

CHAPTER I INTRODUCTION

1.1 Background of Study

In recent decades, transportation has significantly evolved. Aviation, a popular mode of long-distance travel, has witnessed a surge in usage among individuals. This is evidenced by the rising number of airline passengers, both domestically and internationally. Moreover, airline ticket rates have become more accessible to Indonesians compared to previous years, thanks to the growing influx of passengers and goods, which in turn bolsters tourism endeavors and overall development. (Muhmin, 2023)

PT Indonesia AirAsia, commonly known as Indonesia AirAsia, is a subsidiary of AirAsia, a prominent low-cost airline based in Tangerang, Indonesia. Established in 2004, Indonesia AirAsia commenced operations in December of the same year. Initially focusing on domestic routes within Indonesia, the airline later expanded its services to cover international destinations across Southeast Asia and beyond. Indonesia AirAsia operates primarily from its main hub at Soekarno-Hatta International Airport in Jakarta, with additional hubs at Ngurah Rai International Airport in Bali and Juanda International Airport in Surabaya. (Airasia, 2024)

In the highly competitive airline industry, it is crucial for companies to identify the factors that affect consumer purchase decisions in order to sustain their market standing. As a prominent low-cost carrier, PT. Indonesia AirAsia must consistently evolve to meet customer demands, with a focus on perceived value, promotion, and brand image which are key elements that significantly influence consumer choices.

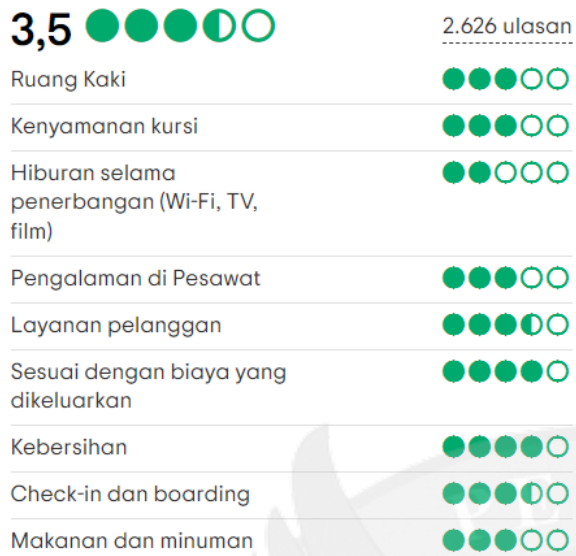


Figure 1.1 Airasia Service Rating

Source: (TripAdvisor.co.id, 2024)

According to (Brama Kumbara, 2021), purchase decision is the motivating factor that guides consumers in selecting a product based on their requirements. Prior to making a purchase, a consumer typically engages in a decision-making process. Consumer purchasing decisions represent their inclination towards selecting a product to attain desired satisfaction. This conduct embodies consumer actions in making purchase determinations, adhering to a particular product; in case of any alterations to the product, consumers reevaluate their purchase decisions.

Year	Ticket Sold
2019	7,967,267
2020	2,148,968
2021	801,673
2022	3,249,677
2023	6,182,295

Table 1. 1 Indonesia Airasia, 2024

The table presents ticket sales data for PT. Indonesia AirAsia from 2019 to 2023, reflecting significant fluctuations largely due to the COVID-19 pandemic.

- 2019: With 7,967,267 tickets sold, this year marked a peak for the airline, demonstrating strong demand and stability in the market before the pandemic struck.
- 2020: Sales plummeted to 2,148,968 tickets as COVID-19 prompted widespread travel restrictions and heightened safety concerns. This decline highlights the challenges the airline industry faced during this period.
- 2021: Ticket sales further dropped to 801,673, indicating the ongoing effects of the pandemic. Many consumers remained reluctant to travel, resulting in extremely low sales figures.
- 2022: A recovery began, with sales increasing to 3,249,677 tickets. As restrictions were lifted and vaccination rates rose, consumer confidence started to return, though numbers still fell short of pre-pandemic levels.
- 2023: Projected sales of 6,182,295 tickets reflect a strong recovery, approaching the figures seen before the pandemic. This growth suggests a resurgence in consumer confidence as travel resumes more fully.

