

Loyalty Program Strategy of Garuda Indonesia Flight Service

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Abstract: More tight competition of flight industries in taking market recently is a challenge for every flight industries to conduct loyalty program which gives service and comfort priority to customers. This research aims to study the effect of loyalty program to the customer loyalty through customer satisfaction at Garuda Indonesia flight service. This research was explanatory research by using primary data which collected directly from Garuda Indonesia customers who have member card of Garuda Miles. Population in this research was all Garuda Indonesia customers who have member card of Garuda Miles and stayed in Malang city. By using path analysis method as data analysis instrument, it was found that loyalty program with member card of Garuda Miles had direct, positive and significant impact to the customer satisfaction; however, it was negative and insignificant affected to the improvement of customer loyalty. The same thing for customer satisfaction, it had negative and insignificant effect to the customer loyalty. Further research can be conducted through in-depth study about customer loyalty indicator, thus it will be obtained more complete information in order to design more accurate loyalty program.

Key words: Loyalty program, customer loyalty, customer satisfaction, Garuda, Indonesia

INTRODUCTION

Recently, technology and information flow factor hold very vital role in developing a business (Baden and Haeffliger, 2013). It is also occurred towards flight business in Indonesia, if they don't follow the change of information flow and then there will be no beautiful story about flight word in Indonesia. The developed flow information today heavily related to the technology role. One of technology that really brings revolution of information in people community (Rao, 1999) is internet technology and truly regarded as the third wave of revolution after agricultural and industrial revolution. The spearhead for business today is e-Commerce (Gunasekaran *et al.*, 2002).

Competition in the business of air transportation service has rapid development from year to year, especially in Indonesia. To many industries shifted to the internet to market its service (Leefflang *et al.*, 2014) including flight industry. Other survey that conducted by IATA even stated that 88% travelers prefer to use e-ticket for their trip due to advantages of this e-ticket and today e-ticket has been implemented by Garuda Indonesia, Sriwijaya air, Citilink, Lion air, Batik air, KalStar aviation and Wings Air Flight Company.

Service standard for all flight companies in Indonesia according law of minister of communication and information technology of the Republic of Indonesia number PM 38 year 2015 is reference for air transportation companies in giving service for air transportation

customer which started from entering airport gate to leaving the destination airport gate. It stimulates the companies to compete in giving the best service and facility (Bettencourt and Brown, 2013). A flight company must have accurate strategy to maintain or even look for new customers (Kujala *et al.*, 2013).

In Malang city, there are many flight companies which serve customers who want to go on a trip using flight service such as Garuda Indonesia and many other flight companies based on Low Cost Carrier (LCC) like Sriwijaya air, Citilink and wings air. Policy of Minister of Communication and Information Technology of the Republic of Indonesia through circular letter number SE 5 year 2015 HK.2091/I/16PHB.2014 about implementation of public service improvement to the whole airports in Indonesia which contained ticket selling removing or closing in the airports, thus, the passengers must own the ticket before they arrive in the airport and ticket selling counter is functioned only for customer service counter. It needs to be followed up by Garuda Indonesia management due to its relation with customer satisfaction.

By fulfillment of customer satisfaction then customer loyalty (Zakaria *et al.*, 2014) will be created as with company's goal and important performance for the business. One effort to maintain the customers is by loyalty program. As the statement of Kotler and Keller (2009), there are four types of important marketing activity that used by companies to improve loyalty and retention one of them is two customer loyalty programs that can be

offered by companies, frequency program and club marketing program. Flight companies have to think about company strategies in fulfilling customer satisfaction and building customer loyalty one of them is making loyalty program. It was encourage the researcher to study about loyalty program effect to the customer loyalty through customer satisfaction at Garuda Indonesia flight service in Malang city.

MATERIALS AND METHODS

Research approach: This research was a research type of quantitative approach by using path analysis method (Ganter and Hecker, 2014) in which one dependent variable affected by one or more independent variables and between independent variables have relationship. This method used to analyze relationship pattern among variables, they were loyalty program variable as independent variable, customer loyalty as dependent variable and customer satisfaction as moderation variable.

Data and sample: Data was collected integratively and directly to the Garuda Indonesia customers who have member card of Garuda Miles by spreading questionnaire as the instrument. In this research, determination of population number used proportional random sampling technique to obtain the number of member that owns stratified member.

