

CHAPTER I

INTRODUCTION

1.1 Research Object Overview

PT. Lion Mentari Airlines operating as Lion Air is a low-cost airline carrying the slogan "We Make People Fly". The Lion Group, of which Lion Air is a part, also includes PT. Langit Esa Oktagon (referred to hereafter as PT. LEO Group). Lion Air, a reputable low-cost carrier and a top domestic airline, provides flights to budget-conscious travelers that prioritize price, flight frequency, and an extensive route network across Indonesia. Rusdi Kirana and his family established PT. Lion Air Mentari Airlines, based in Jakarta, Indonesia, on October 19, 1999. On June 30, 2000, this airline's operations commenced. Lion Air opened a route to Pontianak using a chartered Boeing 737-200 for the first time.



Figure 1. 1 Lion Air Group

Source: Lionair.co.id

The largest private airline in Indonesia is Lion Air. Having a network of routes to places like Indonesia, the Philippines, Malaysia, Thailand, Australia, Saudi Arabia, and Japan, in addition to charter flights to places like China, Hong Kong, South Korea, and Macau. Lion Air held a number of significant contracts during its operational year, one of which was an aircraft procurement contract with Airbus and Boeing worth US\$ 46.4 billion for a year with a fleet of 234 Airbus A320 and 203 Boeing 737 MAX aircraft. This led to a significant increase in Lion Air's fleet since its operational year in 2000.

More than 100 Boeing 737-800/900ER aircraft are in operation with Lion Air. Due to the deregulation of the Indonesian aviation industry in 1999 and a successful low-cost business model, the airline has experienced rapid expansion. Lion Air has many passengers and has a broad market, this is related to Lion Air Group being awarded as the airline with the best marketing strategy in ASEAN, the assessment was given by Markplus at the Indonesian Session of The 3th Asean Marketing Summit 2017.

The company itself has a long-term flight plan to empower its fleet to accelerate expansion in the Southeast Asian region by creating its own subsidiaries, namely Wings Air and Batik Air to strengthen flight operations in Indonesia and abroad, Lion Air has established Malindo Air and Thai Lion Air to expand its reach.

Vision and Mission of PT. Lion Air

Vision:

1. Can connect islands between islands in Indonesia.
2. Innovative in excellent and polite service.
3. Innovative in meeting customer needs at any time on the aircraft.

Mission:

1. Lion Airlines always follows global developments.
2. Make changes quickly in the way of thinking and way of working.
3. Continue to innovate that starts from yourself.
4. Work with a high sense of pride.
5. Providing sensational services

Lion Air has evolved into one of the airlines that customers prefer thanks to its mission, which calls for consistent, safety, and security services and upholds a high level of commitment and dedication in the operation of aviation services. Up to this point, Lion Air has operated a number of flights to more than 36 Indonesian cities and has expanded to Singapore, Malaysia, and Vietnam. aided by fleet facilities that currently house 15 aircraft, including the Boeing 737-900ER, 737-300, 400, and MD-90, and will add more in the coming years.

In the pandemic age, all airlines around the world have ceased operations, specifically aircraft flying operations at airports from one city to another in different countries, including Indonesia. Due to the pandemic, airlines that offer air travel have also blocked their routes, including those with extensive access to both domestic and international routes.

At all Indonesian airports, the epidemic significantly reduced the quantity of passengers and aircraft movements. As the Covid-19 pandemic recovery process continues, the government, through the Ministry of Transportation, is currently making every effort to return airport and flight operations to their pre-pandemic state. Indonesia has a large number of airlines, which has made competition for routes, costs, and the execution of their routes more fierce than ever before, especially when entering the new normal period of the covid epidemic. Thus, the subject of this study is PT. Lion Mentari Airlines as the development of airlines, particularly in Jakarta, began to emerge in the new normal period.

