

The Effect of Service Marketing Mix in Low Cost Airlines:

A study of Scoot Airlines Indonesia

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Abstract—Scoot Tigerair Pte Ltd (operating as Scoot) is one of new player that enter Indonesian market. Scoot claim as airlines for young people, those who are young at heart and looking for real value. For those who hold that a journey is filled with things never before seen, and new experiences. Scoot offers quality delivery services with ethics, contemporary ethics as well as the option that you only pay what you think is worth to pay. As new player scoot has unique marketing mix. Service Marketing Mix are the most important factors that affect the low-cost airline passenger buying intention. The service marketing mix consists of 7 P's (Product, Price, Place, Promotion, People, Physical Evidence, and Process). This research aimed to investigate the relationship between buying intention towards service marketing mix the passengers of low-cost airlines service. This study employed by quantitative research and the questionnaire was used to collect the data from 400 sampled of the passengers who have ever used the low-cost airline services based in Jakarta, Indonesia. The descriptive statistics and Pearson's correlation analysis were used to analyze data. The results obtained in this study indicate that Service Marketing Mix in Scoot Airlines simultaneously has significant effect to buying intention. But in partially the variable who has significant effect to customer satisfaction only 5 variables such as Product, Price, Promotion, Place, physical evidence meanwhile process and people has no effect on buying intention.

Keywords—service marketing mix; 7Ps; low cost airlines; scoot airlines; tiger airlines

I. INTRODUCTION

Low cost airline (LCA) is one of the favorite transportation of backpackers when traveling. Not only in Asia, LCA also rampant in various continents such as America and Europe. Launched from Travel and Leisure, LCA has several strategies to reduce the cost of airline tickets. Not infrequently the price of LCA tickets priced half the price of full service airlines [1]. Over the past 15 years, airlines with low budgets in Southeast Asia have revolutionized the image of their flights, transcending national boundaries and bringing the concept of affordable travel successfully and greatly. The passenger use air travel is expected to increase to 16-20 million people in the near future. Currently, there are 8 million people per year. The strength of the low-cost airlines is lower price of airfares

generally about 40 percent to 50 percent compare to the ordinary airlines [2]. Indonesia, one of country in Southeast Asia, has a lot of low cost airlines such as Lion Air, Citilink, Air Asia, Wings Air, and Scoot Airlines. Scoot is a low-cost carrier that is part of the Singapore Airlines Group and currently operates to over 20 destinations across Asia and Australia. Scoot and Tigerair merge and will operate with Scoot Brands starting on July 25, 2017. With this merger Scoot will serve a total of 60 destinations in 17 countries, in Indonesia, Scoot will serve flights to 4 cities namely Jakarta, Surabaya, Denpasar and the newest Palembang [3]. The code for the Scoot flight will be changed from the current TZ to TR, the Code that was once used for Tigerair flights [4].

In Indonesia the Scoot Airlines specifically target the market of young Indonesians who are big enough to become one of the potential market to expand its business in Indonesia. It is consistent with the segmentation of Scoot. The segmentation is largely based on consumers' attitudes and purchase habits towards the services provided by Scoot. The 3 segments are: The Young, The Young at Heart, The Value Seekers. Scoot targeted people who remember that travel is all about spontaneous discovery, connections and fresh experiences. Simply put, people with Scootitude.

The number of passengers on the Scoot airline increased from the previous year which can be seen in the table below:

TABLE I. CUSTOMER OF SCOOT AIRLINES

Year Ending	ASKs (in billions)	Passengers (in millions)
Mar-15	8.1706	1.878
Mar-16	10.2674	2.412
Mar-17	15.324	3.357

Based on table 1 the number of passengers at Scoot increased 28% in 2016 and increased by 39% in 2017. It is shown that the merger or Scoot and Tiger Airways to enter Indonesia market result in increasing the number or passenger. Even though Scoot has competitors such as Jet Star, Air Asia, Lion Group who already the leader in this industry [5], Scoot believe they have strategy to compete them all. To compete with other airlines that also apply Low Cost Carrier (LCA)

system Scoot airlines make what strategy will be given to consumers. To keep consumers, scoot provides the right service quality, friendly pricing, easy ticketing places, good products and promotions. Currently Scoot now complies with 7P Marketing mix such as product, price, place, process, promotion, person and physical proof.

