# THE DIFFERENCES IN PERCEPTION REGARDING SERVICE QUALITY AND PRICE BETWEEN LOW FARE AIRLINES AND FULL SERVICE AIRLINES: CASE STUDY OF SOEKARNO-HATTA INTERNATIONAL AIRPORT, JAKARTA

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**AUTHORS' CONTRIBUTIONS**

This work was carried out in collaboration between all authors. All authors read and approved the final manuscript.

*Short Research Article*

**ABSTRACT**

Competitive price and quality service is a strategy for the airline to survive and achieve excellence. A low cost passengers, expected to have lower expectations for service quality since realized paying a cheap price. The purpose of this paper is to analyze the perception of passengers to quality service and price between Low Fare Airline (LFA) and Full Service Airlines (FSA). Pairwise Comparison is used to compare the passenger perception of service quality and prices of the two models of business aviation Full Service Airline (FSA) and the Low Fare Airlines (LFA). The analysis showed that the average score of all dimensions of service quality and perceived fairness FSA higher prices and significantly different to the LFA. For sustainability, the company must carry out the strategy LFA airline suitability prices and improved quality of service through the overall improvement of service to consumers, especially the interior and condition of the aircraft, as well as increase flight safety and security.

**Keywords:** Service quality; price; Low Fair Airline; Full Service Airlines.

## 1. INTRODUCTION

Low Fare Airline (LFA) has changed the competitive environment of the airline industry through market liberalization a significant impact on domestic passenger market previously controlled by the operator Full Service Airline [1]. Of the many airline LFA in Indonesia at this time, the two airlines, namely LFA Lion Air and Air Asia could shift the dominance of the market which has been dominated by Garuda Indonesia (FSA), the growth of market share of the two carriers LFA is even higher, both on domestic flights and internationally, as Table 1.

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**Table 1. Passengers increase in both domestic and international flights in Indonesia**

| Year | Domestic flights | | International flights | |
|------|------------------|----------|----------------------|---------|
|      | Garuda Indonesia | Lion air | Garuda Indonesia | Air Asia |
| 2011 | 13.701.879 | 24.971.795 | 3.100.129 | 3.389.590 |
| 2012 | 15.304.472 | 29.441.502 | 3.469.313 | 3.934.269 |
| 2013 | 16.729.519 | 32.610.168 | 3.797.740 | 4.284.997 |

*Source: Inaca annual report 2013*

Passenger behavior is not only influenced by the price, but the quality of service is also a trigger behavior [2]. Tseng and Chiu [3] said that although the price is the main weapon to compete but the cost should be aware that the price is not the only survival strategy, the airline must find new ways to generate competitive advantage. The core competitive advantage and profitability of an airline is to provide quality service to passengers [4] therefore the quality of service is regarded as a priority for all airlines to achieve competitive advantage [5].

LFA passengers have lower expectations of the quality of service they receive, because they were aware of paying less for airline tickets, [6] opposite the passengers who pay higher prices expect better service (Bhadra 2000) .In the service industry such as airline, the main requirement for success is to understand and satisfy customers through the fulfillment of the needs and expectations; communications, provide customer value, as well as keeping promises [7].

Prices, quality of service, flight punctuality, flight routes and hours is an alternative option for customersto fly, but it also becomes a threat to the airline, such tight competition has an impact on the lid some airlines are not able to compete. Bamford and Xystouri [8] found that more complaints against LFA compared to the FSA through service failure such as cancellation, diversion, flight delays, strikes and bad service airline staff. It became clear to the LFA that a lower rate through more efficient operating costs should not reduce the standard of service, improvement of quality of service becomes important for the LFA to retain and increase the number of passengers.

Natalisa et al. [9] found that the majority of enterprise customers flying within the country (64.8%) are dissatisfied with the service they receive, and this is because domestic airlines are less oriented towards the customer, the orientation of the airline only on their products. Towards the implementation of the ASEAN open sky policy, emerging concerns over the regular commercial flight in Indonesia, as well as research results Rizan [10] shows that customer loyalty (Garuda Indonesia) is dominated by customers with loyalty cognitive and affective (64.5%) were

oriented functional benefits rather than benefits emotional (conative and action loyalty), customer behavior cognitive and affective extremely vulnerable to competitors that offer airline offer more competitive rates, better service quality as well as the name of the airline which is already well known, especially in the ASEAN region.

