



# Factors Affecting Consumer Intention to Cancellation of Airline Tickets

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**Abstract.** The Covid-19 pandemic has caused restrictions on various activities including travel by airplane. This causes the airline ticket to be canceled. With the unilateral cancellation of the airline, there should be a ticket refund mechanism of disappointment for passengers which can impact on consumer intentions to cancel airline tickets. The purpose of this study is to determine the factors affecting consumer intention to cancel airline tickets. This study uses a correlational quantitative approach. The data collected is in the form of primary data obtained through questionnaires addressed to passengers who have purchased airline tickets in Yogyakarta more than once. Data were analyzed using multiple linear regression tests, T-tests and F tests. The results show that business ethics has a negative effect on the intention to cancel airline tickets and is proven to be supported with a significance value of  $0.001 < 0.05$ . The refund mechanism has a positive effect on the intention to cancel airline tickets and is proven to be supported with a significance value of  $0.000 < 0.05$  as a form of company business ethics. The poor business ethics of an airline will certainly cause.

**Keywords:** consumer intention · business ethics · refund of airline ticket

## 1 Introduction

At the beginning of 2020, the world was shocked by the emergence of the Covid-19 disease outbreak. The COVID-19 pandemic has caused an unprecedented crisis for the air transportation industry, affecting millions of aviation users and stakeholders [1]. Across all industries, the aviation sector is probably among the hardest hit [2]. Calls to reduce activities outside the home and entry bans for citizens of certain countries have forced airlines to reduce or even abolish flight routes to these areas, as well as causing airlines to lose revenue and lead to losses.

During this pandemic, the Indonesian Ministry of Transportation had temporarily suspended the activities of public transportation facilities as an effort to control transportation during the Eid Day homecoming period, in order to prevent the spread of the coronavirus (Covid-19), including on scheduled commercial flights both domestically and abroad. The existence of this policy has an impact on the cancellation of airline tickets by the airline. In this case, unilaterally canceling flights is still acceptable, because the reasons are clearly and transparently informed, namely for the purpose of public health

and safety. Many flights got canceled, and travelers experienced pressure to get a refund or feel insecure to book upcoming travels. Getting assistance from travel providers, including airlines, was quite challenging during the first phase of the virus outbreak [3].

Cases of cancellations or delays to flight schedules unilaterally by airlines are actually very common. Ironically, the airline's reasons often seem not transparent because they do not immediately inform potential passengers, even though it has been regulated in the Minister of Transportation Regulation (Permenhub) Number 89 of 2015 Article 7 paragraph (3)a that if there is a flight delay there must be information correct and clear explanation of the reason for the flight delay and the certainty of departure which is conveyed to passengers directly by telephone, short message service, or announcement media. In general, the airline does not provide information about the reason for the delay, unless the active passenger asks it first.

The non-transparency of information regarding the reasons for flight delays seems to be an attempt by the airline to find loopholes in order to avoid the consequences that should be borne, because there are factors that cause flight delays which are the responsibility of the airline, namely the airline management factor. Efforts to find loopholes to avoid consequences of this kind are included in the category of violations of business ethics.

Business ethics is a fairly crucial issue in business activities. In business practice, two conflicting interests will emerge, namely the desire of business actors to succeed in gaining profits on the one hand, and the expectations of consumers to obtain products and services at affordable prices on the other. Business actors try to achieve their interests in various ways so that they can ignore the interests of other parties, including being less concerned about what consumers expect. This is the reality of business which if it is not managed properly it will harm all parties in an objective view of ethics related to company profits, otherwise if it does not follow the rules of the business game basically such as ensuring losses [4]. The poor business ethics of an airline will certainly cause disappointment for prospective passengers which can impact on consumer intentions to cancel airline tickets.

The refund mechanism in general explains the conditions for allowing a refund, the amount of the refund value, and the procedure for the refund process; each airline has a different policy. Basically, all tickets that have been paid for by prospective passengers should be subject to a cancellation and refund process. Legal arrangements for canceling and refunding airline tickets by prospective passengers due to certain reasons are regulated in the Minister of Transportation Regulation Number 185 of 2015 concerning Service Standards for Economy Class Passenger Domestic Scheduled Commercial Air Transport. Legal implications for airlines that do not want to return money to prospective passengers due to ticket cancellations can be subject to legal sanctions, namely administrative sanctions in the form of license suspension or even revocation of air operation permits.

Several previous studies, such as those conducted by Mahardika and Sudarsana [5], Purnomo [6], and Nasrunisa [7], discussed cancellation of airline tickets by airlines. Meanwhile, Budimah [6] examines from a different perspective, namely the cancellation of airline tickets by prospective passengers. However, all of them have one thing in common, namely focusing on problems from the perspective of the legal regulations.

