

Integrated Marketing And Internal Marketing In Relation To Establishing The Satisfaction And Loyalty of LCC Airline Customers In Indonesia

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ABSTRACT : *The aim of this study is to examine the relationship between customer loyalty through integrated marketing and the corporate internal marketing strengthened by the customer satisfaction with the LCC airlines in Indonesia. Survey has been carried out toward 400 LCC passengers at Soekarno Hatta Airport and analyzed in descriptive and explanatory ways using the method of Structural Equation Modeling. The results of this study show that customer loyalty model is a formation of interaction between integrated marketing and internal marketing through the improvement of customer satisfaction. So, LCC airlines in Indonesia should prioritize the strategy of integrated marketing and internal marketing in order to generate customer satisfaction for customer loyalty improvement.*

KEY WORDS: *Customer Loyalty, Customer Satisfaction, Integrated Marketing, Internal Marketing, Low Cost Carrier*

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I. INTRODUCTION

The growth of Indonesian airline industry has soared in the last decade. A number of airlines are tightly competing each other both in domestic and regional markets. The growing demand for air transport has caused the increasing number of airline companies, both premium and Low Cost Carrier (LCC) airlines. Data from Directorate General of Air Transportation in the end of 2016 shows there are 15 scheduled commercial airlines, 10 non-scheduled commercial airlines, and eight commercial cargo airlines. This is in line with the growing number of airlines implementing the concept of Low Cost Carrier (LCC). Based on the report from Organisation for Economic Co-operation and Development (OECD) in 2017, most of the scheduled flights in Indonesia identified by OECD implement the concept of LCC.

This phenomenon is accompanied with the tighter competition since the airlines and the frequency of their flight schedules, as well as price competition by offering LCC services. Thus, the airlines operating in Indonesia find difficulties in improving their business performance which, in turn, affect the condition of the airlines themselves. Some Indonesian airlines have been closed (bankrupt) because of business competition to attract customers: Mandala Air, Batavia Air, Riau Airlines, Indonesia Airlines, Merpati Air, and many others stopped their operation in the midst of increasing tourist demand for travelling by air. Although the number of domestic tourists travelling by air increases but their loyalty is still low. This is presumptively because LCC customers can easily move to another airline when they feel unsatisfied with the quality of an airline.

It is presumed that the low customer loyalty of airline industry in Indonesia is because of the low customer satisfaction with LCC airlines due to many disadvantageous incidents such as long delay, non-optimal services, and unclear flight time which make customers unwilling to use LCC airlines anymore. This is in accordance with the result of research carried out by Ahadmotlaghi and Pawar (2012) who state that service standardization, communication efforts made by the airline, trust on the airline, airline's commitment to delivering services as promised, and better service quality are the main factors that influence customer satisfaction and, in turn, customer loyalty.

The low level of customer satisfaction and loyalty in the airline industry is also caused by the service performance which is not suitable with the passengers' expectation, decreasing customer satisfaction, whereas marketing activities always culminate in the efforts to satisfy customers (Jumadi 2012). The phenomenon of such a condition is because of insufficient communication with customers in delivering products or services. A research in line with Kartajaya (2010) states that marketing communication is the driver to increase sales. In order to achieve the company's goal, it is also important to pay attention to the development of employees' potential so that they can build good and sustainable relationship with customers. The employee's potential is

determined by the service quality delivered to customers which can also directly influence customer loyalty (Zeithamlet al., 1996) and influence customer loyalty indirectly through customer satisfaction (Caruana, 2002).

II. LITERATURE REVIEW

Customer Loyalty

Loyalty according to Lovelock and Wright (2005) is the customer's decision to voluntarily continue to subscribe a certain company in the long term. The prime service delivery by the company to both internal and external customers has an important role in business since the company's viability much depends on the loyalty of its customers (Barata, 2003).

Griffin (2005) states that the advantages a company will obtain from its loyal customers, among others, are:

1. Reducing marketing cost (because the cost to attract new customers is more expensive).
2. Reducing transaction cost (such as costs for contract negotiation, order processing, and so on).
3. Reducing the cost of customer turnover (due to less customer turnover).
4. Increasing cross selling which enlarge the company's market share.
5. More positive *word of mouth* with the assumption that loyal customers mean they are satisfied.
6. Reducing cost of failure (like replacement cost and others).

