

CHAPTER I

INTRODUCTION

1.1 Research Object



Figure 1 Lion Air logo

Lion Air is one part of Lion Air Group, together with Batik Air, Wings Air, Lion Bizet, Malindo Air based in Malaysia, and Thai Lion Air based in Thailand. Lion Air was founded on November 15, 1999, and began operating for the first time on June 30, 2000, with flights from Jakarta to Pontianak, aircraft used by the type of Boeing 37-200 which at that time only had two units. Headquartered in Lion air Tower, Central Jakarta, Pt. Lion Mentari Airlines, or commonly known as Lion Air, is a low-cost airline or commonly known as a Low-Cost Carrier (LCC), with the motto "We Make People Fly." With this motto, Lion Air tries to convince the public that anyone can fly with Lion Air and always prioritize Safety, Quality, and Safety. Fifteen years air and serves the community, divided into domestic routes, which spread to all corners of Indonesia, and internationally to several countries such as Malaysia, Singapore, Saudi Arabia and continues to grow rapidly. Lion air with a total fleet of 112, aircraft are divided into several types such as Boeing 747-400, Boeing 737-800, Boeing 737-900 ER, and Airbus A330-300. The number of fleets will continue to grow by requests made by Lion Air

1.1.1 Lion group

Lion Air is one of Lion Air Group, together with Wings Air, Batik Air, Lion Bizjet, Malindo Air based in Malaysia, and Thai Lion Air based in Thailand. The aggressive and innovative business expansion makes Lion Air Group now have complete facilities to support the company's business such as training and education centers, offices, housing for land crews and flight crews located in Tangerang or commonly known as Lion City Balaraja, Lion Simulator Center located in Mas-Tangerang airport and Batam Aero Engineering aircraft maintenance facilities located at Hang Nadim Airport, Batam. To continue to expand its business network, Lion Air group also joins the world of hospitality with Lion Hotel & Plaza located in Manado.

1.2 Research Background

Currently, transportation is handy and needed by people who want to travel short distances or long distances starting from land, air, and sea transportation. Traveling using an airplane today is no longer an unreachable thing. Many airlines offer airplane tickets at low prices. This cheap flight is known as the Low-Cost Carrier (LCC), (Dyah Ikhsanti, 2018). Indonesia is an archipelagic country that relies heavily on air transportation which does not only function as a bridge between islands and as a mode that is relied upon to connect people and goods that cannot be reached by other modes of transportation. (Dephub, 2015)

According to (Java Aviation Academy, 2018) in Indonesia, several airlines offer airplane tickets at low prices, including Lion Air, Citilink, Sriwijaya Air Air Asia Indonesia. Lion Air is the largest private airline in Indonesia based in Jakarta. Lion air is very well known for its low prices and promos. Lion Air has provided aviation experience since 2000 where many air transportation users prefer to fly with Lion Air because it presents more affordable ticket prices (Java Aviation Academy, 2018).

table 1. 1 Lcc Airlines in Indonesia

Category of Airline Service	Airlines
Low Cost Carrier (LCC) Airlines	Lion Air, Citilink, Sriwijaya Air, Air Asia Indonesia,

Source: <https://javaaviationacademy.com/daftar-maskapai-komersial-di-indonesia/>

Can be seen from Table 1.1 that Lion Air included in the category of flights with Low-cost carriers or LCC. LCC is a flight business redefinition with the principle of low cost to reduce operational expenses so that it can capture all market segments with minimalist services. But it does not make airlines that apply the LCC to be cheap and weak in terms of safety (Kompasiana, 2015) A lot of people use this LCC flight program because the price is low. But there are still many people who doubt the quality of LCC, especially in terms of safety and timeliness. This fact is certainly reasonable given the plane crash and flight delays that often found on LCC flights. (Dyah Ikhsanti, 2018)