1.2 Research Background

The internet is a need that can now be a primary need. The internet is a technology that has made big changes in people's lives. The impact of the internet influences companies by providing access to information, assisting company management processes, while supporting innovation and competitiveness with other companies. The present internet connection is only one example of how technology can make life easier. The internet, together with ever-improving technology, paves the way for a wide range of advances. As can be observed in (Figure 1.2), there has been a recent uptick in the number of people using the internet in Indonesia.

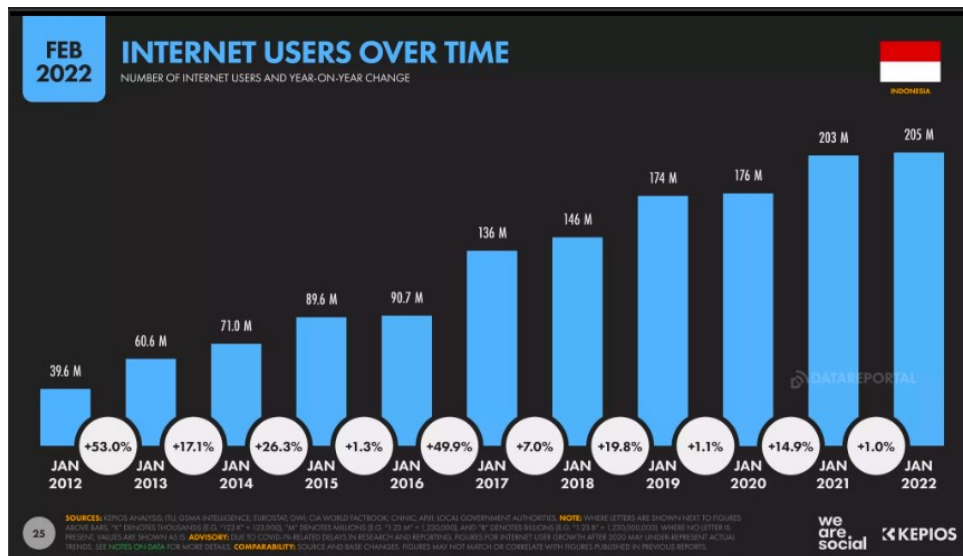


Figure 1.2 Internet Users Over Time

Source: Datareportal.com (2022)

Figure 1.2 shows that by January of 2022, the number of people using the internet in Indonesia had risen to 205 million, and this number is only predicted to rise from here. As can be observed in (Figure 1.3), the rise of internet use in Indonesia parallels the rise of social media usage in the country.