Customer loyalty has a positive correlation with business performance where customer loyalty does not only increase the business value but it can also attract new customers (Beerliet al., 2004). In the short term, improving customer loyalty will make profit from sales.

Customer Satisfaction

According to Spillane (2006), customer satisfaction is a condition where the customer's wants, expectations, and needs are fulfilled. Whereas according to Kotler and Keller (2014), satisfaction is one's feeling of satisfied or dissatisfied which comes from the comparison between his/her perception on the performance (or result) of a product and his/her expectation. The customers themselves experience various levels of satisfaction and dissatisfaction after experiencing or consuming each service in line with how far their expectation is fulfilled or exceeded. Expectation is an internal standard used by customers to assess the quality of service experience (Lovelock and Wright, 2007).

Customer satisfaction is the key in creating customer loyalty. Customer satisfaction becomes an important parameter so that business can continue where the company with superior services will be able to maximize the corporate financial performance by improving customer loyalty (Gilbert et al., 2004)

Hypothesis: Satisfaction significantly influences loyalty.

Integrated Marketing

The concept of Integrated Marketing Communication (IMC) appearing in the 1980s is defined by Schultz (2004) as a strategy in the business process by planning, developing, executing and evaluating the implementation of brand communication program which is coordinated on consumers, customers, or other targets relevant with the external and internal audiences.

In general, Integrated Marketing Communications (IMC) is a process which integrates and coordinates various communication channels a company uses to deliver clear, consistent and interesting messages about its organization and products. (Kotler & Armstrong, 2008)

The correlation between Integrated Marketing and customer satisfaction is that it is useful to improve the customer's understanding of products/services so that it improves customer satisfaction (Smith, 2001:242). Marketing communication is useful to make customers close to the company, so that they want to buy the products being offered. Thus, well-established communication can improve customer satisfaction on certain product/service (Morrisan 2010). According to Khandabi (2014), customer satisfaction can be influenced by some dimensions of marketing relationship.

Research by Frimpong (2017) adds that customer satisfaction is influenced by the tools of marketing communication, where customer satisfaction will change in accordance with the change degree of marketing communication tools. The relationship between integrated marketing and customer loyalty according to Cloward Baack (2007) is that integrated marketing communication coordinates and integrates all the elements of marketing communication to maximize the communication with consumers at a relatively low cost while regarding the degree of customer satisfaction which will improve customer loyalty, which can be seen among others by the repeat purchase.

Hypothesis: Integrated Marketing significantly influences Customer Satisfaction.

Hypothesis: Integrated Marketing significantly influences Customer Loyalty through Customer Satisfaction.

Internal Marketing

Mishra (2010) explains that the aim of internal marketing is to generate the motivation and awareness of consumers or employees in achieving excellent services. Internal marketing becomes the link for—and as the beginning activities of—external marketing (Kumar 2010). Therefore, employees should be trained to deliver services as good as possible.

According to Lombard (2010), the success in implementing internal marketing principles is the prerequisite for effective external marketing. Marketing activities always lead to the efforts to satisfy customers (Jumadi 2012:4). Whereas according to EL Samen et al. (2012), internal marketing which consists of motivation and reward system can improve the performance and significantly influences service quality which, in turn, enhances customer satisfaction.

Zeithaml and Bitner (1996) state that the roles of employees in the front line and its supporting (employees in the back office) are very important to the success of service organization, because in addition to having a role in service delivery they also influence customers' perception and the level of customer loyalty in the future.

Research by Elsamén et al. (2012) states that internal marketing can improve the performance and significantly influences the product/service quality provided so that it can generate the feeling of loyal to the product or services provided.

Hypothesis: Internal Marketing significantly influences Customer Satisfaction.

Hypothesis: Internal Marketing significantly influences Customer Loyalty through Customer Satisfaction.