The fundamental difference offered in this study with previous studies is that this research focuses on the intention to cancel airline tickets by consumers and relates them to airline business ethics and refund mechanisms, which are still quite rarely researched. The object studied in this study is airline ticket consumers in Yogyakarta.

## **2 Objectives**

Based on the background of the problems described in the previous part, the objectives of this study include knowing the effect of business ethics on consumer intentions to cancel airline tickets, knowing the effect of the refund mechanism on consumer intentions to cancel airline tickets, and knowing the effect of business ethics and the refund mechanism in an aggregate way together on consumer intentions to cancel airline tickets.

## **3 Theoretical Review**

### **3.1 Theory of Planned Behavior**

The theory of planned behavior explains that attitude towards behavior is an important factor that can predict an action, although it is necessary to consider a person's attitude in testing subjective norms and measuring the person's perceived behavioral control. If there is a positive attitude, support from people around and there is a perception of ease because there are no barriers to behavior, then one's intention to behave will be higher [9].

### **3.2 Consumer Intention to Cancel Airline Tickets**

Intention is a decision to behave in the desired way or a stimulus to carry out an act, both consciously and unconsciously [10]. According to Dyer [11], intention is a strong desire to achieve what one wants and will not allow anything to interfere with the achievement of that goal. In simple terms, intention means tendency and high enthusiasm or a great desire for something [12]. So the consumer's intention to cancel airline tickets is the consumer's desire to cancel tickets on the mode of air transportation that he has purchased for a certain reason, and then carry out a refund process to receive a refund for the ticket money that has been paid.

### **3.3 Factors Affecting Consumer Intention to Cancel Airline Tickets**

#### **3.3.1 Business Ethics**

According to Bertens [13], ethics are values and moral norms, which become a guideline for a person or a group in regulating behavior. Business ethics is a study that concentrates on moral values and the application of moral standards in institutional policies and business conduct. Of course, the application of moral values and moral standards will regulate how a company conducts its business [14].

Business ethics is a contradiction in terms because there is an inherent conflict between ethics and the orientation of personal interests in business, namely in the form

of profit [14]. Sumarni & Soeprihanto [15] argue that business ethics is related to the problem of assessing business activities and behavior that refers to truth or business honesty.

### 3.3.2 Refunds Mechanism

The Ministry of Transportation has officially established a ticket refund mechanism by domestic airlines for prospective economy class passengers who cancel their flights. The percentage and time of return is stated in Article 10 of the Minister of Transportation Regulation Number PM 185 of 2015 concerning Service Standards for Economy Class Passenger Domestic Scheduled Commercial Air Transport.

Due to mobility restrictions during the Covid-19 Pandemic, the government urged airlines to notify flight delays as early as possible according to applicable procedures, so that passenger losses can be reduced. Government regulations instruct airlines to refund fees when flights are cancelled. However, problems often occur, the airline does not return ticket costs in cash, but instead offers vouchers or travel credit that must be used before the deadline [16, 17].

## 3.4 Hypothesis Development

### 3.4.1 Business Ethics for Consumer Intentions to Cancel Airline Tickets

Business ethics is an attempt to find a way out or at least clarify various moral issues that specifically arise or are related to the business activity. Some examples of the application of ethics in the aviation business include: the transparency of information to prospective passengers, the quality of service, and the ethics of airline staff. The better the quality of service from airlines, the more customer satisfaction will increase, and the more loyal they will be [18], so that the consumer's intention to cancel tickets will be lower.

Based on the explanation above, the first hypothesis (H1) can be proposed, as follows:

H<sub>1</sub> = Business ethics has a negative effect on consumer intentions to cancel airline tickets

### 3.4.2 Refund Mechanism for Consumer Intentions to Cancel Airline Tickets

According to Ajzen [9], the existence of a perception of ease - in this case the refund provisions, will support a person's intention to behave - in this case canceling airline tickets by consumers. The refund mechanism contains a series of policies governing the return of ticket fees that have been paid by consumers, which aims to provide information regarding refund process procedures to policies on certain limitations. The high restrictions will certainly cause its own risks, the worst possibility is losing consumers [19]. But on the other hand, it can reduce the level of consumer desire to cancel tickets in order to prevent losses that may be received, such as imposing cancellation and refund fees and the length of time for refunds. Humaira [20] said that the determination of refunding airline tickets to consumers who submit a refund does not fully get the fees that have been paid through the travel party. This shows that there is a loss for the consumer, which will result in a decrease in the consumer's intention to cancel flight tickets. Conversely, the easier the refund mechanism will result in a higher possibility of consumer intention to

cancel tickets. However, the positive implication of the convenience of this mechanism is that it can be an attraction for consumers so as to increase sales.