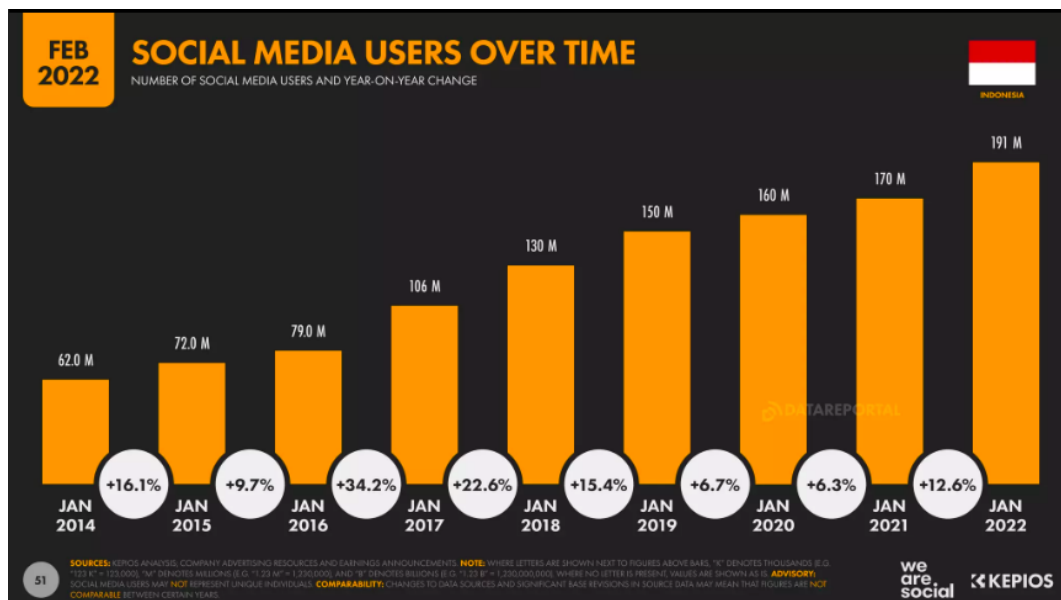


Figure 1.3 Social Media Users Over Time

Source: Datareportal.com (2022)

As can be seen in (Figure 1.3) shows that social media users in Indonesia will continue to increase from 2014 to 2022, in January 2022 social media users in

Indonesia reached 191 Million. Due to its ability to simulate common human social interactions, social media has recently seen explosive growth in its user base (Prasetio et al., 2017). According to Fatmawati (2021) Information technology progress has resulted in societal shifts, through social media it can facilitate the dissemination of information to take place more quickly. According to Ardian (2020), social media can provide opportunities for all companies with the process of branding a product, facilitating interaction between customers and companies, so that companies will get a wider community market.

Based on Pakan (2014), the movement of aircraft passengers has increased every year. This is one proof of the success of domestic aviation business competition. Various promotions are carried out by each airline, including increased service quality, cheap tickets, and a large number of flight frequencies. Passengers are the determinant of the success of the commercial aviation business, so people need to carefully consider purchasing decisions when offering products at low prices is the main target of potential consumers for consumer repurchasing interest (Permatasari et al., 2022). The brand that is in the spotlight in this study is PT Lion Mentari Airlines, the reason researchers took this object is because Lion Air is the airline that has the largest number of passengers in Southeast Asia, as can be seen in (Figure 1.4)

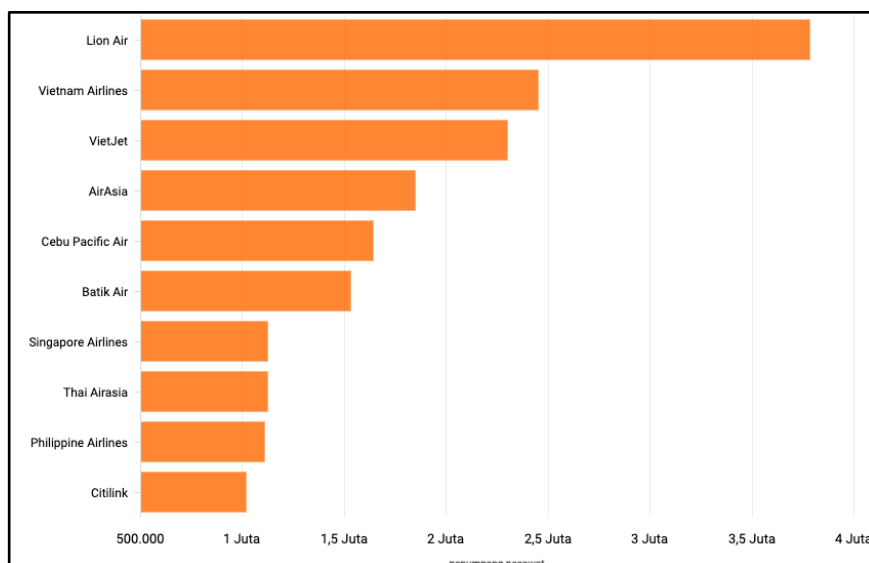


Figure 1. 4 The Airlines with The Highest Number of Passengers
Source: Databoks. (2022)

According to the Official Airline Guide (OAG) as can be seen in (Figure 1.4), Indonesia's Lion Air is the airline in Southeast Asia with the most passengers. There were 3.8 Million passenger seats in the airline's aircraft as of September 2022. As of September 2022, Vietnam Airlines had a total of 2.5 million passenger seats, making it the second-largest airline in Southeast Asia. VietJet airlines, which is still based in Vietnam, is third with 2.3 million full passenger seats.