Data analysis: The obtained data from questionnaire spreading would be processed by using software of statistical package for social science versi 17. In order to result valid data processing, it was conducted by test using two sides test with significance level 0.05 and reliable test with Cronbach’s alpha value >0.60.

RESULT AND DISCUSSION

Based on the result of validity test, it could be stated that all statement items t to assess each research variables considered as valid with correlation value (r) over (>) 0.3. And also for the result of reability test from each research variables could be stated as reliable with cronbach alpha value 0.783>0.60. it showed that the used research instrument had fulfilled the requirements to conduct further analysis.

Respondent profile: Respondent profile based on gender, age, education and job as what showed in Table 1 could be explained that seen from customer’s age who uses loyalty program of Garuda Indonesia flight service, mostly (50%) were in the age of 27-33 year old, followed by

Table 1: Responndentprofile based on gender, age education and job

Variables	Percentage
Age (years)	
20-26	19.1
27-33	50.0
34-40	10.3
41-47	7.4
48-54	5.9
55-61	2.9
>61	4.4
Gender	
Male	69.1
Female	30.9
Education	
High school	7.4
Diploma	7.4
Bachelor	66.2
Postraduate	19.2
Job description	
Civil servant	25.2
Lecturer	16.2
Teacher	4.4
Government employees SOEs	30.9
Private	8.8
College student	4.4
Entrepreneur	10.3

customers in the age of 20-26 and 34-40 year old. Based on gender, majority male was more frequent in conducting trip (69.1) using air flight service than female (30.9). From customer’s education aspect, it showed that customers with college degree were the highest percentage for 66.2% in which this type of respondent has Undergraduate level as latest education and the lowest for 7.4% was respondents with senior high school or Diploma 3 level as their latest education. The same thing went for customer’s job, it showed that respondents with the highest percentage of 30.9% were respondents with type of job as stated-owned enterprise (BUMN) employee. Meanwhile, respondents with the lowest percentage of 4.4% were respondents with type of job as teacher and student (Anonymous, 2015).

Research variable description: To describe the research variables through the interpretation of frequency distribution from respondent’s answers as a whole, either in the number of respondent (people) or in the number of percentage to the research variable items.

Loyalty program variable: Loyalty program variable consists of 5 statement items and respondent’s answer can be seen in the following Table 2. Based on Table 2, it could be found that the result of respondent’s answer as follows.

In the statement X1.1 about additional baggage facility in the airport showed that 50% or 34 respondents answered “agree”, 38.2% or 26 respondents preferred to choose “neutral” and 5.9% or 4 respondents, each of them

Table 2: Frequency distribution of loyalty program variable

Respondents alternative answers											
Items	STS 1		TS 2		N 3		S 4		SS 5		Mean
	F	Percentage	f	Percentage	F	Percentage	f	Percentage	f	Percentage	
X1.1	0	0.0	4	5.9	26	38.2	34	50.0	4	5.9	3.8
X1.2	0	0.0	5	7.4	31	45.6	27	39.7	5	7.4	3.5
X1.3	2	2.9	17	25.0	19	27.9	28	41.2	2	2.9	3.4
X1.4	0	0.0	4	5.9	30	44.1	29	42.6	5	7.4	3.6
X1.5	1	1.5	4	5.9	29	42.6	33	48.5	1	1.5	3.8

Grand mean variabel loyalty program = 3.6

Table 3: Frequency distribution of customer satisfaction variable

Respondents alternative answers											
Items	STS 1		TS 2		N 3		S 4		SS 5		Mean
	F	Percentage	f	Percentage	F	Percentage	f	Percentage	f	Percentage	
Y1.1	0	0	0	0.0	24	35.3	41	60.3	3	4.4	3.7
Y1.2	0	0	2	2.9	20	29.4	44	64.7	2	2.9	3.7
Y1.3	0	0	2	2.9	19	27.9	39	57.4	8	11.8	3.8
Y1.4	0	0	2	2.9	21	30.9	38	55.9	7	10.3	3.7
Y1.5	0	0	0	0.0	16	23.5	45	66.2	7	10.3	3.9
Y1.6	0	0	0	0.0	16	23.5	39	57.4	13	19.1	4.0

Grand mean variabel customer satisfaction = 3.8

answered with “strongly agree” and “disagree”. There was no respondent who answers “strongly disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 3.6, thus it could be concluded that the respondents agree to the additional baggage facility that given by Garuda Indonesia in the airport.

