

## **Brand Equity and Customer Satisfaction as the Mediation of Advertisement influence and the Service Quality to Loyalty the Passengers of International Flight at Garuda Indonesia Airlines**

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**Abstrak:** This research includes explanatory research, samples are taken from Garuda Indonesia Airline international Passenger inbound and outbound flight conducted at several Indonesian International Airport Soekarno Hatta Jakarta, Ngurah Rai Denpasar, Airport Hongkong and Changi Airport Singapore, altogether there are 350 respondents. The Design of non probability sample selection is accidental sampling with the criteria : those who fly international route at least twice a year, Indonesian citizen (not foreigner), and they may also fly non Garuda flights as well, the exogenous variables are advertisement and service quality, the endogenous variables are brand equity and customer satisfaction. Analysis method used SEM-PLS and software SmartPLS.

The result has several conclusion, First, Advertisement and service quality will increase brand equity, Service quality is very dominant to explain brand equity compared to advertisement, Second, Service quality and brand equity will increase customer satisfaction. Brand equity plays an important role to explain consumer's satisfaction compared to service quality. Third, service quality, brand equity, and customer satisfaction will increase consumer's loyalty. The Loyalty of the international passenger of Garuda Indonesia Airline will remain high if supported by strong brand equity and high consumer satisfaction, as a result from service quality granted and the effect of advertisement program which is carried out intensively. Consumer satisfaction has strong influence to consumer loyalty compared to brand equity, advertisement, and service quality.

**Keyword:** advertisement, service quality, brand equity, consumer satisfaction, consumer loyalty

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### **I. Introduction**

Transportation has an important role in many kinds of economic activity, with the other words transportation is heart beat of the economic (Nasution, 1999). A good transportation system is needed for all country in order to support the mobilization, communication and also the information technology. The economy development and communication have an impact in the tightly of the transportation development, so that the transportation is the promising field now a day and in the future. This can be known from the development of the technology from time to time, which is the transportation has an important role in life, not only for the facility in order to facilitate the flow of goods and people but transportation will also give efficiency time. Therefore, transportation will always play an important role as the key in the process of transport.

The airlines industry is a capital-intensive and also the labor-intensive which simultaneously need large sums of money for investment plane and industry tools in need of human power for its operational. From the market size, airlines industry quite interesting which are every day more than 4 million passengers that flies by air that are a quite a lot market size. The attractiveness of the airlines industry attract the businessman to involve even it has many kind of consequent such as change of environment external rapid and and also company internal condition with the unique characteristics (Travel, 2010). There are many kinds of airlines which are involve in the fulfillment of customer needs and desires that is make each airlines have to put the customers satisfaction as the main goal (Tjiptono, 2001). The customers satisfaction needs the business expansion in order to get a higher market share and to purchase repetition overall profitability will carry on development.

Development of the number of flights is currently indicates the level of competition between brands that are getting high, it also support by: (1) the competing aviation business behavior, all of which compete in the service through a variety of product offerings, promotions, innovation and creativity are packed in the strategy of service to passengers with expected that passengers will be more loyal to a certain brand, (2) the characteristics of the products that is relatively homogeneous, that is only a little difference between one flights to each other as well as a number of alternative options brand then will giving flexibility to the customers to choose, compare and support them switch to other brands. Therefore, airline business competition describe the

market conditions that provide flexibility for its customers in determining its product, so that if the received value is not as expected, then the passenger is easily moved to other airlines, which is assessed according to his wishes (Andreassen 's, 1996). Further, the diversity of airlines service, also allows a person to be loyal for more than one airlines as each airlines gave a different value from the product attributes that are becoming the choice of the customer.

The increasing competition of airlines industry impact on the high consumer tendency for easy to switch on another brand (Ciu, 2004; Srinivasan, 1996). Therefore, for airlines who less response have to face the competition changing and customer's desire, it may be easy abandoned by the customer. It is identified at government airlines flight, which is facing decrease of the market share. Challenges need solutions which is oriented to the passengers in order to improve services, is not an option but necessity business today, in a tightly competition. It is very important at this moment the airlines completely identifying customers and produce products that can improve profitability ( Aviasi, 2004 ). At the same time as well, an airlines must find new ways to reach over and maintain customers with products according to their needs or desire. In order to reach the goal, airlines must have superiority operational through integration of sales functions and its service over all channels that provide a private facility for passengers and companies.

Service business is basically a business intangible, that can meet the needs and customer desire. One of the service business is airlines business. The principal component is an airline flight business or airlines. Airlines is an organization that provides flights services for passengers or goods. The airlines can rent or owned the plane to provide transportation services. Airlines also able to have a cooperation or may form alliances with other airlines to strengthen the flight path through the relations and spoke. In a service business there are 7 components of marketing mixed or commonly named with hotchpotch marketing. Kotler (2005) said that hotchpotch marketing is a set of marketing tool used company to achieving the goal in target market. Generally, marketing has four fundamental principle of hotchpotch marketing (marketing mixed) consist of 4 p, namely the product, price, place, and promotion. While marketing service known as 7 p, which are the next 3 p is process, people, and physical evidence.

