

CHAPTER I

INTRODUCTION

1.1 Background of Study

Lion Air is one of Indonesia's largest low-cost carriers, founded in 1999, offering domestic and international flights. Known for providing affordable travel options, Lion Air serves a broad network of destinations across Southeast Asia, China, and the Middle East. Despite its expansive reach and accessibility, the airline has faced challenges related to customer satisfaction, including concerns over flight delays, safety records, and service quality. While these issues have impacted its brand reputation, Lion Air continues to be a popular choice for budget-conscious travelers in Indonesia due to its competitive pricing and extensive flight routes. The airline plays a crucial role in connecting Indonesia's vast archipelago and facilitating regional travel.

Competition in the airline industry is becoming increasingly intense, driven by various factors such as the growth in the number of airlines, increasing demand for air travel, and technological advancements. Airlines are competing by offering competitive ticket prices, additional services, and enhanced trusts to attract passengers. In addition, factors like safety, punctuality, and service quality are key considerations for consumers when choosing an airline. Amid the high operational costs, such as fuel and aircraft maintenance, airlines must continuously innovate and improve operational efficiency. Competition has also become more complex with the emergence of low-cost carriers, providing

more affordable alternatives for consumers, prompting traditional airlines to adjust their strategies to remain competitive.

Customer satisfaction is a crucial factor for a company's sustainability because it directly affects customer loyalty, brand reputation, and business growth. Satisfied consumers tend to make repeat purchases, recommend products or services to others, and provide positive reviews that can attract new customers. Moreover, high levels of satisfaction help companies build long-term relationships with customers, reduce the cost of acquiring new ones, and increase profitability. Conversely, customer dissatisfaction can lead to loss of customers, damage to the company's image, and create opportunities for competitors to capture market share. Therefore, meeting and exceeding customer expectations is key to a sustainable business strategy.

Consumer satisfaction is seen as a key element that determines the success of a marketing organization, whether business or nonprofit. Meeting consumer satisfaction is believed to be a requirement for achieving organizational goals. Lion Air has faced significant challenges with consumer satisfaction, as reflected in the frequent complaints from customers following their ticket purchases. Many passengers have expressed dissatisfaction with various aspects of the airline's service, leading to a widespread perception that Lion Air struggles to consistently meet customer expectations. This ongoing inability to fulfill the needs and desires of its passengers has resulted in a decline in customer loyalty, with many choosing not to return to the airline for future travel. The persistent shortfall in delivering a

satisfactory experience has contributed to a growing reluctance among consumers to rely on Lion Air's services again.

The phenomenon of customer dissatisfaction with Lion Air is often driven by the airline's inability to meet consumer expectations, negatively affecting overall customer satisfaction. Many passengers report issues such as frequent flight delays, unresponsive service, and suboptimal cabin conditions, leading to a mismatch between initial expectations and actual experience (expectation confirmation). This results in a lower intention among consumers to repurchase Lion Air's services (repurchase intention) and reluctance to recommend the airline to others (willingness to recommend), ultimately harming the airline's image and customer loyalty.

Word of Mouth is communication about products and services between people who are considered independent of the company providing the products or services, using a medium that is perceived as independent from the company. The problem with word of mouth lies in the negative reviews or discussions about Lion Air, which make consumers dissatisfied with its conditions. Additionally, frequent discussions about recurring issues at Lion Air make consumers reconsider before using its services.

Lion Air has faced negative word-of-mouth (WOM) issues, driven by several key factors. Talkers, including dissatisfied passengers, often share poor experiences such as delays, lost baggage, or inadequate customer service. The topics that fuel these discussions revolve around frequent flight disruptions, safety concerns, and customer complaints about unresponsive service. Tools such as

social media, online review platforms, and forums have amplified these negative sentiments, making it easier for discontent to spread rapidly. As passengers take part in these conversations, they influence others' perceptions, leading to reputational damage. Despite these challenges, tracking mechanisms to monitor and address complaints appear insufficient, allowing the negative WOM to persist unchecked.

Trust is the sum of all interactions and touchpoints that customers have with a company's products, services, and brand throughout their journey. It encompasses customers' perceptions, emotions, and satisfaction levels at each stage, from initial awareness to post-purchase support. The issue with Lion Air's trust is its inability to create a harmonious relationship and establish good trust with its consumers, as well as its failure to make customers accept various conditions. Lion Air has also not adequately addressed issues related to passenger trust, such as lost luggage and delays, leading to customer dissatisfaction.

Lion Air has faced significant consumer trust issues due to recurring incidents of poor service and safety concerns. These problems manifest through several indicators: harmony is disrupted as frequent delays and cancellations create frustration among passengers, straining relationships between the airline and its customers. Acceptance of the airline's service quality is low, as many travelers question the reliability and safety of flying with Lion Air. Participation is affected, with consumers becoming less inclined to engage with the airline, opting for competitors instead. Lastly, simplicity is compromised as the airline's booking,

communication, and customer service processes are often seen as inefficient, further deterring passengers.

