THE EFFECTS OF SERVICE CONVENIENCE AND PERCEIVED QUALITY ON PERCEIVED VALUE, SATISFACTION AND LOYALTY ON GARUDA INDONESIA AIRLINE

(Undergraduate Thesis)

By

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ABSTRACT

The Effects of Service Convenience and Perceived Quality on Perceived Value, Satisfaction and Loyalty on Garuda Indonesia Airline

By

Permata Dinda Rahayu Utami

The amount of mobility from one place to another makes a person need transportation to create the movement more flexible and easier facilitate their movement. One of the transportation that can help with this mobility is an airplane. Airplanes are shaded by airlines, trying to provide service and quality that can create value that is accepted by users so that customer satisfaction and loyalty can be formed.

This study aims to determine the relationship between Service Convenience and Quality Applied to Applied Value with Customer Loyalty and Customer Satisfaction as the two intervening variables. The data used in this study were collected through a questionnaire that was distributed digitally to 165 respondents using a purposive sampling method based on the criteria of people who have used the services of the Airline Company of Garuda Indonesia Tbk. The analysis technique used in this research is Structural Equation Modeling (SEM) in the form of Partial Least Square (PLS).

The results of the study based on statistical analysis show that there is a positive and significant influence between Service Convenience and Quality Applied to the Value Applied with Customer Loyalty and Customer Satisfaction as both of the Intervening Variables. Customer Satisfaction is caused by the convenience of the services presented and the quality applied by the Garuda Indonesia company to customers. With Service Convenience has an effect on the Perceived Value with p-value 0.002 <0.05, the effect value is 0.338. Perceived Quality with Perceived Value with p-value of 0.000 <0.05, with an effect value in 0.419

Service Convenience and Satisfaction with p-value of 0.024 <0.05, an influence value in 0.191. Perceived Quality with Satisfaction has p-value 0.000 <0.05 with the effect value in 0.429. Perceived Value to Satisfaction has p-value in 0.016 <0.05 with an influence value of 0.203. Satisfaction to Loyalty has p-value in 0.016 <0.05 with effect value in 0.402. Perceived Value to Loyalty produces a p-value in 0.013 <0.05 with the effect value in 0.218. And Loyalty to Satisfaction as an intervening variable produces a p-value in 0.021 <0.05 with an influence value in 0.081.

Keywords: Attitude, Trust, eWOM, Perceived Benefit, Perceived Web Quality, and Shoppe Online Shopping Mall

ABSTRAK

Pengaruh Kenyamanan Pelayanan dan Kualitas yang Diterapkan terhadap Nilai yang Diterapkan, Kepuasan dan Loyalitas pada Maskapai Garuda Indonesia

Oleh

Permata Dinda Rahayu Utami

Banyakanya mobilitas dari satu tempat ke tempat lainnya membuat seseorang membutuhkan alat transportasi yang dapat digunakan untuk mempermudah pergerakan mereka. Salah satu transportasi yang dapat membantu mobilitas tersebut ialah pesawat terbang. Pesawat terbang yang dinaungi oleh maskapai, mencoba untuk memberikan pelayanan dan kualitas yang dapat menciptakan suatu nilai yang diterima oleh pengguna sehingga dapat terbentuk kepuasan dan juga loyalitas pelanggan atau pengguna.

Penelitian ini bertujuan untuk mengetahui hubungan antara Kenyamanan Pelayanan dan Kualitas yang Diterapkan terhadap Nilai yang Diterapkan dengan Loyalitas Pelanggan dan Kepuasan Pelanggan sebagai Variabel Intervening keduanya. Data yang digunakan dalam penelitian ini dikumpulkan melalui kuesioner yang dibagikan secara digital kepada 165 responden dengan menggunakan metode purposive sampling yang didasarkan pada kriteria masyarakat yang telah menggunakan jasa dari Persuhaan Maskapai dari Garuda Indonesia Tbk. Teknik analisis yang digunakan dalam penelitian ini adalah Structural Equation Modeling (SEM) dalam bentuk Partial Least Square (PLS).

Hasil dari penelitian berdasarkan analisis statistik menunjukkan bahwa terdapat pengaruh positif dan signifikan antara Kenyamanan Pelayanan dan Kualitas yang Diterapkan terhadap Nilai yang Diterapkan dengan Loyalitas Pelanggan dan Kepuasan Pelanggan sebagai Variabel Intervening keduanya. Kepuasan Pelanggan disebabkan oleh Kenyamanan Pelayanan yang disajikan dan Kualitas yang Diterapkan oleh perusahaan Garuda Indonesia terhadap pelanggan. Dengan Kenyamanan Pelayanan berpengaruh terhadap Nilai yang Diterapkan dengan p-value $0.002 < 0.05$ nilai pengaruh 0.338. Kualitas yang Diterapkan dengan Nilai yang Diterapkan menghasilkan p-value $0.000 < 0.05$, dengan nilai pengaruh 0.419 Kenyamanan Pelayanan dengan Kepuasaan dengan nilai p-value $0.024 < 0.05$ nilai pengaruh 0.191. Kualitas yang Diterapkan dengan Kepuasaan menghasilkan

nilai p-value 0.000 < 0.05 dengan nilai pengaruh 0.429. Nilai yang Diterapkan dengan Kepuasan menghasilkan nilai p-value 0.016 < 0.05 dengan nilai pengaruh 0.203. Kepuasan dengan Loyalitas menghasilkan nilai p-value 0.016 < 0.05 dengan nilai pengaruh 0.402. Nilai yang Diterapkan dengan Loyalitas menghasilkan nilai p-value 0.013 < 0.05 dengan nilai pengaruh 0.218. Dan Loyalitas terhadap Kepuasan sebagai variabel intervening menghasilkan nilai p-value 0.021 < 0.05 dengan nilai pengaruh 0.081.

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By:

PERMATA DINDA RAHAYU UTAMI

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At

Management Department

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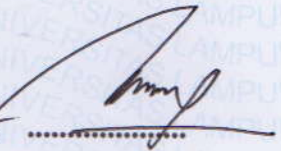
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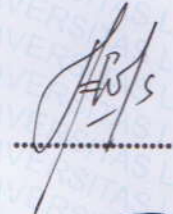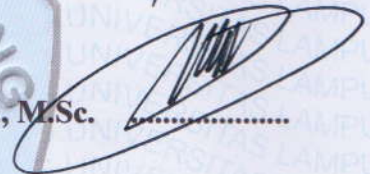# VALIDATING

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PLAGIARISM-FREE STATEMENT

The undersign below:

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Hereby declare that the thesis entitled — The Effects Of Service Convenience And Perceived Quality On Perceived Value, Satisfaction And Loyalty On Garuda Indonesia Airline" is true of my own work. In this thesis there is no whole or part of the writing that I took by copying or imitating in the form of a series of sentences or symbols that indicate the ideas or opinions or thoughts of other writers, which I acknowledge as my writing, other than that or what I took from the writings of others without giving recognition of the original author. If in the future it is proven that my statement is not true, then I am ready to receive sanctions in accordance with applicable regulations.

Bandarlampung, June 18th, 2021

Permata Dinda Rahayu Utami
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BIOGRAPHY

The researcher was born in Bandar Lampung on November 10th 1999, as the first child of Dody Irawan, S.E.M.M., and Ariani Utami. The researcher has 2 little brothers and one little sister named Muhammad Rafli Ardo Alvaro, Putri Intan Zahra and Muhammad Fattan Zacky Irawan. The researcher started formal education at TK Palm Kids which was completed on 2005, and then continued to elementary school at SDS Palm Kids (2005-2011), junior high school at SMP Negeri 1 Bandar Lampung (2011-2014), and senior high school at SMA YP Unila (2014-2017).

In 2017, the researcher was accepted in Economics and Business Faculty, University of Lampung, through SBMPTN. The researcher was majoring in the management department and concentrating on marketing management. The researcher was also accepted as one of the students in International Class 2017. The researcher was active in some university's organizations, such as Economics English Club FEB Unila, HMJ Manajemen FEB Unila and Kelompo Studi Pasar Modal FEB Unila. The researcher was appointed as General Secretary of Economics English Club (2020).

The researcher was also active in regional, national, and international events. The researcher was the champion of Newscasting National Competition 23rd ALSA E-Comp in Universitas Indonesia (2019) and the 2nd runner up of National Online Newscasting Competition in EEC UNSOED English Competition and 1st runner up of Fasilkom English Festival UNSRI (2020). The researcher also participates on short course program as exchange participant to Aoyama Gakuin University at Japan. And had an Internship at PT.Pertamina, MOR 2, Sumbagsel Region

MOTTO

"Does he not know that Allah sees all?"

(Q.S Alaq : 14)

"Some beautiful paths can't be discovered without getting lost"

(Erol Ozan)

"The only thing standing between you and your goal is the nonsense story you

keep telling yourself as to why you can't achieve it."

(The wolf of Wall Street – 2013)

"You is kind. You is smart. You is important."

(The Help – 2011)

"The future belongs to those who believe in the beauty of their dreams."

(Benjamin Franklin)

DEDICATION

Bismmilahirrahmanirrahim. I express my gratitude to Allah SWT for His mercy and blessing; hence I could complete this undergraduate thesis properly. With the blessings, I present this undergraduate thesis to:

MY FAMILY

My parents, Dody Irawan, S.E.,M.M., and Ariani Utami, who have brought me into this world and always tried their best to raise me as a good person. Who always believe in my decisions and understand what I want and what I need. My siblings, Rafli, Zahra and Fattan thank you for always be the source of my happiness and strength. I would also send my gratitude to my Grandparents, Nenek Rawa, Mbah Kung, Mbah Ti, Yaik Rawa, Pakde Bowo and Bude Santi, Tante Ica, Yaik Apung and Nenek Esi for helping through my life and I will never forget your kindness. I hope this undergraduate thesis can make them happy and proud of me.