However, although Lion Air ranks first with the most passengers in Southeast Asia, based on Bounce's assessment, Lion Air ranks first as the worst airline in the world.

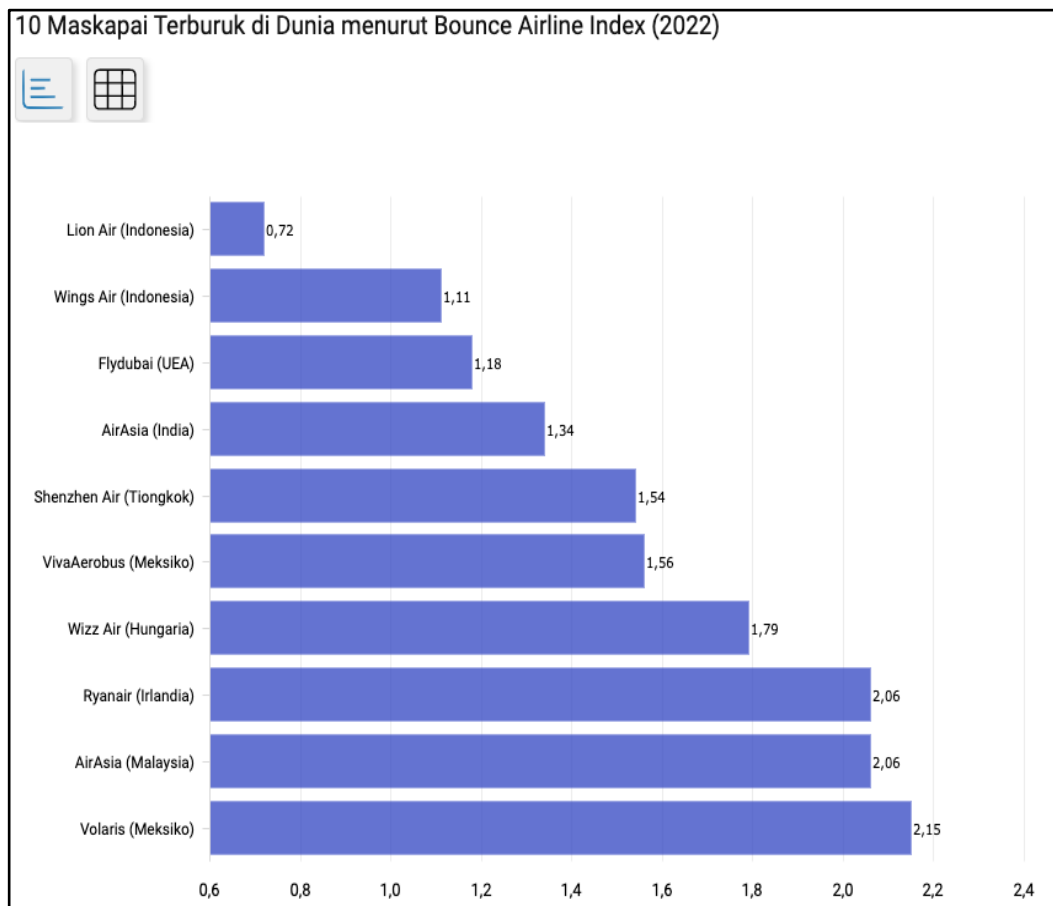


Figure 1. 5 World's Worst Airline Chart

Source: Databoks. (2022)

According to Bounce as can be seen in (Figure 1.5), the evaluation is based on a number of factors, including timeliness, flight cancellation rates, in-flight entertainment quality, staff service quality, comfort of the airplane seat, and

baggage policy. From these various metrics, Lion Air only received a 0.72 out of a possible 10 point rating. Of all the airlines surveyed, this received the lowest rating.