Marketing-mix is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market [6]. Tangible product using 4Ps, on the other hand services sector using 7Ps [7] such as:

- **Product:** Goods or services made or provided by the company to meet consumer needs and deliver benefits and satisfaction after consumption.
- **Pricing:** Pricing that takes into account the economic costs and environmental costs of production and marketing processes, while providing value to the customer and a reasonable profit for the business.
- **Place:** The role is a distribution channel as marketing activities which seeks to facilitate the delivery of goods and services from companies to consumers
- **Promotion:** Information flows in one direction or persuasion made to direct a person to act that created the exchange in marketing.
- **Process:** Service delivery procedures that support operational performance and quality of service through efficient utilization of resources.
- **Physical Evidence:** The quality of services can be demonstrated through physical evidence and presentation. So an airline business will develop a look and style that can be observed in dealing with customers, so as to deliver the expected value to the consumer, whether it's cleanliness, speed or other benefits
- **People:** Services largely served or given by the person. Therefore, employees can make a big difference in customer satisfaction through attitudes and behaviors of empathy, competence, responsiveness, initiative, problem solving abilities and good intentions.

According to the popularity of using low cost airlines in Indonesia and the increasing competition in the low cost airlines business, the researcher is interested to study how service marketing mix influence the buying intention of customers of LCA especially in Scoot Airlines as a new player in Indonesian market.

A. *Service Marketing Mix (7p's) of Scoot Airlines*

There are Service Marketing Mix of Scoot Airlines:

1) *Product:* Scoot Airlines currently delivers 65 destination in 18 countries and has a fleet of Boeing 787 Dreamliners and Airbus 320 aircraft. Based on the type of product, Scoot can be divided into 3 types also, such as Core Product The core product of Scoot airlines is that they provide low cost passenger air transportation for middle class and

lower middle class customers so that they can also experience flight journey. Scoot has a choice of classes for passengers in the Economy and Business Class. Economy Class is divided into 3 classes such as Fly, FlyBag and FlyBagEat but Scoot in Indonesia only serve Economy class only for short [8].

Along with the core product they also offer supplementary product. They are like Check in, Food on board, connecting flight while traveling where the service is not available, Complementary gifts along with the travel, In-flight entertainment such as music, movies games and Frequent flier programs. And the last, Augmented Product a commodity that has both the primary physical attributes and the non-physical attributes that are added to increase the product's value. Scoot Airlines Augmented product are: Online booking, Variety of meal options and Mobile ticketing.

2) *Price:* Price is the only element of the marketing mix that provides income for the company. Scoot set the price in order to compete with other airlines. Scoot airlines provide a variety of prices from Jakarta with 3 hundred thousand rupiah to 5 million for all regional purposes. In addition, there is a promo provided by the Scoot for new flights Palembang route in Indonesia ranges with the price of 110.000 rupiah which is the first flight made on 23 November 2017. There are also constant discounts that keep customer coming back.

3) *Place:* Scoot airline gives consumers the convenience of purchasing tickets through three main channels: Online Sales, Retail Sales and Resellers. There is also a Sales Office at Soekarno-Hatta Airport Terminal, www.flyscoot.com, Traveloka, Tiket.com etc. Scoot also provides apps on PlayStore and iOS for airline ticket purchases.

4) *Promotion:* It is a flow of information or one-way persuasion that is made to direct a person to actions that create exchanges in marketing. In term of promotion, Scoot airline offers promotions through the website of Scoot, Youtube, Twitter, Facebook and Instagram to consumers to travel to destinations of choice and facilities of interest. Other promotion methods used by Scoot include event marketing, print media advertising and advertising on travel portals.

