

THE IMPROVEMENT OF SERVICE QUALITY TOWARD SALES OF TICKETS AND MEMBERSHIP OF GARUDA INDONESIA AIRLINE FOR ENHANCING ASEAN ECONOMIC COMMUNITY

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ABSTRAK

In the new competition era of Asean Economics Community (ASEAN), transportation has become one of the most important services for supporting people's daily activities. Therefore, Garuda Indonesia as one of airline in Indonesia should be focus on service quality. In order to maximize the service performance, Garuda gives full of service by providing facilities such as lobby lounge and member cards (GarudaMiles). The aim of this research is to analyze the influence of service quality toward sales of ticket and membership of Garuda Indonesia. The analysis method that used in this research is Time Series Regression. Tangible, reliability, responsiveness, assurance and empathy are the independent variables of this research. While, dependent variables of this research are sales of ticket and membership. The population of this research is airplane in Indonesia and the sample of this research is Garuda Indonesia Airline. The result of this research shows that based on F test, all independent variables (tangible, reliability, responsiveness, assurance and empathy) have simultaneous influence on sales of ticket and all independent variables (tangible, reliability, responsiveness, assurance and empathy) also have simultaneous influence on membership. While, based on T test not all independent variables in this research influence sales of ticket of Garuda Indonesia partially. The independent variable that influences sales of ticket partially is tangible and independent variables that partially influence membership are tangible, responsiveness and empathy.

Keywords: Membership, sales of ticket, service quality.

INTRODUCTION

Globalization encourages business to be more competitive. A competitive situation pushes business managers to better design a strategy in order to survive in the competition. A company should be able to address customer's needs and desires to get the attention to make an innovation in order to satisfy the customer, for example, through providing good products.

The situation also applies in transportation sector. Transportation has become one of the most important services for supporting people's daily activities. There are many kinds of transportation that is available, namely, land transportation, marine transportation, and even air transportation. We have buses, taxis, trains and motorcycles for land transportation, ships for marine transportations and airplane for air transportation.

Airplane is often used to go around both domestic destination or go abroad. We often use airplane for traveling, business activities, vacation, or other reason, therefore airplane is play an



important role to supporting our activities. Nowadays airplane is not a luxury transportation anymore since there are many airlines offering tickets at the lower price so as to give an opportunity to all people from lower-class, middle-class and upper-class to use the airplane. Besides price, however, nowadays customer select the airplane based on the service that provided by airplane from pre-flight to post-flight service. Considered by that, many airlines both domestic airlines and foreign airlines in Indonesia trying to improve their services day by day in order to satisfy the customer.

The airline industry has evolved rapidly in recent decades. It was a luxurious form of travel early in the last century but has become one of the most common methods of travel today. Today, air travelers have more choice in the selection of their travel providers than was previously available. In a competitive market, the airlines must understand customer loyalty in order to keep their customers. Customer satisfaction is a major consideration as customers decide whether to stay loyal to their travel provider or defect (Reichheld, 2006). Customers select their travel providers based on how well the travel providers meet their service expectations (Parasuraman, et al., 1996). Consequently, in order to keep their customers, airlines must become increasingly sophisticated about understanding their customers' expectations in an effort to maintain the quality of service their passengers demand. To do so, airline management must understand the critical success factors of service quality. Service quality in business activities involves five dimensions namely tangibles include the physical facilities, equipment and personal appearance; reliability include the ability to perform the promised service dependably and accurately; responsiveness include willingness to help customers and provide service; assurance include knowledge and courtesy of employees and their ability to gain trust and confidence; and empathy include providing individualized attention to the customers. Zeithaml V., Leonard B., and Parasuraman A., (1988).

Therefore, PT. Garuda Indonesia as one of airline in Indonesia should be focus on service quality and customer satisfaction. Since, customer is one of important asset for the development of a company. Garuda Indonesia should be able to design a right strategy for their company in order to attract and retain the passenger to purchase the services. There an issue about cost competition among the airlines in Indonesia doesn't deterred Garuda Indonesia to stick to their identity as a full service carrier which is an airline that focuses on providing a wide range of pre-flight and



onboard services, including different service classes, and connecting flights, O'Connell and William, (2005).