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In writing this undergraduate thesis, the researcher noticed that this achievement was not only done alone, but supported by a variety of important people who are willing to devote their time and resources to provide guidance and motivation. Therefore, the researcher would like to express her gratitude to:

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CHAPTER I

INTRODUCTION

A. Background of Research

As the era keeps changes, there are a lot of changes that have been experienced by the earth and its content. Those time changes are marked by the shifting that has occurred massively and significantly. We can see it in the growth and development of technology around us, where all aspects of life are mostly related to technology, Such as: the economy, social, education and so on. Technology is one of the factors that are considered able to shape the economic and cultural changes. And the influence of technology on a person depends on how that person uses technology in their culture or daily habits. Society dependence towards technology has strength to change the existing culture. Technology itself changes the behavior and character of its users with the convenience it offers to the users because of the technology development. Most of the user wanted effective, efficient, easy and fast ways to be accessed and used. Moreover, we are in the midst of a pandemic COVID-19 situation where we have to rely our life with technology as our helper to get through our days. One of the tangible examples from the technology development is technology in transportation.

According to Steenbrink (1974), transportation is the movement of people or goods using tools or vehicles from and to geographically separated places. Transportation itself is a tool that helps something or someone to perform mobility or movement from one place to another. Transportation is a clear example of technological developments in the present era. According to Utomo (2010), the types of transportation are divided into three, namely:

First is Land transportation. Land transportation is chosen based on factors such as types of vehicle and specifications, travel distance, travel destination, availability of transportation means, city size and settlement density, socio-economic factors. The examples of land transportation modes are motor vehicles, trains and others. Second is water transportation (river, lake, and others) the example are boats, barges, boats, rafts. And the last one is Air transportation. Air transportation can reach places that cannot be reached by land or sea transportation, besides being able to move faster and have a straight path, and are practically barrier-free. Examples of air transportation include airplanes, helicopters, hot air balloons, etc.

Figure 1.1 National Transportation Developments January-December 2020
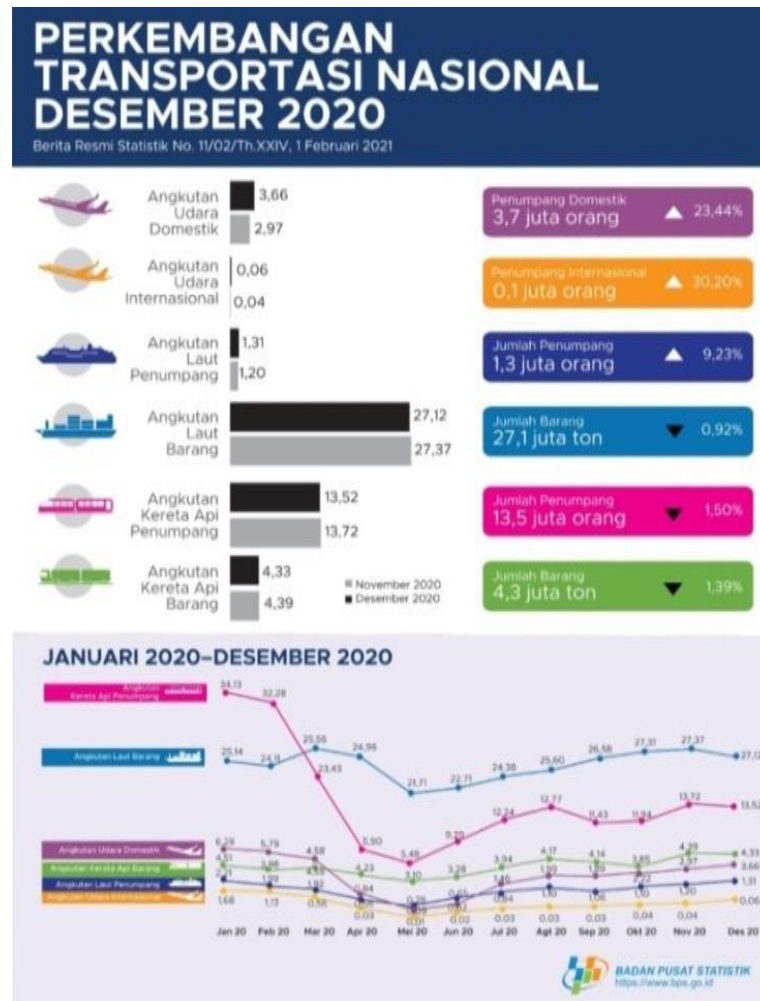
Sources: Berita Resmi Statistik No.11/02/Th. XXIV. 1 Februari 2021

Based on the data released by Badan Pusat Statistika (BPS), in figure 1.1, the number of domestic air transport passengers departing in December 2020 was 3.7 million people, an increase of 23.44 percent compared to November 2020. The number of passengers traveling abroad (international) rose 30.20 percent to 58.2 thousand people. During January-December 2020, the number of domestic passengers was 32.4 million people or decreased by 57.76 percent, and the number of international passengers was 3.7 million people, down 80.61 percent compared to the same period in 2019.

In Indonesia itself, there are 14 airlines that exist in Indonesia. Such as, Aviastar, Batik Air, Citilink, Indonesia AirAsia, Lion Air, NAM Air, Sriwijaya Air, Susi Air, TranNusa, Indonesia Metro Aviation, Kalstar Aviation, Wings Air, Xpress Air and last but not least Garuda Indonesia. From the list, there is one airline that enters the 10 best airlines in Asia in 2020, which is Garuda Indonesia.

Figure 1.2 Top 10 Airlines in Asia 2020

Sources: TripAdvisor Travelers' Choice Awards 2020 by TripAdvisor

On Figure 1.2, Garuda Indonesia is in 6th place. The winners in Figure 1.3 are ranked based on the quality and quantity of the millions of reviews, opinions and ratings collected on Tripadvisor in 2019, before the pandemic. Specifically for ranking the best airlines, TripAdvisor uses an algorithm that determines the quantity and quality of airline reviews and ratings submitted by travelers around the world over the past 12 months.

Garuda Indonesia, the national airline of Indonesia, as the top 10 Best Airlines in Asia 2020 seamlessly connects 83 destinations worldwide, including exotic locations in the beautiful archipelago of Indonesia all at once. With more than 600 daily flights and a fleet of 196 aircrafts by January 2017, Garuda Indonesia proudly serves its passengers with the award-winning distinct service "Garuda Indonesia Experience", which highlights Indonesia's warm hospitality and rich diverse culture. To provide better and more convenient services, Garuda Indonesia continuously strives through its ongoing transformation program. The progress of the transformation can be seen from the achievement of a Skytrax's 5-star Airline rating as well as the winning of the prestigious "The World's Best Cabin Crew" for four consecutive years in 2014 to 2017, "The World's Most Loved Airline 2016" and "Best Economy Class" award in 2013, also from Skytrax.

Figure 1.3 Monthly Operational Indicators December 2020 Garuda Indonesia

INDICATOR	DEC 2019	YOY	NOV 2020	MOM	DEC 2020	YTD DEC 2019	YTD DEC 2020	YOY
	A	C/A	B	C/B	C	D	E	E/D
GARUDA INDONESIA GROUP								
Passenger Carried*	3,066,390.00	-65.95%	1,020,496.00	2.30%	1,043,998.00	31,894,383.00	10,808,279.00	-66.11%
ASK (000)	5,041,861.12	-38.13%	2,647,927.75	17.81%	3,119,464.30	57,067,267.28	27,655,576.46	-51.54%
RPK (000)	3,970,686.09	-74.03%	971,704.22	6.11%	1,031,048.16	42,391,071.14	12,492,128.93	-70.53%
SLF (%)	78.75	-45.70 pp	36.70	-3.64 pp	33.05	74.28	45.17	-29.11 pp
Aircraft Utilization (Hour)**	07:37	-1:15	06:02	0:20	06:22	07:42	05:02	-2:40
Frequency	20,421.00	-22.14%	13,627.00	16.67%	15,899.00	233,306.00	130,362.00	-44.12%
OTP**	89.50	1.40 pp	93.00	-2.10 pp	90.90	91.20	93.80	2.60 pp
Fuel Burn (Liter)	165,372,200.53	-42.23%	82,254,179.80	16.14%	95,530,681.54	1,870,647,337.86	869,986,972.92	-53.49%
Block Hours	45,018.70	-31.13%	26,164.29	18.51%	31,006.21	507,078.55	261,092.12	-48.51%
Cargo Carried (Ton)	27,694.20	-0.59%	24,661.53	11.64%	27,531.69	335,763.98	235,399.61	-29.89%
CLF (%)	45.50	33.95 pp	77.47	1.98 pp	79.44	50.37	70.76	20.39 pp
Passenger Yield (USc)	7.80	2.34%	7.31	9.19%	7.98	7.97	7.28	-8.69%
CASK (USc)	6.63	-21.02%	5.97	-12.27%	5.24	6.46	6.63	2.55%
CASK-Excl Fuel (USc)	4.75	-12.83%	4.88	-15.21%	4.14	4.50	5.18	15.10%
Fuel Price (USc/Liter)	57.53	-37.47%	35.16	2.31%	35.98	59.93	46.38	-22.62%
Cargo Yield (USc)	47.11	28.83%	58.98	2.92%	60.70	43.83	57.64	31.50%

Sources: *Inner Features December 2020*. Garuda Indonesia (Persero) Tbk,

The Group carried 1.04 million passengers, or increased by 2.30% MoM and reached 34.05% passengers last year. The Group also carried 27.53K Ton cargo, or increased by 11.64% MoM and reached 99.41% cargo pre COVID-19 last year. Number of passenger and cargo are increased significantly aligning with capacity increases. The Group's capacity (ASK) is increased by 17.81% MoM and reached 61.87% capacity. Aircraft utilization also improved by 20 minutes MoM to be 06:22 hours. From financial perspective, The Group's passenger yield increased by 9.19% MoM to be USc 7.98 Further, The unit cost of CASK and CASK Exel Fuel are decreased by 12.27% MoM and 15.21% MoM consecutively. Improving traffic and capacity meaning greater cost efficiency to the Group. The Group has been optimizing its business through charter and cargo services to survive in this pandemic year. In purpose of boosting

revenues other than scheduled flight business, Garuda Indonesia opens opportunities for Garuda Indonesia Group colleagues to carry out marketing and ticket sales through the "Juragan Charter" and "*Juragan Tiket*" programs as well as adding cargo capacity from east Indonesia to Narita Japan, Hong Kong and Singapore and supporting Government with medical supplies transportation.

