FACTORS THAT INFLUENCING THE SATISFACTION AND LOYALTY OF SILKAIR INTERNATIONAL FLIGHT SERVICE PASSENGERS AT KUALANAMU AIRPORT, DELI SERDANG, INDONESIA

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ABSTRACT

The purpose of the present research is to discover the factors which influence the satisfaction and loyalty of Silk Air International Flight service passengers at Kualanamu Airport, Deli Serdang. The tight competition in flight industry forces every airline to make some uniqueness, brilliant and superior strategies compare to their competitors. An airline company should have to achieve their customers’ satisfaction which will finally to shape the customers’ loyalty. The population of the research is the passengers of Silk Air from Medan to Singapore. The samples are 140 respondents undertaken by employing purposive sampling technique. Structural Equation modeling analytical technique is used to confirm the research hypotheses. The empirical results of the research demonstrate that there is a strong and significant influence of price equity on customers’ satisfaction and loyalty compared to the image of the company toward the customers’ satisfaction and loyalty. Generally, the customers’ satisfaction influences the customers’ loyalty. Since price equity has a significant influence on the customers’ satisfaction and loyalty; it has become the strength of the company. The airline should have to develop the target market by expanding their flight on the international based. The authors suggest to the company carry out some policy alternatives by improving the image of the company to the customers; it can expand the market segmentation and protect any negative influence on the company.
Factors that Influencing the Satisfaction and Loyalty of Silkair International Flight Service Passengers at Kualanamu Airport, Deli Serdang, Indonesia

Key words: Price Fairness, Corporate Image, Customer Satisfaction, Customer Loyalty


1. INTRODUCTION

SilkAir is a subsidiary of Singapore Airlines based in Singapore. The competitive strategy of the aviation industry applied by SilkAir is in full service that prioritizes in a friendly way; friendly service and offers food menus with various choices. SilkAir livened up a special feeling for customers to enjoy the flight followed by "A Joy to Fly." At present, the SilkAir position is under Jetstar. That makes the motivation for SilkAir to be able to increase customer satisfaction and loyalty.

The research objective is to investigate the factors that influence the satisfaction and loyalty of SilkAir customers at Kualanamu Deliserdang Airport which was tested on 140 respondents who met the research criteria. By focusing on the price fairness attributes and company image, the results of the study prove that the price fairness has a significant effect on customer satisfaction and loyalty, on the other hand, in the corporate image, there is an insignificant effect on customer satisfaction and loyalty.

The decline in market share in each year is caused by a decrease in the level of customer satisfaction with SilkAir. SilkAir customer complaints tend to be due to delays in flight schedules and cancellation of flight schedules. Moreover, it is complicated to find information about SilkAir. It was pointed out that SilkAir's second market share position after Jetstar Asia was the impact of SilkAir's management policy which had a strategy not to compete in price. The ticket prices offered by SilkAir are higher compared to the competitors. Surely, they should have supported by optimal comfort and service so that passengers who use SilkAir flight services feel the fairness of prices which results in satisfaction for consumers. It shows a big challenge for SilkAir to make improvements to customer satisfaction and loyalty through fair price and company image. The image of the SilkAir company was also badly in the eyes of flight service passengers due to the cancellation of flight schedules. Customers feel dissatisfied and uncomfortable with the cancellation decision that results in material and non-material losses. The customer purchased the canceled ticket have to repurchase a return flight ticket and pay for a flight services price. Non-material losses experienced by passengers have required time and energy to get flight services from SilkAir. With no satisfaction from customers, it will be difficult for SilkAir to gain customer loyalty.

2. LITERATURE REVIEW

2.1. Price Fairness

One basis of perceptual price fairness according to Consuegra et al. (2007) is a dual rights principle which shows that one party should be unprofitable that causes loss from another party. Companies will use higher consumer demand for their gain on price increases and ultimately consumers will feel exploited, and hence the price becomes unreasonable. Kahneman et al., (1986) explains that on the principle of dual rights, most consumers believe that they are entitled to a price reference. Otherwise, the company is entitled to a reference advantage, where the price increases are equivalent to the incremental cost that would be
considered fair (ceterius-paribus). Xia et al. (2004) who have confirmed that the appraisal of price fairness is likely to be based on a comparison of transactions involving various parties. When it comes to price differences, then the level of similarity between transactions is a significant element of price fairness (Consuegra et al., 2007).

