

RESEARCH ARTICLE

THE ROLE OF DIGITAL INNOVATION, PERCEIVED VALUE, AND LOYALTY PROGRAM ON CUSTOMER LOYALTY AT GARUDA INDONESIA

Bayuaji Prasetyo*, Triyono Arief Wahyudi

Department of Management, Faculty Economics and Business, Universitas Indonesia.

*Corresponding Author Email: bayuaji18@gmail.com; triyonowahyudi293@gmail.com

This is an open access article distributed under the Creative Commons Attribution License CC BY 4.0, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

ARTICLE DETAILS

Article History:

Received 25 March 2020
Accepted 28 April 2020
Available online 12 May 2020

ABSTRACT

Airlines business is a competitive industry, which pushes the airline company to make changes in its strategy to retain current customers or to get more customers. Garuda Indonesia as the flag carrier is also a Full-Service Carrier that operates among other Low-Cost Carrier in Indonesia. To win the competition with these Low-Cost Carriers, Garuda Indonesia has to make strategies in Digital Innovation, Perceived Value, and Loyalty Program. This study aims to analyze the effect of Digital Innovation, Perceived Value, and Loyalty Programs on customer satisfaction and trust that will impact on customer loyalty at PT Garuda Indonesia. Data is taken from the questionnaire answers of the respondents. The respondents are Garuda Indonesia passengers who fly international and domestic route and also a member of GarudaMiles (Loyalty Program of Garuda Indonesia). The results show Digital Innovation and Perceived Value have a significant impact on customer satisfaction and trust. While Loyalty Program has no significant impact on customer satisfaction and trust. The results of the study also show that customer satisfaction and trust had a significant impact on customer loyalty.

KEYWORDS

Airlines, Digital Innovation Perceived Value, Loyalty Program, Customer Loyalty.

1. INTRODUCTION

The commercial aviation service industry is a very important mode of transportation currently because there are many infrastructure plans that are very fast, complete, and mutually integrated. And in Indonesia, which is an archipelagic country relies on air transportation modes that not only function as a bridge between islands and as a mode that is relied upon to connect people and goods that cannot be reached by other modes of transportation (Bazargan et al., 2017). It can't be denied that the air transportation industry in Indonesia will grow significantly in the future accordingly with economic growth.

Based on the Indonesia Ministry of Transportation Annual Report in 2018, the market share in Indonesia was led by Lion Air (31.41%), followed by Garuda Indonesia (20.68%), Citilink (12.85%), Batik Air (10.90%), and Sriwijaya (8.71%). The report shows that LCC (Lion Air, Wings Air, and Sriwijaya) has been dominating the market compare to the FSC (Batik Air and Garuda Indonesia) (Chen et al., 2019). And even though Garuda has launch Citilink as LCC Brand, for market share as a group, Garuda Indonesia Group (33,52%) market share still under Lion Air Group (47,91%).

Based on 2018 Garuda Indonesia Annual Report, in the last 5 years, Garuda Indonesia had suffered loss 2 in 2 periods, which in 2014 (loss 368.91 million USD) and in 2017 (loss 213.39 million USD). Garuda Indonesia makes profits in 2015, 2016, and 2018, with amounts of 77.97 million USD,

9.36 million USD and 5.02 million USD respectively. In total, for the last 5 years, Garuda Indonesia had suffered more losses than profit.

To increase operation performance Garuda Indonesia implements some strategies. Garuda Indonesia tries to offer better service performance to the passenger in terms of On-time Performance (OTP), Safety Record, and Cabin Services (Fishbein and Ajzen, 1975). Garuda Indonesia get best On-time Performance in 2018 with 88.75% based Indonesia Ministry of Transportation Annual Report 2019. Garuda Indonesia also maintain the safety certification from the IATA Operational Safety Audit (IOSA). Garuda also receive the 5-Star Airline and the Best Cabin Cabin Crew Award from Skytrax (Hapsari et al., 2016).

Garuda Indonesia also increases its service performance with Digital Innovation offered to the customer. Garuda Indonesia Digital Innovation is including digital application and communication media such as Website, Mobile Apps, and Social Media (Henderson et al., 2019). Meanwhile Garuda Indonesia loyalty program has rebranding into GarudaMiles in 2014, which have more benefit compare to previous loyalty program as Garuda Indonesia joined the SkyTeam airline alliance.