Figure 1.4 Passenger Carried for Domestic and International Flights From March 2018-2020
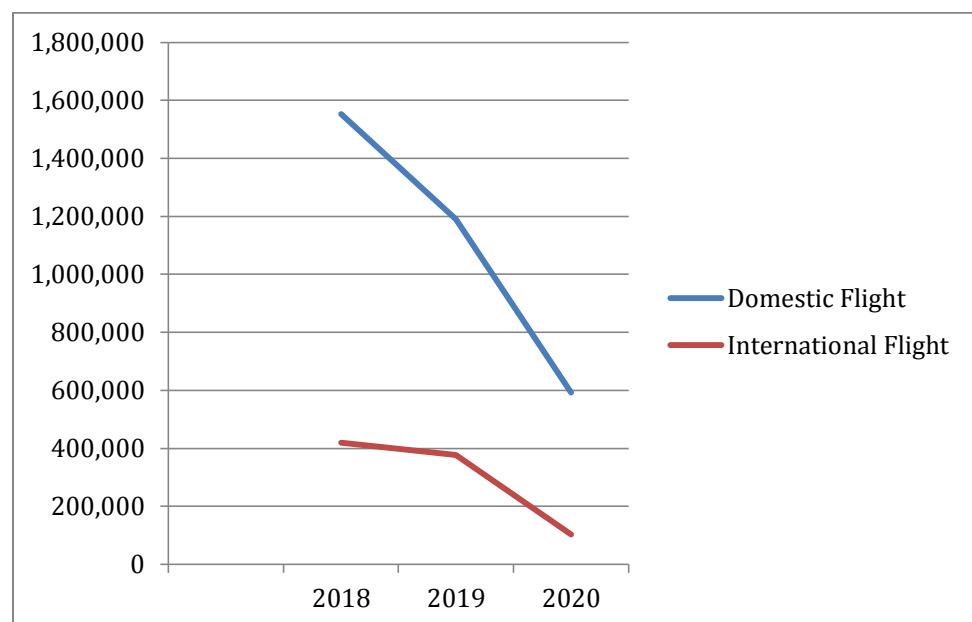
Sources: Garuda Indonesia's Monthly Operating Statistic March 2019 and 2020

From Figure 1.4, Garuda Indonesia's domestic and international flight dropped drastically for 3 years in a row, from March 2018-2020. From March 2018, 2019 and 2020 the number of domestic flights in a row are 1,552,648.0, 1,190,925.0 and 592,758.0. For international flight there are 420,252.0, 276,352.0 and 103,695.0. This may be due to COVID-19, but perhaps also how Garuda Indonesia provides services to their customers and service users. And even though Garuda Indonesia got good achievements, Garuda Indonesia faced several problems; Garuda Indonesia

had to be willing to drop its ranking in the world of aviation. Skytrax's World Airline Awards placed Garuda Indonesia's cabin crew in second place in the World's Best Cabin Crew category, down one place from the previous year. In addition, Garuda Indonesia has also dropped its ranking in the World's Best Economy Class Airlines category to position 11 after last year's position 7. This can be caused by the convenience of services received by consumers that do not match their expectations. As in 2019 Garuda Indonesia received some backlash and complaints from the consumers regarding the services and it leads to public started to asking about the services from Garuda Indonesia. When we all could agree that services from Garuda Indonesia success is based from their services towards the customers. The airline industry has made significant contributions towards the economic development of the country (Jahmani, 2017). However, quality of service in the aviation industry is a competitive advantage for airlines to increase profitability, and the most important factor in the industry is passengers. In order for the airlines to adopt their passengers, companies must understand the needs of passengers to provide good and high quality services (Jahmani, 2017).

As we include service convenience in this research. Service convenience facilitates the sale of goods as well as the sale of services. Perceptions of service convenience affect consumers" overall evaluation of the service, including satisfaction with the service and perceived service quality and fairness (Berry, Seiders & Grewal, 2002). As Berry et al. (2002) have conceptualized five dimensions of service convenience: decision convenience, access convenience, transaction convenience, benefit convenience and post-benefit convenience. This conceptualization is validated by Seiders et al. (2007). Where Decision is talking about how easy for them to perceived time and effort expenditure to make service purchase or use decisions'. Access convenience was defined as 'consumers perceived time and effort expenditures to initiate service delivery'. Transaction convenience was defined as 'consumers' perceived time and

effort expenditures to effect a transaction'. Benefit convenience was defined as 'consumers' Perceived time and effort expenditures to experience the service's core benefits'. Post-benefit convenience was defined as 'consumers' perceived time and effort expenditures when reinitiating contact with a firm after the benefit stage of the service'. For decision one, the information and things related to Garuda Indonesia can be found from their social media and the access the office and counter of Garuda Indonesia can be found in each provinces and airport in Indonesia. Garuda Indonesia also makes it easy for all the customers by giving a lot of payment decisions.

Figure 1.5 Classification to keep GarudaMiles point per December 15 2020

Tier		Kualifikasi untuk Meningkatkan Tingkat Keanggotaan GarudaMiles Sebelum 15 Desember 2020		Kualifikasi Baru Terhitung 15 Desember 2020
		Tier Miles	Frekuensi	Tier Miles
	GarudaMiles Blue	Upon Enrollment	Upon Enrollment	Upon Enrollment
	GarudaMiles Silver	10,000	10	10,000
	GarudaMiles Gold	30,000	30	20,000
	GarudaMiles Platinum	50,000	50	30,000

Sources : https://www.garuda-indonesia.com/garudamiles/id/tentang-garudamiles/garudamiles-regular

Moreover, Garuda Indonesia serves some program that can benefit the customers and can affect the service convenience. This service is called GarudaMiles. GarudaMiles is a Loyalty program from Garuda Indonesia that is presented as a tribute to loyal customers. The accumulated miles can be exchanged for Award Tickets to your favorite destinations or Upgrade Awards from economy to business class on the flight of your choice. As GarudaMiles's members and consumers can enjoy many benefits and exclusive privileges, such as: special check-in counters at

the airport, additional baggage quotas, priority baggage handling, priority wait-lists for ticket reservations, access to Garuda Indonesia airport lounges, and attractive offers. As stated in Figure 1.5, there are some certain points to determine the class.

Along with service convenience, we have perceived quality. In this research stated a concept by (Zeithaml, 1988, p. 14) that Perceived value is a much broader concept, defined as "the global evaluation of the consumer on the usefulness of a product based upon the perception of what is received and what is given". As research about transportation, Chen and Lai (2011) explored the relationships between passengers' behavioral intentions of public transit and the various factors that affect service quality, namely, perceived value, satisfaction and involvement in Taiwan. The results of the study based on structural equation modeling show that service attributes such as vehicle safety, facility cleanliness, and complaint handling have a significant effect on passenger behavioral intentions. Perceived value also believed as a trigger of customer satisfaction. When a customer received a high value of service, it will result in high satisfaction. Furthermore, perceived value is also identified as a mediating and moderating construct between service quality and customer satisfaction (Caruana et al., 2000; Oh, 1999; Ryu & Han, 2010).

Satisfaction is a major outcome of marketing activity and serves to link processes of decision-making and consumption with post-purchase phenomena, such as attitude change, complaining behaviour and word-of-mouth, repeat purchase and brand loyalty (Wirtz and Mattila, 2001). Consequently, higher customer satisfaction leads to greater customer loyalty which, in turn, results in higher future revenue and prosperity (Coyles and Gokey, 2002; Bolton and Drew, 1991). Because if the customers are satisfied with the services and programs that Garuda Indonesia offers, they will loyal to Garuda Indonesia's services.

Afterwards, the satisfaction will lead the consumer to loyalty. A study by Mohsan et al. (2011) revealed that customer satisfaction was positively correlated with customer loyalty. It further stressed that, there was need for airline companies to always look into the needs and demands of their customers in order to survive and compete successfully in today's dynamic corporate environment. While Fornell (1992) found that high customer satisfaction would result in increased loyalty for the firm and that customers would be less prone to overtures from competition. Thus the underlying assumption is that passenger satisfaction is positively associated with passenger loyalty. The loyalty here measured by will consumer make positive comments to about the programs and services, the consumer will recommend this place to other people. The consumer will continue to participate in the products programs and services and consumer will visit this place again.

We need to acknowledge that other than price and value of the brand that Garuda Indonesia's have. We also need to know Dependent and independent considerations in basically different decisions with other industries, A connecting flight route from one city A to another B, Also a schedule departures, how many times the flight frequency affect the value of private consumers. Often time's consumer decisions also cannot be alone because it includes groups from travel agencies, too aviation opportunities for business or for travel. (Subagio.2012) and services and programs from Garuda Indonesia could affect the satisfaction and loyalty from their customers.

For that, the purpose of this research itself is to analyze the existing relationship between the service convenience and perceived quality on perceived value, satisfaction, and loyalty of clients of Garuda Indonesia. And also this research tries to find the sustainability of the business in the future, with this kind of services and programs of their business stay

sustain until the end. The major value of this research lies in its analysis of the relationships between these variables. That is why the researcher interest in making a research tittle.

B. Problem Formulation

Based on the background there are several airlines that exist in Indonesia, with the amount of competitors who already get into the business, Garuda Indonesia need to find how the service convenience and also the perceived quality of their services can effects their value and also the future intentions of their consumer.