Figure 1. 1 5 catatan hitam Lion Air by katadata

Can be seen above data that Lion Air recorded some bad experiences for its customers. In 2016 Lion Air recorded four unpleasant experiences for its customers. 10 May Lion air routes Singapore - Jakarta. Lion Air landed the aircraft at the domestic terminal I, Lion Air claimed that there was a miss communication with the bus that had been provided by Lion Air. in this case Lion Air received sanctions from the Ministry of Transportation for the negligence (Achmad Dwi Afriyadi, 2016). On the same day, the pilots of the Lion Air airline held a strike. One of the Pilots stated that the Pilot demanded the right to transportation money promised by Lion Air's management (Andri Donnal Putera, 2016). January 2016 Lion Air gets sanctions from the Ministry of Transportation because it does not operate the route for 21 days, penalties obtained by the Ministry of Transportation revoke 3 routes namely Jakarta (Soekarno-Hatta International Airport) - Surabaya (Juanda International Airport), Jakarta (Soekarno-Hatta International Airport) - Medan (Kualanamu International Airport) and Surabaya (Juanda International Airport) – Jaka rta (Soekarno-Hatta International Airport)

(Yanuar Riezqi Yovanda, 2016). On 18 February 2015 involving 44 of the 36 flights under 2 hours and the remaining eight more than two hours (Tempo.co, 2015)

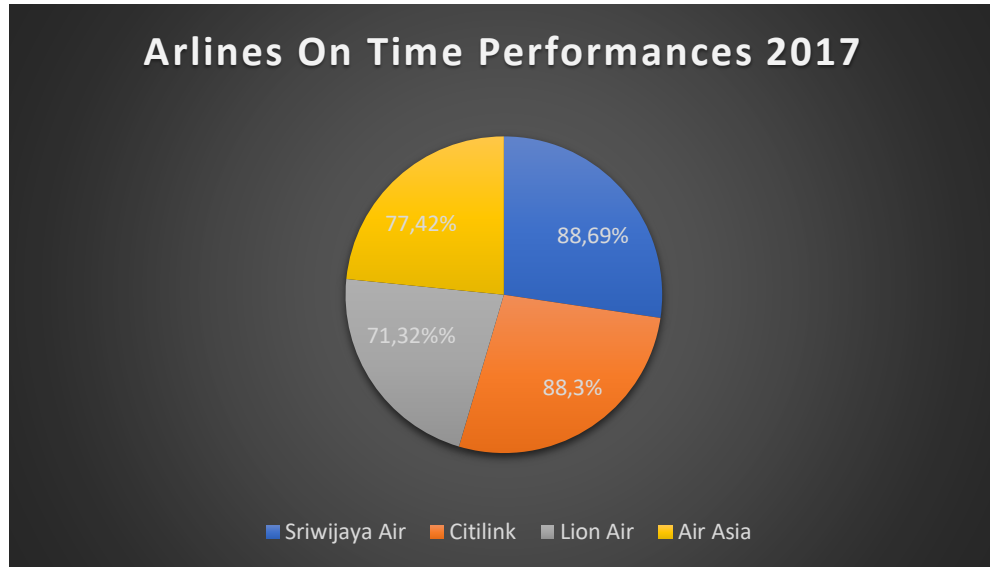


Figure 1. 2 Airline OTP result

Source : <http://hubud.dephub.go.id/?id/news/detail/3411>

Based on data on Low-Cost Carrier On-Time Performance (LCC) in Indonesia in 2017. (1) Sriwijaya Air ranked first 88.69% with a total flight of 67,673 flights, and 60,017 for on-time flights (2) Citilink ranked second 88.33% with a total of 84,808 flights and 74,912 for on-time flights, (3) Lion Air ranked third at 71.32% with 196,932 flights and 140,459 for on-time flights (4) Air Asia 75.94% with 7,378 flights and 5,603 flights on time (Ditjen Perhubungan Udara, 2018). According to (Air, 2019) in the first quarter of 2019 (January – April), lion air recorded a positive number with 85.78% or an increase of around 32.7 from the acquisition of 65.3% in 2018 and 64.6% in 2017 in the same period as average of 49,200 total flights.