Due to the adoption of travel restrictions and the decrease in passenger numbers, the airline sector has been severely impacted by the COVID-19 outbreak.

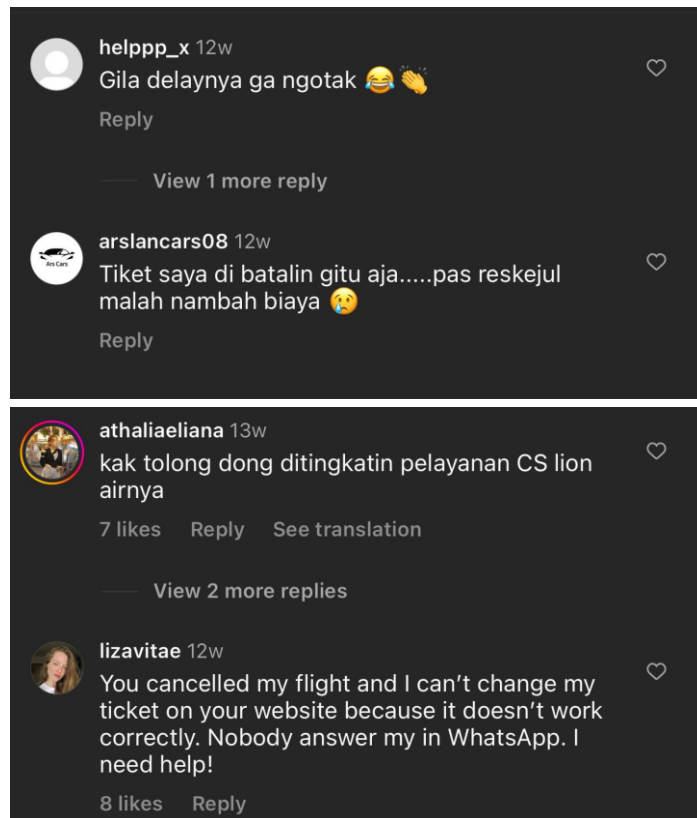


Figure 1. 6 Instagram Comment

According to Picture 1.1, a complaint regarding customer service in Lion Airlines is very fatal because of the trip cancellation without confirmation, and the flight delay which required a long time to wait was also very unpleasant for passengers.