Based on the description of the existing background, the formulation of the problem in this study are:

1. Does the service convenience effect perceived value in Garuda Indonesia?

2. Does the perceived quality effect perceived value in Garuda Indonesia?

3. Does the service convenience effect customer satisfaction in Garuda Indonesia?

4. Does the perceived quality effect customer satisfaction in Garuda Indonesia?

5. Does the perceived value effect customer satisfaction in Garuda Indonesia?

6. Does the satisfaction effects customer loyalty in Garuda Indonesia?

7. Does the perceived value effects customer loyalty in Garuda Indonesia?

8. Does loyalty affected by satisfaction as the intervening variable of Garuda Indonesia?

C. Research Objectives

The objectives to be achieved in this study are as follows:

1. To determine the effect of service convenience on perceived value in Garuda Indonesia.

2. To determine the effect of perceived quality on perceived value in Garuda Indonesia.

3. To determine the effect of service convenience on satisfaction in Garuda Indonesia.

4. To determine the effect of perceived quality on satisfaction in Garuda Indonesia.

5. To determine the effect of perceived value on satisfaction in Garuda Indonesia.

6. To determine the effect of satisfaction on customer loyalty in Garuda Indonesia.

7. To determine the effect of perceived value on customer loyalty in Garuda Indonesia.

8. To determine the effect of satisfaction as the intervening variable for loyalty in Garuda Indonesia.

D. Research Benefits

The benefits that are expected to be achieved in this study are as follows:

1. For Business

   This research is expected to be useful for business in understanding how perceived quality, service convenience, perceived value with satisfaction and lead to loyalty in Garuda Indonesia.

2. For Academics

   This research is expected to be a reference for further research and knowledge, observations about Garuda Indonesia.

3. For Researchers

   This research is expected to be used to apply the theories that have been obtained during lectures in order to see the fundamental differences between theories and realities that occur in society and expand insights and knowledge.

CHAPTER II

LITERATURE REVIEW, FRAMEWORK AND HYPOTHESES

A. Literature Review

1. Definition of Marketing

Based on Kotler and Keller (2016:27) marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that value for customers, client, partners and society at large. This also could be define that marketing itself can be used as a form of delivering information or offering some other valuable things towards other parties, even consumer or even general people.

Nowadays, it is easy to do marketing because of the technologies development. It seems so easy to spread the information and do the marketing. We can share it via online, through some websites, social media or even using search engine that often used for internet marketing or commonly said as E-marketing. According to El-Gohary et,al. (2010), Electronic Marketing (E- Marketing) can be viewed as a new philosophy and business practice modern involved with the marketing of goods, services, information and ideas through internet and other electronic network media.

More specifically, E-Marketing portrays company efforts to inform and communicate with buyers, and promote and sell its products and services over the Internet (Kotler and Keller, 2016).

2. Services

2.1 Definition of services

Lovelock and Wirtz (2017: 6) define services as economic activities offered by one party to another party, within a certain time period (time based), in the form of an activity (performance) that will bring the desired results by the recipient, objects, and other assets that are the responsibility of the buyer, in exchange for money, time, and effort, service consumers expect to get value (value) from an access of goods, labor, experts, facilities, certain networks and systems but consumers usually will not get ownership rights from the physical elements involved in providing these services. Also services also can be define as every action or action that can be offered by one party to another party which is basically intangible (does not have physical form) and does not result in ownership of something. The production may or may not be related to physical products. Services are often seen as a complicated phenomenon. The word service itself has many meanings ranging from personal service (Personal Service) to service as a product. Services are activities, benefits or satisfaction offered for sale (Kotler & Keller (2016).

2.2 Characteristics of Services

Service products have different characteristics from goods (physical products). Kotler (2012: 223) mentions these characteristics as follows:

1. Intangibility

   This means that services cannot be seen, tasted, heard or smelled before being bought by consumers.

2. Inseparability

   This means that services cannot be separated from the provider, whether the provider is a human or a machine.

3. Variability

   This means that the quality of service depends on who provides the service in addition to the time, place and how it is provided.

4. Perishability

   This means that services cannot be stored for sale or use later.

2.3 Service Convenience

The concept of convenience first surfaced in the marketing literature in relation to categories of products. Copeland (1923) classifies the consumer products into convenience goods, shopping goods and specialty goods. Convenience goods are taken as the savings in time and effort that consumers spend in purchasing products, rather than as an attribute of product itself.

Service convenience is defined as the 'consumers' time and effort perceptions related to buying or using a service. Service convenience can be thought of as a means of adding value to consumers, by decreasing the amount of time and effort a consumer must expend on the service (Berry et al., 2002). As for Thuy (2011) Service convenience is defined as: a judgment made by consumers according to their sense of control over the management, utilization and conversion of their time and effort in achieving their goals associated with access to and use of the service.

Different authors have given different types of service convenience. Perceptions of service convenience affect consumers' overall evaluation of the service, including satisfaction with the service and perceived service quality and fairness. (Berry, Seiders & Grewal,2002). Conceptually, service convenience intends to minimize the sacrifice or psychological stress related to the purchase or Utilization of a service (Berry et al., 2002).

Seiders, Voss, Godfrey, and Grewal (2007) identified five different types of service convenience:

(a) The convenience of decision, related to the initial decision to consume a service, the availability, and quality of the information with regards to the lender of service. Decision and access convenience are salient prior to the actual service exchange. In this stage, the availability and quality of information about the service provider and its competitors determine decision convenience; consumers normally have a higher convenience threshold when their purchase decisions involve services that are complex or difficult to evaluate (Zeithaml, Berry, & Parasuraman, 1996).

(b) The convenience of access, which address time and necessary effort to initiate the offering of services. Access convenience is determined by the physical location, operating hours, and availability online, by phone, or in person (Meuter, Ostrom, Roundtree, & Bitner, 2000; Seiders, Berry, & Gresham, 2000).

(c) Convenience implicated the benefit for the consumers. The benefit itself the consumers easily obtain benefits from the services provided in this place. And benefit convenience, which encompasses the fundamental service experience, varies in importance across service categories and may be less

relevant for services with high hedonic as opposed to utilitarian value (Holbrook & Lehmann, 1981).

(d) The convenience of transactions related to the time and effort while conducting the transaction. Transaction convenience perceptions reflect the time spent in physical or remote queues, which can be problematic for firms because wait times commonly are perceived as longer than they actually are and negatively influence overall service evaluations (Kumar, Kalwani, & Dada, 1997).

(e) The convenience after the time and necessary effort to reengage contact with an organization. postbenefit convenience becomes salient after the service exchange. Factors that determine postbenefit convenience often relate to service recovery efforts, in which exchanges frequently represent responses to defective products or services, transaction errors, or a customer's change of mind. (Seiders, Voss, & Godfrey, 2007).

For example, Keaveney (1995) demonstrated that service convenience influenced perceived value of clients of online services. Researchers have observed similar relationships in examinations of students participating in educational trips (Gallarza & Gil, 2006), service clients (Martín et al., 2008), restaurant goers (Chang, Chen, Hsu, & Kuo, 2010), hotel clients (Martín-Ruíz, Barroso-Castro, & Rosa-Díaz, 2012), and persons who frequent shopping centers (Lloyd, Leslie, & Chan, 2014).

Berry et al. (2002) have conceptualized five dimensions of service convenience: decision convenience, access convenience, transaction convenience, benefit convenience and post-benefit convenience. This conceptualization is validated by Seiders et al. (2007). They developed the SERVCON scale

and empirically validated the service convenience construct. Aagja et al. (2011) also used SERVCON scale, in the Indian organized food and grocery retail context. The explanation of several dimensions of service convenience as conceptualized by Berry et al. (2002) are : First, Decision convenience which defined as 'consumers' perceived time and effort expenditure to make service purchase or use decisions'. Second, access convenience that defined as 'consumers perceived time and effort expenditures to initiate service delivery'. Third, transaction convenience that defined as 'consumers' perceived time and effort expenditures to effect a transaction'. Fourth, Benefit convenience that defined as 'consumers' Perceived time and effort expenditures to experience the service's core benefits'.

Last, Post-benefit convenience that defined as 'consumers' perceived time and effort expenditures when reinitiating contact with a firm after the benefit stage of the service'. Service convenience was found to be a significant predictor of overall satisfaction in different service contexts (Aagja et al., 2011; Colwell et al., 2008; Seiders et al., 2007). This study, therefore, proposes that service convenience dimensions (decision convenience, access convenience, transaction convenience, benefit convenience and post-benefit convenience) have a positive impact on perceived value, customer satisfaction and also loyalty.

The different between service convenience and service quality is SERVQUAL toward an individual context offers some level of generalibility for the instrument to work in that context. Additionally SERVQUAL concerns very much about the service and the facility in which the service is provided. In many service contexts (such as credit processing center and online stores) where service convenience is relatively minor to

affect a customer's decision to request for a service. service convenience, which is also a multi-faceted construct, emerges to be an integral part of a complete service package.

3. Perceived Quality

Perceived quality is the customer's perception of the overall quality or superiority of a product or service in relation to what the customer expects. Perceived quality is reflected by product quality and services dimensions. Service dimensions refer to the RATER concept of Parasuraman et al. (1985), but excludes tangible dimension, since it is not relevant in this context; hence service dimensions are reliability, assurance, empathy and responsiveness. The analyses of both product quality and services performances are necessary to further strategy and implications. Service is an activity or benefit that the seller delivers to the buyer or prospect (Kotler & Armstrong, 2018). Perceived quality is defined as the consumers' judgment about an entity's services containing overall excellence or superiority (Snoj et al., 2004). According to Zeithaml (1988), perceived quality is "the judgement of the consumer on the excellence or superiority of a product/service" (p. 3).

Their instrument is based on work by Brady and Cronin (2001) and has been utilized in a number of other studies in the sport business industry (e.g., Theodorakis, Kyriaki, & Karabaxoglou, 2015), and is divided into three dimensions:

1. The first dimension is physical environment and includes three sub-dimensions (design, ambient conditions, and social) (five items).