Airlines FSA should prepare different strategies other than price to win the competition with operators LFA; the best option is to provide high quality services. Quality of service is critical to retain customers for the sustainability of the company, the company is able to provide services neglected affect the level of satisfaction, satisfied customers will make repeat purchases so that it becomes a loyal customer. Loyalty passenger's known to increase market share, so as to maximize the financial performance of airlines. Increased market share LFA also accompanied by increasing complaints against the quality of service, among other flight delays, poor handling in the event of delays or cancellations, less friendly cabin crew serving passengers, the narrowness of the distance between the seats, to the poor service at the airport arrivals baggage.

In accordance with the above problems, the study aims to: Testing the differences in perception of passenger satisfaction on the quality of service and price between Low Fare Airline (LFA) and Full Service Airline (FSA).

## 2. LITERATURE REVIEW

### 2.1 Airline Industry's Business Model

The difference between airlines business model LFA with the FSA by the Director General of Civil Aviation regulations based SKEP / 87 / V / 2004 on the characteristics of the airline business model as follows:

1. **Full Service**, full service concept known as the business model of traditional airlines (legacy carriers), the emphasis in this concept is comprehensive and quality services also at a premium price. The airline's business model has characteristics include: 1) cost calculation

is based on total operating costs including the cost to the cost of service to service users; 2) a policy maximum of 20 kg of checked baggage free of charge; 3) in-flight services provided in full include food and beverages, magazines, newspapers, entertainment (audio / video) and others; 4) provide more than one class (class economic and non-economic class) and can be physically separated groups of services; 5) provision of facilities for executive lounge (lounge), for business class (business class) and primary classes (first class); 6) the distance between the seats is more than or equal to 30 inches.

2. ***Minimum Standards Services (No frills)***, services with minimum standards have characteristics include: 1) policy of cost calculations, based on the total cost of operating the most minimum cost, not including the services provided to the users of air transport services; 2) The policy of charging for luggage; 3) are not available in-flight services; 4) the provision of a service class (economy class); 5) the distance between the seat is less than or equal to 29 inches.

## 2.2 Strategy Differentiation

In airline industry, strategy differentiation is very important to be applied. In this case, it is through applying different strategies for their services;making sure good services are conducted in all areas with its indicators such as services when purchasing the tickets, and also the services during pre-flight, in-flight and post-flight. Strategy differentiation in the airline industry will give a plus point for their passengers if the amount of money paid for their flights fulfilled all types of passengers' different expectations through its services (value for money solution) [11]. Airlines can also apply strategy differentiation for their daily operations to make things easier for their customers; such as making sure they are punctual on their flights schedule (on time performance), giving a high security & safety, and also having a lot of flight routes. Airlines can also made a *hub and spoke* flight routes' model, where passengers are flown to a main airport (known as *hub*), and then flown into the end destination's airport (known as *spoke*).

Some characteristics that can be indicators for airline's strategy differentiation includes:1) Have a lot and diverse flight routes or flight network using the concept of *hub and spoke;* 2) Providing lots of flights' timetables so it's flexible for passengers to pick the flight that are most convenient for them; 3) Having a high comfortability inside the plane, such as spaced seats, good cabin staff, and a range of entertainment

facilities; 4) Providing a full service during flight with a high quality of food and beverages; 5) Using a good/global reservation system such as using the *global distribution system* (GDS); 6) Doing intensive promotions to offer products/services for the customers; 7) Creating new innovations with the purpose of increasing the standard quality of services for their passengers; 8) Doing some *brand image building* to make the airline's public image better; 9) Offering different type of services depending on customers' needs, such as dividing into types of class (*economy class, business class,*and*first class)*

## 2.3 Costs Management Strategy

Companies who adopt cost management strategy will try and continue to develop efficiency in their costs of production, distribution, and also in other parts of the organization. The purpose of this strategy is so that companies can operate on a lower overall operational costs and can maximize their profit; which as a result, will gain advantages against their competitors [12]. Basically, Cost Management Strategy is to make operational costs as low as possible, and to gain a better competitiveness in the industry. Costs Management Strategy can also be applied via minimal services (no frills) or large volume productions so as to give the most competitive prices for the customers [13]. In a service industry such as the airline industry, costs management strategy is a very relevant strategy to be used. Airline companies who adopted this strategy are known as Low Costs Carrier (LCC), and in this research, it is refered by their other alias, Low fare Airlines (LFA).

## 2.4 Consumer Behavior

Studying consumer behavior is needed to understand *"why consumers do what they do".*Consumer Behavior are every action, reaction and psychological process that are happening within the consumer before purchasing, during purchasing, after purchasing, while using it, spending their time on it, and while evaluating a product and/or services that they are getting [14]. In deciding which airline to fly with, consumer behavior will make customers get as much information as they can, such as trying to find which airline best suited for their needs, evaluating their airline options, come to a resolution, until finally getting the ticket reservation and pay for it.

