonesia as an archipelagic country, air transportation plays an important role in increasing economic, social, cultural, political, and defense mobility. The air transportation business in Indonesia is very developed. In the last decade, Indonesia has more than 20 airline operators serving flight routes, both domestic and overseas. This shows that commercial air transportation services are currently developing and are at a fairly high level of competition. The Indonesian people have also made air transportation an option, because apart from saving time, the price of air transportation services is currently quite affordable. The high level of demand for air transportation services has caused the development of the air transportation business to develop rapidly. The market share of transportation that is experiencing rapid and rapid growth in Indonesia is air transportation. This will have an impact on increasing the number of aircraft passengers in almost all airports. This increase in air transportation market share shows that the aviation industry in Indonesia plays an important role in economic activities in Indonesia.

Based on the data obtained regarding the indications of loyalty, it can be revealed about the level of customer loyalty of airline services compared to other industries as illustrated below:



Sumber: Dari berbagai sumber yang diolah ; Marketing Research, Inaca 2021

**Figure 1.** Indeks Perilaku Loyal Pelanggan di Indonesia

The loyalty customer index above shows that the average customer loyalty in all industries in Indonesia reaches 71.61%. The highest customer loyalty customer is shown by customers in the lubricant industry sector. Meanwhile, the level of loyalty to the aviation service industry is the lowest when compared to other industries in Indonesia.

In accordance with the concept of loyalty according to Griffin (2002) which states that loyal customers show buying customer that does not move from time to time, and loyalty indicators are repeat purchases, purchases outside the product line, invite others, and immunity, then the data above, shows that airline service customers are classified as the most disloyal customer. Whereas this level of loyalty will actually have implications for increasing profitability, because loyal customers tend to always use these services repeatedly. Therefore, by having loyal customers, companies can gain better margins.

The low level of customer loyalty to air transportation service modes in Indonesia is related to the tight competition between domestic air transportation service providers. Only airlines that are able to create unique service and cost leadership will be able to survive. From the current conditions, it seems that customers are still very difficult to determine which airline is superior to other airlines.

The condition of loyal customer of national airline customers is suspected to be related to problems related to customer experience, and airline reputation, as described below:

Companies can build customer loyalty if they are able to provide a superior customer experience. This is supported by the results of research by Wereda and Grzybowska (2016) in a study of the relationship between customer experience and customer loyalty, it was found that customers who had positive experiences were more likely to come back for another purchase, were more likely to recommend the business to friends, and were less likely to switch to competitors. According to Masingaidze (2016), the literature states that emotional experience contributes greatly to customer loyalty to a company's brand. Khraim (2013) found a significant influence of airline image and service quality on airline customer customer intentions.

In addition, there are problems related to the airline's reputation. Meanwhile, the results of previous studies illustrate that the company's reputation is related to customer experience and customer loyal behavior. The results of research by Abd-El-Salam, Shawky, El-Nahas (2013) describe the relationship between image and company reputation with service quality, customer satisfaction, and customer loyalty. In addition, Ariffin, Nameghi, Khakizadeh (2013) found that the company's managerial image has a strong positive relationship with passenger expectations of the airline. Fombrun (2001) reveals several main elements that must be the center of attention in developing a company's

reputation, namely: credibility, reliability, trust, and responsibility. However, an overview of the current phenomenon is obtained, which indicates that the airline service company has not been able to create a service that has high credibility. In addition, the level of customer trust in services also tends to be low. The phenomenon shows the low credibility of airline companies in Indonesia, among others, based on data from the National Transportation Safety Committee. there have been several accidents.

The occurrence of airplane accidents is influenced by many factors such as: the quality of human resources, the quality of the aircraft, the weather, and other supporting facilities such as the feasibility of the airport. Although the government has an important role in supervising the business practices of operators, it seems that the government is having difficulties in supervising the increasing number of flight operators in Indonesia.

Another phenomenon is related to the weak credibility in terms of aspects of physical evidence. In general, airlines in Indonesia are second-hand buyers or buy used aircraft. This is in accordance with the policy implemented in Indonesia regarding the age limit of a commercial aircraft a maximum of 35 years with an aircraft flight time (cycle) of no more than

70,000 hours. The age of the aircraft with the maximum limit needs to be balanced with regular and standard maintenance, if you want to avoid the possibility of frequent aircraft accidents.

The phenomenon of low reliability of airline services is indicated by the frequency of delays which are still relatively common.

## **II. Review of Literature**

### **2.1 Customer Experience**

The definition of customer experience in the retail context according to Verhoef et al (2009) is a multi-dimensional construct. According to him, customer experience is holistic and involves cognitive responses, affective responses, emotional responses, social responses, and physical responses of customers to retailers. First, according to Schmitt, Brakus, and Zarantonello (2015), every service exchange leads to a customer experience, regardless of size and shape as part of psychology. Customer experience is holistic, combining the customer's cognitive, emotional, initial, social and spiritual responses to all interactions with the company (Bolton, Gustafsson, McColl-Kennedy, Sirianni, & Tse, 2014). which is supported by the results of in-depth interviews with representatives of the flight management, the concept of customer experience in this study is compiled into a construct, namely the overall service image, personal trust, and additional services perceived by customers.