Garuda Indonesia's improved performance in 2015 was also appreciated through various national and international achievements such as "The World Best Cabin Crew" and "Top Ten Airlines of 2015" from Skytrax. The various achievements also helped strengthen Garuda Indonesia's foundation in competing at an international level, particularly in the midst of fast-changing global economic conditions, an increasingly competitive industry environment, and shorter business cycle. (Garuda Indonesia Annual Report 2015).

Many company includes Garuda Indonesia has their goals which is get more profit. In the airlines, profit could be increase if sales of tickets increase as well. Garuda Indonesia could be get more profit if there many people decided to flight with them. In order to maximize the service performance, Garuda gives full of service by providing facilities such as lobby lounge and member cards (GarudaMiles), (Emirsyah Sattar, 2006).

GarudaMiles is a customer loyalty program in the form of a membership card of Garuda Indonesia, which is intended as a form of appreciation to loyal passengers. GarudaMiles is a refinement of Garuda Frequent Flyer (GFF) program which is existed previously, the program is designed to improve the quality of service by providing added value that is different from other airlines. One form of added value presented by Garuda Indonesia with GarudaMiles is the advantage and exclusive privilege for passengers, such as special check-in counters in airports, extra baggage quota, baggage handling priority, waiting-list priority for ticket reservation, and access to airport lounge of Garuda Indonesia, and great deals from Garuda Indonesia's partners worldwide. By the end of 2015, total members of GarudaMiles amounted to 1.55 million people or an increase of 38.00%. This membership card program is also one of strategy to get more profit. Since, if there are many people have GarudaMiles and get the advantages, sooner or later they will become Garuda's loyal customer which will in turn to the profitability.

Regarding the problems which have been formulated the objectives of this research are:

1. To find out if service quality influence sales of ticket of Garuda Indonesia Airline
2. To find out if service quality influence passenger membership of Garuda Indonesia Airline

Service Concept



Service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interaction between customer and service employees and physical resources or goods or systems of the service provider, which are provided as solutions to customer problems. Gronroos, C. (2006)

Quality Concept

Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. We can say that the seller has delivered quality whenever the seller's product or service meets or exceeds the customer's expectation. (Kotler and Keller, 2006).

Service Quality

Traditionally, service quality has been conceptualized as the difference between customer expectations regarding a service to be received and perceptions of the service being received (Grönroos, 2000). Parasuraman et al. (1988) said that service quality is about what consumer makes an opinion of an overall firm's brilliance or superiority. Parasuraman et al. (1988) identified five dimension of service quality (reliability, responsiveness, assurance, empathy, and tangibles) that link specific service characteristics to consumers' expectation,

- Tangibles. Physical facilities, equipment and appearance of personnel.
- Reliability. Ability to perform the promised service dependably and accurately.
- Responsiveness. Willingness to help customers and provide prompt service.
- Assurance (including competence, courtesy, credibility and security). Knowledge and courtesy of employees and their ability to inspire trust and confidence.
- Empathy (including access, communication, understanding the customer). Caring and individualized attention that the firm provides to its customers.

Airline Ticket Sales

Ticket is a travel document issued by a company that contains routes, dates, prices, passenger data is used for making a trip. According to Achamad Basah R (1999) ticket is a proof agreement on air transport services. According to Desky (2001) ticket can be divided into two types such as domestic ticket and international ticket. Domestic ticket is a ticket that someone used to a flight in domestic, while international ticket is a ticket that someone used to a flight



abroad. While according to Oka A. Yoeti (2001) ticket is a valuable form issued by an airline company.

Membership

Membership card is one of loyalty program that should be applied by companies, (Kotler, 2009). There are many kinds of membership name in businesses, namely, Frequent Flyer program, Guest Frequent Program, Club card, Customer club, etc. Although each company has the distinction of mention the names of the customer loyalty program, fundamentally benefits offered the same. It is based on several studies conducted including: Bolton, Kannan & Bramlet (2000) found that customers who become members of the program tends to have emotional bond are stronger than those who are non- members, less pay attention to the performance of the company's competitors, members of the program a little less sensitive to the losses caused by financial factors.

RESEARCH METHOD

Type of Research

The types of this research are quantitative research. Aliaga and Gunderson (2002), quantitative research is explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (unparticular statistic).