Promotion is expected to form customer positive perception so that can build intensity of re-purchase. By giving a promotion ticket price and good service is not enough, but the company should be communicating with passengers in order to fly with a certain airlines. Marketing strategies consisting of a decision number combination of marketing tools used to achieve a market purpose in the market target (Borden dalam Kotler *et.al*, 2004). Marketing tools can be classified into large group called 4p, namely *Product, Price, Place* and *Promotion* (McCarthy dalam Kotler *et.al*, 2004).

Promotion, is the flow of information or one direction persuasion made to direct somebody to the action of that creates exchange in marketing. Things are categorized as promotion in airlines service business, among others: give easier facility of frequent flyer; give an easier of flight information or advertising information that appears, give door prize in airlines, and also published a advertising on television. The purpose of this research is to build perspective in order to analyze the influence of advertising to the customer loyalty through brand equity of airlines at PT. Garuda Indonesia Airline. Which is the brand equity in this research is regarded as an intervening variable of the advertising influence to the loyalty.

According to the concept of service quality, there were many previous research done, such as the assessment of service quality models filed by Parasuraman *et al.*,(1994), known as *SERVQUAL* term. This theory is a measure of the quality service to customers by stressing imbalanced between perception by expectations, which is value received by the customers reduced by the expected value by customers more popular perception is known *perception minus expectation*. Service quality (*SERVQUAL*) measure 5 (five) of basic dimensions which commonly called as customer requirement, which are: direct evidence (tangible), reliability, responsiveness, security (assurance) and empathy.

According to Kotler 2005, Kotler&Keller (2006) the relation between customer satisfaction and customers loyalty will not be proporsial. When customers feel dissatisfied, they tend away and get the bad story of a certain product. But when customers feel satisfied, customers will buy again and tell a good story about the products. From the statement above clearly that customer loyalty measurable from the customer satisfaction will determine how big their will buy back (retention) and commentary to delivered to others (recommendation). Various strategies should be implemented by the airlines to face competition, both in offensive oriented and defensive. Offensive strategy attract new passengers while defensive strategy oriented in retaining passengers through building the customer loyalty (Tjiptono, 2005). Strategy oriented to build loyalty, among others is executed by constructing relationship with customers and build brand force corporate (Temporal dan Trott, 2001). It can be observed from marketing activity of an airlines, such as program of exhibition domestic and international tour, promotion price, flying and dinner with artists, by showing bordingpass of the passengers can get discount on a related restaurant or cafe, those efforts was expected to increase customer in long term equity and strengthen brands equity which is one of the key success in promote the airlines product (travel, 2009).

In some previous research, the problem of relationship between service quality and customer satisfaction are commonly seen as an banking object, whereas for modeling of structural relations between advertising, service quality, brands equity, consumers satisfaction and loyalty still very rarely to do. PT. Garuda Indonesia Airlines in regular research also very rarely does the survey does that involves many variables. Competition flight operators in indonesia was tight, it can be showed from the growth of business flight community and increase airline routes both in domestic and international. As well as the decrease of the international passenger's number and the airline routes are partly closed.

Along with the reality, the competitions among companies have been increasing. Some airlines start running special tips to attract customers, starting from granting discounts to promises on time and money substitutes. Therefore, PT. Garuda Indonesia Airline Airways should keep their business based on the customers orientation which is the goals to be achieved is customers' satisfaction. Company should consider customers needs so that customers being satisfied and expected to be faithful to use products of the company. Customer satisfaction is a feeling of delight or someone's disappointed as the result of comparisons between achievement or products which the perceived and satisfactory (Kotler,2005). In table 1.1. we can see attributes that can improve the quality services and customer satisfaction in PT. Garuda Indonesia Airlines is the most dominant is safety.

**Table 1**  
**Passangers Expectation Attribute**

2008		2009		2010	
Rank	Attribute	Rank	Attribute	Rank	Attribut
1	Safety	1	Safety	1	Safety
2	Easy & Convenient Reservation	2	Easy & Convenient Reservation	2	Easy & Convenient Reservation
3	OTP	3	Value for Money	3	OTP
4	Value for Money	4	Convenient Schedule	4	Value for Money
5	Trustworthy / Professional	5	OTP	5	Convenient Schedule
6	Easy Check-in & Boarding	6	Easy Check-in & Boarding	6	Easy Check-in & Boarding
7	Convenient Schedule	7	Trustworthy / Professional	7	Cabin Crew Friendliness, Helpful
8	Cabin Crew Friendliness, Helpful	8	Wide Network	8	Trustworthy / Professional
9	Make me Feel Relaxed	9	Make me Feel Relaxed	9	Make me Feel Relaxed
10	Wide Network	10	Cabin Crew Friendliness, Helpful	10	Wide Network
11	Clean & Fresh Cabin	11	Quality In-flight Food	11	Seat Comfort
12	Quality In-flight Food	12	Seat Comfort	12	Clean & Fresh Cabin
13	Seat Comfort	13	Clean & Fresh Cabin	13	Quality In-flight Food
14	Cheapest Price	14	IFE	14	Modern Fleet
15	Professional Baggage Reclaim	15	Modern Fleet	15	Cheapest Price
16	Modern Fleet	16	Professional Baggage Reclaim	16	IFE
17	IFE	17	Proud to fly with	17	Professional Baggage Reclaim
18	Proud to fly with	18	Cheapest Price	18	Proud to fly with
19	Make me feel Special	19	Make me feel Special	19	Make me feel Special