2. The second dimension, interaction quality, includes the sub-dimensions of behavior, attitude, and expertise of employees (five items).

3. The third dimension of outcome quality is the possible consequences of service participation (five items).

Reducing the number of items due to translation or context industry practice adaptation has been practiced by other studies. Precisely, the scale proposed by Alexandris et al. (2004) has been modified in different studies. In the case of Kyle, Theodorakis, Karageorgiou, and Lafazani (2010) the scale was reduced to 15 items using a sample of ski resort visitors. Avourdiadou, Laios, Kosta, and Theodorakis (2014) reduced the scale to 11 items, and Gonçalves, Biscaia, Correia, and Diniz (2014) reduced the scale to 10 items for a sample of users of sport centers.

However, in this research we are using airlines as our object. With that, this research will use the scale proposed by Reza Etemad-Sajadi et al. (2016) which construct the scale from several past research Cronin et al. (2000),Elliot and Roach (1993), Gilbert and Wong (2003), Park et al. (2004), Park et al. (2006), Sultan and Simpson (2000), Saha and Theingi (2009).

The airline passenger's perceptions of the efficiency of the check-in/pre-flight process (Elliott & Roach, 1993; Park et al., 2004) and of how she or he is treated by the airline's customer-contact employees during the pre-flight/check-in process (Gursoy et al., 2005; Saha & Theingi, 2009; Street, 1994) are important considerations when assessing airline passenger perceived pre-flight service quality. In addition, tangible features such as the cleanliness of the aircraft and the passenger's perception of how she or he is treated by an airline's in-flight crew (Elliott & Roach, 1993; Saha & Theingi, 2009; Street, 1994) are important considerations when assessing airline passenger perceived in-flight service quality. Park et al. (2006) mentioned that airline passenger perceptions of service quality are the key drivers of airline passenger satisfaction. Congruently, extant research has presented

empirical evidence that indicates that passenger perceived service quality has a positive direct effect on passenger satisfaction (Nadiri et al., 2008; Park et al., 2004; Saha & Theingi, 2009).

In the current study, Reza Etemad-Sajadi et al. (2016) focus on those aspects of the service experience over which airlines have direct control and we make a clear distinction between airline passengers' perceptions of pre-flight and in-flight service quality (Truitt & Haynes, 1994). But in this research, we modifies from Reza Etemad-Sajadi et al. (2016) 9 scales to 6 scales which include the pre-flight and in-flight indicators and scales.

In this research the perceived quality were measured by the service quality that served by the researcher, by measuring the condition that happen in the airline. Perceived quality of service is a type of attitude, related to but not the same as satisfaction, and resulting from comparison of expectations with a perception of performance (Rowley, 1998). Thus, the two concepts are related, because incidents of satisfaction over time lead to perceptions of good quality (Rowley, 1998).

4. Perceived Value

Zeithaml (1988) defined perceived value as "the global evaluation of the consumer regarding the utility of the product based on the perception of what is received in exchange for what is given" (p. 14). perceived value is a result of a global valuation founded on what the client gives and receive in return (positive and negative function) (Oliver, 1999). Bitner and Hubbert (1994) said that "global impression of the consumer on the relative superiority or inferiority of an organization and its services" (p.7). Perceived value is a much broader concept, defined as "the global evaluation of the consumer on the usefulness of a product based upon the

perception of what is received and what is given" (Zeithaml,1988, p. 14).

Perceived value is the result or benefit received by customers relating to total costs (McDougall & Levesque, 2000). To put it simply that value is the difference between a benefit and a cost received by customers. The benefits received are combinations of elements include physical attributes, services and technical support obtained when using products (Ariningsih, 2009).

There are two important characteristics in customer value according to Roig et al (2006):

1. The value attached to product use.

2. The value can be felt by customers and cannot determined objectively by the seller. This means that only customers who are can see if a product or service has value.

Perceived value was measured according to Zeithaml (1988) by means of four items (e.g., "The programs and services of this place has great value,""The programs and services of this place are worth what they cost"). This scale has been adopted from other studies of management and sport marketing (e.g., Theodorakis et al., 2014).

Unlike perceived quality, Perceived value here he perceived value is what a customer believes the product is worth. This perception is formed by the opinions of the market and by the benefits that the customer expects to receive if he makes a purchase.as also what stated from previous research, Woodruff et al.,(1993) The customer's assessment of the value that has been created for them by a supplier given the trade-offs between all relevant benefits and sacrifices in a specific-use situation and Product value to a consumer is a comparison of tangible and intangible benefits from

the generic as well as the supplementary levels of a product and the total costs of production and usage of a product (Nilson,1992).

5. Customer Satisfaction

Satisfaction is a key element in retention strategies and customer loyalty (Cronin, Brady, & Hult, 2000). Satisfaction is therefore a focal point for sport management and research because satisfaction is a consequence of service quality, which is a manageable antecedent of future intentions (Moreno, 2015). Customer satisfaction is a pleasurable fulfillment response toward a good, service, benefit, or reward (Oliver, 1997), or an emotional state that occurs in response to the evaluation of a service (Westbrook, 1981). Satisfaction is less important as the member has not yet experienced the service, whereas benefit and post-benefit convenience focus on service outcomes of the actual health club encounter.

However, research also suggests those satisfaction influences consumers' preferences and positive recommendations to others (Bloemer et al., 1999; Cronin et al., 2000). Therefore, building convenience into the service delivery process will not only increase consumers' level of service satisfaction, but will also increase the likelihood that consumers will behave positively in the future (e.g., form intentions to repurchase and spread positive word-of-mouth).

The concept of value according to Mardikawati & Farida (2013) there are 4:

(1) Cost, namely the total money spent to obtain and use services

(2) exchange rate, the value received by customers in relation to the brand and convenience obtained when using the service.

(3) Aesthetics, value where consumers feel happy and comfortable with a service.

(4) Function in relative terms, namely how a service is used, as well as capable generate profits for consumers.

Satisfaction was measured with four items (e.g., "I am satisfied with the programs and services in this fitness center," "I am satisfied with the decision to become a member of this fitness center") based on Oliver (1997) and Cronin et al. (2000). Likewise, researchers have used the scale used to measure satisfaction for sporting services (e.g., Avourdiadou & Theodorakis, 2014).

6. Loyalty

Loyalty is a customer's willingness to continue patronizing a firm over the long term, preferably on an exclusive basis, and recommend the firm's products to friends and associates. Loyalty is an important outcome of customer satisfaction. Customers are not inherently loyal to any one firm! Rather, firms need to give their customers a reason to buy from them and then stay with them.(Lovelock & Wirtz (2018)). Oliver (1999,33) defines loyalty as "a deeply held commitment to rebuild and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviors. "Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and re-patronage. A relationship with a customer is equally important in customer loyalty and this requires that company work in a broader context that extends beyond itself, as no company can be world class at everything (McDonlad & Keen 2000).

Customer Loyalty is a consumer who intends to repurchase from the same service firms, to keep an optimistic attitude towards the service firm, and to willingly refer the service to others (Kandampully & Suhartanto, 2000). (Bowen & Shoemaker, 1998) stated that loyalty occurs when "the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set, these customers buy almost exclusively from you and referring to you as their restaurant or their hotel". (Reichheld & Sasser, 1990) defined a loyal customer as one who values the relationship with the firm adequately to make the firm a preferred provider.

Loyal customers do not switch to other service providers with small differences, such as price or service. Instead, loyal customers provide truthful and productive feedback, they combine the volume of their category purchases with the firm, they never mistreat firm employees, and they enthusiastically provide referral to their relatives and friends (Shoemaker & Bowen, 2003).

Gremler and Brown (1999) divided customer loyalty into three different categories that include behavior loyalty, intentional loyalty, and emotional loyalty. Behavior loyalty is repeating purchasing behavior while intentional loyalty is the possible buying intention. Emotional loyalty, however, is achieved when a customer feels that a brand corresponds with their value, ideas, and passion.

For loyalty, measures of behavior intentions were used by means of four items proposed by Zeithaml, Berry, and Parasuraman (1996) (e.g., "I will make positive comments to a friend about the programs and services in this fitness center,""I would re-register in this fitness center if I ever had to cancel my membership"). Also, the other scales have been used in studies related to sport

management (e.g., Avourdiadou & Theodorakis, 2014; Calabuig et al., 2015; Theodorakis et al., 2014).

B. Past Research

This research is conducted by considering different findings and results from previous studies, as presented in the following table:

Table 2.1 Summaries of Previous Researches

No.	Author(s)	Title	Findings
1.	García-Fernández, J., Gálvez-Ruíz, P., Fernández-Gavira, J., Vélez-Colón, L., Pitts, B., & Bernal-García, A. (2018)	The effects of service convenience and perceived quality on perceived value, satisfaction and loyalty in low-cost fitness centers. *Sport Management Review ISSN: 1441-3523* Published by Elsevier	In conclusion, the positive relationship among variables which influence client loyalty, specifically in lowcost sport organizations. Observed a direct and positive relationship between perceived quality and service convenience on perceived value. Furthermore, perceived value on satisfaction and consequently loyalty in clients of low-cost fitness centers were confirmed. These findings have implications for sport and fitness club managers as they seek to increase member loyalty and club effectiveness.
2.	Hartono Subagio, Robin Saputra (2012)	Pengaruh Perceived Service Quality, Perceived Value, Satisfaction Dan Image Terhadap Customer Loyalty (Studi Kasus	Based on the results of the regression analysis of the perceived value affect customer satisfaction. Thus the hypothesis which predicts that perceived value

		Garuda Indonesia) *Jurnal Manajemen Pemasaran, Vol. 7, No. 1, April 2012 doi: 10.9744/pemasaran.7.5.4 2-52* ISSN 1907-235X	has a significant effect on proven customer satisfaction. Based on the results of the regression analysis, it was obtained by the customer satisfaction take effect to customer loyalty. With thus hypothesis that guessed that customer satisfaction has a significant effect customer loyalty is proven to be true.
3.	Felga Lopentus, Rezi Erdiansyah. (2020)	The Effect of Service Quality, Perceived Value on Customer Satisfaction and Loyalty of Garuda Indonesia Airline Passengers (2020) *Advances in Social Science, Education and Humanities Research, volume 478*	In conclusion there is a direct and indirect effect of Service Quality, Perceived Value and Customer Satisfaction on Customer Loyalty. The four variables' calculation results showed that the variable with the highest effect on Customer Loyalty is Customer Satisfaction. Based on the dimensions, Customer Satisfaction is the dimension of Customer, which includes their convenience in making transactions with companies. This shows that their satisfaction level tends to have an effect and impact on their loyalty in using a product/service. The higher the convenience obtained by consumers in conducting transactions, the higher the customer satisfaction on the needs that are fulfilled. Furthermore, other variables that determine a consumer's satisfaction level are Service Quality and Perceived Value.