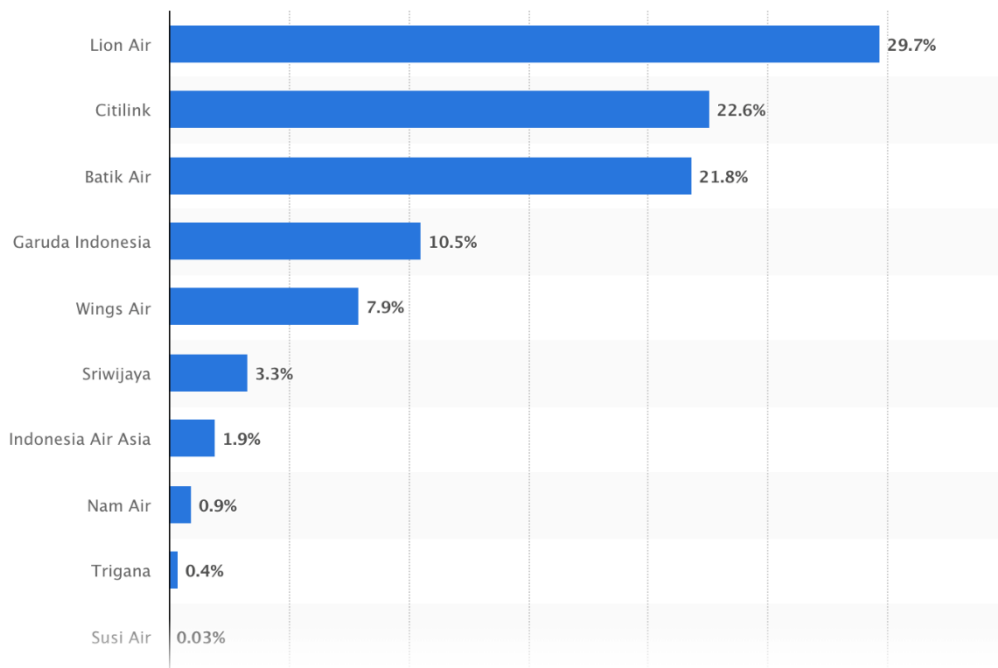


Figure 1. 7 Market Share of Domestic Airlines

Source: Statista.com (2021)

According to Picture 1.2, Lion air Lion Air commanded the largest portion of the domestic airline market in Indonesia, holding a share of 34 percent. Following behind were Citilink and Batik Air, with market percentages of 22.6 percent and 21.8 percent, correspondingly. It is concludes that lion airlines is well know airlines with their dominant market share.

The Jakarta-Bali flight route emerged as one of the busiest domestic air routes globally in 2022 (Bramasta, 2022), This statement's essence implies that domestic flights within Indonesia experience high levels of activity, and it can be inferred that Lion Air offers the most affordable fares through its subsidiary airline, Super Air jet. (Traveloka.com, 2023).



Figure 1. 8 Reduction in The Number of Air Passengers
Source: Kontan.co.id (2020)

As may be observed in (Figure 1.6), air travel has declined in 2020 as a result of the Covid 19 epidemic, as reported by Elvira (2020). In particular, in May of 2020, there were less than 0.1 million domestic travelers. Planes and other forms of transportation were silent because government policies limited human mobility during the outbreak. Flights on overseas routes saw an even steeper drop. For this year, passengers on international routes are in the range of one million, only recorded during January-February, before the pandemic occurred. The number of passengers flying internationally fell by 0.56 million in March. Over the subsequent

months, that figure has dropped to the tens of thousands. In May, there were barely 0.01 million, or around 10,000 passengers, on foreign routes.

Flight cancellations as a result of the decrease in customers forced numerous airlines to implement significant layoffs or possibly declare bankruptcy. To cut losses, some other airlines don't issue refunds for canceled flights. There are also rumors that airport managers and aircraft manufacturers have fired staff members. According to Guillaume Faury, CEO of Airbus SE, Johan Lundgren, CEO of EasyJet, Oscar Munoz, CEO of United Airlines, and Alan Joyce, CEO of Qantas, the aviation crisis during the COVID-19 epidemic is regarded as the biggest aviation catastrophe in history. However, after 2 years have passed, various airlines in Indonesia have recovered, which makes the competition even tougher. Starting from route competition, costs, and their route implementation is getting tougher than before, especially when entering the new normal period of the covid epidemic.

In this case, it is the airlines that will be discussed. The Covid-19 outbreak has caused a sharp decline in the number of airline travelers. For contrast, there were about 91 million passengers traveling domestically or internationally in 2019. According to Denon's findings, the Covid-19 pandemic has cost the Indonesian aviation industry 60 to 70 million jobs. Due to this, only over 30 million people are now using Indonesia's aviation system to travel by plane. The impact of fewer foreign visitors to the archipelago is shown in the number of persons who fly. Economic growth, which was 5.17% in 2019, is now -5.2% as a result of the fall in foreign visitors.

However, now airlines have begun to adapt to entering the flight normalization stage and determine a number of regulations that must be followed as a condition for complying with health protocols so that airlines can successfully reverse the situation to how it was before the pandemic, and airlines are also facing very tight competition.

In this era of increasingly fierce airline competition, there are several factors that can make the company's products/services favored by passengers, such as competitive prices and brand image in an effort to have a positive impression in the eyes of consumers.