In summary, the data illustrates the dramatic impact of the COVID-19 pandemic on PT. Indonesia AirAsia's ticket sales, followed by a gradual recovery in subsequent years, demonstrating the airline's resilience in overcoming the challenges in the aviation market.

According to (Kuncoro & Kusumawati, 2021), Perceived value is defined as the customer's assessment of product attributes, their performance, and the outcomes resulting from usage, which either support or hinder the achievement of their goals and purposes in specific usage situations. Perceived value plays a particularly important role, as it reflects the customers' assessment of the benefits they receive in comparison to the costs they incur. In

the context of PT. Indonesia AirAsia, perceived value is not only influenced by ticket prices but also by the overall service experience, including in-flight amenities, customer service, and convenience. When customers believe that the value offered aligns with their expectations, it directly impacts their willingness to choose the airline over competitors, making perceived value a critical driver of purchase decisions.

Perceived value is understood as the consumers' evaluation of what they feel they have sacrificed (perceived sacrifice) in relation to what they have received (perceived benefit) when purchasing goods or services. This notion of perceived sacrifice encompasses not only financial costs but also the time and effort required for the purchase. Moreover, perceived value is linked not only to the perceived price but also to the quality of the product and the likelihood of consumers making repeat purchases. (A. Ali & Bhasin, 2019)

In addition to perceived value, promotional activities play a crucial role in impacting purchase decisions. Through diverse methods such as advertising, discounts, and sales promotions, businesses can effectively convey the value proposition of their products or services to consumers. These promotional efforts raise awareness, spark interest, and incite desire among potential customers, ultimately prompting them to make a purchase. For instance, a meticulously crafted advertising campaign showcasing a product's unique attributes can capture consumers' attention and sway their purchase choices in favor of that specific brand. Similarly, offering time-limited discounts or special promotions can create a sense of urgency, encouraging consumers to act promptly and make purchases they might have otherwise postponed. In summary, promotional strategies exert a direct influence on consumer behavior, significantly shaping their purchase decisions. According to (Rustianah et al., 2022), Promotion refers to a marketing strategy designed to communicate information, persuade, or remind the target audience about a company and its offerings. The goal is to

encourage potential customers to accept, purchase, and develop loyalty toward the products or services provided. By effectively engaging the audience through various promotional activities, companies aim to enhance brand awareness, stimulate interest, and ultimately drive sales.

Besides perceived value, Promotion is also crucial in determining customers' purchasing decisions. In agreement with (Marlius & Jovanka, 2023), Promotion serves as a strategic initiative to secure a competitive advantage, necessitating companies to consistently inundate consumers with a diverse array of information pertaining to their products. This concerted effort entails deploying multifaceted promotional campaigns across various channels, ranging from traditional advertising mediums to digital platforms, in order to effectively engage and influence consumer perceptions and behaviors. By saturating the market with compelling product information, companies endeavor to enhance brand visibility, cultivate consumer trust, and ultimately, bolster market share amidst fierce competition.

Based on (Abdul et al., 2022), price is one of the promotion mix elements that requires careful consideration. Although a high price may yield significant profits for the company, it is not an easy decision for consumers, as their perceptions vary and they tend to behave rationally towards price before making a purchase. Price is a crucial variable in marketing, as it can influence consumers' decisions to purchase a product.

There are several reasons why PT Indonesia AirAsia's promotional strategy is perceived as ineffective:

- Lack of Differentiation, example: AirAsia's focus on low fares is common among budget airlines, making it hard to stand out. Competitors like Citilink offer unique services such as onboard Wi-Fi, which AirAsia has not effectively countered.