Source: PT. Garuda Indonesia Airlines

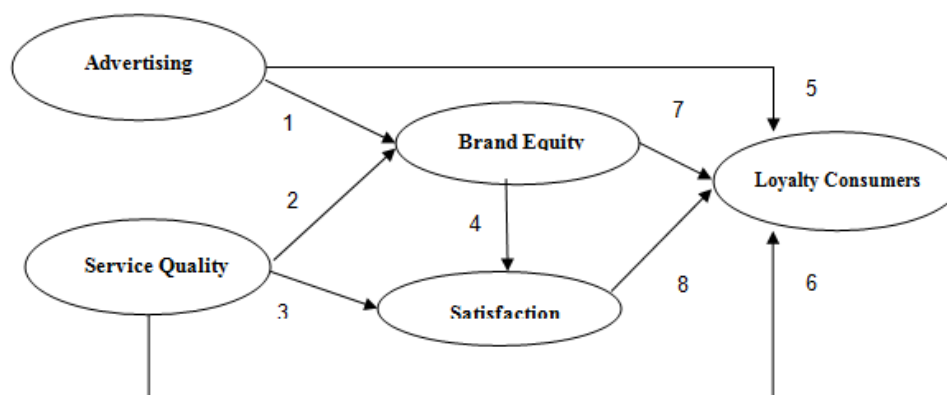
Gap research in this research is several parts that can be shown. Therefore, customer satisfaction is measured by using quality service variables and customer satisfaction as the endogenous or exogenous variables. In this research, the researcher wanted to know the advertising variable can affect the customer loyalty both directly or through mediation. In order to mediate advertising against customer loyalty, the researcher include element of brand equity, who will also be used as a comparison tool between the significant influence to the customer loyalty, with advertising mediate which is has a significant influence to the customer loyalty. In this research was not only measuring customer loyalty based on advertising and quality service directly, researchers also measured the customer loyalty with mediation element, which are brands equity and customer satisfaction as endogenous variable. Therefore, this research will be able to give answers to the allegations that advertising and quality service will be influential indirect to the customer loyalty. The research purposes details as follows:

1. Knowing directly the influence between advertising variables and quality service to the brand equity.
2. Knowing directly the influence between quality service variables, and brand equity to the customer satisfaction.
3. Knowing directly influence between advertising variables, the quality service, brand equity and customer satisfaction to the customer loyalty.

## II. The Concept Of Research

The Conceptual of this research is starting from development challenges of airlines industry who face global competition in the period of financial post-crisis in 2007. Keep beliefs in any chance behind a challenge, such as the two sides of the coin. That is a portrait of airlines business in this moment. Between the challenges and opportunities, the difference is pretty thin, with current economic condition is the number of interaction

dynamic power. Culture, political and social structures have faced change with speed that never known before when changes was driven by technology and challenged by global economy and competitiveness. Similar competence seems to be tighter, while the marketing strategic is ineffectively done either in internal and external part related to the customer perception. The conceptual described as follows



**Picture 1: Research Conceptual**

### III. HYPOTHESIS

- H1 a: Advertising which give a good perception by customer will improve customer loyalty.
- H1 b: Advertising which give a good perception by customer will strengthen brand equity.
- H1 c: Brand Equity strong among customer will improve customers loyalty.
- H1 d: Brand equity strong among customer will impact the advertising give a good perception by customer will improve customers loyalty.
- H2 a: Service quality which give a good perception by customer will improve customer loyalty.
- H2 b: Service quality which give a good perception by customer will improve the brand equity.
- H2 c: Service quality strong among customer will by customer will improve service quality customer which give a good perception by customer will increase customer loyalty.
- H3 a: Service quality which give a good perception by customer will improve customer satisfaction.
- H3 b: Brand equity strong among customers will increase customers satisfaction.
- H3 c: Brand equity strong among customers will impact service quality which give a good perception by customers will improve customer satisfaction.

### IV. OPERATIONAL DEFINITION VARIABLE

Advertising (Cengiz, 2007) is a form of non-personal presentation about the Organization, products, services or ideas clearly through the mass media as a better Messenger messages, in an attempt to persuade and influence the target audience. Main indicators in measuring advertising there are 4: memories of ads (remembering advertising), memories of the brand (remembering brand), memories of a message (remembering message) and purchase propensity (intention to purchase because of the ad).