2. LITERATURE REVIEW

The proposed theoretical model will consists of six constructs which are digital innovation, perceived value, loyalty program, customer satisfaction, customer trust, and customer loyalty (Jiang and Zhang, 2016). Customer loyalty for an airline will based on the satisfaction of the services

Quick Response Code



Access this article online

Website:

www.myecommercejournal.com

DOI:

10.26480/mecj.02.2020.33.38

that airlines offered to passenger and the trust that airline earned by maintain the service delivered to passenger is the same as airlines promised (Keiningham et al., 2019). In this research the independent variable will be limited to the digital innovation that airlines develop for upgrade the services, the perceived value that passenger received about the services provide by airlines, and the loyalty program that airline provide to keep passenger using the service for additional reward (Parasuraman et al., 1988). The digital innovation, perceived value, and loyalty program will influence customer satisfaction and trust. These variables will be constructed as research model that depicted in Figure 1.

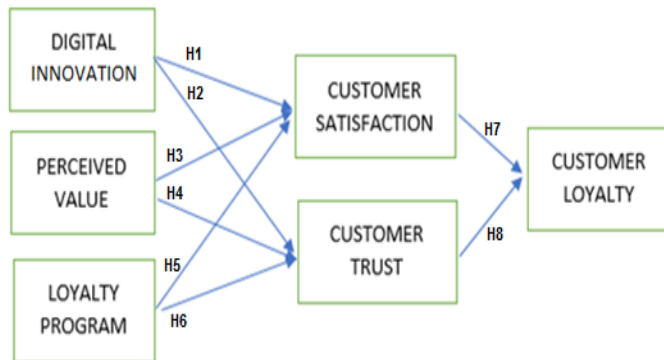


Figure 1: Research Model.

2.1 Digital Innovation

The tourism industry has faced challenges in exploring customer needs and the changing market environment through digitization. Tourism providers should have to prepare their products and services digitally in order to achieve an increasing customer appeal and loyalty and accompany the entire customer journey in digital applications and communication instruments (Reichstein and Härtling, 2018).

E-commerce and e-service marketing activities have attracted more passengers to purchase the ticket through online activities, which will positively moderate the relationship between e-service quality, perceived service value, and service satisfaction (Lee and Wu, 2011). Acquiring an airline ticket online is appealed by passengers because of the discounts, accommodation promotional and other benefits by the airlines (Crespo-Almendros and Del Barrio-García, 2016).

The influence of digital design factors in customer relations will have of positive affect on customer commitment and loyalty in banking services (Reydet and Carsana, 2017). This is the result is related to atmospheric factors when the human interface is minimized due to the digital technology improvement (Rajaguru, 2016). The customer experience based on digital technology innovation will lead to having an influence on customer satisfaction and trust.

H1. Digital Innovation has significant influence on customer satisfaction.

H2. Digital Innovation has significant influence on customer trust.

2.2 Perceived Value

The perceived value is defined as consumer overall assessment to the utility of a product (or service) based on perceptions of what is received and what is given (Zeithaml, 1988). It compares product or service in two opposing dimensions which are the overall price compare to the quality, and vice versa the overall quality, compare to the price (Woodruff, 1997). In other words, perceived value can be summarized as a trade-off between perceived benefits and perceived costs (Lovelock and Wirtz, 2000).

It is very related to the price which financially can be defined as the sum of direct and indirect cost and profit. In this way, pricing can be approached with more object goal (Reichmuth, 2008). But pricing is not easy for the service industry because the price includes non-financial factors also such as time, energy and effort. Price is key factor because there is no evidence that customers can measure the service (Bowie and Buttle, 2004).

As perceived value is the comparison between price and the benefit of

product or service that customers received, mostly it related to the price (Shaw, 2011). And ticket price has become one of the most influential attributes for the passenger in choosing the airline (Medina-Muñoz, et al., 2018). In general, price is considered an antecedent of passenger satisfaction and loyalty, as well as a major competitive method in the airline industry (Umashankar et al., 2016; Singh, 2015). The better service compare to the ticket price that offered by airlines will lead to better customer satisfaction and customer trust in airline reputation.

H3. Perceived Value has significant influence on customer satisfaction.

H4. Perceived Value has significant influence on customer trust.

2.3 Loyalty Program

Loyalty Program can be a significant source of competitive advantage, as it implies a reluctance to switch to competing brands by consumers (Dubé et al., 2010). To build brand loyalty, airlines are usually using the loyalty program such as the frequent flyer programs (FFP). Research on FFP focuses on creating competitive advantages for airlines that dominate an airport (Escobari, 2011). FFP also become the determinants of business traveler loyalty towards full-service airlines in China (Vlachos and Lin, 2014). It means that a better loyalty program offered by airlines will increase also the level of satisfaction from customers and lead to a better level of customer trust (Solomon, 2018).