In the statement X1.2 about lounge facility in the airport, for 45.6% or 31 respondents gave “neutral” answer, 39.7% or 27 respondents answered “agree” and 7.4 or 5% respondents, each of them answered with “strongly agree” and “disagree”. There was no respondent who answers “strongly disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 3.5, thus, it could be concluded that the respondents agree to the lounge facility that given by Garuda Indonesia in the airport.

In the statement X1.3 about the benefit of point/miles exchange to be free ticket showed that 41.2% or 28 respondents answered “agree”, 27.9% or 19 respondents answered “neutral”, 25% or 17 respondents answered “disagree” and 2.9% or 2 respondents, each of them answered with “strongly disagree” and “strongly agree” about the statement. From respondent’s answer above, this statement item obtained mean score 3.2, thus it could be concluded that the respondents agree to the benefit of point/miles exchange to be free ticket that given by Garuda Indonesia.

In the statement X1.4 about the benefit of reserve reservation priority showed that 44.1% or 30 respondents answered “neutral”, 42.6% or 29 respondents answered

“agree”, for 7.4% or 5 respondents answered “strongly agree” and 5.9% or 4 respondents answered “disagree”. There was no respondent who answers “strongly disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 3.5, thus, it could be concluded that the respondents agree to the benefit of reserve reservation priority that given by Garuda Indonesia through its loyalty program.

In the statement X1.5 about check-in facility in special counter showed that 48.5% or 33 respondents answered “agree”, 42.6% or 29 respondents answered “neutral”, for 5.9% or 4 respondents answered “disagree” and 1.5% or 1 respondent, each answered with “strongly disagree” and “strongly agree”. From respondent’s answer above this statement item obtained mean score 3.4, thus it could be concluded that the respondents agree to the check-in facility in special counter that provided by Garuda Indonesia. As a whole, loyalty program variable had grand mean score 3.6 which means that respondents agreed with the statements that submitted in this research.

Customer satisfaction variable: Customer satisfaction variable consists of 6 statement items and respondent’s answer can be seen in the following Table 3.

Based on Table 3, it could be found that the result of respondent’s answer as follows. In the statement Y1.1 (“I satisfy with Garuda Indonesia service as a whole”) showed that for 60.3% or 41 respondents answered “agree”, 35.3% or 24 respondents preferred to choose “neutral” as the answer, 4.4% or 3 respondents answered “strongly agree”. There was no respondent

Table 4: Frequency distribution of customer loyalty variable
 Respondents alternative answers

Items	STS 1		TS 2		N 3		S 4		SS 5		Mean
	F	Percentage	f	Percentage	F	Percentage	f	Percentage	f	Percentage	
Y2.1	0	0	0	0	6	8.8	27	39.7	35	51.5	4.4
Y2.2	0	0	0	0	5	7.4	37	54.4	26	38.2	4.3
Y2.3	0	0	0	0	5	7.4	32	47.1	31	45.6	4.4
Y2.4	0	0	0	0	7	10.3	31	45.6	30	44.1	4.3

Grand mean variabel customer loyalty = 4.4

who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above this statement item obtained mean score 3.7, thus it could be concluded that the respondents satisfy to the Garuda Indonesia service as a whole.

In the statement Y1.2 (Product and/or service that offered by Garuda Indonesia is appropriate with the expectation) showed that for 64.7% or 44 respondents answered “agree”, 29.4% or 20 respondents answered “neutral” and 2.9% or 2 respondents, each of them answered with “disagree” and “strongly agree”. There was no respondent who answers “strongly disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 3.7, thus, it could be concluded that the respondents consider product and/or service that offered by Garuda Indonesia is appropriate with the expectation.

In the statement Y1.3 (Departure schedule punctuality has been good) showed that 57.4% or 39 respondents answered “agree”, 27.9% or 19 respondents answered “neutral”, 11.8% or 8 respondents answered “strongly agree”, 2.9% or 2 respondents answered “disagree” and there was no respondent who answers “strongly disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 3.8, thus, it could be concluded that the respondents satisfy to the departure schedule punctuality that has been good.

