Effects of Service Quality, Price and Promotion on Customers’ Purchase Decision of Traveloka Online Airline Tickets in Jakarta, Indonesia

Carunia Mulya Firdausy, Rani Idawati
1University of Tarumanagara, Jakarta, Indonesia
2International Chubb Insurance, Jakarta Office, Jakarta, Indonesia

Abstract: The growth of small businesses of airline tickets through online services in Indonesia is very rapid today. However, studies examining factors determining the customers' purchase decision made towards the online airline tickets established by the small businesses in the country are not available yet, especially those studies published in high-caliber journals. For this reason, this study aims to examine the effects of service quality, airline ticket price and promotion on customers’ purchase decision of online airline ticket provided by the small business so called Traveloka company in Jakarta, Indonesia. The statistical method used to examine the above research question is by applying a multiple linear regression analysis. The model has one dependent variable that is customers’ purchase decision and three independent variables, namely, service quality, airline ticket price and promotion. Data were collected by using questionnaires distributed to 166 respondents of the online airline tickets customers of Traveloka in Jakarta. The statistical program to estimate the model is by using SPSS version 20. The study found that the online airline tickets services by Traveloka have been widely known by the respondents under survey. They also knew the way how Traveloka sells the online airline tickets to them. The study also found that service quality and airline ticket price have positive and significant effects on purchase decision made by the Traveloka’s costumers. However, the promotion variable has no significant effect on costumers’ purchase decision. Therefore, it is a must for Traveloka company to give great attention to improve the service quality and price in making the customers decided to buy the online airline tickets. Otherwise, the Traveloka’s customers will find other online airline tickets services. If this is the case, this condition will further mitigate the business profit that potentially is obtained by the Traveloka company. Thus, much remain to be done by the Traveloka company in order to sustain the value of the company.

Keywords: Service Quality, Online Airline Ticket Price, Promotion, Purchase Decision, Traveloka Company.

1. Introduction

In recent years, small business activities on online airline tickets services grow rapidly in Indonesia. Of the many small business companies that provided the online airline tickets services is Traveloka company. The reason why the online airline tickets services growing is partly because this kind of services is relatively cheap, quick, and easy to be obtained by the consumers. Amir (2015), for instance, from his previous study based on 612 respondents confirmed that the online airline ticket services provided by Traveloka company have been dominant compared to other online tickets services companies such as Tiket.com and Agoda to name just two.

However, the study to examine what determinant factors that caused the customers’ purchase decision on the online airline tickets provided by Traveloka company has not been available yet, especially those studies published in the international literature. As these small businesses, will no doubt grow in many other countries, this study is, therefore, considered important to be undertaken. Through this study, many lessons can be learned by other similar small businesses on one hand, and it can encourage the growth of online small business activities and entrepreneurs in Indonesia and in other countries on the other hand.
There are many factors that are advanced in the literature considered affecting the customers’ purchase decision of both physical and non-physical products produced by any companies. Of these factors, service quality, price and promotion are justified significant in affecting customers’ purchase decision (see, for instance, Kotler, 2009; Lovelock and Wright, 2002; Pasuruman et. al, 1990 to name a few). Due to this reason, this present study will focus only on those three factors, while other factors are assumed to be *ceteris paribus*.

This brief paper is organized in five sections. Section 2 deals with concepts and definition of the variables examined in the study as the background analysis. Section 3 highlights the method used in the study including the source of the data, the data collection instruments, the unit analysis, sampling method and the number of samples, hypotheses, and method to test the hypothesis of the study. Section 4, then, discussed the results of the study. Finally, concluding remarks are drawn in section 5.

### 2. Concepts and Definition

Concepts and empirical findings on this issue have been advanced in the literature. Kotler (2009) among others stated that purchase decision made by the customers was affected by many factors. Some of the many factors affecting purchase decision are service quality, price and promotion. However, in terms of the stages leading to customers’ decision to purchase, Kotler (2009) indicates five stages. These five stages are introduction to a problem, the search of information, alternative assessment, purchase decision, and post-purchase behavior (see Kotler, 2009, for details).