H5. Loyalty Program has significant influence on customer satisfaction.

H6. Loyalty Program has significant influence on customer trust.

2.4 Customer Satisfaction and Customer Trust

Satisfaction is a feeling between pleasure or disappointment as the result of a comparison between the perception of the service of the product they receive and the expectations from the products or services (Kotler and Keller, 2016). The vast majority of the literature suggests a direct, positive relationship between customer satisfaction and customer loyalty (Wang, 2014; Hussain et al., 2015). The past empirical evidence has shown the existence strength relation between customer satisfaction and loyalty (Chen, 2008)

Customer Trust is the willingness of customers to confidently exchange with certain parties. This willingness arises from the understanding of the expertise, reliability, and goals of the party (Garbarino and Johnson, 1999). A key component of trust is how far a customer believes that the firms have intentions to make a product or services that will benefit and give positive outcomes to the customer (Singh et al., 2017). Customer trust is built over time and it depends on the company's competency in delivering its promises, and not exploiting the customer (Bowie and Buttle, 2004).

Customer loyalty defines as the commitment of a customer to repurchase of preferred product or service in the future despite any situational influences that may change customer behavior to purchase other products or services (Kotler and Keller, 2016). There are 4 indicators that can describe as the result of customer loyalty, which is Word of Mouth, Repurchase Intention, Price Premium, and Share of Wallet (Singh et al., 2017).

With this, we can assume that customer satisfaction and customer trust will have a positive impact on the level of customer loyalty.

H7. Customer satisfaction has significant influence on customer loyalty.

H8. Customer trust has significant influence on customer loyalty.

3. METHODOLOGY

3.1 Data Collection and Sampling

The questionnaires of this study were constructed by selecting indicators for each variable according to the purpose and method of this study based on review of previous research and Garuda Indonesia situation. Based on the research model, questionnaire design into 6 variables which is digital innovation, perceived value, loyalty program, customer satisfaction, customer trust, and customer loyalty items (Thakshak, 2018).

The population target for this research is Garuda Indonesia passengers that flying in Business and Economy Class either for Domestic or

International Route that also a member of GarudaMiles. The total of 210 respondents has profile shown in Table 1.

Table 1: Respondent Profile

Gender	Male	65.71%
	Female	34.29%
Age	Below 26 Years	5.24%
	26-35 Years	76.19%
	36-45 Years	10.95%
	46-55 Years	6.67%
	Above 55 Years	0.95%
Job	Civil Officer	9.05%
	Private Employee	79.52%
	Professional	5.71%
	Entrepreneur	4.29%
	Others	1.43%
Monthly Expenses (IDR)	Less than 3,000,000	9.52%
	3,000,000 - 8,000,000	49.52%
	8,000,000 - 13,000,000	22.86%
	13,000,000 - 18,000,000	8.57%
	More than 18,000,000	9.52%
Frequency Fly per Year	Less than 2 times	17.14%
	2 - 5 times	50.48%
	6 - 10 times	16.67%
	More than 10 times	15.71%
Seat Class	Business Class	4.76%
	Economy Class	95.24%
GarudaMiles Membership	Blue	55.71%
	Silver	23.33%
	Gold	11.90%
	Platinum	9.05%
Purpose of Flying	Business	27.14%
	Business & Private	40.95%
	Private	31.90%
Flight Route	Domestic	83.81%
	Domestic and International	16.19%

3.2 Structural Equation Modelling (SEM)

The data will be processed using structural equation modeling (SEM) method, which is a multivariate statistical analysis technique that is used for structural relationship analysis (Wang et al., 2017). This research focuses on the exploratory significant impact between variables with the complex structural model, Therefore PLS-SEM is selected to analyze the result. Rules of thumb for model evaluation using PLS-SEM will categorized into reflective model measurement and structural model measurement as below (Ghozali and Latan, 2015; Hair et al., 2011; Tidd et al., 2005)

The rules for reflective model measurement are as follows:

1. Internal consistency reliability: Composite reliability should be higher than 0.70 (in exploratory research, 0.60 to 0.70 is considered acceptable).
2. Indicator reliability: Indicator loadings should be higher than 0.70.
3. Convergent validity: The average variance extracted (AVE) should be higher than 0.50.

The rules for structural model measurement are as follows:

1. Critical t-values for a two-tailed test are 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.58 (significance level = 1%). When all the indicator weights are significant, there is empirical support to keep all the indicators. If both the weight and loading are nonsignificant, there is no empirical support to retain the indicator and its theoretical relevance should be questioned.