In the statement Y1.4 (I satisfy with hospitality and service of cabin crew) showed that 55.9% or 38 respondents answered “agree”, 30.9% or 21 respondents answered “neutral”, 10.3% or 7 respondents answered “strongly agree”, 2.9% or 2 respondents answered “disagree” and there was no respondent who answers “strongly disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 3.7, thus, it could be concluded that the respondents satisfy to the hospitality and service of Garuda Indonesia cabin crew.

In the statement Y1.5 (Ticket price that established by Garuda Indonesia is appropriate with the service) showed that 66.2% or 45 respondents answered “agree”, 23.5% or 16 respondents answered “neutral”, 10.3% or

7 respondents answered “strongly disagree”. There was no respondent who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above this statement item obtained mean score 3.9, thus, it could be concluded that the respondents consider ticket price that established by Garuda Indonesia is appropriate with the service.

In the statement Y1.6 (I feel safe when I fly with Garuda Indonesia) showed that 57.4% or 39 respondents answered “agree”, 23.5% or 16 respondents answered “neutral”, 19.1% or 13 respondents answered “strongly agree”. There was no respondent who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above this statement item obtained mean score 4.0, thus, it could be concluded that the respondents feel safe when they fy with Garuda Indonesia.

As a whole, customer satisfaction variable had grand mean score 3.8 which means that respondents agreed with the statements that submitted in this research.

Customer loyalty variable: Customer loyalty variable consists of 4 statement items and respondent’s answer can be seen in the following table. Based on Table 4, it could be found that the result of respondent’s answer as follows.

In the statement Y2.1 (I will keep buying Garuda Indonesia ticket although ticket price from other companies is cheaper) showed that 51.5% or 35 respondents answered “strongly agree”, 39.7% or 27 respondents answered “agree” and 8.8% or 6 respondents answered “neutral”. There was no respondent who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 4.4, thus, it could be concluded that the respondents will keep buying Garuda Indonesia ticket although ticket price from other companies is cheaper.

In the statement Y2.2 (Certainty to buy Garuda Indonesia ticket repeatedly) showed that 54.4% or 37 respondents answered “agree”, 38.2% or 26 respondents answered “strongly agree” and 7.4% or 5 respondents answered “neutral”. There was no

Table 5: The result of path analysis of research variables

Variabel independent	Variabel dependent	β	t-calculate	Probability	Information
Loyalty program	Customer Satisfaction	0.272	2.300	0.025	Y
Loyalty program	Customer loyalty	-0.042	-0.330	0.743	N
Customer satisfaction	Customer loyalty	-0.168	-1.323	0.191	Y

respondent who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above this statement item obtained mean score 4.3, thus, it could be concluded that the respondents have certainty to by Garuda Indonesia ticket repeatedly.

In the statement Y2.3 (Recommend others to buy Garuda Indonesia ticket) showed that 47.1% or 32 respondents answered “agree”, 45.6% or 31 respondents answered “strongly agree” and 7.4% or 5 respondents answered “neutral”. There was no respondent who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 4.3, thus, it could be concluded that the respondents recommend others to buy Garuda Indonesia ticket.

In the statement Y2.4 (If someone gives negative comments about Garuda Indonesia, I will support this company) showed that 45.6% or 31 respondents answered “agree”, 44.1% or 30 respondents answered “strongly agree” and 10.3% or 7 respondents answered “neutral”. There was no respondent who answers “strongly disagree” and “disagree” about this statement. From respondent’s answer above, this statement item obtained mean score 4.3, thus, it could be concluded that the respondents will support this company if someone gives negative comments.

As a whole, customer loyalty variable had grand mean score 4.4 which means that respondents agreed with the statements that submitted in this research.