In terms of the definition of service, Kotler (2009, p.386) defines it as any acts or performance that one party can offer to another. This definition is essentially intangible and does not result in the ownership of anything. Kotler (2009, pp.389-392) further indicates four (4) core characteristics that distinguish services with products. The fourth characteristic is intangibility, inseparability, variability, and perishability.

Intangibility means a service has an intangible nature, cannot be seen, touched, smell, felt or enjoyed before it was purchased by the customers, while inseparability means services of products produced and perceived at the same time, but it cannot be separated. Variability, however, means services that are highly variable because it is non-standardized output, which has a huge variation, the quality and type, depending on who, when, and where the services are produced. Perishability means that services are commodities which do not last long and cannot be stored for later usage.

One approach to estimating the quality of services according to Lovelock and Wright (2002, pp.266-267) and Pasuraman et.al (2009, p.111), is SERVQUAL. There are five dimensions of quality of service that is included in SERVQUAL. These are reliability, responsiveness, assurance, empathy, and tangibles. These five dimensions of quality of services are briefly described as follows:

a. Reliability is the company ability to provide services in accordance with the already promised.
b. Responsiveness is the willingness of employees to help customers and provide services immediately.
c. Assurance is knowledge, skills, and courtesy of employees of companies to be able to give confidence to the customer.
d. Empathy is the concern and attention of employees or business owners to all customers.
e. Tangibles (physical evidence) encompass all the physical facilities owned by the company. These include office equipment, rooms, parking lot and communication infrastructures. The availability of the physical facilities is needed to attract the attention of consumers so they would be willing to come to the location to look around, ask questions, and make a purchase or consume certain goods offered by the company.

In terms of price, Peter and Olson (2002), and Lovelock and Wright (2002) define price as an expenditure of money, time, and effort that customers incur in purchasing and consuming services. This suggests that the price is a certain value for money, including the time and effort that is offered to consume goods and services. At the time a customer buys a product, the customer exchanged a number of values (quantified in terms of money) with a number of other values (benefits of having or using the product). A customer-oriented price expecting a benefit from the product received is proportional to the money spent. Benefits can include real benefits (actual benefits) as well as the perceived benefits. Note that the prices are not just a nominal or numbers on a product, but a perception that is commonly known as price perception.
Moreover, regarding promotion, Kotler and Armstrong (2008) suggest five variables. These variables are as follows.

a. Advertising as the costs of a company to perform non-personal presentation and promotion in the form of ideas, goods, or services.
b. Personal Selling, that is, personal presentations by sales of the companies as successor to build relationships with customers.
c. Sales Promotion as short-term incentives to encourage the purchase or sale of a product or service.
d. Public Relations (PR), that is, building a good relationship with the public related to support, establish a good corporate image and dissipate act of gossip, stories, and events that can be harmful.
e. Direct Marketing as a direct communication with customers that were targeted specifically to obtain an immediate response.

3. Research methods

The method used to collect the data is by distributing questionnaires to the respondents. Questions that are accommodated in the questionnaire given to the respondent consist of four categories. The first category relates to indicators of the purchase decision variable. The rest three categories of questions associated with the indicators of three independent variables, namely, service quality, price and promotion. Note that the statements written in the questionnaires were calculated using ordinary number so-called Likert scale ranging from "Strongly Disagree" to "Strongly Agree". More specifically, Likert scale consists of numbers, number 1 that shows strongly disagree to the number 5 to represent strongly agree. Details indicators for each variable examined in the study are shown in Table 1.

The respondents selected in the study are those customers who used to purchase Traveloka online airline tickets. The respondents were selected using convenience sampling method. The number of customers selected using this convenience sampling method was 166. These respondents were selected without making any differences in terms of gender, educational level attainment, income level and other criteria. The reason is simply because the study does not have any objectives to examine differences in social economic respondents' characteristics towards an online airline tickets purchase decision.