2. R^2 values of 0.75, 0.50, or 0.25 for endogenous latent variables in the structural model can be described as substantial, moderate, or weak, respectively (Warnock-Smith et al., 2017). The primary evaluation for the structural model is the R^2 measure and the level and significance of the path coefficients because the goal of PLS-SEM approach is to explain the endogenous latent variable variance, the key target or R^2 should be high.

4. RESULT AND DISCUSSION

4.1 Reflective Model Measurement Result

The test result for Reflective Model Measurement can be seen in Table 2.

For Digital Innovation AVE result is 0.517, which passes the target 0.500 for convergent validity test. Cronbach's Alpha result become 0.895 which still pass the target 0.600 for internal consistency reliability test. Some factor loadings still below 0.700, but because AVE result has passed, these indicators can still be used for the next test (Williams and Buswell, 2003). For Perceived Value indicators, the result for Cronbach's Alpha is 0.898 which means it passed the target 0.600 for internal consistency reliability test. AVE result is 0.666, which pass the target 0.500 for convergent validity test. And all factor loadings are higher than 0.700, which pass for indicators reliability test. For Loyalty Program indicators, the result for Cronbach's Alpha is 0.922 which means it passed the target 0.600 for internal consistency reliability test. AVE result is 0.722, which pass the target 0.500 for convergent validity test. And all factor loadings are higher than 0.700, which pass for indicators reliability test.

Table 2: Reflective Model Measurement Result

Variable	No. of Indicator	Cronbach's Alpha	Average Variance Extracted (AVE)	Outer Loading Range
Digital Innovation	10	0.895	0.517	0.598-0.758
Perceived Value	6	0.898	0.666	0.709-0.886
Loyalty Program	6	0.922	0.722	0.705-0.906
Customer Satisfaction	6	0.920	0.718	0.736-0.902
Customer Trust	6	0.950	0.800	0.870-0.917
Customer Loyalty	6	0.910	0.676	0.788-0.854

For Customer Satisfaction indicators, the result for Cronbach's Alpha is 0.920 which means it passed the target 0.600 for internal consistency reliability test. AVE result is 0.718, which pass the target 0.500 for convergent validity test. And all factor loadings are higher than 0.700, which pass for indicators reliability test. For Customer Trust indicators, the result for Cronbach's Alpha is 0.950 which means it passed the target 0.600 for internal consistency reliability test. AVE result is 0.800, which pass the target 0.500 for convergent validity test. And all factor loadings are higher than 0.700, which pass for indicators reliability test. For Customer Loyalty indicators, the result for Cronbach's Alpha is 0.910 which means it passed the target 0.600 for internal consistency reliability test. AVE result is 0.676, which pass the target 0.500 for convergent validity test. And all factor loadings are higher than 0.700, which pass for indicators reliability test.

4.2 Structural Model Measurement (SEM) Result

The structural model measurement test is using SmartPLS software using a bootstrapping test. The result for SEM Test with a significant level at 5%, indicator weight (t-values) should above 1.96 to meet the indicator's significance requirement.

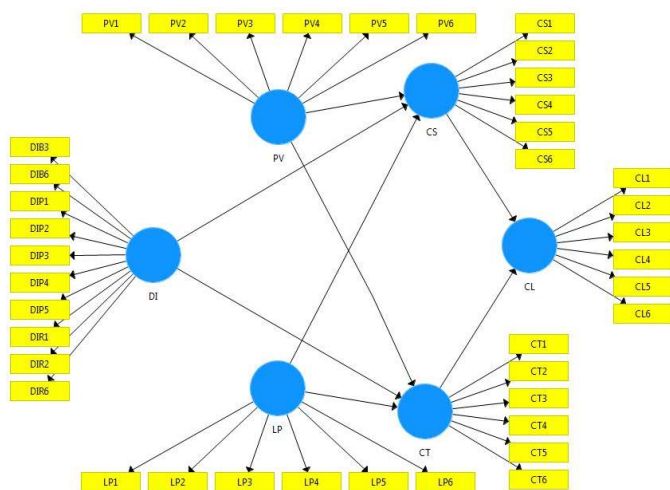


Figure 2: SEM Path Diagram

The result shows that t-values from Digital Innovation to Customer Satisfaction is 3.642 and from Digital Innovation to Customer Trust is 3.046. For Perceived Value, t-values result from Perceived Value to Customer Satisfaction is 13.337 and from Perceived Value to Customer Trust is 11.259. For Loyalty Program, t-values result from Loyalty Program to Customer Satisfaction is 1.794 and from Loyalty Program to Customer Trust is 1.143. For t-values from Customer Satisfaction to Customer Loyalty is 2.426 and from Customer Trust to Customer Loyalty is 4.373.