III. RESEARCH METHODOLOGY

This study uses questionnaire for data collection. So, it is necessary to measure the validity and reliability of the questionnaire. The next stage is analyzing and interpreting the data obtained in the field using a descriptive statistical analysis and inferential statistics (Juliater Simarmata, Keke, Veronica, Silalahi, & Benková, 2017). For this study, the total sample is 400 customers of Low Cost Carrier from Lion Air, Citilink, Sriwijaya Air dan Air Asia drawn proportionately from each airline in Indonesia as mentioned below. The technique of spreading questionnaires is random with regard to the spread of the composition. The data is collected from the passengers who travel from Soekarno-Hatta Airport, Jakarta and is analyzed using LISREL. The period of survey implementation is during Januari 2018. All the items are measured based on the responses to semantic differential scale point 5, ranging from 1 = strongly disagree to 5 = strongly agree. The primary data obtained from customers (sample) are analyzed using Structural Equation Model (SEM). SEM is used to test the research hypotheses. The relationships patterns among variables that will be studied are the causal relationships of one or more independent variables with one or more dependent variables.

Table 1. Sample taking per airline

Airline	Number of Samples
Sriwijaya	92
Lion Air	105
Citilink	95
Air Asia	98
Total	400

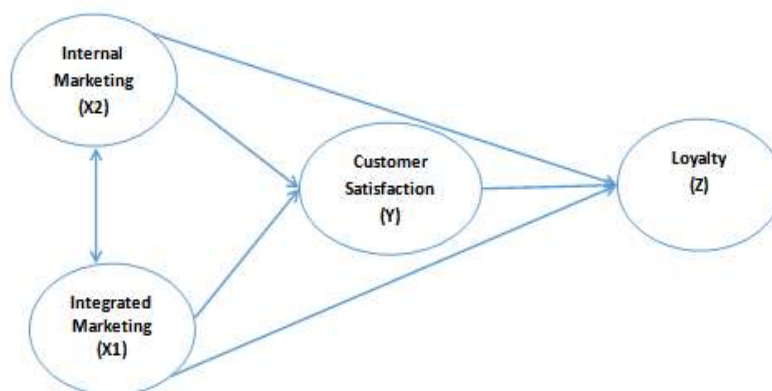


Figure 1. Research Model

IV. RESULT

Before doing hypothetical test, the researcher examine the research model which consists of Validity and Reliability tests for each variable by using CFAMethod (J Simarmata & Ikhsan, 2017), where the result

states that all the research variables are considered as valid and reliable and can be used as indicators to assess a variable (see Figure 2). Subsequently, normality test for the data of model fitness test is performed (see Table 2. Result of Model Test), stating that the regression model obtained has been in accordance with SEM rules.

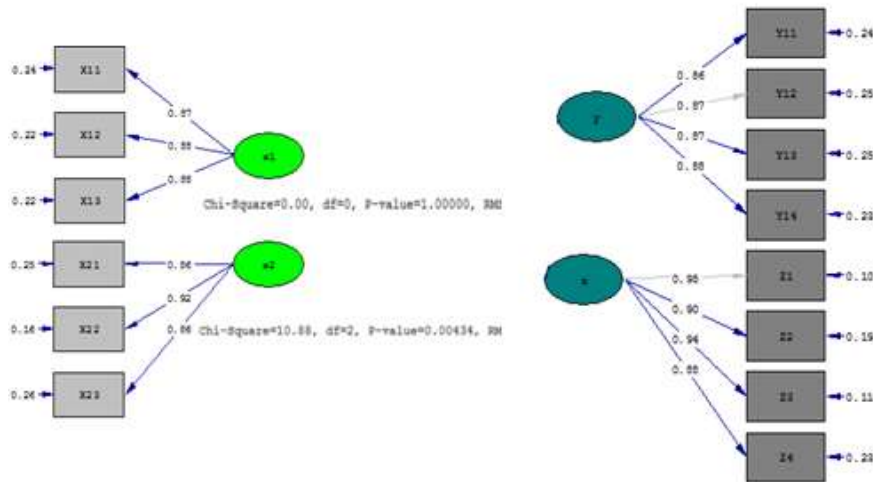


Figure 2. Result of CFA Test

Source: Data Processing

Table 2. Results of Model Test

Goodness of Fit Indices	Cut off Value	Result of Research	Remarks
Chi-Square	< 79.082	153.96	Marginal
Significance Probability	P > 0.05	0.00	Marginal
Absolute Fit Measures			
GFI	≥ 0.90	0.94	Good
RMSEA	≤ 0.08	0.058	Good
Incremental Fit Indices			
NFI	0.90	0.96	Good
NNFI	0.90	0.97	Good
CFI	0.90	0.98	Good
RFI	0.90	0.95	Good
Parsimony Fit Indices			
AGFI	0 – 1	0.91	Marginal
PNFI	0 – 1	0.63	Good