- Poor Targeting, example: AirAsia's broad promotions miss specific market segments. During Lebaran, competitors offer targeted deals for family travel, which AirAsia's broader approach often overlooks.
- Inadequate Customer Engagement, example: AirAsia's BIG Loyalty program lacks compelling benefits compared to competitors like Garuda Indonesia's GarudaMiles, leading to lower customer retention and engagement.

Brand image encompasses the consumer's assessment and perception of a brand within a given market context. It represents the collective understanding and impression consumers hold about a product's brand, which is constructed through the accumulation of information derived from their interactions and experiences with the product. As consumers engage with the product, they gather information that contributes to the formation of their beliefs and attitudes towards the brand. In essence, brand image is the holistic impression that consumers develop based on their feelings, experiences, and interactions with the product, ultimately shaping their perceptions and influencing their future behaviors and decisions regarding the brand (H. Ali et al., 2023).

The quality of a product is essential in shaping its brand image, which reflects consumers' perceptions and evaluations of a brand in relation to its competitors offering similar products. A strong brand image, combined with high product quality, typically leads to increased consumer demand. Consequently, companies are motivated to enhance and maintain a positive brand image. Furthermore, the favorable associations that consumers form towards a product are significantly influenced by a robust brand image. This image indirectly affects consumer attitudes, shaping their choices and beliefs about the brand. Ultimately, a positive consumer perception can directly improve brand performance and facilitate purchasing decisions. (Turap et al., n.d.)

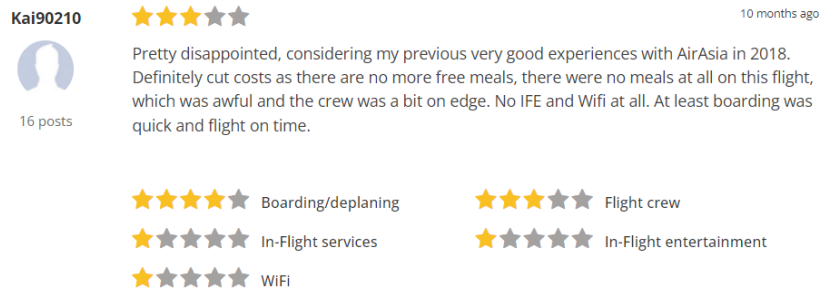


Figure 1.2 Airasia's Brand Image Review

Source: (FlightRadar24.com, 2024)

Based on Figure 1.2, the image shows a negative review of an AirAsia flight, with complaints about cost-cutting measures, such as no free meals, Wi-Fi, or in-flight entertainment. While boarding and flight timeliness were praised, the overall experience was disappointing compared to the reviewer's previous flight.

This reflects how service quality impacts brand image and purchase decisions. In PT Indonesia AirAsia's case, such negative experiences can harm customer loyalty and lead passengers to choose other airlines, affecting the brand's reputation and success.

In today's competitive airline industry, maintaining a positive brand image is essential for attracting and retaining customers. However, several critical factors are contributing to the decline of PT. Indonesia AirAsia's brand image:

- **Safety Concerns:** In early 2024, the airline faced multiple minor safety incidents, including emergency landings, which raised public apprehensions about its safety protocols.
- **Operational Challenges:** During the 2024 holiday season, AirAsia experienced a notable number of flight delays and cancellations, resulting in significant passenger frustration and negative reviews.

- **Negative Publicity:** A viral video from mid-2024 showcased a subpar customer service encounter at an airport, intensifying the airline's public relations issues.

These factors collectively undermine consumer trust and diminish the airline's reputation, making it increasingly difficult to compete in a challenging market.