Table 3: Structural Model Measurement (SEM) Result

Relation	T Statistics (O/STDEV)	P Values	Remarks
Digital Innovation -> Customer Satisfaction	3,642	0,000	Supported by the data
Digital Innovation -> Customer Trust	3,046	0,002	Supported by the data
Perceived Value -> Customer Satisfaction	13,337	0,000	Supported by the data
Perceived Value -> Customer Trust	11,259	0,000	Supported by the data
Loyalty Program -> Customer Satisfaction	1,794	0,073	Not supported by the data
Loyalty Program -> Customer Trust	1,143	0,253	Not supported by the data
Customer Satisfaction -> Customer Loyalty	2,426	0,016	Supported by the data
Customer Trust -> Customer Loyalty	4,373	0,000	Supported by the data

This result shows the relationship between Digital Innovation to Customer Satisfaction, Digital Innovation to Customer Trust, Perceived Value to Customer Satisfaction, Perceived Value to Customer Trust, Customer Satisfaction to Customer Loyalty, and Customer Trust to Customer Loyalty are supported by the data. While the relationship between Loyalty Program to Customer Satisfaction and Loyalty Program to Customer Trust is not supported by the data.

4.3 Discussion for Digital Innovation

The 10 indicators for Digital Innovation are DIP1, DIP2, DIP3, DIP4, DIP5, DIR1, DIR2, DIR6, DIB3 and DIB6. DIP1 is about feature from the website to track the luggage. DIP2 is about feature from mobile apps for booking special meal in the flight. DIP3 is about mobile apps feature for voice. DIP4 is related to website features that can search and booking Citilink tickets through Garuda Indonesia website. DIP5 is website feature for and car/hotel booking.

DIR1 is related to website and mobile apps ticket booking. DIR2 is related website and mobile apps ticket payment process. DIR6 is related feature on the website and mobile apps for flight schedule status check. DIB3 is related to email features for travel and ticket. DIB6 is related to Garuda Online Shop, where it also sells official merchandise that usually only sold during flight.

For indicators that have factor loading higher than 0.700 is all about features that already implement on current website and mobile apps. This is shown that features on the website and mobile apps have an indirect significant influence on customer satisfaction and trust which also

influences the loyalty of the passenger. This also means that improvement strategy can relate to adding more features for the website and mobile apps.

4.4 Discussion for Perceived Value

All Perceived Value indicators have high factor loading, which means the service attributes that Garuda Indonesia offered to the passenger, has been perceived as good or exceed the ticket price or other sacrifices that passenger pays. It also proved that perceive value indicators has direct significant influence on customer satisfaction and trust which also influence the loyalty of passenger.

From indicators factor loading results, shows that all indicators have higher result from 0.700. PV1 is related to flight route and schedule has factor loading 0.735. PV2 is related to on-time performance has factor loading 0.831. PV3 is related to safety records has factor loading 0.858. PV4 that related cabin comfort has factor loading 0.886. PV5 that related to cabin crew performance has factor loading 0.859. PV6 that related to ticket price compare with the perceived service value has factor loading 0.709.

This is also supported by the mean value results for all indicators. All of perceived value indicators have been regarded as positive points from the respondent as mean value range above 5 points. Especially for safety record and cabin comfort that reached mean value 5.4 points. On-time performance and cabin crew performance have reached mean value 5.2 points. So based on the results, all operational performance, award, and certification that Garuda Indonesia received and maintained have been highly regarded by the passenger.

4.5 Discussion for Loyalty Program

The result shows that the Loyalty Program is not significant influence on Customer Satisfaction or Customer Trust. This result is unfit to the literature review, which says that Loyalty Program should have a positive impact on Customer Satisfaction or Customer Trust. Based on respondent demographics most of the respondents are GarudaMiles Blue (55.17% or 117 respondents) follow by GarudaMiles Silver (23.33% or 16 respondents). While only 8 people that have GarudaMiles Gold and 6 people that have GarudaMiles Platinum. Although all respondent has GarudaMiles membership, it seems that features and benefits of GarudaMiles don't have significant influence on customer satisfaction, trust, moreover the customer loyalty.