Having collected the data, the data was then statistically estimated by using multiple regression analysis. The model of this multiple regression can be written statistically as follows.

\[ Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e \]

Where:
- \( Y \) = Purchase decision
- \( X_1 \) = Service Quality (PLY)
- \( X_2 \) = Price of airline tickets (HRG)
- \( X_3 \) = Promotion (PRM)
- \( e \) = Error terms.

The four hypotheses of this study that are going to be tested are as follows:

- \( H1: \) The quality of the services affects the customers’ purchase decisions of online airline tickets sold by Traveloka company.
- \( H2: \) The price of online air tickets affects the customers’ purchase decisions of online airline sold by Traveloka company.
- \( H3: \) Promotion affects the customers’ purchase decisions of online airline tickets sold by Traveloka company.
- \( H4: \) The quality of service, price and promotion affect jointly the customers’ purchase decisions of airline tickets sold by Traveloka company.
Table 1: Variables and indicators accommodated in Questionnaire

| No | Variable | Indicator                                                                 | Scale |
|----|----------|---------------------------------------------------------------------------|-------|
| 1  | Service Quality | How far along are the differences between the realities of and expectations of the consumers toward the services that they received (see, Pasuraman et. al.,1990) |       |
|    |          | a. Attitude                                                             | Likert|
|    |          | b. Behavior                                                             |       |
|    |          | c. Expertise                                                            |       |
|    |          | d. Ambient condition                                                    |       |
|    |          | e. Design                                                               |       |
|    |          | f. Social factors                                                       |       |
|    |          | g. Waiting time                                                         |       |
|    |          | h. Physical evidence                                                    |       |
|    |          | i. Valence                                                             |       |
| 2  | Price    | Price is a sum of money charged for certain products or services, or a sum of values traded by consumers to obtain the benefits of owning or using certain products or services (Kotler and Amstrong, 2008). | Likert|
|    |          | 1. Offers                                                               |       |
|    |          | 2. The price impact                                                     |       |
|    |          | 3. Products/services more on desire than price                           |       |
|    |          | 4. Price plays an important position (vital)                            |       |
|    |          | 5. Affordable                                                           |       |
| 3  | Promotion | Promotion refers to the various types of selling techniques, provision of incentives, and other techniques meant to generate short-term selling effects (Gamliel and Herstein, 1994). |       |
|    |          | 1. Area of promotion                                                    |       |
|    |          | 2. The number of views                                                  |       |
|    |          | 3. Quality messaging                                                   |       |
| 4  | Purchase Decision | The purchase decision is an act by the consumers who want to buy or not to buy certain products. Out of all the factors that may influence consumers to make or not to make a purchase of a certain product or service, consumers usually most consider the quality and price of the goods, as well as prefer goods that are already well known by the public ( Kotler, 2002). | Likert|
|    |          | 1. The need for the product                                             |       |
|    |          | 2. The desire to try                                                    |       |
|    |          | 3. Consistency will be the quality                                     |       |
|    |          | 4. Decide to buy                                                        |       |

Sources: Parasuraman et.al. (1990), Kotler and Amstrong (2008), Gamliel and Herstein (1994), and Kotler (2002).

4. Result and discussion

Before the results of the model examined are presented, it should be informed that two types of testing were conducted. The first type of test associated with the data instrument, namely, validity test and reliability test. The second type of test associated with the Ordinary Least Square (OLS) assumptions that should not be violated, namely, normality assumption, multicollinearity assumption, and heteroscedasticity assumption. The violation of these assumptions changes the conclusion of the study and interpretation of the results. Note that, the normality assumption test is done as the sample was less than 200 respondents.

The result of normality test is exhibited in Graph 1. It shows the normal graph plots that consist of dots spread around the diagonal line, and its distribution follows the direction of the diagonal line. This means that the model formed in the regression does not violate the assumption of normality. In other words, the distribution of the test is normally distributed.
with 0 means, with 1 standard deviation and a symmetric bell shape curve. Thus, the regression model can be used in the study.