Population and Sample

The population of this research is airplanes data in Indonesia. The purposive sampling will be applied in this research regarding to obtain information according to criteria of sample, those are:

- The data that gathered should have been audited in recent 10 years.
- Full service carrier
- The airline should have frequent flyer program
- Five star airline

Operational Definition and Measurement of Research Variables

Independent Variables (X)

- X1: **Tangibles** include the appearance of and the suitability and cleanliness and safety of buildings, places and facilities. This indicator will be represented by the number of fleet and fleet age.



- X2: **Reliability** used to measure the consistency, accuracy and dependability of service. This indicator will be represented by the ratios of on time performance.
- X3: **Responsiveness** is used to measure the willingness of the employee to help the customer to solve the problem, ease to contact and their ability to provide services in a timely manner. This indicator will be represented by the customer feedback (complaint, compliment, suggest).
- X4: **Assurance** is used to measure employee of Garuda Indonesia about their competence, creditability, security and courtesy of service provide to customers. This indicator will be represented by the number of employee with education base.
- X5: **Empathy** is used to measure all staff members of Garuda Indonesia Airline in terms of caring, understanding and individualized attention services provided to the customers. This indicator will be represented by the customer satisfaction index.

Dependent Variables (Y)

- Y1: **Sales of Ticket** refers to the sales of ticket of Garuda Indonesia Airline. This variable will be represented by the number of passenger carried.
- Y2: **Membership** refers to frequent flyer program of Garuda Indonesia Airline. In Garuda Indonesia, the membership card is named GarudaMiles. This variable will be represented by the number of GarudaMiles members.

Data Analysis Method

Time Series Regression

If “time” is the unit of analysis we can still regress some dependent variable, Y, on one or more independent variables. Models used in a time series context can often be grouped into those sharing common features. The static model is:

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \varepsilon_t$$

Y1 = Sales of ticket

Y2 = Membership

β_0 = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = The regression coefficient of each variable

X_{1t} = Tangible (total fleet, fleet age)

X_{2t} = Reliability

X_{3t} = Responsiveness (complaint, compliment, suggestion)



X_{4t} = Assurance

X_{5t} = Empathy

E_t = error term

Classical Assumption Test

- Normality Test
- Multicollinearity
- Heteroscedasticity
- Autocorrelation

Hypothesis Testing

- Simultant Regression Test (F Test)
- Partial Test (T Test)

RESULT AND DISCUSSION

Classical Assumption Test

Normality

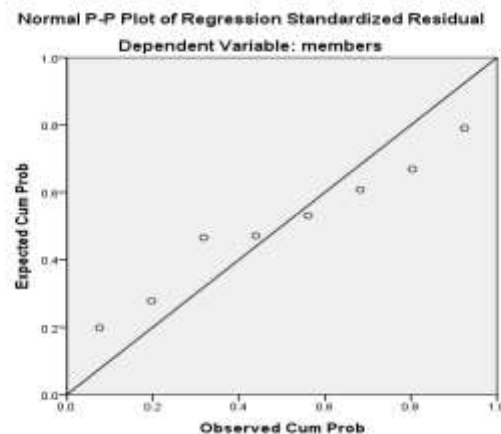


Figure 1. Normality Result

The distributions of residual points are around the normal line presented in the figure 1. It shows that the dots are spreading near the diagonal line and follow the direction of the diagonal line. It happens because the points residual come from data with normal distribution. Therefore it can be concluded that the data is distributed normally.

Multicollinearity



Table 1. Collinearity Statistics

Tolerance	VIF
.077	13.009
.371	2.696
.062	16.125
.045	22.076
.097	10.268

Source: Data Processed, 2016

Based on the table 1, there is no multicollinearity on the model regression.

Heteroscedasticity

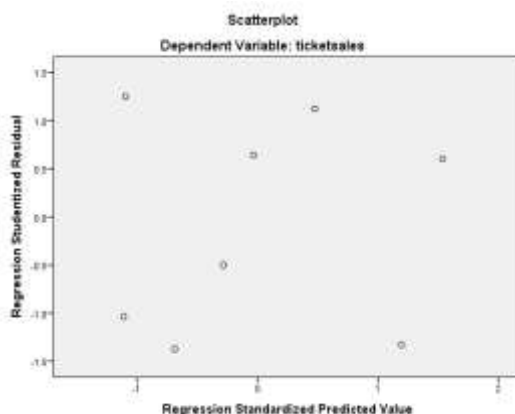


Figure 1. Heteroscedasticity Test

Figures 1 above shows that the patterns of the dots are not forming certain pattern or waves and the dots are spreading above and below the zero point of Y-axis. So, there is no heteroscedasticity in this regression model.