Brand image is shaped by consumers' perceptions or beliefs about the information and experiences they have received regarding a product or service in the past. Brand image consists of the ideas, beliefs, and impressions in consumers' minds that arise from their experiences with a company's products or services. The problem with Lion Air's brand image is that it is often regarded poorly, as the airline frequently earns a reputation as a bad airline. Additionally, complaints about the facilities offered by Lion Air suggest that they fail to provide comfort for passengers.

Lion Air has faced numerous issues that have led to negative brand image, particularly concerning easy to remember, easy to recognize, and good reputation. Frequent flight delays and cancellations, coupled with poor customer service, have made the airline memorable for all the wrong reasons. Additionally, the brand has become easily recognizable for its inconsistent performance, including safety concerns, which has tarnished its reputation. Instead of being associated with reliability or value, Lion Air is often remembered for frustrating travel experiences, contributing to a declining trust in its overall service quality.

Based on the research conducted by Shamsudin, et al. (2020) entitled: The Influence Of Service Quality, Brand Image, Trust, And Price On Customer Satisfaction: Case Of Airline Services. The results indicate that price was not significant towards customer satisfaction. The rest of factors remain positive and

important in leading customer satisfaction. The results can be used not only by the airlines industry but all logistic service providers.

Research conducted by Melyana, et al. (2023) entitled: *Word Of Mouth And Brand Image Terhadap Kepuasan Konsumen Maskapai Lion Air Di Radin Inten Li Lampung*. The results of this study indicate that brand equity has a significant positive effect partially or simultaneously on purchasing decisions. Based on the results of the analysis, the Word of Mouth and Brand Image variables have a positive effect on consumer satisfaction, both partially and simultaneously.

Based on the background study, the writer is interested to conduct research with the title: **“The Effect of Word of Mouth, Trust and Brand Image towards Passengers Satisfaction Flying with Lion Air.”**

1.2 Problem Limitation

Due to the limited of time, writer will focus on three variable which are Word of Mouth (with indicator consist of talkers, topics, tools, talking part, and tracking), Trust (with indicator harmony, acceptance, participation simplicity), Brand Image (with indicator consist of easy to remember, easy to recognise, and good reputation) as independent variable and Passengers Satisfaction (with indicator consist of overall consumer satisfaction, expectation confirmation, repurchase intention, and willingness to recommend) as dependent variable. This research will focus on Lion Air. Here are the details of the research timeline:

Table 1.1. Research Timeline

No	Information	Month/Year															
		July 2024				August 2024				September 2024				October 2024			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	Research Title Submission	■	■	■	■												
2	Proposal Preparation					■	■	■	■								
3	Proposal Guidance									■	■	■	■				
4	Data Collection													■	■	■	■
5	Data Processing																
6	Skripsi Preparation																
7	Skripsi Guidance																
8	Skripsi Defence																

Sources: Writer, 2024

1.3 Problem Formulation

The identification problem in this study are:

1. Does Word of Mouth have partial effect toward Passengers Satisfaction on using Lion Air?
2. Does Trust have partial effect toward Passengers Satisfaction on using Lion Air?
3. Does Brand Image have partial effect toward Passengers Satisfaction on using Lion Air?
4. Do Word of Mouth, Trust and Brand Image have simultanous effect toward Passengers Satisfaction on using Lion Air?

1.4 Objective of the Research

The objective of the research as follow:

1. To analyze whether the Word of Mouth has influence toward Passengers Satisfaction on using Lion Air.

2. To analyze whether the Trust has influence toward Passengers Satisfaction on using Lion Air.
3. To analyze whether the Brand Image has influence toward Passengers Satisfaction on using Lion Air.
4. To analyze whether the Word of Mouth, Trust and Brand Image has influence toward Passengers Satisfaction on using Lion Air.

1.5 Benefit of the Research

The benefit of the researches as follow:

1. Theoretical Benefit

- a. For Readers

The result from this study can be proof for readers to know that Word of Mouth, Trust and Brand Image having effect towards Passengers Satisfaction.

- b. For Writer

The result from this study provide insight and experience as well as observations in a real life situation which is very useful for the writer in the future.

- c. For Other Researches

The result from this study can be used for reference for those who are interested in studying the same problem in the future.

2. Practical Benefit

a. For Company

The researcher expects the result from this study could benefit the business to evaluate, and take the result as suggestion to know the effect of Word of Mouth, Trust and Brand Image towards Passengers Satisfaction.

b. For Writer

The result from this study make the writer gain new experience and more knowledge about the importance of Word of Mouth, Trust and Brand Image towards Passengers Satisfaction.

c. For Future Research

The researcher expects the result from this study could become a comparison for the future researchers who are interested of studying the same topic which is the influence Word of Mouth, Trust and Brand Image towards Passengers Satisfaction.