Price fairness assessment also depends on how much the committees involved in the transaction. Herman et al. (2007) have explained that procedural and distributive considerations influence price fairness. Furthermore, Bolton (2003) has revealed that price fairness as a consumer assessment of whether the selling price is a reasonable price for consumers to accept. Consuegra et al. (2007) have defined that price fairness is a valuation for a result and process to achieve a reasonable and acceptable price. In line with this study, Consuegra et al. (2007) have measured the price fairness with some of the following attributes: 1) Customers feel that they have paid a reasonable price on each purchase transaction. 2) Price level reference, which is the comparison of price levels with similar aviation services. 3) The pricing determined by the company is reasonable and acceptable to the customer. 4) The set price is a communication etiquette, where customers are always informed if there is a price change.

2.2. Corporate Image
The corporate image is a set of beliefs, ideas, and impressions that consumers have on an object (Kotler and Keller, 2012). Gregory (2011) has defined as a combination of impact on observers of all verbal and visual components of the company, either planned or not or from other external influences. Harrison adopted by Iman (2010) has explained that complete information on the corporate image includes the following four elements: 1) Personality is the company's overall characteristics that are understood by the public's targets such as trustworthy companies, companies with social responsibility. 2) Reputation is what the company has done and is believed to be the public's target based on their experience or other parties such as the security performance of a bank's transactions. 3) Value is company owned, in other words, that is corporate cultures such as customer-oriented management attitudes, employees who are a quick response to requests and customer complaints. 4) Corporate Identity is the components that facilitate the introduction of public targets on companies such as logos, colors, and slogans. The positive consumers' experience in the use of the company's products, will create a good perception of the company's image, and at that time will be formed what is mentioned corporate image.

2.3. Customer Satisfaction
Customer satisfaction is dependent on product performance estimates in providing relative value to buyer expectations. If product performance is much lower than the customer's expectations, buyers are not satisfied. If performance is in line with expectations, buyers are satisfied. If performance exceeds expectations, the buyer is more satisfied and happier (Kotler and Keller, 2012). Another definition has been suggested by Boone and Kurtz (2007), customer satisfaction as a result of goods or services that have met or have exceeded the buyer's needs and expectations. Satisfied customers will re-purchase, and they will share their experience with the product to their friends and family. The key is how to adjust customer expectations with company performance. The smart company intends to satisfy customers by simply promising what they deliver; then they will give more what they will promise. Customer satisfaction creation can provide several benefits, including a more harmonious relationship between customers and companies, providing a basis for repurchases and as a word of mouth media recommendation that is the basis of creating customer loyalty.
2.4. Customer Loyalty
Customer loyalty is a situation where customers are continually using their money to buy and use goods or services from the same provider (Kotler dan Keller, 2012). Similarly, Griffin in Hurriyati (2005) stated that loyalty is defined as nonrandom purchase expressed over time by some decision-making unit. The definition is interpreted that loyalty refers more to the behavior of the decision-making units to make a continuous purchase of the goods or services of a chosen company. Characteristics of loyal customers recorded by Griffin in Hurriyati (2005) are as follows: (1) Makes regular repeat purchases. (2) Purchases across product and service lines. (3) Refers other. (4) Demonstrates an immunity to being full of the competition.

2.5. The relationship of price fairness with customer satisfaction and customer loyalty
Bei and Chiao (2001) argue that a customer will emphasize the buyback behavior as long as they feel the price of the services and products offered is reasonable and acceptable. If consumers do not feel that their sacrifices are valuable, they may not make repurchases, even when they are dissatisfied with the product or service. Research from Consuegra et al. (2007) has found that the actual perceived price relates to customer loyalty. The results of this study have also been supported by the findings of Virvilaite et al. (2009) that has revealed that price fairness affects customer loyalty. Thus the authors consider it necessary to propose a construct from the price fairness in this study to prove the hypothesis.

2.6. The relationship of the corporate image with customer satisfaction and customer loyalty
Corporate image can affect customer loyalty mediated by customer satisfaction (Ilhami, 2013). Andreassen et al. (1997) have also suggested that the corporate image has a substantial impact on customer satisfaction. Furthermore, studies by Ismail and Abdullah (2001) have revealed that there is a significant relationship between corporate image and customer satisfaction. Other findings are demonstrated by Harun (2006) and Sutanto (2009) in their research that has also found that corporate image has a positive influence on customer satisfaction. If the corporate image is positive, it affects customer satisfaction that tends to increase