## 2.5 Service Quality

Service Quality is a total value of the service's experiences that are evaluated by the customer [15]. According to Parasuraman et al. [16] there are two main factors that are affecting Service Quality; they

are *Expected Service,* and *Perceived Service.* If the actual services were perceived better than expected, then the customer(s) will be satisfied. Vice versa, the service quality will be considered as bad if the customer's expectations were higher than the perceived ones.

Park et al. [17] stated that service quality is an important factor to retain and improve their relationship with the customers. Maintaining the service quality is a structure that gives significant effects toward customer loyalty and customer satisfaction in the company, (this also applies for airline companies). That structure will be the company's key to success or to failure in a competitive market [18]. An empirical study shows how a lot of customers are requesting changes in airline companies' service quality. This proves that service quality is an important deciding factor for passengers, whether it be flying for a business trip or just for a leisure trip [19]. A research conducted by [20] shows that customers have different perceptions regarding domestic flights compared to international flights. Domestic flights' passengers will focus more on ticket prices instead of service quality provided by the airline when deciding which airline to fly with. While for international flights', the passengers who are deciding which airline to fly with will care and focus so much on the airline's service quality, such as in-flight food & beverages, entertainments, and staff's hospitality.

Airline companies who could maintain and improve their service quality will gain a lot of benefits, such as: (1) Building a close relationship between the airline and the customers; (2) Giving a good trust for the customers to purchase and fly with the same airline again; (3) Adding more loyal customers; (4) Creating a free marketing from good word-of-mouth; (5) Creating good public image and reputation among the customers; (6) Finally, increase the profit of the airline [21,10].

## 2.6 Important Dimensions in an Airline Industry

Commercial airline's flight is a type of transportation that consists of a lot of services given to its customers. Service quality of an airline should only be measured based on experiences on pre-flight, in-flight, and post-flight services in airport. Pre-flight activities are check-in, security, and waiting process, while activities during in-flight include a seat and services during flight, post-flight activities are baggage claim, each of the steps has passengers-oriented services and

gives contribution towards passenger's total experience [22]. Security and safety dimensions are the most important dimensions used to measure the quality of an airline's services [23]; Wong and Yeh 2003, as Marsetyawan [24] explains that security and amenity factors play major role in the selection of airlines.

### 2.6.1 Price

From a customer's point of view, price is something that is given or sacrificed in order to gain something else [25]. While according to Ferdinand [26], price is an important variable in marketing an item, where price can affect customer's mind when deciding to buy a product for certain reasons. A low or a cheap competitive price will have economical reasons if the customer decided to buy it; but price can also be a quality indicator that is affecting the customer's psychology. Therefore, prices are calculated as one of the marketing instrument, as well as looking at competitions' prices, until as a result, the company has a competitive price. Price is also a variable in the product's attribute that affects the customer's satisfaction and loyalty. Customers' tendencies to buy products that have a cheaper price must be considered into a factor when a company is calculating a price for their product.

## 3. METHODOLOGY, VARIABLE AND DATA

### 3.1 Research's Time and Location

The research for this paper is conducted between February to March 2014 by interviewing and questionnaire filling with respondents as domestic flights' passengers in terminal 1, 2 and 3 of Soekarno-Hatta Airport, Jakarta.

### 3.2 Data Collection Method

Data are collected via interviewing passengers and also using questionnaires that are structured and designed based on previous researches, as well as based on a few theories.

### 3.3 Sample Collection Method

Sample collections are using the method of *Purposive Sampling,* where respondents were chosen using a few criterias, such as: 1) Above 18 years of age; 2) Have flown more than 2 times; 3) Have flown with both LFA and FSA.

## 3.4 Variable Description and Measurement

Customer's satisfaction on the price and the service quality were measured by passengers' perception on both before the flight began (*pre-flight,* coded PR), the services given during flight (*in-flight,* coded IS), services given after the flight (*post-flight,* coded PF), perception on the flight's security & safety (coded PS), and also perception on the price (whether it is fair or not, coded P). All of this explained in the positive statements as an indicator in Table 2.

All the indicators above are observed variables. They are measured using ordinal scale (*Likert Scale*) with scales from 1 to 5; where 1 = Very dissatisfied, 2 = dissatisfied, 3 = neither satisfied nor dissatisfied, 4 = satisfied, 5 = very satisfied.

## 3.5 Data Analysis

In this research, every respondent/passanger gave their score on their perception regarding the ticket price and service quality given by both LFA and FSA. The analysis to check the differences in perception scores for the two types of airline were done using t-value related testing to test the hypothesis of datas that are unrelated.