![Normal P-P Plot of Regression Standardized Residual](image)

**Graph 1: Normality Test Results**

Furthermore, in terms of multicollinearity assumption, it was also found that there were no predictor (independent) variables in the model that are moderately or highly correlated. This means that the statistical inference can be made. Method to detect the presence of multicollinearity is by estimating at the Variance Inflation Factor (VIF). The results of the multicollinearity test are shown in Table 2 in that it can be seen that the VIF obtained is smaller than 10. Thus, it can be concluded that the regression model used in this study had no symptoms of multicollinearity.

| Model | Collinearity Statistics |
|-------|-------------------------|
|       | Tolerance | VIF    |
| (Constant) | 1.000    | 0.000  |
| 1     | 0.575     | 1.739  |
| VIGS  | 0.590     | 1.694  |
| PRM   | 0.833     | 1.200  |

**Table 2: The results of Multicollinearity test**

Source: SPSS printout.

Also, in terms of heteroscedasticity test, the study found that by using Spearman's rho correlation the correlation between the independent variables with the residual obtained was greater than 0.05. This means that there is no problem of heteroscedasticity in regression model under study (Table 3).
Table 3: Results of Heteroscedasticity test

| Source: SPSS printout. |
|------------------------|
| PLY | HRG | PRM | Unstandardized Residual |
| --- | --- | --- | ------------------------ |
| Correlation Coefficient | 1.000 | .374** | .411** | .027 |
| Sig. (2-tailed) | .000 | .000 | .000 |
| N | 166 | 166 | 166 |
| Correlation Coefficient | .574** | 1.000 | .374** | .034 |
| Sig. (2-tailed) | .000 | .000 | .000 |
| N | 166 | 166 | 166 |
| Spearman's rho | .411** | .374** | 1.000 | .039 |
| Sig. (2-tailed) | .000 | .000 | .000 |
| N | 166 | 166 | 166 |
| Unstandardized Residual | .733 | .664 | .619 |
| Sig. (2-tailed) | .168 | .168 | .168 |
| N | 166 | 166 | 166 |

As there was no violation on the OLS assumptions, the regression model can be further estimated. Table 4 shows the results of the regression model. This can be statistically written as follows:

\[ Y = -0.591 + 0.300X_1 - 0.215X_2 + 0.102X_3 \]

Where:
\[ Y = \text{Purchase Decision}; \]
\[ X_1 = \text{Service Quality (PLY)} \]
\[ X_2 = \text{Price (HRG)} \]
\[ X_3 = \text{Promotion (PRM)}. \]

From this model, it can be said that only two independent variables have a positive contribution to the purchase decision made by the Traveloka customers, while the price of airline tickets has a negative effect on the customers' purchase decision. This finding is not so surprising as the higher the price will lead to a decrease for customers to decide to purchase online airline tickets, vice versa. This finding was also confirmed by the previous studies (see Kotler et.al., 2009, Pasuraman, et.al.1990).

Table 4: The results of multiple linear regression

| Source: Calculated using SPSS version 20. |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|---------------------------|---|-----|
|       | B | Std. Error | Beta |       |     |
| 1     |   |           |      |       |     |
| (Constant) | -.591 | 1.070 | -.552 | .582 |
| PLY   | .300 | .034 | .558 | 8.830 | .000 |
| HRG   | .215 | .049 | .272 | 4.366 | .000 |
| PRM   | .102 | .073 | .074 | 1.401 | .163 |

However, in terms of the t test or p sig, the study found that only two independent variables were found significant. These two significant variables are service quality (PLY) and Price (HRG), while promotion (PRM) was found insignificant (Table 4). This suggests that promotion has not been as a critical factor influencing the customers' purchase decision on Traveloka online airline tickets. This finding was not so surprising as the online airline tickets service has been demanding by the customers.
Unlike the above t-test findings, the results of ANOVA (F-test) has been different in that it can be seen that all independent variables have significantly influenced on the dependent variable. This suggests that at least one of the independent variables have significantly influenced on the dependent variables. These three independent variables are Service quality, Price, and Promotion. Details of the results of ANOVA were exhibited in Table 5.