			However, Perceived Value has the highest effect on Customer Satisfaction. It consists of emotional and social values, which includes the benefits felt by consumers related to their social status. This also shows that an increase in consumers' emotional and social levels leads to a rise in product/service criteria.
4.	Reza Etemad-Sajadi , Sean A. Way and Laura Bohrer	Airline Passenger Loyalty: The Distinct Effects of Airline Passenger Perceived Pre-Flight and In-Flight Service Quality *Cornell Hospitality Quarterly* *1–7* *© The Author(s) 2016* *Reprints and permissions:* *sagepub.com/journalsPermissions.nav*	Findings illustrate that passenger perceived pre-flight service quality and perceived in-flight service quality are distinct dimension of airline service quality, and highlight the importance of airline pre-flight service quality. Indeed, airline passenger perceived pre-flight service quality was found to have a positive direct effect on passenger satisfaction and positive direct and indirect effects on airline passenger loyalty. In the following discussion, we highlight the practical implications of the current study's findings.

C. **Framework**
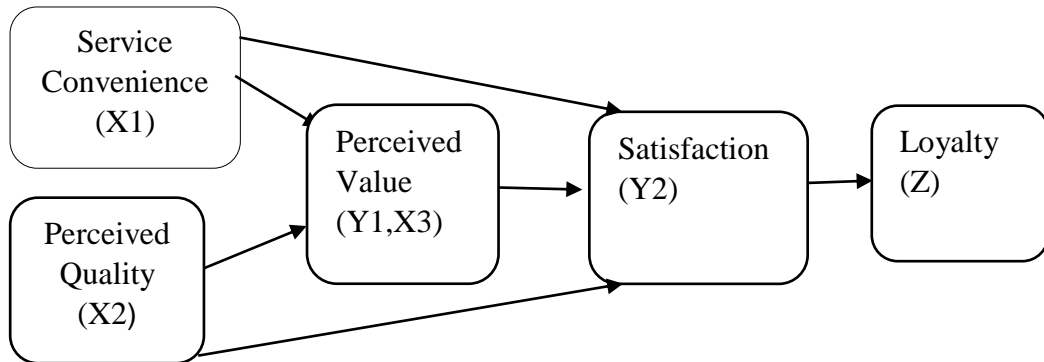
X1 = Service Convenience

X2 = Perceived Quality

X3,Y1 = Perceived Value

Y2 = Satisfaction

 Z = Loyalty

Figure 2.1 A Proposed Research Model, Taken from *García-Fernández, Jerónimo, et,al.* (2015)

D. **Hypothesis Development**

a. **Service convenience and perceived value**

Previous studies have shown that For example, Keaveney (1995) demonstrated that service convenience influenced perceived value of clients of online services. Researchers have observed similar relationships in examinations of students participating in educational trips (Gallarza & Gil, 2006), service clients (Martín et al., 2008), restaurant goers (Chang, Chen, Hsu, & Kuo, 2010), hotel clients (Martín-Ruíz, Barroso-Castro, & Rosa-Díaz, 2012), and persons who frequent shopping centers (Lloyd, Leslie, & Chan, 2014). In extrapolating these findings to the sport and fitness context. Within the

sport management field, some researches find that perceived value predicts consumer satisfaction (Calabuig, Núñez-Pomar, Prado-Gascó, & Añó, 2014; Cronin et al., 2000; Hightower, Brady, & Baker, 2002). Calabuig et al. (2014) find that perceived value is a predictor of users' satisfaction in a public sport service, but they assume that value refers to cost value. Service convenience is the capacity to add value to customers in order to reduce the non-monetary costs (time and effort) they need to propagate on a service (Colwell, Aung, Kanetkar & Holden, 2008; Berry, Seiders & Grewal). With that, it is proposed as:

H1: There is a direct and positive effect between the service convenience and the perceived value by users of Garuda Indonesia

b. Perceived quality and perceived value

Researchers in the previous study According to Zeithaml (1988), perceived quality is "the judgement of the consumer on the excellence or superiority of a product/service" (p. 3). Bitner and Hubbert (1994) define it as "global impression of the consumer on the relative superiority or inferiority of an organization and its services" (p.7). Perceived value is a much broader concept, defined as "the global evaluation of the consumer on the usefulness of a product based upon the perception of what is received and what is given" (Zeithaml, 1988, p. 14). Calabuig et al. (2015) found a direct and positive between quality and value. With that, it is proposed as:

H2: There is a direct and positive effect between perceived quality and perceived value for users of Garuda Indonesia

c. Service convenience and satisfaction

According to Farquhar and Rowley (2009) relates to the consumers'time and effort perceptions related to buying or using a service. Also It should be noted that service convenience reflects the maximization of the overall intrinsic value by reducing the amount of

time and effort that a consumer needs to expand on the services (Teo, Tan, Ooi, Hew,& Yew,2015). As a key idea for creating long-term relationships, customer convenience stayed in the service literature. A company that hopes to provide a high level of customer satisfaction must offer its customers convenience (Liang and Wang, 2006). Kaura et al (2015) posit that consumer who experiences necessary and relevant service convenience events will have higher satisfaction. The connection between customer convenience and customer satisfaction has been examined by many scientists in the service industry, including hotels, home delivery (Mehmood & Najmi, 2017) and sports (Elizabeth Lloyd, YK Chan, SC Yip & Chan, 2014). Many researchers have discovered that customers with a higher perceived level of service convenience have a greater effect on consumer satisfaction (Chen, Chang, Hsu, & Yang, 2011; Kaura et al, 2015). The following hypothesis is therefore developed based on these arguments. With that, it is proposed as:

H3: There is a direct and positive effect between perceived value and satisfaction of users of Garuda Indonesia

d. **Perceived quality and satisfaction**

Most marketing researchers accept a theoretical framework in which perceived quality leads to satisfaction, especially when perceived quality is framed as a specific belief evaluation and satisfaction as a more general evaluative construct (Gotliebet al. 1994; Johnson et al. 2001 as cited by Olsen 2002). As a result, satisfaction is one facet of a global affective evaluation that can be predicted from quality belief as a cognitive component of the evaluation. Depend on Johnson (1998) as cited by Szymanski and Henard (2001) states that a customer is more likely satisfied with marketer's offerings when they have higher capabilities of fulfilling customers' needs and wants. Thus, perceived quality is the antecedent of customer satisfaction and has a positive impact on customer satisfaction. It is proposed as:

H4: There is a direct and positive effect between perceived quality and satisfaction of users of Garuda Indonesia

e. **Perceived value and satisfaction**

There has been considerable debate about whether satisfaction is an antecedent to, or a consequence of, service quality, or indeed if they are distinct constructs (Buttle 1996; Crompton & MacKay, 1989; De Ruyter, Bloemer, & Peeters, 1997; Liljander & Strandvik, 1997; Oliver, 1993). The relationship between value and satisfaction appears to be well established in the literature, with the customer's perception of receiving value for their money positively related to the satisfaction of the customer (Zeithaml, 1988). Although the relationship between value and satisfaction appears to be well established, there is uncertainty regarding the broader nature of the relationship between value and satisfaction, and the implications of this relationship to both service quality and future intentions. Zeithaml (1988) suggested that value might be a mediator in perceptions of service quality. Also on the results of perceived value regression analysis affect customer satisfaction. Thus the hypothesis that suspects that perceived value has a significant effect on customer satisfaction proved to be true. (Subagio, 2012). It is proposed that:

H5: There is a direct and positive effect between perceived value and satisfaction of users of Garuda Indonesia

f. **Satisfaction and loyalty**

Fournier (1998) states that consumers' emotional bonding with a service provider has a stronger link to future purchase intentions than does the cognitive component of satisfaction. This statement reveals the importance of considering the study of consumer emotions in hedonic contexts, and relates emotions to service evaluations such as satisfaction, perceived value, and future intentions. There is also

evidence to suggest that it is the satisfaction of the customer that ultimately determines their future intentions and behaviour towards the service (De Ruyter, Wetzels, & Bloemer, 1997; McDougall & Levesque, 2000; Taylor & Baker, 1994). Als Bitner, Booms, and Tetreault (1990) and Jones and Suh (2000) found that overall satisfaction had a direct influence on how likely customers were to re-use the service. ustomer loyalty can be defined as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand purchasing despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1997). Numerous studies have revealed that customer satisfaction positively affects loyalty (Mohsan et al., 2011; Fornell, 1992; A'nderson and Jacobsen, 2000). Therefore airline companies need to review and re-examine their strategies in order to sustain customer loyalty. It is proposed that:

H6: There is a direct and positive effect between satisfaction and loyalty in users Garuda Indonesia.