Based on Law No. 1 of 2009 concerning Aviation, related to the health of aviation personnel, it is necessary to make adjustments to the development of technology and requirements for aviation health standards from international aviation organizations and to ensure flight safety and security. (hubud.dephub.go.id, 2017). On January 14,

2002, Lion air, the Jakarta - Pekanbaru - Batam route failed to air and crashed after the fuselage after leaving the runway at the Sultan Syarif Kasim II airport in Pekanbaru, more than five meters. In this case, the Lion Air passengers suffered injuries and broken bones. October 31, 2003, Lion Air on the Ambon - Makassar - Denpasar route, experiences a flight off on landing at Makassar's Sultan Hasanudin Airport. July 3, 2004, Lion Air Jakarta - Palembang route landed imperfectly at Sultan Mahmud Badaruddin II Airport, Palembang. November 30, 2004, Lion Air flights from the Jakarta - Solo - Surabaya route, slip when landing at Adisumarmo Airport, Solo. In this case, 26 Lion Air passengers were declared dead. January 10, 2005, Lion Air fails to air because one of the plane's tires leaked at Wolter Monginsidi Airport, Kendari, Southeast Sulawesi. A month later Lion Air had an accident again on February 3, 2005, Lion air at that time on the Ambon - Makassar route slipped on landing at Hasanuddin Airport, Makassar. Not long after, on February 12, Lion Air route Mataram - Surabaya, moved when it was about to take off, and the front wheel came out of the airstrip. May 6, 2005, Lion Air route Jakarta - Makassar, suffered a tire rupture when landing at Hasanuddin Airport, Makassar. December 24, 2005, Lion Air routes Jakarta - Makassar - Gorontalo, slipping when going to land in the middle of Sultan Hasanuddin, Makassar. Again, on 18 January 2006 the Lion Air route Ambon - Makassar - Surabaya, slipped when it landed at Hasanuddin airport, Makassar. March 4, 2006, Lion Air Denpasar-Surabaya route had moved when it landed at Juanda Airport, Surabaya, due to bad weather. December 24, 2006, Lion air route Jakarta - Makassar - Gorontalo, again slipped when it will land at Hasanuddin airport, Makassar. May 9, 2009, moved at Soekarno-Hatta International Airport. November 3, 2010, Lion Air route Jakarta - Pontianak - Jakarta, Slipped at Supadio Airport, Pontianak. February 14, 2011, Lion Air route Jakarta - Pekanbaru, slipped when landing at Sultan Kasim II airport, Pekanbaru. According to sources, all passengers survived. Again in Pekanbaru on February 15, 2011, the Medan - Pekanbaru - Jakarta route, experienced slipping and all the aircraft wheels came out of the airport track. According to sources, all passengers survived, and no one was injured. October 23, 2011, The Lion Air plane skidded 15 meters and touched the edge of the runway at Sepinggan, Balikpapan, East Kalimantan.

December 30, 2012, Lion air slips until one of the aircraft wheels collapses at Supadio Airport, Pontianak. April 13, 2013, Lion Air route Bandung - Bali falls on the sea near Ngurah Rai airport, Bali, when it will land (Tribun News , 2018) In 2015 Lion Air encountered a Machine Problem. The Makassar-Jakarta route plane failed to dispatch passengers. 20 December 2015 Lion Air lands Emergency at Surabaya airport because the air temperature in the cabin is too cold until the water freezes up. On February 20, 2016, Lion Air Airlines recorded a slipping phenomenon at Juanda Airport, Surabaya. In 2018 the Lion Air plane in Jakarta - Jambi route had experienced cabin compression, or air pressure reduced when the aircraft is operating, so passengers have to use an oxygen hose. Because this is a plane with flights from Jakarta - Jambi taking an emergency landing at Sultan Mahmud Badaruddin II airport, Palembang. In the same year on April 29, 2018, there was another slipping at Djalaluddin Airport, Gorontalo. In this case, Lion Air said the plane was rotating due to bad weather (Indonesia, 2018) And again in 2018 Lion Air experienced a crash of the plane crash in Tanjung Karawang quoted from (Maria Flora, 2018) after 13 minutes on the air or at 06.33 WIB, the PK-LQP aircraft crashed in Karawang waters. At that time the height reached 2,500 feet. Before the contact lost, the plane was not at its intended height, and the pilot took the initiative to contact the Air Traffic Control (ATC) officer at Soekarno-Hatta airport, Jakarta.