Quality service is a perceived discrepancy between reality and customers desire/hope over service they received. The quality services as their perception of comparison between customers desire with actual performance. The quality services variable is measured that is consist of five dimensions. In order to limit the scope of this research and equalize perception about limitation variable used, then this is the variable used as following are: tangibles, reliability, responsiveness, assurance, empathy.

Brand Equity (Aaker, 1997) is a set of assets and brand liability which related to a certain brands, name and the symbol, the increase or decrease value which given by the result product of the airlines or the buyers and the passengers. Brand equity divided into four indicators, which are: impression quality, brands loyalty, brands consciousness and brands association: perceived quality (impression quality), brand loyalty (brand loyalty), brand awareness (brand consciousness, brand association brand (brand association).

Customer satisfaction (Kotler, 2000) state the feeling level of someone after compare the performance that he perceived with his expectations. Main indicator for measuring the customer satisfaction among others satisfaction namely satisfaction overall, confirmation of expectation according to hope and comparison to ideal which is products performance compared with ideal products according to customer perceptions, the measurement done with likert scales: overalls satisfaction, confirmation to expectation, comparison to ideal.

Passengers loyalty are a passengers loyalty in having service experienced which state in the behavior to use airline services and reflecting the long-term bond between an airline and passengers. Main indicator used in

cognitive loyalty, affective loyalty and konatif loyalty. Measurement done with likert scales: cognitive loyalty, affective Loyalty, konatif Loyalty.

## **V. Research Method**

### **5.1. Research Approach**

Based on research purposes, the research includes in the explanatory research. Explanatory research is done to find an explanation of why an occurrence or symptoms occurring (Prasetyo, 2005). Researchers searched for answers by analyzing the influence of advertising and quality service variable to the brand equity, customer satisfaction and customer loyalty on international passenger route of Garuda Indonesia Airline Airlines. Based on time dimensions, this research includes to cross-sectional research. Cross-sectional research is a research performed in a particular time and other other research in a different time to diperbandingkan (Prasetyo, 2005). Based on data collection technique, this research appertain on the type of survey research. Survey method is a methods used to obtain information through request to the respondent (parties to give information or answer)(Marzuki, 2005). This research is used questioner as a research instrument. In the survey implementation, the research condition of not being manipulated by the researcher (Prasetyo, 2005).

### **5.2. Research Location**

International passengers inbound and outbound at PT. Garuda Indonesia Airlines that has been done at the International airport in Indonesia which is Jakarta International Airport, Denpasar International Airport, Hongkong International Airport and Singapore International Airport.

### **5.3. Population and Research Sample**

Population in this research is the International passengers inbound and outbound of PT. Garuda Indonesia Airlines. Determination sample in this research follows the determination of size sample used in SEM (*Structural Equation Modeling*) which is the analysis technique used in this research. The amount samples according to Hair *et al* dalam Ferdinand (2002;47) appropriate of size samples used in SEM is between 100-200 or more but not recommended over 400. The number of samples in this research is 350 respondents. This research is using design of collection sample which is non probability sampling is a accidental sampling. Principle of sample collection is every element in the population have the unequal to be chosen. Only samples which meet the requirements need that will be chosen. In this research criteria as specified is:

1. International passengers *inbound* dan *outbound* PT. Garuda Indonesia Airlines.
2. Flight frequency in one year minimum should be at least twice.
3. Domestic passengers (not foreigner)
4. Route also held by the Garuda Indonesia Airline airlines.

### **5.4. Data Analysis Method**

The analysis technique used to answer hypothesis in this research by using PLS model and using program Smart PLS program. Advertising and quality service is a construct of endogenous latent, Merak equity, customer satisfaction and customer loyalty construct of endogenous latent. Steps of the equation models that is based to the structural of PLS with software, including 7 steps (Solimun, 2007) :

1. Designing the structural models (inner models)
2. Designing the Constructing diagram lines Equal system
3. Lines coefficient, loading, and weight estimation.
4. Goodness of fit evaluation.
5. Hypothesis tests through *resampling bootstrapping technique*.

## **VI. RESEARCH RESULT**

### **6.1. Loyalty**

Images in generally from passenger loyalty shows that in international flight passengers have had loyalty strength in cognitive includes strong intention to recommend to other people to use flight of Garuda Indonesia Airlines. Based on the annual report of research division and development of Garuda Indonesia Airlines, reported that groups of flight frequencies that is more than 6 times in a year has reached 12,8%, meanwhile in another flight companies only reached 1,4%. The user of international flight in a high frequency comes from businessmen. In other side, in business markets, there is a tendency to choose any airlines that can be matched with their flight schedules. So, loyalty levels will be stronger if Garuda can offer the appropriate flight schedules. It is right if the flight schedules that are outbound (from Indonesia to foreign countries), Garuda provides morning flight or night flight, meanwhile the flight schedules that is inbound (from foreign countries to Indonesia) is provided flight schedules in evening. In many airports in Indonesia, this airline has been chose

more than another airlines. The strongest competitors of international routes are Air Asia Airlines (AK) and Singapore Airlines (SQ).