### **2.2 Airline Reputation**

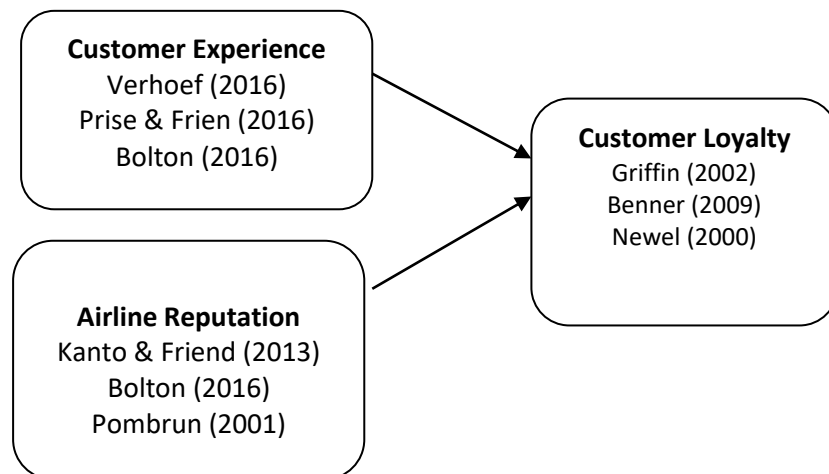
Otubanjo and Chen (2011) take the concept of corporate reputation from Graffin and Ward (2010) as a collective statement of observers regarding the quality or ability of focal actors in a particular domain that is built over time. The definition of reputation according to Argenti and Druckemiller (2004) is a collective representation of the company's image according to the assessment of several constituents, in terms of corporate identity programs and company performance, which are built over time, and how the company's behavior is perceived by constituents. On the other hand, from the results of his research, Walker (2010) argues that a good reputation can provide strategic advantages such as lowering company costs, enabling companies to provide premium prices, attracting applicants, investors, customers, increasing profitability, and creating competitive barriers. Karami, Solwithoutnah, Rahmani (2013) argue

that a strong reputation introduces positive consequences for business management. A favorable organizational reputation is a strategic resource that provides a company with a significant competitive advantage. According to this opinion, it can be concluded that a company's high reputation can bring the company to be competitive against its competitors.

### 2.3 Customer Loyalty

Kuusik (2007) states that there are many approaches to the concept of customer loyalty. The concept of customer loyalty has been dominated since 1970, which revealed that loyalty is a function to create purchases, then loyalty is a function of repeat purchases or the pattern of repeat purchases. Some marketing experts define customer loyalty. According to Griffin (2002) that the concept of customer loyalty is more directed at behavior than at attitude. Loyal customers will show buying behavior which is defined as non-random purchases made from time to time by several decision-making units, loyal consumers are an invaluable asset for the company, because it has characteristics including: Make repeat purchases regularly, outside the product/service line, Invite others, Have immunity, or show immunity from the pull of competition, in the sense that they are not easily influenced by the competitive pull of other similar products.

### 2.4 Framework and Hypothesis



*Figure 2. Conceptual Framework*

#### Information :

- $X_1$  : Customer Experience
- $X_2$  : Airline Reputation
- $Y$  : Customer Loyalty
- $\varepsilon$  : Other factors that affect performance that are not examined

#### Hypothesis :

- H1** : Customer Experience positive effect on customer loyalty
- H2** : Airline Reputation has a positive effect on Customer Loyalty

### III. Research Method

Given the problems studied, this study uses a quantitative approach. Quantitative research is defined as a systematic investigation of phenomena by collecting quantitative data and processing them with statistical techniques. Quantitative research collects information using a sampling method (survey). The results are described in a numerical form that can be used to predict. In this study, descriptive is used to obtain an overview of the airline's reputation, customer experience management, Airline Reputation and customer loyal behavior. The study was conducted to explain the relationship and influence between variables, customer experience, Airline Reputation and customer loyalty. Hypothesis testing using SEM and distribution of 300 samples to Lion Air's airline customers

### IV. Results and Discussion

#### Hipotesis 1 : The Influence of Customer Experience on Loyal Customers on Lion Air's Airlines

The following are the results of hypothesis testing regarding the effect of customer experience on the loyal behavior of Lion Air's customers. Indonesian Airlines.

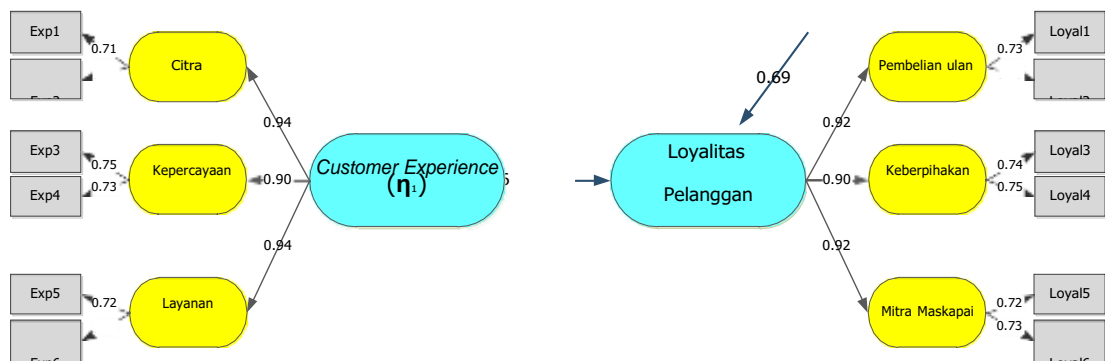


Figure 3. Customer Experience Path Diagram towards Customer Loyalty

Based on the picture above, the following structural equations are obtained:

$$\eta_2 = 0.56*\eta_1 + \zeta_3, \quad R^2 = 0.31$$

Table 2. Customer Experience Partial Test Results for Loyal Customers

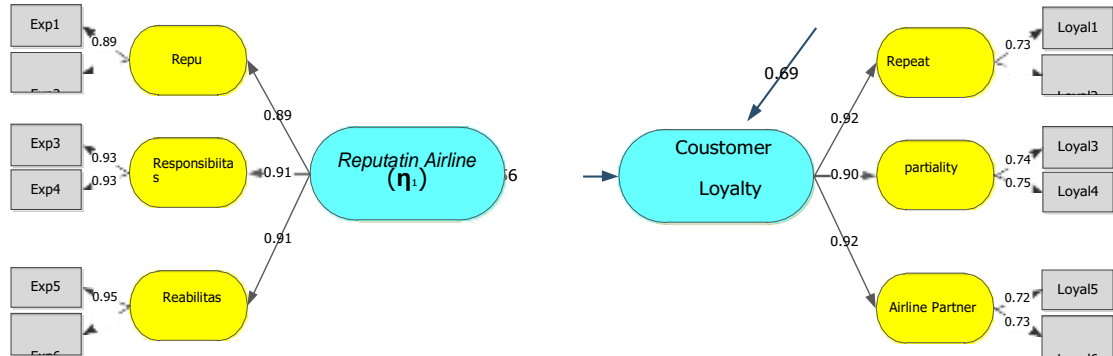
Hypothesis	Koef.Estimate	S.E.	t count	R <sup>2</sup>
Customer Experience → Loyalitas Pelanggan	0.56	0.13	4.17*	0.31

Source: LISREL Calculation Results, 2020 \*significant at =0.05 (t table =1.96)

In Table 2. above, it can be seen that partially there is a significant influence of Customer Experience on Customer Loyal Behavior (R<sup>2</sup> = 0.31). Customer experience is related to customer loyalty, because the experience of a brand involves the subjective experience and behavior of a consumer (Brakus et al., 2009). The experience is created by the image, trust and additional services provided by the airline. The experience that customers have can be positive, so they

will be happy to repurchase the service.

## Hipotesis 2 : The Influence of Airline Reputation on Loyal Customers on Lion Air's Airlines



**Figure 4.** Airline Reputation Path Diagram

Furthermore, customer experience has a dominant influence compared to other variables on customer loyal behavior by 31%. The results of this quantitative study indicate that the increase in customer loyalty is dominantly built by the creation of customer experience. Customer experience is followed by an increase in the airline's reputation.

## V. Conclusion

1. Customer experience has a positive influence on the loyal behavior of LCC airline customers in Indonesia. The aspect of customer experience that has the greatest influence is the image of the service and additional services, and is supported by personal trust. The image of the airline in terms of the quality of the company's products and the service coverage of the company's services is the aspect that contributes the most to increasing customer loyal behavior.
2. Airline reputation is a form of evaluation of airline company services, because the experience of each customer is certainly not the same and has various positive and negative impressions. Customers can determine the type of flight they want by choosing a full service carrier or a low cost carrier. Airline reputation does not have a positive influence on customer loyal behavior

## Suggestion

1. Customer experience is a form of evaluation of airline company services, because the experience of each customer is certainly not the same and has various positive and negative impressions. Customers can determine the type of flight they want by choosing a full service carrier or a low cost carrier.
2. Based on the results of research showing that customer experience has a dominant influence in increasing customer loyal behavior, it is recommended that LCC airline companies in Indonesia are able to improve: Service image in terms of company product quality and service coverage to passengers. Additional services in terms of providing a surprise experience and perfect solution to passengers. Personal confidence in the company's image as a large company and the purchase of a new, more adequate aircraft. a. Airline Responsibilities: namely through increasing the speed of service in responding to passengers during delays, speed in responding to check-in services when



there is a buildup of prospective passengers, the speed of aircraft crews in responding when bad weather occurs; reminding to use the safety belt, not to be in the toilet, and increasing the speed of the flight crew in responding when passengers need assistance in the aircraft cabin.

3. Airline Service Reliability: by increasing the timeliness of the departure schedule, the reliability of the crew's service during the boarding process, the friendliness of the crew when offering food and drinks to passengers in the cabin, the convenience of the check-in process, and the ease of ticket booking services.
4. Company Credibility: by developing the completeness of the services offered, increasing trust in the services provided, as well as confidence in the quality of services provided by the airline.

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