The criteria to test the hypothesis were to check and compare the calculated t-value with the t-table.t-table value(s) were acquired from α (significance level) and its degree of freedom (df). If the calculated t-value < t-table, then Ho is accepted; and if t-value > t-table, then Ho is rejected.

**Table 2. Variables and the positive statements**

| Variables | Codes | Statements |
|---|---|---|
| *Pre-flight* | PR1 | *Airline's website and its online booking facilities* |
| | PR2 | *Variability of the airline's flight routes* |
| | PR3 | *Variability of the airline's flights' timetables* |
| | PR4 | *Reservation and ticketing process were easy and comfortable* |
| | PR5 | *Check-in process were comfortable and fast* |
| | PR6 | *Check-in staffs looked good (neat and clean)* |
| | PR7 | *Good customer service / hospitality by the staffs* |
| | PR8 | *Flights' arrival and departing times are punctual* |
| | PR9 | *Clear information regarding delays (if occurs)* |
| | PR10 | *Delay compensations are given to waiting passengers (if occurs)* |
| | PR11 | *Overweight luggage(s) were handled swiftly* |
| *In-flight* | IS1 | *Seats were comfortable* |
| | IS2 | *The cabin inside the plane is comfortable* |
| | IS3 | *The plane (inside and out) were clean* |
| | IS4 | *The toilets were clean* |
| | IS5 | *Food & Beverages' are in good quality (FSA passengers only)* |
| | IS6 | *On board entertainments were good (FSA passengers only)* |
| | IS7 | *Flight attendants have good customer service / hospitality* |
| | IS8 | *Flight attendants looked good (neat and clean)* |
| | IS9 | *Flight attendants have a fast response time* |
| *Post-flight* | PF1 | *Waiting time for luggage's arrival* |
| | PF2 | *Good lost luggage handling (if occurs)* |
| | PF3 | *Compensations were given if luggages were damaged or lost* |
| | PF4 | *Luggage is in good condition when it arrives (no damage)* |
| Security and safety | PS1 | *Good security & safety checks were made by airline's staffs before takeoff* |
| | PS2 | *Plane typse that were being used* |
| | PS3 | *The plane is in a good condition* |
| | PS4 | *The airline's track record on their planes' security & safety is good* |
| | PS5 | *The airline's staffs looked ready and paid a lot attention to the plane's safety and security* |
| | PS6 | *Felt safe during the whole trip* |
| Price | P1 | *The ticket price for this flight was fair* |
| | P2 | *Ticket promotion program for this flight is adequate* |
| | P3 | *The ticket price paid is worth it based on the given service quality* |

## 3.6 Hypotheses

The hypothesis for this research is:

- $H_0$: $\mu_{FSA}-\mu_{LCC}= 0$, There are no differences in perception scores between FSA and LFA
- $H_1$: $\mu_{FSA}-\mu_{LCC} \neq 0$, There is a difference in perception scores between FSA and LFA

## 4. RESULTS

### 4.1 Respondents' Profile

Table 3 describes all of the respondents' profile that consists of 222 passengers with 153 of them are males, and the rest 69 respondents are female. The majority of the respondents are in their productive age, ranging from age 20 to 40 years old. Most of the respondents are working in private sectors, civil sectors, and entrepreneurs. All of them have flown more than once using commercial airlines, and all of them have previously flown with LFA and FSA.

### 4.2 Pre-flight Services

Pre-flight services are services given before the actual flight; this includes the time during ticket reservations and purchase, checik-in and also other services before the passengers board the plane. All airlines at this point have already given passengers the facility for booking their ticket(s) directly via Internet. This online facility has made everything easier for airline passengers from looking at flights' routes and timetables to comparing the ticket prices for different airlines. Some Airlines have even gave the facility for their passengers to easily do their check-in and seat reservations online to speed up the actual check-in process in the airport

The differences in passengers' perception scores towards pre-flight services given by LFA and FSA are 0.4566, with LFA having a perception score of 3.55 and FSA having 4.012. The score differences shows a significant t-value of 12.363 with significant p = 0.000 (< 0.05). The hypothesis, which suggests that there is a difference in passengers' perception on pre-flight services given by LFA and FSA are strongly supported via this finding. Passengers are more satisfied with FSA's pre-flight services, especially on the punctuality of their flights arrival and departure, delay information (if occurs), compensations if there is a delay, and the good customer service by the staffs. As can be seen in Fig. 1, all of that contributed to the positive perceptions of FSA compared to LFA (which in the figure is mentioned as LCC).