Source: Data processing

Table 3. Research Characteristics

Age				
<25 years = 15 respondents	26-35 years = 89 respondents	36-45 years = 123 respondents	46-55 years = 198 respondents	>55 years = 35 respondents
Gender				
Male: 256		Female: 144		
Education				
Senior High School: 101 Respondents	Diploma: 54 Respondents	S1: 221 Respondents	S2: 24 Respondents	

Based on the data processing, the results are obtained as follows:

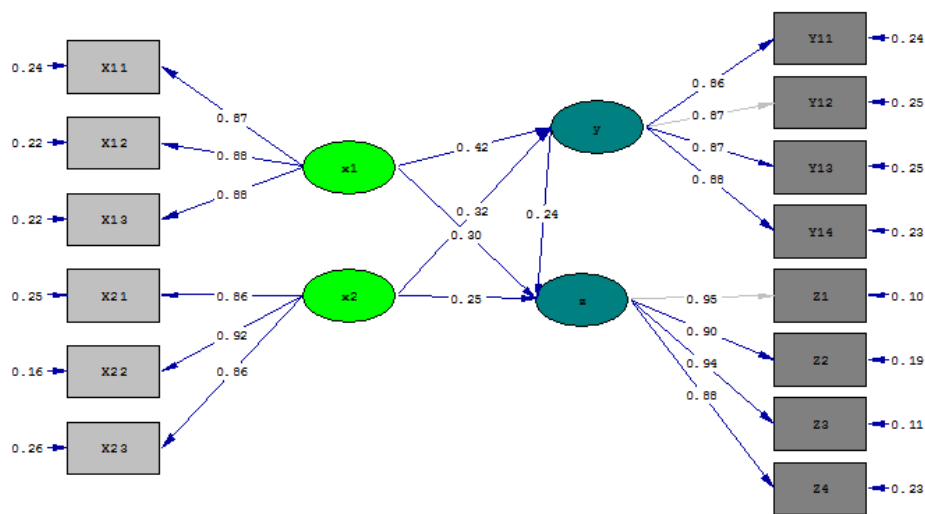


Figure 3. Standardized Full Research Model

Source: Data processing

Table 4. Measurement Model

Dimension	Loading Factor	t-statistic	Remarks	Conclusion
Integrated Marketing (X₁)				H1 and H2 are accepted
Communication	0.87	19.39	Significant	
Products and Services	0.88	19.85	Significant	
Internal Marketing (X₂)				H2 and H3 are accepted
Service Training Programmes	0.86	19.16	Significant	
Performance Incentive	0.92	21.03	Significant	
Vision about Excellence Service	0.86	19.10	Significant	H5 is accepted
Customer Satisfaction (Y)				
Product Quality	0.86	18.31	Significant	
Cost	0.87	20.95	Significant	
Service Quality	0.87	21.53	Significant	
Emotional Factors	0.88	23.24	Significant	
Customer Loyalty (Z)				
Attention	0.95	25.94	Significant	
Trust	0.90	29.79	Significant	
Protection (length of patronage)	0.94	24.91	Significant	
Accumulative Satisfaction	0.88	27.55	Significant	

Source: Data Processing

All the indicators or variables show significant values in measuring the research latent variable. Then, from the value of loading factor it can be said that the variable manifest in this research can become a good indicator in forming its latent variable.

Based on the research model and measurement model (see Figure 3 and Table 4), it can be concluded that all the research hypotheses are acceptable. First, Integrated Marketing and Internal Marketing significantly influence customer satisfaction with R-square = 0.152 meaning that Integrated Marketing and Internal Marketing can explain the Customer Satisfaction variable only 15.2% whereas the rest of 84.8% is explained by other factors outside the model. Second, Integrated Marketing and Internal Marketing significantly influence Customer Loyalty with R-square = 0.1444 meaning that Integrated Marketing and Internal Marketing can explain the Customer Loyalty variable only 14.44% whereas the rest of 85.56% is explained by other factors outside the model. Third, Customer Satisfaction positively and significantly influences Customer Loyalty.