Loyal or non-loyal consumers of a product or service are seen from their attitude. How strong the corporate image is formed in the mind or memory of the consumer will affect the behavior or attitude of the customer in the future. If the corporate image is positive or good, then the customer will have the pride as the user of the product or service. Tang (2007) has suggested that corporate images can help to increase their company sales and market share. Also to build and maintain customer relationships and loyalty. Yu et al. (2013) in their study explain that good corporate image has received acceptable quality, value, satisfaction, and loyalty

2.7. The relationship between price fairness and corporate image to customer satisfaction and loyalty
Virvilaite et al. (2009) have explained that customer satisfaction is a key factor that affects customer loyalty. Long-term customer relationships expect not only a high quality of the primary service but also the added benefit of continuing a relationship. Research from Akbar and Parvez (2009) has found that customer satisfaction has a positive and significant relationship to loyalty.
Based on previous research by Consuegra et al. (2007), that price fairness affects customer satisfaction and loyalty. Sutanto (2009) has found that corporate image has a positive impact on customer satisfaction. The key to customer loyalty is to maintain the image of a company that has been created and to improve the quality of service and to satisfy customers. Based on theoretical studies, the hypotheses in this study are as follows:

H1: Price fairness and company image have a significant effect on customer satisfaction.
H2: Price fairness and corporate image through customer satisfaction as an intervening variable has a significant effect on customer loyalty.

3. RESEARCH METHODS

The present study used explanatory research to explain the relationship among variables with hypotheses test. The research was conducted at Kualanamu Deliserdang Airport for passengers of SilkAir, an airline's international flight services. The population in this study were all SilkAir airline passengers, and sample were passengers who met the particular criteria. Therefore, the authors get a sample of 140 respondents.

Based on the hypotheses in this study, the data analysis method used is the SEM (Structural Equation Modeling) analysis of the AMOS statistical package. The variables used in this research are price fairness, company image, customer satisfaction, and customer loyalty by investigating the relationships among variables based on the indicators that have been determined. The price fairness variable measured by indicator from the passengers who feel reasonable price offered, the price level reference, price determination, the price is communication ethics determined by the company — the variable corporate image measured by indicators of personality, reputation, values and corporate identity. On variable customer satisfaction measured by indicators of service quality, prices offered and facilities. Variable customer loyalty measured by indicators of repurchase, resilience and referring to others.

4. RESULT & DISCUSSION

4.1. Results

Characteristics of Respondents

The research data shows 70.7 percent more than passengers who use Silk Air flight services with two times a year (5.7 percent) and more than four times a year at 23.6 percent. The results of the research data from the field survey also showed that the gender of men using Silk Air Flight Services was 75.7 percent compared to the gender of female passengers of 24.3 percent. Moreover, the age of passengers based on the classification of 36-45 years is 55 percent, 25-35 years is 30.7 percent, followed by more than 45 years of age of 11.4 percent and a smaller age of 25 years of 2.9 percent. In this case, the interpretation of data shows that using Silk Air flight services Kualanamu route to Singapore is for work and business purposes.

Characteristics based on the level of education, employment, and monthly income

Based on the education rankings that have as many as 55.7 percents undergraduate education, postgraduate as much as 26.4 percent, doctoral as much as 6 percent. Furthermore, the data present that occupation dominated by the classification of the private employees as much as 85 percent, the other profession is the private sector by 15 percent. From the results of the characteristics of SilkAir passengers as respondents, the Kualanamu-Singapore route is the most educated, and private occupations.

Evaluation of Assumptions for Data Normality Evaluation of Outliers

Based on the finding results of the research to get the absolute price of CR result is 2.162; it is not higher than 2.58 which means in a confidence level of 99% \( \alpha = 1\% \) The null hypothesis
indicate that the data fit the assumption of multivariate normality. For the two-tailed test, a significant level \( \alpha = 1\% \), that will identical to the critical price of the \( Z \) (z-table) statistic of 2.58 and for \( \alpha = 5\% \) then \( Z \) (z-table) = 1.96. The criteria used is if the score contained in column C.R is higher than 2.58 or lower than minus 2.58; the evidence indicates that the data normally distributed. The research used 140 observation data totally; it was proved that the assumption of normality had been fulfilled.

**Confirmatory Factor Analysis (CFA)**

The CFA test on variables of price fairness, company image, customer satisfaction, and loyalty towards fourteen AMOS outputs which found all first-order forming indicators have significant loading factor values, where all the loading factor values exceed 0.5. All constructs indicators are significant; they can be used to represent data analysis.