In accordance with (H. Ali et al., 2023), purchasing decision represents the pivotal phase within the buyer's decision-making journey, signifying the moment when a consumer commits to making a purchase. It serves as the ultimate conclusion reached by individuals or households seeking to procure goods or services for personal use. This decision-making process entails various stages that consumers navigate in their quest to acquire a product. Indicators guiding the purchasing decision comprise consistency in product procurement, acquisition driven by several factors, include:

1. Consistency in purchasing the product,
2. Personal needs and desires,
3. Reliance on recommendations from others,
4. Purchase motivated by the appeal of the product's brand.

1.2 Problem Limitation

For the research to maintain organization and clarity, the author has outlined specific limitations:

1. This study will concentrate on perceived value, promotion, and brand image as the independent variables, with purchase decision being the dependent variable.
2. The data for this research will be sourced exclusively from PT. Indonesia AirAsia customers.
3. Data collection will solely rely on specially designed questionnaires tailored for research purposes.

4. The sample for this study is restricted to individuals who meet the following specific criteria: both male and female, aged between 18 to 65 years, residing in Indonesia, had flight with PT. Indonesia AirAsia and have made at least two purchases from PT. Indonesia AirAsia within the last one year.

1.3 Problem Formulation

This study aims to investigate the influence of service quality, promotion strategies, and brand image on the purchase decisions of customers, focusing on the case of PT. Indonesia Airasia. Specifically, the following questions will be addressed:

1. What is the impact of perceived value on the purchase decisions of customers at PT. Indonesia Airasia?
2. How do promotional strategies affect the purchasing behavior of customers towards PT. Indonesia Airasia?
3. What role does brand image play in influencing the purchase decisions of customers at PT. Indonesia Airasia?

By examining these factors, this research seeks to provide insights into the key determinants shaping consumer choices within the context of PT. Indonesia Airasia.

1.4 Objective of the Research

In today's competitive airline industry, understanding what drives customer purchasing decisions is essential for companies like PT. Indonesia Airasia to thrive. Specifically, this study aims to:

1. Contribute to the existing body of knowledge regarding the influence of perceived value, promotion strategies, and brand image on purchase decisions within the airline industry, particularly focusing on PT. Indonesia Airasia.

2. Offer empirical evidence and insights into the specific factors that drive consumers' purchasing decisions within the context of PT. Indonesia Airasia.
3. Provide PT. Indonesia Airasia with actionable recommendations for improving perceived value, promotional efforts, and brand perception to enhance customer satisfaction and loyalty.
4. Facilitate a deeper understanding of consumer behavior and decision-making processes, aiding PT. Indonesia Airasia in developing targeted marketing strategies and campaigns.
5. Enrich academic literature by exploring the interplay between perceived value, promotion, and brand image in shaping purchase decisions, contributing to theoretical frameworks and future research endeavors.

1.5 Benefit of the Research

The benefit of the researches as follow:

1. Theoretical Benefit

- a. For Readers: The findings of this study serve as evidence for readers, demonstrating the influence of perceived value, promotional strategies, and brand image on purchase decisions at PT. Indonesia Airasia.
- b. For Writer: The outcomes of this study offer valuable insights, firsthand experience, and observations from a real-world context, providing significant utility for the writer.
- c. For Other Researchers: The findings of this study can serve as a valuable point of reference for researchers interested in exploring similar problems in the future, offering a foundation upon which further studies can be built.

2. Practical Benefit

- a. For PT. Indonesia Airasia: The researcher anticipates that the findings of this study will provide valuable insights for the company to assess and utilize as recommendations, enabling a better understanding of the impact of perceived, promotional strategies, and brand image on purchase decisions at PT. Indonesia Airasia.
- b. For the Writer: This study's outcomes offer the writer an opportunity to gain fresh insights and deepen their understanding of the significance of perceived value, promotional strategies, and brand image in influencing purchase decisions at PT. Indonesia Airasia.
- c. For Future Researchers: The researcher envisions that the findings of this study will serve as a benchmark for future researchers interested in exploring similar topics, specifically the influence of perceived value, promotional strategies, and brand image on purchase decisions at PT. Indonesia Airasia.