Based on the phenomenon above Lion Air in the last two decades has experienced 16 accidents and technical problems. In this case, the Lion Air airline must seriously improve security, and the customer has the right to feel a safe level of service so that customers can be more trustworthy and comfortable using Lion Air air.



Figure 1. 3 Safety Rating of Lion Air

Source : Airlinesratings.com

Stated from (Jake Leavy, 2018) Lion Air is one of the worst airlines in the world. Famous for bridging domestic flights and negligent flight attendants not only ignoring the safety of flight attendant passengers by not checking all cellphone calls, but Lion Air also ranked as the 6th worst in the world. According to Escapehere.com, in the list released by Skytrax 10, the worst ranking airline in the world, Lion Air was ranked 6th. Most airlines only get a maximum rating of 2, or the standard can be said to be very bad. Even though it is cheap, Lion Air is not the best as a community choice. In addition to the cases of Lion Air Pilots and Crew caught using drugs and in 2011 Lion Air became an airline with an 80% delay (Liputan 6, 2016)



Figure 1. 4 Lion Air Service by skytrax

Source: www.airlinequality.com/airline-reviews/lion-air/

It can be seen above based on 164 respondents who, if Skytrax Lion air gets two stars in terms of services offered by Lion Air, the author quotes from one of the foreign customers of Lion Air “ Malang to Jakarta. Absolutely appalling. We booked tickets that said they came with checked baggage, yet when we looked the day before flying it said no bags. Pre-paid bags can only be paid earlier than 6 hours before the flight. Impossible to purchase online within 48 hours of the flight. We were not able to go to the airport the day before our flight to pay a slightly lower price for our bags. The worst part is they charge by kg, so our heavy bags cost us about 800k rupiah (~\$80) at the airport. The staff understood nothing and looked almost smug taking our cash (oh yeah, they only accept cash). Completely shady and unprofessional.” (Deane, 2019) Although Lion Air labeled as one of the worst airlines with quality service, security, etc. Lion Air has the highest market share in Indonesia, which is 34% in 2017 (Centre for Aviation, 2018).

table 1. 2 Indonesia domestic market share

Indonesia domestic market share by airline/airline group (% of passengers carried): 2005 to 2017

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Garuda Indonesia	24%	20%	19%	20%	19%	19%	23%	21%	22%	24%	26%	22%	20%
Citilink*								2%	7%	10%	12%	12%	13%
Garuda Group	24%	20%	19%	20%	19%	19%	23%	23%	29%	34%	38%	35%	33%
Lion Air	19%	20%	17%	25%	31%	38%	41%	41%	43%	41%	35%	35%	34%
Wings Air	6%	6%	6%	6%	3%	2%	3%	4%	4%	4%	4%	5%	6%
Batik Air									1%	2%	6%	8%	10%
Lion Group	25%	26%	23%	31%	34%	40%	45%	45%	49%	48%	46%	48%	51%
Sriwijaya Air	8%	9%	11%	11%	12%	14%	12%	11%	11%	10%	9%	9%	10%
Nam Air										1%	2%	3%	3%
Sriwijaya Group	8%	9%	11%	11%	12%	14%	12%	11%	11%	11%	11%	12%	13%
Indonesia AirAsia*	2%	4%	5%	4%	3%	2%	2%	3%	4%	4%	3%	3%	2%
Others	41%	41%	42%	34%	32%	25%	18%	18%	7%	3%	2%	2%	2%

Source : <https://centreforaviation.com/analysis/reports/indonesia-domestic-airline-market-rapid-growth-rivablry-intensifies-410650>

Kotler (2006) states that market share is the number of sales that competitors have in relevant markets. According to data above the CAPA records Lion Air Market Share

in the last 13 years from 2005-2017. CAPA noted that since the first time Lion Air-operated in 2000 it increased in 13 years and became the largest domestic airline in Indonesia in 2008. It exceeded 10 million annual domestic passengers in 2009 and exceeded 20 million domestic passengers in 2011. Growing from 2008 up to 2012, 6.5 million passengers in 2008 and tripled 29.4 million in 2012. Lion Air's market share reached an all-time high of 43% in 2013, but since then Lion Air's Market Share has dropped to 34% (Centre For Aviation, 2018).