## **6.2. Advertising**

Garuda Indonesia Airlines is able to deliver the appropriate message for the costumers of Garuda Indonesia Airlines. Remembering brand indicator is the indicator with the highest average much more than others, while the lowest average is on the indicator of intention to purchase because of an advertisement. The aim to fly with Garuda because of an advertisement has the lowest average relatively to other indicators. Those can be meant that airlines for entrepreneur segments is part of the business that should be exist in their activities. There is no special promotion from Garuda, no produces the travel agendas that should use the planes. Thus, a lot of advertisements that is given by Garuda does not create the aim to do the flight journey will be getting bigger. Advertisement becomes the strategic media to deliver ideas or create perception that is more positive for Garuda Indonesia Airlines. Advertisement should be created equally with a certain theme whether for individual or corporate. Generally, message of advertisement that is accepted by the customers, such as: comforts, service quality, safety, sociability, and call center. The undefeated important thing is what the consumer watched in the advertisement will be the same with what they felt when they used the Garuda airlines. The themes of advertisement that is given by Garuda Indonesia Airlines should defend a strong impression about the products and services to the costumer. Then, it is strengthened by creating perception that Garuda Airlines as airlines that has *on time performance* (OTP) and the best service along with the raise of good price perception in costumers' thoughts. Evaluation to the ad of Garuda Indonesia Airlines should be done periodically and be monitored of the effects to the income advance (revenue) because ad should not the attributes that is important for the costumers, so that it will increase the interests and desires of costumers to use Garuda airlines again. The strong impression from the ad of Garuda Indonesia Airlines are: wide networks, international standards and professional, a better service, a strong brand, available in may schedules, Indonesia special services and call center that is easy to be called.

## **6.3. Service Quality**

Respondent assessment to the indicator of service quality that is done by PT. Garuda Indonesia Airlines is good inclined. Description to the indicators based on average scores explained that responsiveness indicator with the highest average scores compared with other indicators, while the lowest average is in reliability indicator. In responsiveness indicator, though it has a better score than others, but there are 43 respondents (12,3%) gives negative responses to this indicator. Mean while, the low service quality perception from reliability side gives clues that PT. Garuda Indonesia Airlines should more evaluate things related with accomplishment of appointment, flight schedules, completeness of service from the beginning, provides error-free record service and be able to finish every problems to the consumers.

## **6.4. Brand equity**

Brand equity indicator for PT. Garuda Indonesia Airlines is good enough. In this part, it can be showed that the passengers of international flights appraise PT. Garuda Indonesia Airlines is able to creating a strong brand equity for costumers of airlines. The description of indicator based on the average, loyalty average indicator is indicator with the highest average from other indicators, while the low average is in brand association. Although brand loyalty indicator has the highest average from other indicators, there are still 77 respondents (22%) who give negative responses. The executor of Garuda Indonesia Airlines should realize that the small part of market segmentation, though the brand of Garuda Indonesia Airlines is very closed with flights but for small part of flight user, Garuda Indonesia Airlines hasn't become the main option and it still possible to move to other airlines though the flight tickets are still available.

In other hand, in brand association indicator, Garuda Indonesia Airlines still need hard efforts to strength these because 201 respondents (57,4%) gives negative responses. Brand association or connection with the brand is an ability of the flight consumers to remember the symbols and the signs of the airlines easily, so that it can create positive stimulation to remember the airlines and can imagine the comforts of flying with this airline easily. The more intensive image so it always gives the amazement to Garuda should be done continually in order to brand equity that is closed with Garuda getting strong. In 20 attributes that has been researched by Garuda, in its 10 attributes are: Safety, easy for reservation, value for money, on time performance (OTP), professional trustworthy, comfort, inflight meals, convenient schedule, and legroom.