Autocorrelation

Table 2. Durbin Watson Result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999 ^a	.997	.990	42224.08542	2.647

a. Predictors: (Constant), custsatisf, ontime, totalfleet, complaint, employees

b. Dependent Variable: members

Source: Data Processed, 2016

The table 2 shows that the value of Durbin Watson count is more than value of Durbin Watson table, and the value of Durbin Watson table is less than 4 minus value of Durbin Watson table. Therefore, there is no autocorrelation in this regression model.

Simultant Regression Test (F Test)



Table 3. F Count

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	503293428543611.560	5	1006586857087 22.310	43.127	.023 ^b
Residual	4667991327534.285	2	2333995663767. 143		
Total	507961419871145.900	7			

Source: Data Processed, 2016

The table 3 shows that the degree of freedom 1 (df1) is 5 and the degree of freedom 2 (df2) is 2; with the level of significance is 0.05. F_{count} is 146.249 and F_{table} is 19.30. Therefore, F_{count} (146.249) > F_{table} (19.30). Since F_{count} is more than F_{table} , H_0 is rejected and H_a is accepted. So it can be concluded that tangible, reliability, responsiveness, assurance, and empathy simultaneously influence membership.

Table 4. T Count

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-118856992.281	82912823.613		-1.434	.288
totalfleet	115903.555	45165.663	.627	2.566	.124
ontime	442929.891	337395.746	.146	1.313	.320
complaint	85212.344	174923.419	.133	.487	.674
employees	1503.000	2393.380	.200	.628	.594
custsatisf	907513.462	904736.011	.218	1.003	.421

Source: Data Processed, 2016

Table 4, the partial influence for each independent variable will be explained as follows:

1. Tangible (X1) which was represented by total fleet toward Sales of Ticket (Y1)
Table 4.112 shows that the t_{count} for Tangible (X1) = 2.566 and since the level of significance is 5% (0.05) then the t_{table} is 2.131. The result is $t_{count} = 2.566 > t_{table} = 2.131$. Since the t_{count} is more than t_{table} then H_0 is rejected and H_2 is accepted. It means that variable tangible (X1) does significantly influence sales of ticket (Y1) partially.
2. Reliability (X2) which was represented by on time performance toward Sales of Ticket (Y1)
Table 4.112 shows that the t_{count} for Reliability (X2) = 1.313 and since the level of significance is 5% (0.05) then the t_{table} is 2.131. The result is $t_{count} = 1.313 < t_{table} = 2.131$. Since the t_{count} is less than t_{table} then H_0 is accepted and H_3 is rejected. It means that variable Reliability (X2) does not significantly influence sales of ticket (Y1) partially.
3. Responsiveness (X3) which was represented by complaint toward Sales of Ticket (Y1)



Table 4.112 shows that the t_{count} for Responsiveness (X3) = 0.487 and since the level of significance is 5% (0.05) then the t_{table} is 2.131. The result is $t_{\text{count}} = 0.487 < t_{\text{table}} = 2.131$. Since the t_{count} is less than t_{table} then H_0 is accepted and H_4 is rejected. It means that variable Responsiveness (X3) does not significantly influence Sales of Ticket (Y1) partially

4. Assurance (X4) which was represented by employees toward Sales of Ticket (Y1)

Table 4.112 shows that the t_{count} for Assurance (X4) = 0.628 and since the level of significance is 5% (0.05) then the t_{table} is 2.131. The result is $t_{\text{count}} = 0.628 < t_{\text{table}} = 2.131$. Since the t_{count} is less than t_{table} then H_0 is accepted and H_5 is rejected. It means that variable Assurance (X4) does not significantly influence Sales of Ticket (Y1) partially

5. Empathy (X5) which was represented by customer satisfaction toward Sales of Ticket (Y1)

Table 4.112 shows that the t_{count} for Empathy (X5) = 1.003 and since the level of significance is 5% (0.05) then the t_{table} is 2.131. The result is $t_{\text{count}} = 1.003 < t_{\text{table}} = 2.131$. Since the t_{count} is less than t_{table} then H_0 is accepted and H_6 is rejected. It means that variable Empathy (X5) does not significantly influence Sales of Ticket (Y1) partially.