Garuda Indonesia and Batik Air are the two Indonesian FSA that have the best On-Time Performance (OTP), and then followed by in third position, is Sriwijaya Air, an LFA. All passengers expect all of their flights to be on time, but there are a number of factors that can affect flight delays. One of the factors is bad weather, or a crowded air-traffic may also affecting flight delays in their arrivals or departures. Clear information on flight delays is also highly expected by passengers so they can surely know when their plane is taking off.
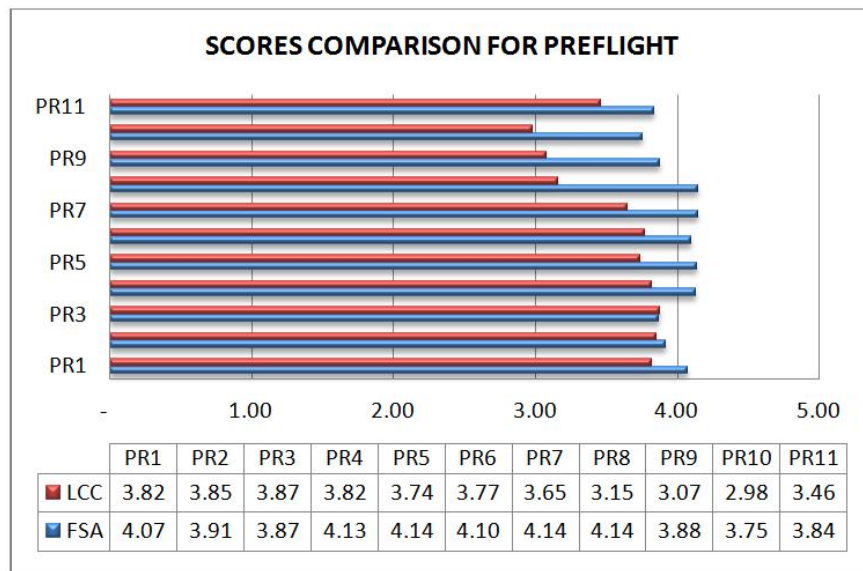


**SCORES COMPARISON FOR PREFLIGHT**

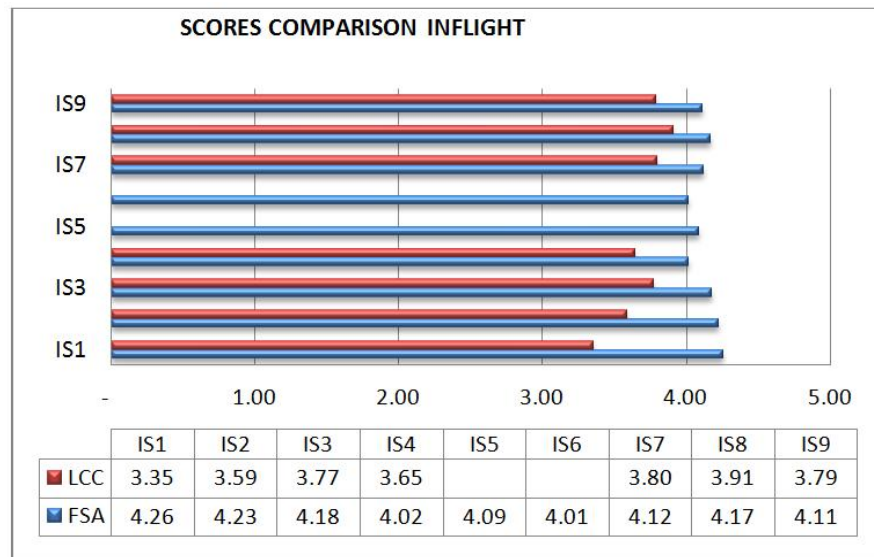| | PR1 | PR2 | PR3 | PR4 | PR5 | PR6 | PR7 | PR8 | PR9 | PR10 | PR11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LCC | 3.82 | 3.85 | 3.87 | 3.82 | 3.74 | 3.77 | 3.65 | 3.15 | 3.07 | 2.98 | 3.46 |
| FSA | 4.07 | 3.91 | 3.87 | 4.13 | 4.14 | 4.10 | 4.14 | 4.14 | 3.88 | 3.75 | 3.84 |

**Fig. 1. Perception scores comparison for *pre-flight* services**

**Table 3. Respondents' profile**

|  |  | Number | % |
|---|---|---|---|
| Sex | Male | 153 | 68.92 |
|  | Female | 69 | 31.08 |
| Age | 20 - 30 years old | 100 | 45.04 |
|  | 31 - 40 years old | 54 | 24.32 |
|  | 41 - 50 years old | 37 | 16.66 |
|  | 51 - 60 years old | 31 | 13.96 |
| Professions | Private Sector | 83 | 37.38 |
|  | Civil Sector (including Police & Army) | 54 | 24.32 |
|  | Entreprenurs | 32 | 14.41 |
|  | Students | 18 | 8.11 |
|  | Teacher / Lecturers | 30 | 13.51 |
|  | Unemployed | 5 | 2.25 |