5) *Process:* The process is related to service delivery for the customers the best policy. The Scoot airline service provides passenger information and facilities such as scheduled departures and on-time arrivals, quick baggage handling, easy check-in and boarding process. Scoot makes the process of check-in to check out easiest such as giving news stands to depart and web reporting departing and giving BoardMeFirst the priority privilege of departing and prioritizing the plane so passengers can pass the queue, passengers are eligible to report to depart for flights at the ScoffBiz priority checking booth.

6) *Physical evidence:* Physical evidence in airlines can be divided into two: Ground environment and In Flight services [9]. The ground environment can be considered like on ground handling system, the baggage facility system and the booking office. Meanwhile In Flight Service can be considered like amenities provided in the flight, the cleanliness of the flight,

ambience in the flight. Logo of the Airlines also can be considered as the physical evidence.

7) *People*: The people involved in business directly and indirectly are very important for Scoot Airlines as they will be providing a lot of information. People in Scoots such as flight attendant, Travel agent, Customer service and also ground and inflight employee. The flight attendant of Scoot has a Scootitude service culture featuring youthful and cheerful features with passion to the passengers in a relaxed, very young, greeting with slang and smile that never goes away. Scoot wants to provide information on flights and carry passengers around the world. Call center service that provides information and convenience to help customer's needs like Insurance, Seat, Food, First On Board, Checked in early, Scoot In Style, WiFi, Snooze Kit and Special help before flying with Scoot.

II. RESEARCH METHODOLOGY

Target population on this research is the customer who have ever used the services of low cost airlines in the country, who know Scoot airlines and live in Indonesia. In this study respondent will be the passenger of low cost airlines in Soekarno Hatta (Soeta) Airport in Jakarta because it is the largest airport in Indonesia and also there is a representative office of Scoot airlines. Total of sample are 400 peoples. The method of sampling was randomly selected using the purposive sampling with the travelers at Soeta Airport.

The conceptual framework of research shown as figure 1.

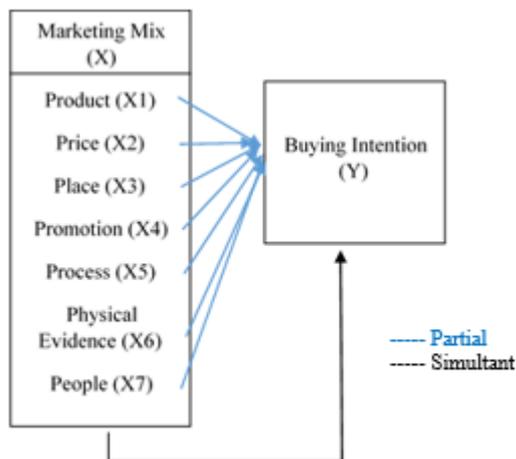


Fig. 1. The conceptual framework of research.

The questionnaire was used as the main research tool to collect data. Descriptive statistic was utilized by frequency, percentage, mean and standard deviation to analyze the data. Multiple regression Analysis was employed for testing the research hypothesis.

III. FINDINGS AND DISCUSSION

The study found that most of the respondents were female, aged less than 27 years old, single, working as employees of

the company. It is consistent with the research about character of LCA [10].

There are some significant characteristics which are applied by LCA to achieve the success will be described as follows:

- Fuel hedging: Fuel is one of the largest operating costs of airlines. When airlines believe that the fuel price won't drop in the future, they can sign a contract to buy for a period of time at the current price.
- More seats: More LCA can give cheaper price to the customer but they can still increase revenue by arranging more passengers on the plane.
- Pay for additional demands: LCA cuts off free food and drinks, instead of the customer to pay for those services.
- Similar aircraft configuration: LCA trying to minimize the cost of training, maintenance, and repair by using a unique aircraft type and configuration to
- Using cheaper airport: They use the small airport, little attention therefore the cost of parking and related services are lower.
- Online ticket: LCA sells tickets online or over the phone to help them reduce the marketing cost, agent commission cost, and ticket printing cost.
- Flexible ticket prices: The ticket prices are extremely flexible, which is offered depending on the needs of passengers.
- Short turnaround time: Reduce the ground time and increase flight time will be a considerable cost savings for airlines [11].