It may happen because the customer has automatically become member of GarudaMiles Blue once they installed the Garuda Mobile Apps. Because the procedure is so easy, it can be seen as customer never intended to have GarudaMiles membership. It can be seen also that the customer priority to install Mobile Apps is to use the features for booking and pay the ticket. Related to the flying frequency of the respondent, most of them (67.62%) flying maximum 5 times a year, following 16.67% flying between 6 to 10 times a year, and 15.71% flying more than 10 times a year. It means that most of the respondent that have GarudaMiles Blue membership will never be upgraded to GarudaMiles Silver, as they need to have 10 flights or 10,000 tier miles in a year. And have to keep it in the following year if they don't want to degrade again to lower tiers.

Other factors that may affect this situation was because Garuda Indonesia mostly has big city in Indonesia as destination, which also provided by the other LCC airlines. While the other LCC have much more destination to smaller city. This situation also affects the passenger when their destination city is not provided by Garuda Indonesia. And such situation will make Loyalty Program is not interesting anymore to the passenger.

The difference between literature review and the actual condition might happen because the reference literature is scope in Europe and China which have different environment in Indonesia (De Jong et al., 2018; Dolnicar et al., 2011; Chang and Yeh, 2002; Vlachos and Lin, 2014). For examples, the number of airlines in Europe and China which is very huge compared to number of airlines operated in Indonesia. This situation will affect the influence of Loyalty Program as competitive advantage. In Europe and China with the large option to choose airline will make loyalty

program as attractive attributes with their various reward and also it keeps the customer to use same airlines as the passenger see they will waste their point and mileage if they use other airlines.

Different situation in Indonesia, the selection of airlines is very few compare to Europe and China. Most of the airlines operate in Indonesia are a Low-Cost Carrier which doesn't have any significant Loyalty Program. While the Full-Service Carrier is only Garuda Indonesia and Batik Air which both airlines have the Loyalty Program. It is mean that Loyalty Program can't give many different effects for the passenger to choose Garuda Indonesia. Although the Loyalty Program doesn't have significant influence on Customer Loyalty, the test result shows that mean values for all indicators are higher than 4.00. This means that all respondent having slightly positive toward the loyalty program. The loyalty program still has potential to improve as the competitive advantage for Garuda Indonesia.

4.6 Discussion for Customer Satisfaction, Customer Trust, and Customer Loyalty

From the test result, the indicators of Customer Satisfaction, Trust and Loyalty supported the literature review that satisfaction and trust have been significant impact on customer loyalty. The indicators of Customer Satisfaction are related to satisfaction for service offered by Garuda including the quality of the service and the consistency between the advertisement and actual services. Customer Satisfaction indicators factor loading results show that all indicators have a higher result from 0.700. CS1 that related to flying experience has factor loading 0.885. CS2 is related to on-time performance has factor loading 0.850. CS3 is related to cabin crew quality has factor loading 0.875. CS4 that related to Garuda Indonesia digital system has factor loading 0.736. CS5 that related to service consistency has factor loading 0.824. CS6 that evaluates the overall satisfaction using Garuda Indonesia has factor loading 0.902.

The indicators of Customer Trust are related to the trust of the customer to the reputation, image, and brand that Garuda Indonesia build and maintain throughout the operations. Customer Trust indicators factor loading results show that all indicators have higher result from 0.700. CT1 that related to 5-Star Airline awards has factor loading 0.917. CT2 is related to World Best Cabin Crew awards has factor loading 0.886. CT3 is related to safety records has factor loading 0.908. CT4 that related to security for Garuda Indonesia digital system has factor loading 0.885. CT5 that related to in-flight service has factor loading 0.871. CT6 that related to on-time performance award has factor loading 0.897.

The indicators of Customer Loyalty are related to repurchase intention, positive word mouth to mouth, and resistance to change. Customer Loyalty indicators factor loading results show that all indicators have higher result from 0.700. CL1 that related to repurchase intention has factor loading 0.854. CL2 is related to positive word of mouth has factor loading 0.853. CL3 is related to change resistance when price increase has factor loading 0.788. CL4 that related to positive word of mouth when price increase has factor loading 0.816. CL5 that related to change resistance when service reduces has factor loading 0.802. CL6 that related to positive word of mouth when service reduces has factor loading 0.815.