## 4.3 In-flight Services

In-flight services is a one dimention where an FSA holds all the advantages through their strategy in making sure the passengers felt as comfortable as possible during the flight by providing food & beverages, in-flight entertainments, and also comfortable seats, especially its spacing. On the other hand, LFA is applying a cost management strategy by making sure their production costs is as efficient/low as possible. Two of LFA's ways of doing this is to eliminate in-flight entertainments and eliminate food & beverages. Therefore, because of these two strategies, indicator IS6 and IS7 can't be used to compare the in-flight services of LFA and FSA. LFA also maximize on getting as many passengers as they can to fit inside the plane, as a result, the seat spacing and comfortability will have to be compensated.

The differences in passengers' perception scores towards in-flight services given by LFA and FSA are 0.4384, with LFA having a perception score of 3.693 and FSA having 4.132. The score differences shows a significant t-value of 12.677 with significant $p = 0.000$ ($< 0.05$). The hypothesis, which suggests that there is a difference in passengers' perception on in-flight services given by LFA and FSA are strongly supported via this finding. Customers Satisfaction for in-flight service quality done by FSA are higher than the in-flight service quality of LFA, especially in the comfortability of the cabin & seats, how clean the cabin is, and also the rest of other in-flight services' points gave passengers a positive perception towards FSA. Fig. 2 shows the detail (LFA is mentioned as LCC).



**SCORES COMPARISON INFLIGHT**

|  | IS1 | IS2 | IS3 | IS4 | IS5 | IS6 | IS7 | IS8 | IS9 |
|---|---|---|---|---|---|---|---|---|---|
| LCC | 3.35 | 3.59 | 3.77 | 3.65 |  |  | 3.80 | 3.91 | 3.79 |
| FSA | 4.26 | 4.23 | 4.18 | 4.02 | 4.09 | 4.01 | 4.12 | 4.17 | 4.11 |

**Fig. 2. Perception scores comparison for *in-flight* services**

## 4.4 Post-flight Services

The airline industry is not just about the services inside the plane, but it also has a big correlation with howthe services are done in the airport. There are still a high complaint numbers made by both LFA and FSA's passengers towards the bad services that they are getting in the airport, especially the services while waiting for luggages to arrive, handling services if luggage is lost or damaged and also bad services on how to solve mixed up luggages. This indicates that there is a lot of things need to be done in the airport. Airlines must also make innovations to improve and continue on keeping an eye towards the work performances in the airport.

The differences in passengers' perception scores towards post-flight services given by LFA and FSA are 0.3840, with LFA having a perception score of 3.361 and FSA having 3.745. The score differences shows a significant t-value of 8.285 with significant $p = 0.000$ ($< 0.05$). The hypothesis, which suggests that there is a difference in passengers' perception on post-flight services given by LFA and FSA are strongly supported via this finding. Customers Satisfaction for post-flight service quality done by FSA are higher than the in-flight service quality of LFA, especially in FSA's compensations toward lost luggage(s), as well as how good they are in handling lost or damaged luggage(s). Fig. 3 shows in detail how FSA's post-flight services outperform LFA's services. (LFA in Fig. 3 are mentioned as LCC).

## 4.5 Airline's Security and Safety

Passengers who felt safe and secure will give a positive behavioral intention effect towards the airline (Oliveira et al. 2012). Feeling safe is an antecedent to the security & safety procedures conducted by the airline. A positive behavioral intention resulted from it will make passengers fly with the same airline again, and its outcome will end in a better profitability for the airline. Therefore, there is a positive relationship between safety & security procedures to airline's profitability, as passengers will prefer to fly with a safer airline.