Furthermore, the result of research model states that customer satisfaction is the strategy used for enhancing the growth of customer loyalty in a sustainable way by improving employee performance as well as providing quality products and services with various distribution or selling channel because the establishment of customer loyalty by an excellent company is generated among others through integrated communication strategy implemented by the company in order that customers feel proud of the products or services they consume and they are not reluctant to suggest people in his surrounding to buy the products/services.

V. DISCUSSION

This study has analyzed how integrated marketing and internal marketing build customer loyalty through customer satisfaction. Based on the data processing described above, it can be concluded as follows: *First*, to establish customer satisfaction there are many factors customers consider when choosing LCC service in Indonesia. Customer satisfaction is generated by all the knowledge the consumers have and all the conclusions made about the object, attribute, and its benefits where Madjid (2013) says that customer satisfaction has a significant influence on customer's trust which is the beginning of customer loyalty itself.

Integrated Marketing (X1), both directly and through customer satisfaction, has total influence which is more dominant than Internal Marketing variable. This is because one of the ways for LCC airlines to retain customers needs the role of integrated marketing communication, where the airlines use all the forms of communication which are relevant and acceptable for their customers or prospective customers, Shimp (2003). With the advancement of technology, marketing communication is no more limited only to communication mix. Style and price of product, shape and colour of package, space decoration, and so on have meaning in communicating something to customers. Thus, the use of fast-growing information technology becomes an advantage for LCC airlines' marketing. By relating integrated communication strategy to the improvement of company's internal satisfaction, LCC airline customers will be more satisfied with the services provided. This strategy can be well implemented by the LCC airlines which do not only prioritize cost strategy. The relationship between *Integrated Marketing Communication* and customer loyalty is that without communication, consumers and all people will not know the product existence in the market. Therefore, the information people obtain is the message communicated by LCC airlines through their products, including the facilities, features, promotion so that people, especially the users of certain airlines can feel whether the benefit and performance of the services are as expected and they become loyal to the service of those LCC airlines. *Second*, the key to achieve service profitability is related to the focus on customers and employees as the most important parts. Management often focuses only on a set of goals and service positioning without considering the real problem. LCC airlines managers should focus on the frontline employees who deliver the services, the supporting technology, training and customer satisfaction, as well as customer satisfaction. Marriot in Yazid (2001), said that to make customers satisfied and loyal, management should satisfy the employees first. Satisfied customers is the base for companies to retain their employees. Everyone likes to work in a company with satisfied and loyal consumers. A job done with happy feeling will be more satisfying. *Third*, one of the factors that build customer loyalty is satisfaction where it makes customers tend to consume the product repeatedly so that it generates commitment to be loyal to the product/service. The company's aim of providing customers with satisfaction is to build a good relationship and mutual need. It is the good relationship meant by loyalty. In a such competitive condition of LCC business where the competition is very high with various product and service differentiations, customer satisfaction and customer loyalty become very important things (Juliatier Simarmata, Keke, Veronica, Silalahi, & Benková, 2017). For the company, customer satisfaction and customer loyalty become very important to enhance its profit, so the company will always maintain a good relationship with its customers. The company with programs focusing on customers expect their customers to become loyal.

Research by Rowey and Dawes (2000) shows the facts that customer satisfaction does not guarantee whether customers do not move to other brands or to be loyal. Enhanced satisfaction does not always enhance loyalty but if the customers are loyal, then they surely have been satisfied with the benefit and performance of products/services they consume. This is strengthened by the low barrier to move to other LCC airlines. LCC airlines in Indonesia are generally chosen by people from middle-low class. Thus, beside comfort and safety of flight, competitive ticket price attracts customers to choose a certain LCC airline.

In the very homogenous and competitive industry of LCC airlines, customer loyalty is the key for airlines' market differentiation. Therefore, airlines establish customer loyalty and satisfaction to differentiate themselves from competitors in term of added value provided for target customers by generating trust on the product or service they produce (Widzer, 2001)

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