According to Kotler, Keller, and Chernev (2021), only price contributes to bringing in money from the marketing mix. Pricing also conveys the value positioning of a company's product or brand. A higher price and more profits are possible outcomes of a product's superior design and marketing. However, in light of the fact that the new economic realities have forced many customers to review their willingness to pay for products and services, companies should reevaluate their pricing strategy. The cost is more than simply a dollar amount. Price has various factors. Customers can make payments to multiple businesses using a variety of methods, including points, frequent flier miles, and bitcoin. Price has an impact on consumers' decision-making when making purchases; when prices are high, fewer people will make a purchase; when they're cheap, more people will. Entrepreneurs must therefore be careful when deciding how much to charge for their goods in order for them to succeed on the market. Low cost carriers, such as Lion Air, are redefining the aviation industry by offering inexpensive ticket prices and basic flying services. Dudy in Ariyanti (2016), Lion Air has a very strong brand in the minds of the Indonesian people. It is ingrained that flights with very low prices, this advantage makes all Lion Air flight routes in demand.

EWOM can increase knowledge and information about a product or service so that it influences someone in the buying process. A positive brand image can influence EWOM and can encourage someone to make decisions that lead to purchase intention in increasing their company's profits. Not only price is crucial in running a business, but also the brand image. According to Kotler & Keller (2016:32), with a brand image, all businesses stand to create brands that combine strong, favorable and unique of brand associations. According to Indrawati (2022), The main idea of E-Wom involves incorporating variables from IAM (Identity and Access Management) like "information quality," "information credibility," "information usefulness," and "information adoption" into the core framework. This would be achieved by introducing "information quantity" as an additional element to the model.

As stated in the research of Seo & Park in (Prasetio et al., 2022) Brand image as touchstones for brands whose distinctive benefits are etched in the minds of consumers and evolve into competitive advantages, According Hipwee.com (2018) to Lion Air has been offering flight experiences since 2000, where many air transportation enthusiasts choose it due to its more affordable ticket prices. Despite encountering issues, especially passenger neglect at some airports some time ago, Lion Air has managed to regain the public's trust by implementing the Low Cost Carrier system in Indonesia.

According to (Kotler & Armstrong, 2017), the marketing mix is a group of tactical marketing tools used by businesses to produce the desired copies in the marketplace because they want to profit from the vulgar instruction on their products. The understanding of each of the marketing mix variables is defined by (Czinkota et al., 2021:27) as follows, products include both goods and services and are referred to as the product-related elements, price is separated out as a factor deserving of separate analysis, though this may overstate its significance, place refers to delivering the product. The business's efforts to make the product accessible and available to the target market, promotion of message delivery. In order to raise awareness, interest, understanding, attitudes, and purchase decisions, promotion sends out a message.

Business players in the aviation industry, particularly in Indonesia, may benefit from studying the impact of prices, E-WOM, and brand image on the repurchase intention: a study at PT. Lion Mentari Airlines Indonesia. Airline business owners can develop plans to help companies grow and thrive in the face of increasingly fierce competition in the aviation business sector. This justification inspires the author to dig deeper into the topic at hand, as the title **"THE INFLUENCE OF PRICES, E-WOM AND BRAND IMAGE ON THE REPURCHASE INTENTION: A STUDY AT PT. LION MENTARI AIRLINES INDONESIA"**.

1.3 Problem Formulation

Restrictions on air travel and a subsequent drop in passenger numbers have had a major effect on the aviation business as a result of the COVID-19 pandemic. The decline in the number of passengers resulted in flight cancellations so that many airlines were forced to carry out massive layoffs or even go bankrupt, causing the Indonesian economy to decline. Currently, the Government through the Ministry of Transportation is helping airlines in the new normal era in line with the recovery period from the Covid-19 Pandemic. According to the Official Airline Guide (OAG), Indonesia's Lion Air is the airline in Southeast Asia with the most passengers. There were 3.8 million passenger seats in the airline's aircraft as of September 2022. However, although Lion Air ranks first with the most passengers in Southeast Asia, based on Bounce's assessment (Annur, 2022), Lion Air ranks first as the worst airline in the world, travel service platform Bounce lists Lion Air as the worst airlines based on a survey conducted by analyzing airlines from various countries in the world. So, the competition in airlines is getting tougher and competing to have a positive impression in front of their consumers.