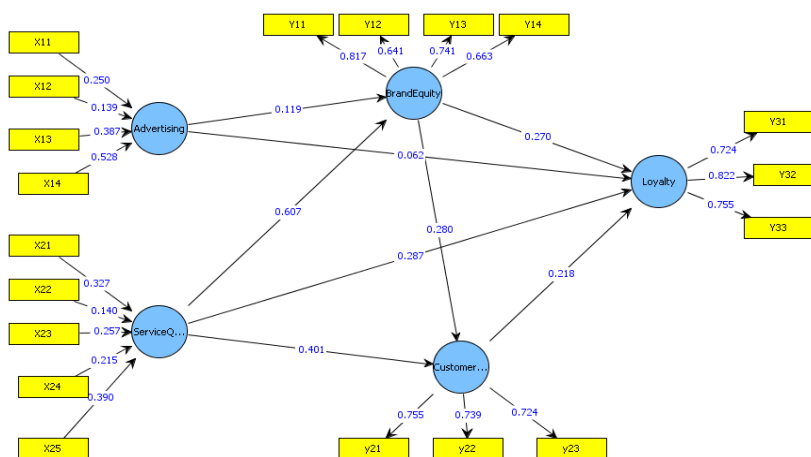
## **6.5. Costumer Satisfaction**

The measurement result of all respondents of this research has got the images shows that the respondent assessment to customer satisfaction indicator is high enough. It is explained descriptively in the average that is bigger than 3. The characteristic to the indicator based on average shows that indicator is confirmation of

expectation indicator with the highest average from other indicators, while the lowest average is in *comparison to ideal* indicator. Satisfaction from hope confirmation side is measurement includes in service quality and payment system that is suits on hopes. The customers will always compare the service, process facility, and planes availability that is given by Garuda Indonesia to other airlines. The competition of GarudaIndonesia Airlines comes from domestics either foreign airline occurs tightly.

**VII. The Result Of Pls Models**

The use of Partial Least Square (PLS) to analyze validity and evaluate validity and causality of the construction between the models in this research uses *software Smart PLS*. This research has 6 parts of hypothesis tests that is related with structural models. In this part below, shows inner and outer model (full model) ad construct, service quality, brand equity, costumer satisfactions, and passengers’ loyalty shows in picture 2. The connection of indicator with the ad constructs and service quality is formative, while in brand equity constructs, costumer satisfaction and passenger loyalty is reflective.

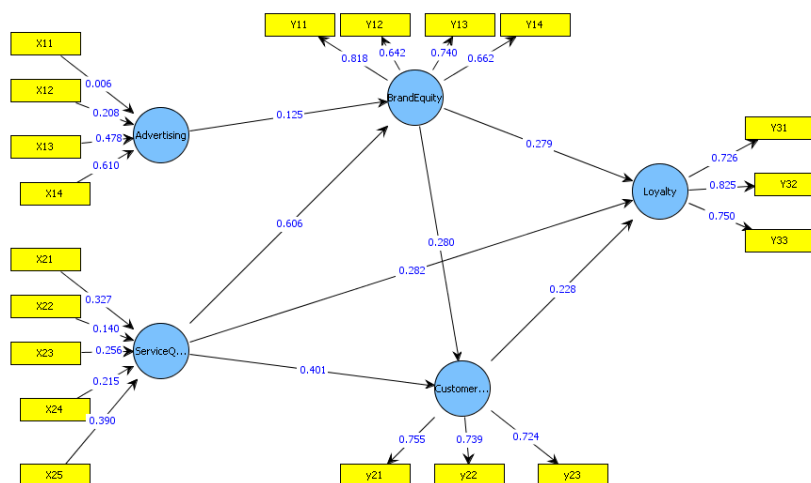


**Picture 2. Result of Early Structural Model**  
The line coefficient tests in early structural model explained in this table 2 below.

**Table 2. Result of First Inner Model**

	Original sample estimate	Mean of subsamples	Standard deviation	T-Statistic	p-value
<b>Advertising → Brand Equity</b>	0,119	0,125	0,042	2,873	0,004
<b>Service Quality → Brand Equity</b>	0,607	0,608	0,034	18,002	0,000
<b>Service Quality → Satisfaction</b>	0,401	0,404	0,054	7,470	0,000
<b>Brand Equity → Satisfaction</b>	0,280	0,28	0,059	4,786	0,000
<b>Advertising → Loyalty</b>	0,062	0,071	0,042	1,471	0,141
<b>Service Quality → Loyalty</b>	0,287	0,294	0,054	5,272	0,000
<b>Brand Equity → Loyalty</b>	0,27	0,262	0,054	5,007	0,000
<b>Satisfaction → Loyalty</b>	0,218	0,214	0,05	4,355	0,000

Table 2 explained that from 8 lines in inner model, there is a line that is not significant in  $\alpha=0.05$  which is ad construction to the customers’ loyalty. The first model sometimes faces with less satisfaction, so that it will be done with re-specification or model evaluation. Evaluation result of this model is expected to be able to increase the appropriate model that is researched. It is usually done by the researchers, though most people have been criticized and called it as “*data-driven statistical conclusion*” (Chin dan Todd, 1995). It is some kind of directing in act to revise the model of “what data said”. Approach in model re-specification can be done by ‘*trimming theory*’ (Dillon, 1984 dan Pedhazur, 1982) who tried to answer about which parameter that will be removed in order to raise model appropriateness. The first evaluation is implemented by removing the line which has the lowest of T score that is from the owner of CEO to the company values. This is the analysis results of the first evaluation model.