Based on the explanation above, the second hypothesis (H2) can be proposed, as follows:

$H_2$  = The refund mechanism has a positive effect on consumer intentions to cancel airline tickets.

### 3.4.3 Business Ethics and Refund Mechanisms Together for Consumer Intentions to Cancel Airline Tickets

Previous research on service quality as part of airline business ethics has an effect on customer satisfaction and loyalty. Other studies regarding the refund mechanism also show an effect on consumer satisfaction. Logically, the level of customer satisfaction will have an impact on consumer intentions to cancel flight tickets.

Based on the explanation above, the third hypothesis (H3) can be proposed, as follows:

$H_3$  = Business ethics and the refund mechanism together have a positive effect on consumer intentions to cancel airline tickets.

## 4 Methods

This study uses a quantitative approach. This research method uses correlational. Correlation research is a research that involves collecting data to determine whether there is a relationship and the level of relationship between two or more variables. This study looks at the relationship between business ethics and refund mechanisms with consumers' intentions to cancel airline tickets. The research model can be seen in Fig. 1.

The population in this study were all consumers of airline tickets in Yogyakarta. The sampling technique used in this study was purposive sampling. Researchers have specific goals or targets in accordance with the criteria for selecting non-random samples whose

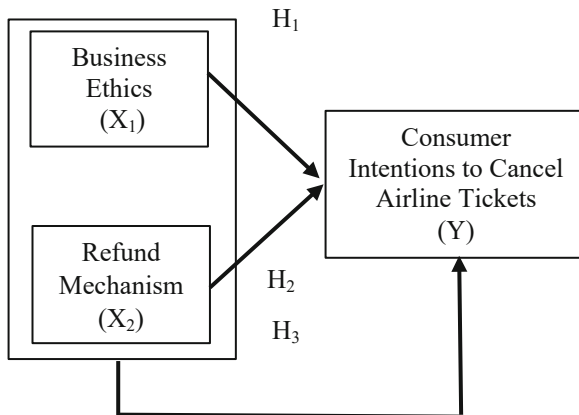


Fig. 1. Research Model

information is obtained using certain considerations, which are intended for consumers who have purchased airline tickets from and/or to Yogyakarta.

The data collection used was a survey method, in which researchers distributed questionnaires online using a Google Form through social media. The variables in this study were measured using a questionnaire with a Likert scale with 6 answer choices.

To test the validity of the data that has been collected, the researchers conducted a validity test and a reliability test. Calculation of the validity of the instrument is carried out using the product moment correlation technique formula. Reliability in this study was measured through internal consistency between items by looking at the Cronbach's Alpha coefficient.

This study uses multiple linear regression analysis techniques, because the number of independent variables used are two variables. Multiple linear regression analysis aims to analyze the magnitude of the relationship or influence of two or more independent variables on the dependent variable [21]. The measurements used the SPSS (Statistical Packages for the Social Science) software application version 23. Hypothesis testing used the T-test and F-test.

## 5 Findings and Discussion

The data collection used was a survey, in which researchers divided questionnaires online with Google forms via social media to measure the effect of business ethics and refund mechanisms on consumer intentions to cancel airline tickets. The population in this study were all consumers of airline tickets in Yogyakarta. The sampling technique used in this study was purposive sampling. Respondent criteria set out in this study are consumers in Indonesia who have purchased airline tickets from and/or to Yogyakarta. Responses obtained up to the cut off time limit were as many as 165 respondents.

Testing the hypothesis in this study aims to prove that the variables of business ethics and the refund mechanism affect consumer intentions to cancel airline tickets. The t test is used to determine whether the independent variables partially have a significant effect or not on the dependent variable. The degree of significance used is 0.05. If the significant value is less than the degree of confidence then we accept the alternative hypothesis, which states that an independent variable partially affects the dependent variable. Table 1 shows a summary of the results of the T test.

Based on the results of hypothesis testing in the T test or partial test, it can be seen that testing the first hypothesis (H1), namely business ethics ( $X_1$ ) on ticket cancellation intentions (Y), has a significance value of 0.001. The significance value is less than the probability value of 0.05, or the value of  $0.001 < 0.05$ , then H1 is accepted. It can be concluded that variable  $X_1$  has a contribution to Y. A negative coefficient (B) value indicates that variable  $X_1$  has a negative relationship with Y. So it can be concluded that business ethics has a negative effect on ticket cancellation intentions and is proven to be supported. This means that the better the business ethics shown by the airline, the lower the consumer's intention to cancel airline tickets.