Table 5: The Results of ANOVA

| Model    | Sum of Squares | Df  | Mean Square | F       | Sig  |
|----------|----------------|-----|-------------|---------|------|
| Regression | 587,077       | 3   | 189,026     | 91,083  | .000*|
| Residual  | 336,200       | 152 | 2,075       |         |      |
| Total     | 903,277       | 155 |             |         |      |

Source: calculated using SPSS version. 20.

Furthermore, to examine the proportion of variance explained by the regression model, the study found that the Coefficient Determination (R²) was only 62.1 percent. This coefficient suggests that about 62.1 percent of the variance of the customers’ purchase decision was explained by the three independent variables, namely, service quality, price, and, promotion, while the rest of 37.9 percent was explained by other variables that were not examined in the study (Table 6).

Table 6: The coefficient of determination (R²)

| Model | R   | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-----|----------|-------------------|---------------------------|
| 1     | .792*| .626     | .621              | 1.44059                   |

Source: calculated using SPSS version. 20.

To sum up, this study found that both the quality of services and the price of online airline ticket affect the customers’ purchase decision of Traveloka company, while promotion has no effect on the purchase decision. About 62.1 percent of the variance of the customers' purchase decision was explained by the three independent variables, namely, service quality, price, and promotion, while the rest of 37.9 percent was explained by other variables that were not examined in the study.

5. Concluding remarks
Based on the above analysis, this study concludes as follows. First, there are positive and significant effects of the service quality on the customers’ purchase decision on online airline tickets established by Traveloka company. Second, the price of an airline ticket has an inverse effect on the customers’ purchasing decisions. Third, the promotion has no significant effect on the purchase decision made by the online Traveloka customers. Fourth, the proportion of the three independent variables in influencing the variance of customers’ purchase decision was only 62.1 percent. This means that the remaining 37.9% was caused by other variables which are not examined in this study.

This study suggests that the Traveloka company needs to give greater attention to the quality of the services as well as the price of airline tickets. These two variables are important in order to realize the purchase decision made by the customers of Traveloka. The promotion factor, however, was not suggested to be improved by the Traveloka company. It is simply because this factor has no significant influence on customers’ purchase decision. For further research, it is suggested to accommodate other variables that were not examined in this study. These variables include the price of other online airline ticket services and income to name just two variables. Thus, much remain to be done.
References

- Amir Kamiruddin (2015). Dailysocial.id/post/Traveloka -populer-survei-nusaresearch. January 2016.
- Gamliel, Eyal. and Herstein, R., (2011). ‘To save or to lose: does framing price promotion affect consumers’ purchase intentions’. Journal of Consumer Marketing, vol. 2, (1). CrossRef
- Kotler, Philip; Armstrong, Garry, (2008). Marketing Principles, USA.
- Kotler, Philip and Kevin Lane Keller (2009). Marketing Management. (13th Ed). New Jersey. Pearson Education, Inc
- Kotler, Philip (2002). Marketing Management. Milenium Edition. New Jersey: Pearson Custom Publishing
- Lovelock, Christopher H. And Lauren K. Wright. (2002). Services Marketing Management, USA.
- Malhotra, Naresh K.,( 2004). Marketing Research an applied Orientation (4th Ed). New Jersey: Pearson Education,Inc
- Parasuraman, Berry and Zeithaml, (1990) ‘Guidelines for Conducting Service Quality Research,’ Marketing Research, vol. 2.
- Peter,J.P.,& Olson,J.C (2002). Consumer behavior and Marketing Strategy. (7th Ed.). New York: McGraw Hill