Picture 3. The result of Evaluation Structural Model

The test result of seven line coefficient in the last structural, there is a line that has direct insignificant effect which is the advertisement for the loyalty, while in 6 lines effect significantly. The weak direct effects from the insignificant line, because of mediation role that is in brand equity. Brand equity construct is *complete mediation* it causes direct effect from the constructs of advertisement exogenous into insignificant to the construct of passenger loyalty endogen.

Table 3. Result of the Last Inner Model Test

	Original sample estimate	Mean of subsamples	Standard deviation	T-Statistic	p-value
Advertising → Brand Equity	0,125	0,136	0,038	3,313	0,001
Service Quality → Brand Equity	0,606	0,608	0,033	18,495	0,000
Service Quality → Satisfaction	0,401	0,408	0,054	7,482	0,000
Brand Equity → Satisfaction	0,280	0,274	0,058	4,812	0,000
Service Quality → Loyalty	0,282	0,287	0,054	5,224	0,000
Brand Equity → Loyalty	0,279	0,277	0,051	5,486	0,000
Satisfaction → Loyalty	0,228	0,227	0,048	4,746	0,000

Results of the first model looks like what can be seen in table 3 shows that from all 7 lines are significant in  $\alpha=0.05$ . In structural model (inner model), the construct of capital brand equity endogen consist of two significant determiner factors which are advertisement and service quality. The endogen construct of costumer satisfaction consist of two significant determiner factors, which are service quality and brand equity, while in endogen construct of loyalty consist of three significant determiner factors which are service quality, brand equity and costumer satisfaction. In measurement model (outer model) is formative in advertisement constructs and service quality, while in brand equity, costumer satisfaction and loyalty is reflective.

## VIII. DISCUSSION

### 8.1. The Effects of Advertisement in Brand Equity

Coefficient score of line that has got from hypothesis model as available in table 3 shows that advertisement effect significantly to brand equity. The signs of regression coefficient is positive, so that this result consist the meaning that ad is the booster factor of brand equity. This positive correlation means that there is same connection between advertisement with brand equity, it means that the better ad designed by PT. Garuda Indonesia Airlines will strengthen brand equity of the consumer of Garuda Indonesia Airlines.

This result is in one way with the research that is done by Cengiz, Hasan and Bunyamin (2007), Oak and Dalbor (2010), Sinapuelas and Sisodiya (2010) and Yoo *et.al* (2000), that good management of ad will push



brand equity advance. Airlines competitions that getting stronger causes Airlines Company will do many ways to create positive image for the candidates of passengers and costumers who have been exist. The advertisement is an effective media to give information to the consumers about the products and services that can be given by the airlines. Brand equity for Airlines Company will always be kept in order to be familiar for the costumers and costumers to be. For Garuda Indonesia Airlines, advertisement can be used to condition someone thinks of flight, so the first thing that will be remembered is Garuda Indonesia Airlines.

Research that is done by Cengiz, Hasan and Bunyamin (2007) one of them stated that competitive superiority of the product to build a brand is through the ad efficiency. The other result of this research showed that a common advertisement that is used will affect customer loyalty efficiency. Advertisement that is used by PT. Garuda Indonesia Airlines has worked to build brand power for the flight passengers periodically. The creation of a strong brand will be a measurement of marketing communication success (Mulia, 2001). Advertisement will be done to understand the aspects define marketing communication success and measure contributions of TV advertisement aspects define marketing communication success. The existence of advertisement and brand equity will answer issues that:

- a. There is correlation between *brand equity* and ad aspects.
- b. Research shows a high correlation between *brand equity* dan ad aspects.

In some researches above have given explanation that advertisement becomes a strong *determinant factor* to strengthen brand equity (Oak and Dalbar (2010); Cengiz, Hasan and Bunyamin (2007); Mulia, 2001). The company will choose advertisement as a media to create image either deliver update information for the consumers. Advertising can be implemented in TV, and Non-TV such as radio, newspaper, internet, even in Hongkong, ad of Garuda can be seen in the part of the bus. Result of internal research that is done by Garuda, as 60% advertisement loved, because what is in the ad is the same with what they felt. A lot of messages from Garuda ad includes: safety, wide network, professional international standard. The ad is created by Garuda with no extravagance and the material gives impression of feeling to fly use Garuda. The choosing of the appropriate TV channel in order to deliver messages also becomes an important thing. Metro TV usually used to deliver of international passengers is mostly entrepreneurs.

## **8.2. The effects of Service Quality to Brand Equity**

The data of research result supports that brand equity will be stronger if PT. Garuda Indonesia Airlines can give better service quality. This research result is in one way with what have been done by Baskoro (2004), Marpaung (2008), Orth and De Marchi (2007), Torris and Tribo (2007) serta Lu and Ling (2002), that giving a good service quality will push brand equity increases. One of the important invention in the research of Orth and De Marchi (2007) that is consumers' perception to product physical attributes may get functional profits and experiences either can build symbolist profits in order to increase the next marketing.