The result shows that there is one independent variable (tangible) partially influence sales of ticket (Y1). While four others independent variables (reliability, responsiveness, assurance and empathy) does not partially influence sales of ticket (Y1). So, hypothesis 2 is accepted and hypothesis 3,4,5 and 6 are rejected.

Discussion

This research aims to find out the influence of five elements of service quality (tangible, reliability, responsiveness, assurance and empathy) toward sales of ticket and membership in airline industry (case study Garuda Indonesia Airline) by using time series regression analysis. Below are discussion and explanation from the result of this research. The sample of this research is data by Garuda Indonesia Airline that have been audited in recent 10 years.

In this research, tangible was represented by total fleet and fleet age of Garuda Indonesia Airline. Based on the result from time series analysis, total fleet was significantly influence Sales of Ticket with the significant value such as 0.016, 0.011, 0.003, 0.049, 0.025, 0.001, 0.003, 0.000, 0.024 and 0.009. Total fleet was also significantly influence Membership with the significant value such as 0.022, 0.028, 0.016, 0.017, 0.003, 0.001, 0.000, 0.006 and 0.008. Based on the time series analysis, fleet age does not significantly influence toward both of dependent variable.



Based on the result, the first independent variable of this research which is tangible has significant influence toward Sales of Ticket and Membership. It can be seen from T test that proves this variable has significant influence toward Sales of Ticket and Membership partially. This variable is the first influencing variable in this research that influences Sales of Ticket and Membership

Safety is one of the most important things in transportation, especially air transportation. Providing more fleet with younger fleet age every year is one of policy that applied by the company with the aim to provide a safety flight for the customer. Since there are many accidents in air transportation caused the age of the fleets are too old to be operated. Providing more fleet with younger fleet age every year means Garuda Indonesia have new cabin interior every year, which is that can be one of the way to attract the passenger to have more flight in the future.

In this research, reliability was represented by on time performance by Garuda Indonesia. Based on the result from time series regression, the influence of reliability toward Sales of Ticket with significant value 0.005 and reliability has significantly influence Membership with the significant value 0.004. Based on the result from T test, reliability does not significantly influence Sales of Ticket and Membership partially.

On time is crucial thing in daily activities. Everyone wants everything to be perfect so that they should disciplined their self with some things, one of them is on time. The performance of on time in airline industry is one of assessment by the passenger that can impact on their behavior in the future. Based on the data that used in this research, on time performance of Garuda Indonesia is quite good. It can be seen by the percentage per year where the average is 83.76%.

Responsiveness

In this research, responsiveness was represented by customer feedback that divided by three feedback, they are complaint, compliment and suggestion. Based on the result from time series analysis, this variable does not significantly influence Sales of Ticket and Membership. Based on the result from T test, responsiveness has significant influence toward Membership partially, but this variable does not significant influence toward Sales of Ticket.

Responsiveness is used to measure the willingness of the employees to help the customer to solve the problem. That's why in this research variable responsiveness was represented by customer feedback. The responsive attitude of the employees of Garuda Indonesia can be seen by the performance of employees in solving the problem and giving response toward the feedback



that given by the customer such as complaint, compliment and suggestion. Based on the data that used in this research, the complaint from the passenger toward Garuda Indonesia in 2006 is 67.80%, compliment is 16.10% and suggestion 16.10%. While in the last year of the data which is 2015, the complaint is become 15.00%, compliment is 68.00% and suggestion is 17.00%. It can be seen that the performance of employees in giving response and solving the problem is quite good since the compliment that given by the passenger is increased

In this research, assurance was represented by number of employees of Garuda Indonesia Airline. Based on the result from time series analysis, assurance was significantly influence Sales of Ticket with the significant value such as 0.023, 0.072, 0.021, 0.043, 0.003, 0.002, 0.001, 0.000, and 0.014. This variable also was significantly influence Membership with the significant value such as 0.035, 0.020, 0.043, 0.042 and 0.001. Based on the result from T test, assurance does not significantly influence Sales of Ticket and Membership partially.