According to the phenomena that the author has described above. Based on the data obtained, the author found many cases of service, security, and declining market share of Lion Airlines. So that this issue is worth examining to find out what attributes need to be improving in maintaining the qualities that Lion Air offers. So the researcher was interested in conducting the review with the title “ **AN INVESTIGATION INTO THE IMPACT OF SERVICE QUALITY, FREQUENT FLIER PROGRAMS, AND SAFETY PERCEPTION ON SATISFACTION AND CUSTOMER LOYALTY IN AIRLINE INDUSTRY (LION AIR)**”

1.3 Problem statement

Lion Air is one of the airlines implementing the largest Low-Cost Carrier (LCC) model in Indonesia which has the highest Market Share in Indonesia and has a record of 43% in 2013 as evidenced by data from (**Centre For Aviation, 2018**) Even so, it was noted that Lion Air decreased in Market Share in the last five years by 37% in 2017.

Lion Air has a lousy record of aircraft accidents with 16 accidents in 2 decades. With a note that Lion Air only gets three stars for Safety Rating from Airline Rating, in terms of service Lion Air also has a record of unacceptable delay for its customers.

This is proven by data from (Ditjen Perhubungan Udara, 2018) that Lion air is ranked 3rd in the Low-Cost Carrier (LCC) service by getting 71.32% presentations from 196,932 flights and 140,459 for timely trips. Skytrax noted that Lion air got two stars for service ratings and ranked 6th with the worst airline in the world. Lion Air is experiencing problems related to flight safety and service quality, which will affect customer satisfaction because it is felt directly by passengers and has an impact on customer loyalty.

1.4 Research Questions

Based on the problem statement, the research questions would be:

1. Does Service Quality have a positive effect on Customer Satisfaction?
2. Does Safety Perception have a positive effect on Customer Satisfaction?
3. Does Loyalty Program positively influence Customer Loyalty?
4. Does Passenger Satisfaction have a positively effect on Passenger Loyalty?

1.5 Research objective

Based on Research Questions, the objectives of this study are :

1. To know Service Quality has a positive effect on Customer Satisfaction
2. To know the positive effect of Safety Perception towards Customer Satisfaction
3. To know the Loyalty Program positive influence towards Customer Loyalty

4. To know the Customer Satisfaction, have a positively effect on Customer Loyalty

1.6 Significant of the study

The benefits of this Research divided into two parts, which are:

1.6.1 Academic aspect

This research is expected to provide a scientific contribution to the influence of Service Quality and Safety Perception on the Passenger Satisfaction and Loyalty Program and its impact on Airline Loyalty. Also, this research is expected to be an academic reference for the community, especially students and students in Indonesia

1.6.2 Business aspect

This study will be helpful and useful for Lion Air users that don't believe in the service and security provided by Lion Air. Lion air management can be used the result of this research as input and recommendation to do further in innovating development and business strategy

1.7 Systematic Writing

A. CHAPTER I INTRODUCTION

This chapter is describing the review of the Research Object, Research Background, Problem Statement, Research Objective, and Scope of Research

B. CHAPTER II LITERATURE REVIEW

This chapter contains a description of the literature review, theories related to research and solution of the problem, theoretical framework, and scope of the study.

C. CHAPTER III RESEARCH METHODOLOGY

This chapter contains the type of research used, the operationalization of variables and measurement scales, phases of the research, population and sample, data collection validity, and reliability test, and data analysis techniques.

D. CHAPTER IV RESEARCH ANALYSIS AND RESULT