5. CONCLUSION

This paper contributes to the understanding of customer loyalty by determining the dimensions of customer satisfaction and customer trust. While customer satisfaction and customer trust should be significantly influenced by digital innovation, perceive value, and loyalty program of an airline. The result shows that all hypotheses have been supported by the data, except for the Loyalty Program which doesn't have a significant influence on customer satisfaction and trust. This research initiative to examine the factors that influence passenger satisfaction and trust which will lead to passenger loyalty according to services provided by the airline under consideration. This research expand the knowledge of customer loyalty by developing a model which clarifies the relationship between digital innovation, perceived value, loyalty program, customer satisfaction, customer trust, and customer loyalty.

This research is only conducted by using just a small portion of the Garuda

Indonesia customer moreover the airlines in Indonesia, therefore there will raising questions about the generalizability of the results. Thus for further research can continue to using model research for other airlines in Indonesia or airlines in other countries. This research also only conducts by seeing all respondents as one general customer of Garuda Indonesia, without considering the detailed screening of the respondent. For the next research, it will be better to have research in detail screening on respondents such as the purpose of flying, decision-maker on choosing the airline (other party decision or self-decision), higher GarudaMiles tier, or flying route sector (international or domestic). This will deepen and add more perspective to the research. This model research might also conduct in companies with different industries that have digital innovation and loyalty programs in Indonesia. This will deepen the research about the characteristic customers in Indonesia toward the digital product or service and the loyalty program.

REFERENCES

- Bazargan, A., Karray, S., Zolfaghari, S., 2017. Modeling reward expiry for loyalty programs in a competitive market. *International Journal of Production Economics*, 193, Pp. 352-364.
- Bowie, D., Buttle, F., 2004. *Hospitality Marketing: An Introduction* (1st Edition). Oxford: Elsevier Butterworth-Heinemann.
- Chang, Y.H., Yeh, C.H., 2002. A survey analysis of service quality for domestic airlines. *European Journal Operation Research*, 139, Pp. 166-177.
- Chen, C.F., 2008. Investigating structural relationships between service quality, perceived value, satisfaction, and behavioral intentions for air passengers: Evidence from Taiwan. *Transportation Research, Part A42*, Pp. 709-717.
- Chen, L., Li, Y.Q., Liu, C.H., 2019. How airline service quality determines the quantity of repurchase intention - mediate and moderate effects of brand quality and perceived value. *Journal of Air Transport Management*, 75, Pp. 185-197.
- Crespo-Almendros, E., Del Barrio-García, S., 2016. Online airline ticket purchasing: Influence of online sales promotion type and Internet experience. *Journal of Air Transport Management*, 53, Pp. 23-34.
- De Jong, G., Behrens, C., Van Ommeren, J., 2018. Airline loyalty (programs) across borders: A geographic discontinuity approach. *International Journal of Industrial Organization*, Pp. 1-22.
- Dolnicar, S., Grabler, K., Grün, B., Kulnig, A., 2011. Key drivers of airline loyalty. *Tourism Management*, 32, Pp. 1020-1026.
- Dubé, J.P., Hirsch, G.J., Rossi, P.E., 2010. State dependence and alternative explanations for consumer inertia. *The RAND Journal of Economics*, 41 (3), Pp. 417-445.
- Escobari, D., 2011. Frequent flyer programs premium and the role of airport dominance. *Applied Economics Letters*, 18 (16), Pp. 1565-1569.
- Fishbein, M., Ajzen, I., 1975. *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research*, 129-385, Addison-Wesley, Reading, MA.
- Garbarino, E., Johnson, M.S., 1999. The Different Role of Satisfaction, Trust, and Commitment in Customer Relationships. *Journal of Marketing*, 63, Pp. 70-87.
- Ghozali, H.I., Latan, H., 2015. *Partial Least Squares Konsep, Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0 untuk Penelitian Empiris*. Semarang : Badan Penerbit - Undip.
- Hair, J.F., Ringle, C.M., Sarstedt, M., 2011. PLS-SEM: Indeed a Silver Bullet. *Journal of Marketing Theory and Practice*, 19(2), Pp. 139-152.
- Hapsari, R., Clemes, M., Dean, D., 2016. The mediating role of perceived value on the relationship between service quality and customer satisfaction: evidence from Indonesian airline passengers. *Procedia Economy Finance*, 35, Pp. 388-395.

