SUMMARY

RENI HEVIANDRI RIANDARINI. Segmentation Analysis, and Full Service Airline (FSA) and Low Fare Airline (LFA) Customer Loyalty Model. Supervised by UJANG SUMARWAN, KIRBRANDOKO and LILIK NOOR YULIATI.

The presence of airlines with low-cost concept or Low Fare Airlines (LFA) in the beginning of 2000 has stimulated the growth of the country's airline industry. Low Fare Airline (LFA) has changed the airline industry competitive environment, and it significantly affected the domestic passenger market structure which was previously dominated by Full Service Airline (FSA) operators. Passenger behaviors also bear the change effect.

Indonesia has tremendous market potential, from 16 million passengers in 2000 with average annual growth of 20%, reached 72.6 million in 2014, and even predicted by the airline experts to reach the number of 100 million in 2015. ASEAN open sky policy implementation in 2015 can be an opportunity for the airline industry growth in increasing passenger number, but it can also be a threat if domestic airlines are not ready to compete with foreign airlines.

The complex and unique airline industry environment becomes a challenge for domestic airline industry. Other than the competition in obtaining passengers and unsupportive government regulation, airport infrastructure readiness is also a key factor in airline industry.

To achieve sustainability in a highly uncertain environment, along with the exceedingly tight competition, domestic airlines are obligated to obtain customer loyalty. Airline passenger loyalty is an immensely complex phenomenon, as it involves an abundance of factors.

This study aims to segment airline passengers during ASEAN open sky, study and compare FSA and LFA customer loyalty model. FSA and LFA passenger segmentation is based on local or foreign airline choice, and trip destination. Antecedents in the loyalty model are quality service, price, satisfaction, and image. Hypothesis was derived from causality relationship in loyalty model. Data was collected from 352 respondents departing from Soekarno-Hatta airport, and analyzed using Structural Equation Model (SEM).

The study of passenger segmentation based on airline choice during ASEAN Open Sky yields four segments, namely (1) LFA passengers on family and academic trips; who choose local over foreign airline given the same price segment (OS1); (2) LFA passenger on pleasure trips, who choose foreign over local airline given the same price segment (OS2); (3) FSA passengers on business trips who choose local airline over foreign airline despite higher price segment (OS3); and (4) FSA passengers on business trips, who choose foreign over local airline despite higher price segment.

Positioning study result toward all airlines showed that Garuda Indonesia (FSA) is characterized by the respondents with their closeness to reputation attribute, and as a national pride. Batik Air (FSA) has yet to have a specific characteristic and is still mixed with other LFA service attribute characters. Lion Air is positioned by sufficiently wide route, affordable price, and modern plane attributes. Citilink is positioned by flight punctuality attribute, Sriwijaya by in-flight service, and Air Asia by closeness to ease in reservation and ticketing
attribute. This study findings are hoped to help airlines in identifying their strengths and weaknesses, and also their closest competitors. To achieve survival in the highly uncertain environment and to support each company's competing strategy, innovation by service differentiation may allow airlines to obtain and maintain the number of passengers.

The result of this study shows that service quality and price are the variables that affect customer satisfaction, both in FSA and LFA. In the LFA model, it can be observed that despite having significant effect on satisfaction and affecting customer loyalty, service quality has no direct influence on customer loyalty. This finding affirms that service quality can influence customer loyalty when mediated by customer satisfaction. An image that is influenced by service quality and satisfaction in the end will affect customer loyalty. Therefore, obtaining LFA customer loyalty is achieved by boosting airline image from service quality and customer satisfaction.

In the FSA model, it is seen that service quality and price are positively and significantly influential upon satisfaction. However, customer satisfaction only has positive and significant effect on customer loyalty. The measured antecedents in this study, namely service quality, price, satisfaction, and airline image, have no significant effect on customer loyalty. This study also proves that the relationship between satisfaction and customer loyalty is not always linear.

Keywords: full service airline, low fare airline, loyalty, positioning, segmentation.