g. **Perceived value and loyalty**

To start, Kotler (2016) mention that customer perceived value is also called the value perceived by the customer is the difference between prospective customers for all benefits and costs of perceived and alternative offers. Naami et al. (2017) The perceived value is defined as an evaluation of the customer from the costs paid to obtain certain goods and services and benefits found from certain goods or services. According to another researcher said that the perceived value of customers is usually regarded as an exchange between two parties, one party gets a profit from the purchase and the other party receives benefits by consuming the product or service (Javeed et.al, 2017). Jamrozy et al. (2016) explain that Companies involved in creating value when they design and promote their products to prospective customers. The customer will evaluate

the perceived value of the company's offerings and competitors in making the decision to consume. Customer perception will form a loyalty in the presence of other important factors that are considered important by customers, namely things that feel positive and a comfortable experience (Keshavarz et al. 2017). It is proposed that:

H7: There is a direct and positive effect between perceived value and loyalty in users Garuda Indonesia.

h. **Satisfaction as intervening variable for loyalty**

Customer loyalty was attitudinally measured by customers' behavioral intention to continuously or increasingly conduct business with their present company, and their inclination to recommend the company to other persons. Yang et.al., (2004). This measure has proven to be useful in previous research (Zeithaml, Berry, & Parasuraman, 1996). Satisfied customers tend to have a higher usage level of a service than those who are not satisfied (Bolton & Lemon, 1999; Ram & Jung, 1991). They are more likely to possess a stronger repurchase intention and to recommend the product/service to their acquaintances (Zeithaml et al., 1996). Numerous studies have revealed that customer satisfaction positively affects loyalty (Bloemer, de Ruyter, & Wetzels, 1999; Oliver, 1999; Zeithaml et al., 1996). It is proposed that:

H8: There is a direct and positive effect between loyalty and satisfaction as the intervening variable on Garuda Indonesia users.

CHAPTER III

RESEARCH METHODOLOGY

A. Research Types and Data Sources

A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. The goal of a descriptive study, hence, is to offer to the researcher a profile or to describe relevant aspects of the phenomena of interest from an individual, organizational, industry-oriented, or other perspective. Descriptive studies thus become essential in many situations. Whereas qualitative data obtained by interviewing individuals may help the understanding of phenomena at the exploratory stages of a study, quantitative data in terms of frequencies, or mean and standard deviations, become necessary for descriptive studies.

1. **Types of Data used:**

   a. Qualitative data is data in the form of words not in the form of numbers; this data can be obtained through information, either orally or in writing.

   b. Quantitative Data is data in the form of numbers obtained from objects to be examined.

2. **Data Sources:**

   a. Primary data is obtained by plunging directly into the field. This data is not available in compiled form or in the form of files. This data must be sought through respondents, that is, people we make the object of research or people we use as suggestions for getting information or data. Primary data in this study were obtained from relatable information to support the research and the data from the Garuda Indonesia.

   b. Secondary data (secondary data) is obtained through documents, books, reports, scientific papers and other publications. The author also uses secondary data from the study of literature. In literature studies, the authors read the literature that can support research, namely the literature relating to this research.

B. **Collection Method**

Data the methods used in collecting data in this study are:

a. Library research (library research)
   Literature research is theoretical data collection by examining various literary books, international journals and other theoretical material related to the problem discussed.

b. Field research
   This research uses questionnaire distribution, which is a method of data collection which is done by giving statements to respondents with a questionnaire guide.

C. Research Variables

The variables in this study consisted of independent variables and dependent variables, intervening variables namely:

1. The independent variable (X) is an independent variable and its nature affects other variables. The independent variable of this research is the service convenience and perceived quality.

2. The intervening variable (Y) is one that surfaces between the time the independent variables start operating to influence the dependent variable and the time their impact is felt on it. The dependent variable in this study is Perceived Value and satisfaction.

3. The dependent variable (Z) is an independent variable that is influenced by other variables. The dependent variable in this study is Future Intentions.

As what stated in Table 3.1, the framework for the research will use and create replication from García-Fernández, Jerónimo, et al. "*The effects of service convenience and perceived quality on perceived value, satisfaction and loyalty in low-cost fitness centers.*" Sport Management Review 21.3 (2018): 250-262. However, this research will modify the indicators from the previous research to suit the purposes and the problems for this research.

Table 3.1 Operational Variable

Variable	Dimension	Indicator	Scale
Service Convenience (X1) .	Berry, Seiders, & Grewal (2002) defined convenience as perceived times and effort required in achieving customer purposed associated with the purchase or use a service.	**Decisions** 1. Minimal time finding the information 2. Easy to find suitable programs 3. Easy to get the information **Access** 1. Easy to contact 2. Did not take much time to reach the place 3. Easy to figure out the location of the place **Transaction** 1. Allows diversified methods of payment 2. The method of payment provided by this place is convenient 3. The customer was able to complete the purchase quickly **Transaction** 1. Easily obtain benefits from the services provided 2. The services in this place were easy to use 3. The speed of providing services in this place met the requirements **Post-benefit** 1. When the consumer had a problem, this place resolved their problem quickly 2. Enabled to arrange	Likert (1-5)

		the programs with minimal effort 3. This place has a good channel to handle complaints and recommendations Source: García-Fernández, Jerónimo, et al. , 2018	
Perceived Quality (X2)	Zeithaml (1988), perceived quality is defined as a subjective customer's judgment (different from objective quality) regarding overall product superiority.	1. The Airline provided essential flight information 2. The check-in process is efficient 3 Employees in the Airline are courteous 4. The Airline is clean 5. Employees have the knowledge to answer passengers' questions 6. The Crew is willing to help passengers Source: Reza Etemad-Sajadi et al., 2016 (Adjusted)	Likert (1-5)
Perceived Value (Y1)	Zeithaml (1988) defined perceived value as "the global evaluation of the consumer regarding the utility of the product based on the perception of what is received in exchange for what is given" (p. 14).	1. The programs and the services of this place have a great value 2. The programs and the services of this place deserve what they cost 3. What the consumer get from this place and what it costs, offers the consumers value 4. In general, the value of the programs and the services in this place is high Source: García-Fernández, Jerónimo, et al. , 2018	Likert (1-5)

Satisfaction (Y2)	Kotler (2000) defined satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.	1. Satisfied with the programs and services of this place 2. Happy with the Programs and services of the place 3. Pleased to have taken the decision to become the consumer of this place 4. The decision to be part of daily consument is successful Source: García-Fernández, Jerónimo, et al. , 2018	Likert (1-5)
Loyalty (Z) .		1. The consumer will make positive comments to a friend about the programs and services of this place 2. If you ask the consumer, the consumer will recommend this place. 3. The consumer will continue to participate in the products programs and services off this place 4. The consumer intend to re-purchase the services Source: García-Fernández, Jerónimo, et al. , 2018 (adjusted)	Likert (1-5)

D. Population and Sample

1. Population

Population refers to the whole group of people, events, or interesting things that researchers want to investigate. These are groups of people, events, or interesting things that researchers want to draw conclusions (based on sample statistics) (Sekaran and Bougie, 2016: 236). In this study, the population used is all users of Garuda Indonesia's services for flights.

2. Sample

Samples are part of the population. It consists of several members chosen from it. In other words, some, but not all, population elements form the sample (Sekaran and Bougie, 2016: 237). The sampling method used is non-probability sampling by means of purposive sampling, that is, a carefully selected sample and consideration in accordance with the criteria, so that it is relevant to research planning. So, the sample of respondents is potential consumers with characteristics:

a) Respondents used Garuda Indonesia's services

b) Respondents were has used the services of Garuda Indonesia for flights to domestic and international destinations.

According to Hair et.al (2014) explained that in determining the sample size in SEM research there are 2 techniques. It can be used, namely statistical and statistical techniques. For, Ghozali (2005: 64) for SEM method, the sample size is between 100-200. Guidelines in determining the amount of sample size for SEM according to Solimun (2002: 78) are as follows:

a. When estimating parameters using the maximum likelihood method (maximum likelihood estimation) the recommended sample size is between 100 up to 200, with the minimum sample size being 50.

b. A total of 5–10 times the number of parameters in the model.

c. Equal to 5–10 times the number of indicators of all latent variables.

Hair et al. (2014) that suggest that preferably the sample size should be 100 or larger. The minimum is to have at least five times as many observations as the number of variables to be analyzed, and the more acceptable sample size would have a 10:1 ratio (Hair et al, 2014:100). According to Hair et al, so the sample size that would be appropriate for this research is:

Sample size = Indicators x 5

$$= 33 \text{ x } 5$$
$$= 165$$

The sample size would be 165 samples and this number would be considered sufficient as it follows the maximum size.

E. Analyzing Data Method

1. Data Analysis

Data analysis would be conducted after the required data is completed. This model can be expressed in the form of a multiple linear analysis. Multivariate Analysis or we also known as SEM (Structural Equation Modeling). Researcher uses the SPSS version 26.0 program and SmartPLS 2 Program to carry out this analysis. This analysis is used to determine the effect service convenience towards perceived value, Perceived quality towards perceived value, Perceived value towards satisfaction and affect satisfaction towards loyalty.

For this research, data analysis used the Partial Least Square (PLS). PLS is a Structural Equation Modeling (SEM) equation model component or variant based. According to Ghozali (2006), PLS is an alternative approach that shifts from a covariance-based SEM approach to variant based. Covariance-based SEM generally tests causality / theory whereas PLS is more of a predictive model. PLS is a powerful analytical method (Ghozali, 2006), because it is not based on many assumptions. For example, data must be normally distributed; the sample does not have to be large. Besides can be used for confirm the theory, PLS can also be used to explain whether there is or not the relationship between latent variables. PLS can simultaneously analyze the construct formed with reflective and formative indicators.

Ghozali (2006) said that the purpose of PLS is to help researchers for this purpose predictions. The formal model defines latent variables as linear aggregates of the indicators. Weight estimate to create a variable score component latency is obtained based on how the inner model is (structural model connecting between latent variables) and the outer model (measurement model i.e. the relationship between the indicator and its construct) is specified. The result is residual variance of the dependent variable.