Assurance is used to measure employee of Garuda Indonesia about their competence, credibility, security and courtesy of service provide to customer. Employees are the key of the successfulness of the company since employees are the human resources that handle almost all aspect in the company. Both employees that working in the sales office or in the aircraft as cabin crew, they have their own responsible in order to give the best performance in serving the passenger. From booking the ticket, serving in flight board, until the passengers are safety arrived in destination. So, employees are important stakeholder in a company.

In this research, empathy was represented by customer satisfaction index of Garuda Indonesia Airline. Based on the result from time series analysis, empathy does not significant influence Sales of Ticket and Membership. Based on the result from T test, empathy has significant influence toward Membership partially, but this variable does not significant influence toward Sales of Ticket.

Empathy is used to measure employees of Garuda Indonesia in term of caring, understanding and individualized attention services provided to the customers. Based on the data that used in this research, customer satisfaction index has average percentage about 83% and this is quite good. It can be say that if the customer satisfaction increase year by year, the sales of ticket and membership could be increase as well.

Sales of Ticket is the first dependent variable in this research. Sales of ticket was represented by number of passenger carried. Based on the result from F test, all independent variables (tangible,



reliability, responsiveness, assurance and empathy) simultaneously influence membership. There is only one independent variable that partially influence sales of ticket, that it tangible.

Membership is the second dependent variable of this research. Membership was represented by the number of GarudaMiles of Garuda Indonesia. GarudaMiles is frequent flyer program that owned by Garuda Indonesia Airline. Based on the result from F test, all independent variables (tangible, reliability, responsiveness, assurance and empathy) simultaneously influence membership. Unfortunately, there are not all the independent variable partially influence membership. The independent variables that partially influence membership are tangible, responsiveness, empathy.

CONCLUSION AND RECOMMENDATION

Conclusions of this research are:

1. Based on F test, all independent variables (tangible, reliability, responsiveness, assurance and empathy) have simultaneous influence on sales of ticket of Garuda Indonesia airline because all independent variables have significant value less than 5% (< 0.05) and F_{count} is larger than F_{table} ($43.127 > 19.30$).
2. Based on F test, all independent variables (tangible, reliability, responsiveness, assurance and empathy) have simultaneous influence on membership of Garuda Indonesia airline because all independent variables have significant value less than 5% (< 0.05) and F_{count} is larger than F_{table} ($146.249 > 19.30$).
3. Based on T test, not all independent variables in this research influence sales of ticket of Garuda Indonesia partially. The independent variable that partially influence sales of ticket is tangible which have significant value less than 5% (< 0.05) and the T_{count} of independent variable is larger than T_{table} ($X1: 2.566 > 2.131$), While four other independent variable has T_{count} that less than T_{table} ($X2: 1.313 < 2.131$), ($X3: 2.131 > 2.131$), ($X4: 0.628 < 2.131$), ($X5: 1.003 > 2.131$).
4. Based on T test, not all independent variables in this research influence membership of Garuda Indonesia partially. The independent variables that partially influence membership are tangible, responsiveness, empathy, and three of them have significant value less than 5% (< 0.05) and the T_{count} of each independent variable is larger than T_{table} ($X1: 8.906 > 2.131$), ($X3: 2.495 > 2.131$), ($X5: 3.964 > 2.131$). While two other



independent variable has T_{count} that less than T_{table} ($X_2: 1.909 < 2.131$), ($X_4: -2.067 < 2.131$).

5. Based on time series regression result, not all independent variable in this research has significant influence on membership and sales of ticket. Independent variable that has significant value less than 5% (<0.05) influence on membership are tangible, reliability and assurance. Independent variable that has significant value less than 5% (<0.05) influence on sales of ticket are tangible, reliability and assurance.

Based on the conclusions the researcher recommends that:

1. Since Garuda Indonesia Airline already has a good on time performance , the researcher suggests that Garuda Indonesia should maintain the on time performance so that the passenger will give their trust to flight with Garuda Indonesia Airline
2. Garuda Indonesia Airline's employees should maintain and improve the performance in serving the passenger, so that the passenger will feel comfort when they have a flight with Garuda Indonesia Airline and it will impact on the passenger's satisfaction which is will impact also on the further behavior of passenger like re-purchasing the ticket or join with the membership program.

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