- Henderson, I.L., Tsui, K.W.H., Ngo, T., Gilbey, A., Avis, M., 2019. Airline brand choice in a duopolistic market: The case of New Zealand. *Transportation Research, Part A* 121, Pp. 147–163
- Hussain, R., Al Nasser, A., Hussain, Y.K., 2015. Service quality and customer satisfaction of a UAE-based airline: an empirical investigation. *Journal Air Transport Management*, 42, Pp. 167-175.
- Jiang, H., Zhang, Y., 2016. An investigation of service quality, customer satisfaction and loyalty in China's airline market. *Journal Air Transport Management*, 57, Pp. 80-88.
- Keiningham, T., Aksoy, L., Bruce, H.L., Cadeta, F., Clennell, N., Hodgkinson, I.R., Kearney, T., 2019. Customer experience driven business model innovation. *Journal of Business Research*, <https://doi.org/10.1016/j.jbusres.2019.08.003>
- Kotler, P., Keller, K.L., 2016. *Marketing Management* (15th Edition), Essex: Pearson Education Limited.
- Lee, F.H., Wu, W.Y., 2011. Moderating effects of technology acceptance perspectives on e-service quality formation: Evidence from airline websites in Taiwan. *Expert Systems with Applications*, 38, Pp. 7766–7773.
- Lovelock, C.H., 2000. *Service Marketing* (4th Edition). New Jersey: Prentice Hall International.
- Medina-Muñoz, D.R., Medina-Muñoz, R.D., Suárez-Cabrera, M.A., 2018. Determining important attributes for assessing the attractiveness of airlines. *Journal of Air Transport Management*, 70, Pp. 45–56.
- Parasuraman, A., Zeithaml, V.A., Berry, L.L., 1988. SERVQUAL: a multiple-items scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64, Pp. 12–50.
- Rajaguru, R., 2016. Role of value for money and service quality on behavioural intention: A study of full service and low cost airlines. *Journal of Air Transport Management*, 53, Pp. 114-122.
- Reichmuth, J., 2008. Analyses of the European air transport market: Airline business models. *Air Transport and Airport Research*. German DLR 2008-12-17.
- Reichstein, C., Härtig, R.C., 2018. Potentials of changing customer needs in a digital world – a conceptual model and recommendations for action in tourism. *Procedia Computer Science*, 126, Pp. 1484–1494.
- Reydet, S., Carsana, L., 2017. The effect of digital design in retail banking on customers' commitment and loyalty: The mediating role of positive affect. *Journal of Retailing and Consumer Services*, 37, Pp. 132–138.
- Shaw, S., 2011. *Airline Marketing and Management* (7th Edition). England: Ashgate Publishing Limited.
- Singh, A.K., 2015. Modeling passengers' future behavioral intentions in airline industry using SEM. *Journal of Advances in Management Research*, 12 (2), Pp. 107-127.
- Singh, G., Singh, I., Vij, S., 2017. Antecedents and Consequences of Customer Loyalty: A Conceptual Model. *International Journal of Applied Business and Economic Research*, 15 (23) (Part 2).
- Solomon, M.R., 2018. *Consumer Behavior Buying, Having, and Being*. (12th Edition). England: Pearson Education Limited.
- Thakshak, 2018. Analyzing customer based airline brand equity: Perspective from Taiwan. *Future Business Journal*, 4, Pp. 233–245.
- Tidd, J., Bessant, J., Pavitt, K., 2005. *Managing Innovation: Integrating Technological, Market and Organizational Change* (3rd Edition). England: John Wiley & Sons Ltd.
- Umashankar, N., Bhagwat, Y., Kumar, V., 2016. Do loyal customers really pay more for services? *Journal of the Academy of Marketing Science* <http://dx.doi.org/10.1007/s11747-016-0491-8>.
- Vlachos, I., Lin, Z., 2014. Drivers of airline loyalty: Evidence from the business travelers in China. *Transportation Research, Part E* 71 1–17.
- Wang, S.W., 2014. Do global airline alliances influence the passenger's purchase decision? *Journal of Air Transport Management*, 37, Pp. 53-59.
- Wang, S.W., Kao, G.H.Y., Ngamsiriudom, W., 2017. Consumers' attitude of endorser credibility, brand, and intention with respect to celebrity endorsement of the airline sector. *Journal of Air Transport Management*, 60, Pp. 10-17.
- Warnock-Smith, D., O'Connell, J.F., Maleki, M., 2017. An analysis of ongoing trends in airline ancillary revenues. *Journal of Air Transport Management*, 64, Pp. 42-54.
- Williams, C., Buswell, J., 2003. *Service Quality in Leisure and Tourism*. Lancashire: Preston.
- Woodruff, R.B., 1997. Customer value: the next source for competitive advantages. *Journal of the Academy of Marketing Service*, 25 (2), Pp. 139–153.
- Zeithaml, V.A., 1988. Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence. *Journal of Marketing*, 52 (3), Pp. 2-22.