The parameter estimates obtained by PLS can be categorized into three. First, is the weight estimate that is used to create a variable score latent. Second, it reflects the path estimate that connects latent variables and between latent variables and their indicators (loading). Third, related by means and parameter locations (regression constant values) for the indicators and latent variable. To obtain these three estimates, PLS uses process 3-stage iteration and each iteration stage produces an estimate. The first stage, produce a weight estimate, the second stage produces an estimate

for the inner workings model and outer model, and the third stage produces means and location estimates (Ghozali, 2006).

2. **Outer Model Testing**

   a. **Validity and Reliability Test**

      This research used a structural equation model was tested in two steps. The construct validity of the measurement model was determined through an analysis in which the different latent variables correlated freely (Hair, Black, Babin, Anderson, & Tatham, 2006). The validity test in this research uses construct validity, which shows the correspondence instruments of research with the theory (Hartono, 2008, p. 59). The convergent validity was evaluated through the average variance extracted (AVE), and the discriminant validity was established when AVE values for each construct exceeded the square of the correlations between them (Fornell & Larcker, 1981).

      We measured internal consistency of the constructs through composite reliability (Hair, Black, Babin, Anderson, & Tatham, 2006). Criteria for a reliable measurement instrument was shown from the coefficient of Reliability: ie 1) if the value exceeds 0.70, it is high reliability, 2) if the value from 0.50 - 0, 60, it is categorized as sufficient reliability, and 3) if less than 0.50, it is a less reliable (Hartono, 2008, p. 52; Hair et al, 2006, p. 137). The size of the factor loading is a criteria used to evaluate the reliability of the indicator with the constructs it intends to measure (Seidel & Back, 2009). For this reason, the items showed a factor loading (l) greater than the conservative threshold of 0.60 (Fornell & Larcker, 1981; Hair et al., 2006).

Convergent validity of the measurement model with the indicator reflective model assessed based on the correlation between the item score / component score with the construct score calculated by PLS. Reflective measure is said to be high if it is correlated more than 0.70 with the construct you want to measure. However for research, the initial stage of developing a measurement scale for the loading value of 0.5 to 0.60 considered sufficient (Chin, 1998 in Ghozali, 2006). Discriminant validity of the model measurements with reflective indicators are assessed based on cross loading measurements with constructs. If the construct correlation with the measurement item is greater than any other construct measure, it will show that the construct is latent predicts the size of the block better than other block sizes. Another method of assessing discriminant validity is comparing values square root of Average Variance Extracted (AVE) for each construct with correlation between the other constructs in the model. If the root AVE value of each construct is greater than the correlation value between constructs with other constructs in the model, then is said to have good discriminant validity. This measurement can used to measure the reliability of the latent variable component score and its results more conservative than composite reliability. Recommended value AVE must be greater than 0.50 (Fornnel and Larcker, 1981 in Ghozali, 2006). Composite reliability which measures a construct can be evaluated by two kinds of measures, namely internal consistency and Cronbach's Alpha (Ghozali, 2006).

3. Inner Model Testing

Inner models (deep relationships, structural models and substantive theory) describe the relationship between latent variables based on substantive theory. The structural model is evaluated using the R-square for the construct dependent, Stone-Geisser Q-square test for predictive relevance and t test as well the significance of the path coefficient parameter.

In the assessment of the model with PLS begins by looking at the R-square for each dependent variable. The interpretation is the same as the interpretation in regression. Changes in the R-square value can be used to assess latent variables whether there is a certain independent influence on the latent variable substantive (Ghozali, 2006). Besides looking at the R-square value, the PLS model is also evaluated by looking at the Q-square predictive relevance for the constructive model. The Q-square measures both the value produced by the model as well parameters.

a. Coefficient Determination Test

The value of Q-Square has the same meaning as coefficient determination (R-Square) in regression analysis, where the higher the Q-Square, the model can be said to be getting better or getting fit with the data. And it used to validate the combined performance of the measurement model (outer model) and the structural model (inner model) whose values range from 0-1 with interpretations, namely 0-0.25 (small GoF), 0.25-0.36 (moderate GoF) and above 0.36 (large GoF).

b. **Path Coefficient Test**

Path coefficient evaluation is used to show how strong the effect or influence of the variable is independent to the dependent variable. While coefficient determination (R-Square) is used for measure, how much endogenous variables are affected by other variables. Chin (1998) claimed the results of R2 equal to 0.67 and above for deep endogenous latent variables structural model, indicating the influence of the variables exogenous (affecting) the endogenous variables (who is affected) is in the good category. Meanwhile, if the result is 0.33 - 0.67, it is included in the medium category, and if the result is 0.19 - 0.33 is in the weak category. model can be said to be getting better or getting fit with the data.

c. **Hypothesis Test**

In testing the hypothesis, the value analyzed is the value existing in the p values generated from the PLS output with comparing with a significance level of α 0.05.

a. If the P-Values value <0.05, it is significant

b. If the P-Values value> 0.05, it is not significant

Hypothesis testing with PLS was carried out in two stages, namely calculate directly the effect of the independent latent variables on the dependent latent variable, and calculate the effect of the latent variable independent of the dependent latent variable with moderation (Chin, 1998).

CHAPTER V

CONCLUSION AND SUGGESTION

A. Conclusion

The purpose of this research is to analyze the effect of service convenience, perceived quality on perceived value, satisfaction and loyalty inside the organization and the business. Here in this research we are using satisfaction as the intervening variable between perceived value and loyalty of the customers. To analyze the research use Partial Least Square (PLS). Based on our analysis and previous discussions, we can conclude that:

1. Based on the 8 hypothesis that we try to predicted, the results of the first hypothesis test indicate a direct relationship and positive between service convenience and perceived value. This matter means that Garuda Indoonesia give services that convenience for the customers, the higher service convenience means the better the value of perceived value received by the Garuda Indonesia Airline customers. It can also can be said that the variable consist inside the service convenience as transaction benefit, post-benefit, decision and access can affect the perceived value in Garuda Indonesia.

   The second hypothesis test indicates a direct relationship and positive between perceived quality and perceived value. Means the the services they served have the quality that increase their value for customers perceptions.

The results of the third hypothesis test indicate a direct relationship and positive between service convenience and satisfaction. This service convenience that is felt by the people will give create Customer satisfaction.

The results of the fourth hypothesis test indicate a direct relationship and positive between perceived quality and satisfaction. This matter means that the quality that Garuda Indonesia perceived also can create satisfaction towards the customers.

The results of the fifth hypothesis test indicate a direct relationship and positive between perceived value and satisfaction. If the value and cost that Garuda Indonesia give to the user is good it will affect the user and they will feel satisfy by Garuda Indonesia services.

The results of the sixth hypothesis test indicate a direct relationship and positive between satisfaction and loyalty. Means that the cost and value that meet user expectation will affect the future purchasing

The results of the seventh hypothesis test indicate a direct relationship and positive between perceived value and loyalty. Means that if the customers are satisfy with services will affect the future purchasing and the intention of the user of Garuda Indonesia.

The results of the eighth hypothesis test indicate a direct relationship and positive between loyalty and satisfaction as intervening variable. This matter means satisfaction as intervening variable between has significant effect towards perceived value and loyalty. These results indicate that the entire 8 hypothesis are showing positive and significant for Garuda Indonesia Airline.

2. The most significant variables in Service Convenience is transaction that impactful with the highest loading factors comes from indicator 7, it has effect towards perceived value and satisfaction, For Perceived Quality is indicator 3, Perceived Value indicator 1, Satisfaction indicator 1 and for loyalty is indicator 4. And the less significant indicators in Service convenience is indicator 11, Perceived Quality indicator 1, Perceived Value indicator 3, Satisfaction indicator 1 and Loyalty indicator 1. That was because they have the least loading factors that other variables

3. This research also provides the correlation with previous research from that stated that loyalty is an important topic that could also influence organizational effectiveness (Reichheld, 1996), and as previous research (Garzia, 2015) it was affected by service convenience, perceived quality, perceived value and satisfaction. In this research, all of the hypothesis shows have positive and significant effect.

B. Suggestions and Limitations

1. Limitations

a. The sample for the data needs to be larger since the scope for the sample is all Garuda Indonesia Airline customers.

b. Researchers should test multidimensional scales for a greater understanding of perception of quality.

c. The sampling method use in this research is using non-probability sampling and the author didn't get detailed profile and data about the study population due to the limited time and cost of the research.

2. **Suggestions**

   a. For Company

   For the company, from this study each variable has positive and good effect on each other. The company need to manage some indicators that appear not fulfill the customers expectation. As in service convenience variable where the user feel like it is difficult to purchase the services easily, in perceived quality variable it is the check-in process is not quite good enough for some user, for perceived value some of the user think that what they offer to user is enough for the cost they give the to the user and also in loyalty some of the user do not have any further plan to participate in Garuda Indonesia services and to do re-purchase. With that Garuda Indonesia need to consider the lack of things that the user feel while using the programs and services so in the future the company will developed to meet the user desire and expectation towards Garuda Indonesia. For example the company can create some more accessible website or application for the customers so they use it easily, The company can build more office and have some collaboration with several payment application so it will be easy to use the services. For the check-in process Garuda Indonesia need to create more lockets and more people so the check-in process will be fast and Garuda Indonesia can manage it by giving some better standard for people who have the task to do the check-in process. In line with all the things that concerned by the customers, Garuda Indonesia needs to create fix several problems they have because it will relate to customer loyalty towards the company. Fulfill the customer need and meet their standars so it will create their decision to keep purchasing the company services in the future.

b. For Other Researchers

This research is done people who have used Garuda Indonesia Airline services as the population. Future study may need more specific and detail population. For further researchers, it is suggested finding more variable to added or replace the current framework to know how to increase the loyalty and what things create customer satisfaction. Also, the future researcher can use wider object, not only one airlines but several company to use as the object researcher.

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