Testing the second hypothesis (H2), namely the refund mechanism ( $X_2$ ) on ticket cancellation intentions (Y) obtained a significance value of 0.000, meaning that the significance is smaller than the probability value of 0.05, or a value of  $0.000 < 0.05$ ,

**Table 1.** Summary of T-Test Results

No	Variable	B	t	Sig.	Information
1	Business Ethics ( $X_1$ ) on Ticket Cancellation Intentions (Y)	-0,006	-0,052	0,001	Proven supported
2	Refund Mechanism ( $X_2$ ) for Ticket Cancellation Intention (Y)	0,532	5,457	0,000	Proven supported

Source: Processed data (2021)

then H2 is accepted. A positive coefficient (B) value indicates that variable  $X_2$  has a positive relationship with Y. So it can be concluded that the refund mechanism has a positive effect on ticket cancellation intentions and is proven to be supported. This means that the easier the terms and conditions of the refund mechanism imposed by the airline, the higher the consumer’s intention to cancel airline tickets.

Several other studies also support the results of this study that the refund mechanism has an influence on consumer intentions. The research results of [22] Ozali, Fadli & Saribanon (2022) stated that since the change in ticket refund policy was enacted at Garuda Indonesia, which used to use money as travel vouchers due to frequent flight cancellations from Garuda Indonesia due to the Covid-19 pandemic, the results obtained were 67% of respondents chose using another airline after a change in the ticket refund conditions. [23]Dada et al. (2021) also provided research results that more than 94% of consumers in Europe were dissatisfied with refund services during the co-19 pandemic.

Then, the F test is used to test one of the hypotheses in a study that uses multiple linear regression analysis. The F test is used to determine the effect of the independent variables jointly (simultaneously) on the dependent variable. Table 2 shows a summary of the results of the F test (ANOVA).

Simultaneous testing of  $X_1$  and  $X_2$  on Y from the table obtained an Fcount value of 16.133 with a probability value (sig.) = 0.000 which is less than the probability value of 0.05 or a value of  $0.000 < 0.05$  means that together (simultaneously) business ethics ( $X_1$ ) and the refund mechanism ( $X_2$ ) is proven to be supported against ticket cancellation intentions (Y).

The coefficient of determination ( $R^2$ ) is essentially used to measure how far the ability of the regression model is to explain the variation of the dependent variable. Table 3 presents the results of the Coefficient of Determination test ( $R^2$ ).

The results of the coefficient of determination R Square from business ethics ( $X_1$ ) and the refund mechanism ( $X_2$ ) explain the dependent variable, namely ticket cancellation

**Table 2.** Summary of F Test Results (ANOVA)

No.	Variable	F	Sig.	Keterangan
1	Business Ethics ( $X_1$ ) and Refund Mechanism ( $X_2$ ) for Ticket Cancellation Intentions (Y)	16,13	0,000	Proven supported

Source: Processed data (2021)

**Table 3.** Summary of Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,408	0,166	0,156	4,546

Source: Processed data (2021)

intention (Y) of 0.166 or 16.6%. This means that the independent variables affect the dependent variable by 16.6% while the rest are influenced by other factors outside of this study.

The phenomenon of airline ticket cancellations during the Covid-19 pandemic has become a global issue. The government's policy of limiting air transport travel has a direct impact on the prospects for the survival of airline companies, which are increasingly under pressure. Therefore, the government as the regulator issued a Minister of Transportation Regulation concerning air transport restrictions in which there is a ticket cancellation policy by providing ticket return options in the form of re-scheduling, re-routing or vouchers, the government does not provide the option to return tickets in cash to protect airlines continuity [24]. However, this change in refund policy also causes changes in consumer intentions. Therefore, good business ethics are needed from the airline when a flight cancellation occurs from the airline and a refund mechanism that makes it easier for consumers. This is because based on research results the better the business ethics shown by the airline, the lower the consumer's intention to cancel airline tickets.

## 6 Conclusion

The purpose of this research is to find out the factors that influence the intention to cancel airline tickets. Based on the research results, it can be concluded that business ethics has a negative effect on the intention to cancel airline tickets and is proven to be supported with a significance value of  $0.001 < 0.05$ . The refund mechanism has a positive effect on the intention to cancel airline tickets and is proven to be supported with a significance value of  $0.000 < 0.05$ .

This research is expected to be a consideration and evaluation for airline companies to prioritize business ethics in serving consumers/aircraft passengers. In addition, you should also consider and determine the exact terms and conditions for refunds so that they do not harm each other in the event of a flight ticket cancellation. This aims to maintain passenger comfort and satisfaction as airline consumers. If consumers feel comfortable and satisfied with the services provided, of course the airlines can minimize the potential for plane ticket cancellations by passengers. It is hoped that this research can also be a consideration and evaluation for consumers/airplane passengers in order to gather information about services and study the terms and conditions of an airline's refund mechanism before deciding to buy airline tickets, with the aim of reducing.

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