Previous research by Arif (2019) demonstrated that pricing has a significant and positive influence on repurchase desire. Brand image has a major impact on consumers' propensity to repurchase. Independent factors like pricing, brand image, and E-WOM are what really drive customers to make repeat purchases. According to the results, Citilink consumers' repurchase intentions are considerably and favorably affected by pricing, brand image, and E-WOM.

Price has a large and beneficial influence on purchase choices, according to a research by Nazelina Meisya, Novitasari Dewiana, Fikri Agung M, and Asbari Masduki. A favorable association with a brand may greatly influence consumer behavior. Meanwhile, when it comes to making a purchase through delivery service, factors like price, brand reputation, and service quality all play important roles. Therefore, this research will discuss **"THE INFLUENCE OF E-WOM, PRICES AND BRAND IMAGE ON THE REPURCHASE INTENTION: A STUDY AT PT. LION MENTARI AIRLINES"**.

1.4 Research Question

1. How much are the rates of Price, Information Quality, Information Quantity, Information Credibility, and Brand Image at PT Lion Mentari Airlines based on Respondent?
2. How much does Repurchase Intention of Respondent towards PT Lion Mentari Airlines?
3. Do Price, Information Quality, Information Quantity, Information Credibility, and Brand Image have any influence on Repurchase Intention at PT Lion Mentari Airlines?

1.5 Research Objective

Based on the formulated problem, the objectives of this research are as follow:

1. To analysis the rates of Price, Information Quality, Information Quantity, Information Credibility, and Brand Image at PT Lion Mentari Airlines based on Respondents
2. To find out the possible Repurchase Intention of Respondents towards PT Lion Mentari Airlines
3. To find out whether Price, Information Quality, Information Quantity, Information Credibility, and Brand Image have any influence on Repurchase Intention at PT Lion Mentari Airlines

1.6 Research Benefit

The following are some of the expected benefits of this research, as stated by the author:

1. Theoretical benefit

This research is designed to assist future understanding of academic goals for development, in how Price, Information Quality, Information Quantity, Information Credibility, and Brand Image will influence the Repurchase Intention, especially in Airlines industry. It is expected that the author will gain a deeper

understanding of the topics being studied and the effects of factors like price, information quality, information quantity, information credibility, and brand image on the propensity to repurchase and conduct additional studies along these lines.

2. Practical Benefit

The findings of this research can be used for company considerations, to improve repurchase intention at PT Lion Mentari Airlines. Also can be useful for companies in determining E-WOM, price and brand image policies.

1.7 The Systematic of Mini-thesis Writing

Use this part as a resource for writing clear and comprehensible scientific papers. The problem may then be discussed and its operation understood more readily, which will aid in their resolution. The following is an overview of each section:

1. CHAPTER 1: INTRODUCTION

This chapter provides an overview of the issue at hand and is broken down into multiple subsections detailing the problem's history, conceptualization, definition, research objectives, outcomes, and organizational structure within the thesis.

2. CHAPTER 2: LITERATURE REVIEW

This chapter provides the conceptual groundwork for understanding the difficulties inherent in doing research, which is necessary for weighing the benefits and drawbacks of existing studies.

3. CHAPTER 3: RESEARCH METHODOLOGY

Documenting, summarizing, and assessing data acquired to aid in strategy formulation, method development, and analysis is described here in detail.

4. CHAPTER 4 RESULTS AND DISCUSSION

In order to address the research questions, this section will explain and interpret the data that was studied.

5. CHAPTER 5: CONCLUSION

This last section summarizes the study and offers recommendations based on the findings.