The differences in passengers' perception scores towards the security and safety carried out by LFA and FSA are 0.2368, with LFA having a perception score of 3.785 and FSA having 4.085. The score differences shows a significant t-value of 9.334 with significant $p = 0.000$ ($< 0.05$). The hypothesis, which suggests that there is a difference in passengers' perception on the security & safety carried out by LFA and FSA are strongly supported via this finding. Customers satisfaction on the quality of safety & security carried out by FSA are much higher compared to LFA in all indicators. The highest indicators being FSA's track record of having fewer accidents compared to LFA and also how the passengers felt safer when flying with FSA. Fig. 4 shows the detail, (and LFA is mentioned as LCC).
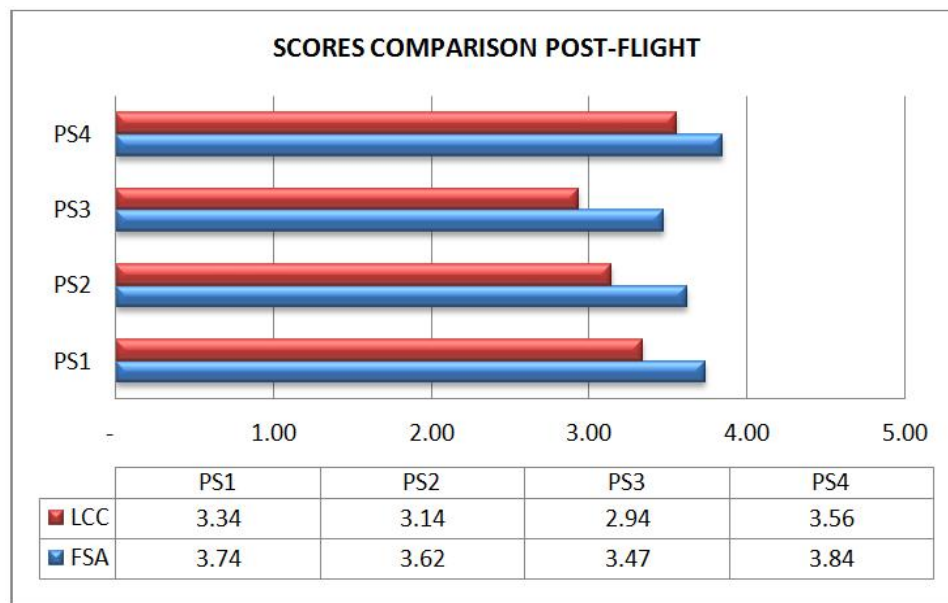


| | PS1 | PS2 | PS3 | PS4 |
|---|---|---|---|---|
| LCC | 3.34 | 3.14 | 2.94 | 3.56 |
| FSA | 3.74 | 3.62 | 3.47 | 3.84 |

**Fig. 3. Perception scores comparison for *post-flight* services**

The high accident numbers concerning Indonesian airlines during the year of 2000s causes the Indonesian airline industry to fall to its worst. Indonesian Ministry of Foreign Relations introduces a new system that is more strict to score airlines' safety ratings. This was introduced in 2007 after US Federal Aviation Administration (FAA) and European Comission degraded Indonesian *airline-oversight* safety ratings to second category, causing Indonesian Airlines unable to fly in the US Area and also the European Area. The new safety system consists of 3 safety category levels. Level 1 means that there are no serious problems. Level 2 means that there are some serious problems that needs to be fixed. Level 3 means the airlines are forced to cease all of their operations. When it was first introduced, no Indonesian airlines falls into the level 1 category. Now, although all airlines that are operating in Indonesia's air space are officially in the level 1 category, passengers still have a better perception in FSA's safety & security compared to LFA's safety & security.
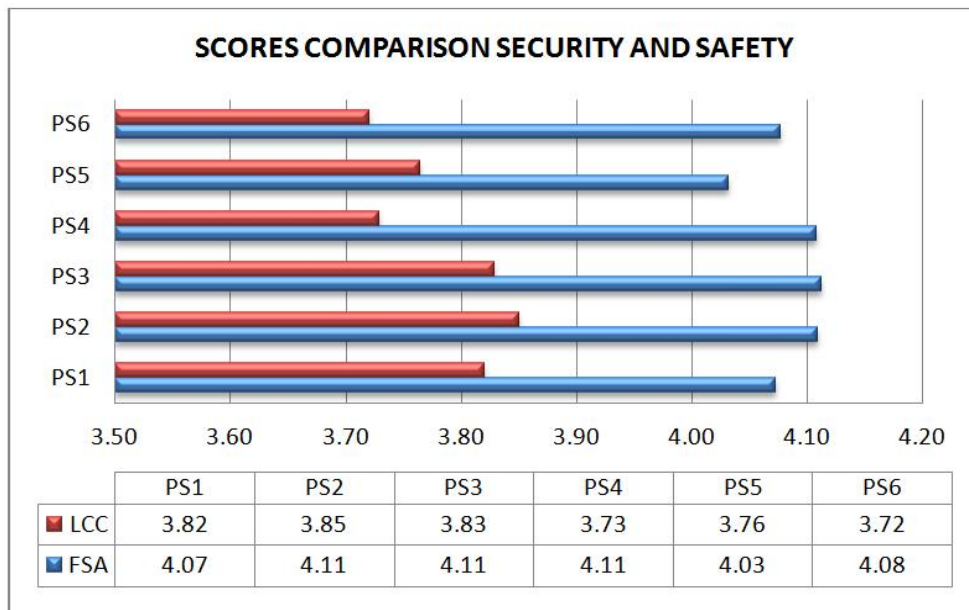
### 4.5.1 Price

Price have a positive and significant impact on customer satisfaction if the price paid matched with the quality of the product [16]. FSA have a strategy of putting their ticket prices at a premium rate, with their target market as passengers who are not too sensitive

about prices, and focus on giving a high standard of service quality.