The result of path analysis: To test direct effect between independent variable to the dependent variable such in the Table 5 using path analysis, it resulted beta coefficient in the relationship between loyalty program to the customer satisfaction for 0.272 and $t_{\text{calculation}}$ was 2.300 with probability 0.025 ($p < 0.05$) then test of loyalty program was positively and significantly affected. Beta coefficient in the relationship between loyalty program to the customer loyalty was -0.042 and $t_{\text{calculation}}$ was -0.330 with probability 0.743 ($p < 0.05$) then test of loyalty program was negatively and insignificantly affected to the customer loyalty. Beta coefficient in the relationship between customer satisfaction to the customer loyalty was -0.168 and $t_{\text{calculation}}$ was -1.323 with probability 0.191 ($p < 0.05$) then test of customer satisfaction to the customer loyalty was negatively and insignificantly affected to the customer loyalty.

To calculate indirect effect between independent variable to the dependent variable was conducted by multiplying the result of direct effect to the passed path through the Equation:

$$IE = PY1X \times PY2Y1 = 0.272x (-0.168) = - 0.045$$

The result of calculation was 0.045. Because the result was negative it showed that customer satisfaction variable had no role as relationship mediator between loyalty program and customer loyalty. Meanwhile, calculation to the total effect among variables was conducted as the Equation:

$$\begin{aligned} TE &= (PY1X \times PY2Y1) + PY2X \\ &= (0.272 \times -0.168) + (-0.042) \\ &= -0.087 \end{aligned}$$

Total effect in this research obtained the result of -0.087. Because the result was negative it could be explained that customer satisfaction variable had no large effect to strengthening the existence of loyalty program and customer loyalty.

Loyalty program that been established by Garuda Indonesia gave contribution to the customer satisfaction. It means that the more benefit of loyalty program that given to customers, the higher of customer satisfaction of Garuda Indonesia in Malang city. The program that named as GarudaMiles gave benefit both financial and nonfinancial. Many financial benefits such as point exchange to be free ticket or ticket award that given to all members through loyalty program of Garuda Miles had significant effect in improving customer satisfaction. Nonfinancial benefits that received by Garuda Indonesia customers such as many additional facilities like check-in in the special counter, baggage and lounge in the airport through loyalty program of Garuda Miles were able to improve customer satisfaction. Therefore, marketing strategy of Garuda Indonesia by using loyalty program of Garuda miles should be maintained because it was able to build customer satisfaction. This goes along with research (Orel and Kara, 2014) using the technology of self-service in several supermarkets in Turkey indicating that the quality of service self service, positive effect on loyalty through improved customer satisfaction.

Garuda Indonesia customers who have member card of Garuda Miles were not necessarily loyal to the Garuda

Indonesia. Majority Garuda Indonesia customers that worked as Stated-Owned Enterprise (BUMN) employee mostly got ticket from their office to do business trip. For personal trip, loyalty program has no benefit of ticket discount, thus customers had no loyalty and preferred to choose cheaper ticket from other companies. Research conducted (Soderlund and Colliander, 2015) on a program awarding loyalty towards customers has shown good results if the reward given to existing members and will not have a significant influence on the member is not fixed, so the strategy of strengthening the loyalty program to build customer loyalty necessary revisited.

Customer satisfaction of Garuda Indonesia to the received service, offered product, departure schedule punctuality, to the ticket price that established by Garuda Indonesia couldn't improve customer loyalty level. It was caused by customer satisfaction of Garuda Indonesia itself was relative then it was not necessarily that Garuda Indonesia customers would be loyal and repeatedly buying ticket or giving recommendation to others. It was contrast with the research that conducted by Martinez and Bosque (2103) which prove that customer satisfaction significantly influence customer loyalty but this study are consistent with research Nejad (Soderlund and Colliander, 2015) which has been discussed elsewhere that proving that significant customer satisfaction does not affect the customer loyalty that are not as permanent members.

Most of respondents with State-Owned Enterprise (BUMN) employee background, about 30.9% were more frequent to use Garuda Indonesia flight service for business trip. In other words, state-owned enterprise employees that conducted business trip using Garuda Indonesia flight service were not from their own choice, rather than company's choice. Therefore, this loyalty program was difficult to assess in determining the effect to the customer loyalty.

CONCLUSION

The program is implemented by the company GarudaMiles Garuda Indonesia in Malang, has a positive and significant impact on customer satisfaction directly. but have a negative effect and no significant effect on customer loyalty. Additionally, the customer satisfaction ratings have a negative effect and no significant effect on customer loyalty.

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