A. Reliability Test

A questionnaire is considered reliable when the statement is consistent and stable. To measure it, the Cronbach alpha value must be > 0.6.

TABLE II. RELIABILITY STATISTICS

Cronbah's Alpha	N Of Items
0,918	31

Based on the results of reliability testing above can be seen that the research variable has a cronbach's alpha value greater than 0.60. Thus it can be concluded that the questionnaire data used in this study is very representative in the sense that the word measurement of data is reliable.

B. Validity Test

If the correlation coefficient is greater than the relevant values, it will be considered valid. Data validity test results can be seen based on table 2 as follows.

TABLE III. RELIABILITY STATISTICS

No. Item	rtable	rcount	Validitas
Product 1	0,361	0,370	Valid
Product 2	0,361	0,555	Valid
Product 3	0,361	0,415	Valid
Product 4	0,361	0,753	Valid
Product 5	0,361	0,613	Valid
Product 6	0,361	0,655	Valid
Price 1	0,361	0,683	Valid
Price 2	0,361	0,698	Valid
Price 3	0,361	0,564	Valid
Place 1	0,361	0,444	Valid
Place 2	0,361	0,407	Valid
Place 3	0,361	0,448	Valid
Place 4	0,361	0,415	Valid
Promo1	0,361	0,574	Valid
Promo2	0,361	0,478	Valid
Promo3	0,361	0,442	Valid
Promo 4	0,361	0,380	Valid
Process 1	0,361	0,641	Valid
Process 2	0,361	0,643	Valid
Phys 1	0,361	0,638	Valid
Phys 2	0,361	0,728	Valid
Phys 3	0,361	0,676	Valid
Phys 4	0,361	0,653	Valid
Phys 5	0,361	0,521	Valid
People 1	0,361	0,707	Valid
People 2	0,361	0,593	Valid
BI 1	0,361	0,549	Valid
BI 2	0,361	0,388	Valid
BI 3	0,361	0,422	Valid
BI 4	0,361	0,525	Valid
BI 5	0,361	0,569	Valid

C. Multiple Linear Regression

Multiple linear regression analysis is used to determine how much influence the factors used in the research model such as products, prices, places, promotions, people, processes, and physical evidence of buying intention.

The regression equation obtained is as follows:

TABLE IV. MULTIPLE REGRESSION ANALYSIS

Koefisien Regression		
Model		Sig
1 (Constant)	.223	.541
Product	.204	.096
Price	.034	.768
Place	.183	.223
Promotion	.108	.324
People	.107	.454
Process	.061	.650
Physical Evidence	.042	.005

$$Y = 0,223 + 0,204X_1 + 0,034X_2 + 0,138X_3 + 0,108X_4 + 0,107X_5 + 0,061X_6 + 0,420X_7$$

D. F Test and t Test

F test is used to test the effect of independent variables, namely product, price, place, promotion, people, process, and physical evidence together on the purchase decision used with a significant level of 5%. This indicates that F test is accepted, which means the independent variables product, price, place, promotion, people, process, and physical evidence have

simultaneous or joint influence on the Buying Intention of Scoot Airlines.

The hypothesis was tested using the method of Multiple Linear Regression analysis. The t test was performed to find out the partial influences between variables. Based on the criteria for conducting the statistical analysis using t test, Ho is rejected when the t count > t table. With a confidence level of 95% or alpha is 0.05. This indicates that t test is accepted, which means the independent variables product, price, place, promotion, people, process, and physical evidence have partial influence on the Buying Intention of Scoot Airlines

IV. CONCLUSION

Implementation service marketing mix in Scoot airline was interesting, they provide low cost passenger air transportation for middle class and lower middle class customers so that they can also experience flight journey. For most consumers, the best quality service is not sufficient to rule that it has interest customers. Customers tend to buy the services that make them interest, but they do not need to buy the best services [12]. Besides, many studies argued that service price can strongly influence customer perception of service value [13]. Based on the analysis of low cost passenger characteristic resulting in more competitive prices will be a motive source to attract new customers because those customers often rely on the service price to judge the service through its price, while they are no experience to evaluate the service before buying or using it.

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