The differences in passengers' perception scores towards the security and safety carried out by LFA and FSA are 0.0059, with LFA having a perception score of 3.682 and FSA having 3.763. The score differences shows a significant t-value of 2.125 with significant p = 0.035 (< 0.05). The hypothesis, which suggests that there is a difference in passengers' perception on the ticket prices set out by LFA and FSA are supported via this finding. Customers' satisfaction and positive perceptions towards an FSA comes from FSA's overall ticket prices and the price fairness set with the service given. While a positive and better perception of LFA comes from LFA's ability to promote or do their marketing better compared to FSA. Fig. 5 shows the detail (LFA is mentioned as LCC):

One of the strategies made by airline companies to attract passengers is by giving a discounted ticket via promotional programs. This strategy is usually done by LFA, especially during low season in order to get more customers. Not just exclusively to LFA, some FSA like Garuda Indonesia also like to use this strategy on giving discounted tickets on some flight routes as long as the passenger bought the ticket long (like months) before the actual flight.



|  | PS1 | PS2 | PS3 | PS4 | PS5 | PS6 |
|---|---|---|---|---|---|---|
| LCC | 3.82 | 3.85 | 3.83 | 3.73 | 3.76 | 3.72 |
| FSA | 4.07 | 4.11 | 4.11 | 4.11 | 4.03 | 4.08 |

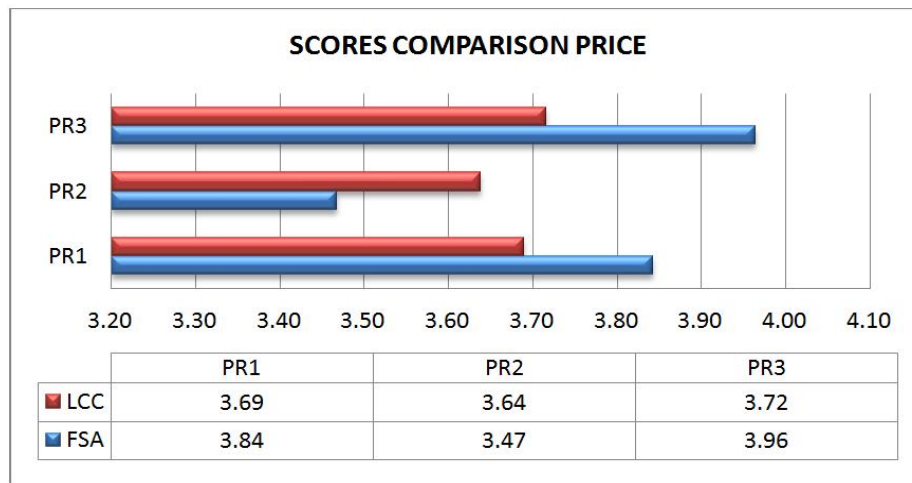**Fig. 4. Perception scores comparison for *security & safety***

**Fig. 5. Perception scores comparison for *prices***

## 5. CONCLUSION

The research conducted on this paper has contributed in showing that there are differences in customers' perceptions regarding price and service quality in the airline industry between Full Service Airlines (FSA) and Low Fare Airlines (LFA). This paper concludes that customers have a higher and better perception towards FSA's price and service quality compared to LFA's. Service quality is a very important dimention to consider by airlines in setting up the ticket prices. A long-term strategy is needed by airlines to maintain and gaining more customers to fly with them. Moreover, the core to this long-term strategy is to be fair and match the ticket prices with the service quality.

Low Fare Airlines (LFA) needs to improve a lot to be able to counterpart customers' better perception towards FSA. Improvement areas should be in the overall flight services, especially theirlost or damaged luggage's handling and the punctuality in their flights arrivals and departures (*On Time Performance).* Improvements on cabin's interior, such as comfortability of seats and the cleanliness the overall plane, must also be done. Customer's bad perception on LFA's safety & security must also be improved by making sure their track record is not famished in the near future; making passengers who fly with them felt safer.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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