**Goodness-Of-Fit Index (GFI)**

The GFI value in SEM analysis is 0.845 which exceeds 0.9 or is located between 0-1 so that the ability of a model to explain the diversity of data is very good/fit.

**Root Mean Square Error Of Approximation (RMSEA)**

RMSEA value < 0.08 is good fit, while RMSEA value < 0.05 is close fit. The RMSEA value in this study was 0.073; that the model was declared is a good or fit.

**Non-Centrality Parameters (NCP)**

NCPs stated in Chi-square form. The best value from NCP if the values resulted are smaller rather than Chi-square; it concluded that the model is good.

**Direct Effects, Indirect Effects, and Total Effects**

The magnitude of the influence for each variable is seen from the result of P-value. The results of \( p \)-value are lower rather than alpha which means the hypotheses can be proven and can be accepted.

1) The influence coefficient of the company image is 0.228 to customer satisfaction and 0.342 to customer loyalty. The result indicates that company image has a direct effect on customer satisfaction and customer loyalty.

2) The effect of price fairness is higher on customer satisfaction compared to the price fairness on customer loyalty if viewed by numbers that indicate the direct effect is 0.494 > 0.32.

3) The indirect effect between price fairness and company image to customer loyalty categorized higher indirectly the relationship of price fairness to customer loyalty compared to company image to customer loyalty 0.158> 0.073.

4) Price fairness and company image have an indirect effect on customer loyalty. However, they do not affect customer satisfaction.

5) All variables of exogenous have an effect on the endogenous variables in total. The results of total effect indicate that the biggest effect in total on customer satisfaction and customer loyalty is price fairness of 0.505 on customer satisfaction and 0.234 on customer loyalty.

**4.2. Discussion**

**The effect of price fairness and company image on the satisfaction of Silk Air International flight service passengers at Kualanamu Airport.**

The results are shown from this study based on several similar indicators such as corporate image, namely Personality, Value, Reputation, Corporate Identity. It can be stated that Silk Air passengers' feel more satisfied, they do not come from the reputation of this company's name, the values adopted by the company and the ability of the company's services. Most of
the SilkAir passengers choose and lead to passengers satisfaction from the price fairness received and service excellent form, and they do not come from the company image. Even though it affects but in empirical evidence, it is insignificant.

**The effect of the price fairness and corporate image through customer satisfaction as an intervening variable to the loyalty of SilkAir International flight service passengers at Kualanamu Airport**

The results showed empirically that the causality relationship between price fairness and Loyalty has an effect showing a probability value of 0.006 which can be interpreted to be lower than the cut off value of 0.05 or the absolute value of CR greater than 2.7 times which can be interpreted as Fairness of Price with significant effect. While the relationship between Corporate Image of Loyalty has an effect of showing a probability value of 0.153 which can be interpreted to be higher than the cut-off value of 0.05 indicating insignificance, it can be interpreted that Silk Air customers as objects in this study indicate a significant and robust influence between price fairness and customer satisfaction. Furthermore, price fairness and loyalty compared to company image with customer satisfaction Moreover, company image and customer loyalty that have influence but insignificant.

**5. CONCLUSIONS**

Price fairness as measured by the price indicators offered in accordance with service quality, competitive prices, prices in accordance with the expectations and clarity of information have a significant effect on Customer Satisfaction. In the Corporate Image with Customer Satisfaction shows a probability value of 0.426 greater than the value of the cut-off value of 0.05. That the effect is insignificant.

Data analysis of the effect of price fairness and corporate image through customer satisfaction as an intervening variable on customer loyalty shows empirically that the causality relationship between customer satisfaction and loyalty has an influence with a probability value of 0.012 which can be interpreted lower than the cut off value 0.005 or absolute value of Critical Ratio is higher than 2.511 times which can be interpreted as Customer Satisfaction significantly. The causal relationship between price fairness and loyalty has an influence with a probability value of 0.006 which can be interpreted to be lower than the cut-off value of 0.05 or the absolute value of CR higher than 2.7 times which can be interpreted as price fairness with loyalty has a significant effect. While the corporate image affects customer loyalty, its influence showed by a probability value of 0.153 which can be interpreted as higher than the cut-off value of 0.05 indicating insignificance.

To provide the most effective alternative policies and strategies for companies to increase customer satisfaction and loyalty are alternative company decisions on service quality, prices offered and facilities provided to customers, and customers to make repurchases, they do not just buy only a type of product, but they also buy other product lines and services for the company.

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