Service quality to brand equity is direct or indirect. The effects that is can be translated directly as effect that is exist in short term, while indirect effect will occur in longer terms periods. Indirectly, service quality will strengthen brand equity if it is success in creating high satisfaction of the consumers. As what has been discussed in the previous part that is service quality for service products is still defined by physical proves (tangible) that is given by the organizer of the airlines which is Garuda Indonesia. PT. Garuda Indonesia Airlines Company has a target to be the first airlines in every international flight. To create those things, it needs some considerate some things, such as:

- Attributes, the strength that is had by a product or service and it needs to be managed by the company in order to be closed in consumers thought.
- Benefits, a brand are more than a couple of attributes. Costumers do not buy attributes, but the benefits.
- Values, reflects values that is created in the company values that is in consumer who consume brand of the product.
- Cultures, brand represents certain culture that is more identical with *customer habit*.
- Personality, a brand reflected the user personality.
- User, a brand shows types/ identity of consumer who buys or uses the products.

Airplane is one of the transportation that is

Luxurious compared with other transportations. The passengers of the flight will pay amount of money to get the best service along the trip. Service is the main gate to survive the high decision for PT. Garuda Indonesia. Physically, a quality plane provides, comforts, and safe is an important thing for the passengers. In other side, the roles of employees both ticketing officers, stewardesses, and another plane officers also become the important part. These positive experiences that can make someone's memories to remember to PT. Garuda Indonesia as one of the airlines that can be counted on. Service quality that is variation responded because of passengers' characteristics are very kind also. Travel routes that will be chose will make value giving to the service quality will be different. It can be explained because the competitions in whole routes are different.

There is a route that has a high competition like travel in Singapore or Australia. hal ini bisa dijelaskan karena persaingan di berbagai rute adalah berbeda. Ada rute yang memiliki kompetisi begitu tinggi seperti perjalanan ke Singapura atau Australia.

In international flight, the flight schedule availability will be suited on with the market needed in this segment. The service in morning flight schedule is for inbound schedule. The people who order through internet media and also agents that are available with call center that can be connected fast will raise a good perception for the service that is given by Garuda. In this time, service quality of Garuda is strongly competed with Air Asia Airlines (AK) and Singapore Airlines (SQ). The acknowledgment of service quality that is given by Garuda to the consumers is supported by the best airlines awards after compete with three airlines in world level such as Air New Zealand, Emirates and Thai Airways.

### **8.3. Effects of service quality to the consumer satisfaction**

The data of research result supports that consumer satisfaction will raise if the International flight PT. Garuda Indonesia Airlines can give a better service quality. From those coefficients which effect consumer satisfaction, line of coefficient from service quality to the consumer satisfaction is lower if it is compared with brand equity. This research result is in one way with research that is done by Caceres dan Paparoidamis (2005), Lassar *et al* (2000), Kadir (2001), Caruana (2002), Muray and Howat (2001), Cronin (2005), Lu and Ling (2002), Martenson (2000), Ruben (2009) and Lasser (2008), that giving a good service quality can keep the high satisfaction of the consumers. The service user of flight will always be interacted with the service provider as long as those products can be used. The consumer satisfaction can be measured from some of the indicators such as; the raise of satisfaction because of PT. Garuda Airlines has given service that is so far with other airlines. The high satisfaction scoring is raised because of the flight airlines has given service as the valid service is. This satisfaction will push passengers to decide to choose PT. Garuda Indonesia Airlines again in the next travel. Talking about service quality that is wanted by the passengers, PT. Garuda Indonesia Airlines will always observation to any service attributes that what has been scored good or less by the passengers.

Service quality that is accepted depends on how far the differences between reality and passenger expectation of the service they accepted. Service quality as the result of perception from comparison of passenger expectation and actual works. There are two main elements in service quality such as *expected service* and *perceived service*. If the service accepted or felt is as what they expected, so the service quality is thought good and satisfy. If the service that is accepted is more than what customer expected, so the service quality will be thought as an ideal quality. Based on measurement model that comes from hypothesis model offered in this research, service quality indicator in physical dimension still becomes determiner whether good or bad of service quality accepted by the consumers as user of PT. Garuda Indonesia Airlines.

Consumer satisfaction is the level of consumer feeling who satisfy of values given by the product or service, probably it will be a long term customer. Satisfaction sometimes becomes functional, means that satisfaction from function of products that is used. Kotler (2000) stated that customer satisfaction is the level of someone's feeling after comparing results he/she felt with what he/she expected. The main indicator to measure consumer satisfaction such as *overall satisfaction* means satisfaction totally, *confirmation of expectation* means works suits level with expectation and *comparison to ideal* means products act compared with the ideal product based on consumer perception. A result of measurement model of heavy factor in consumer satisfaction is in *comparison to ideal*. From the correlation between service quality and consumer satisfaction may explain that service quality in the form of good physical appearance can increase the consumer satisfaction especially satisfy when they use PT. Garuda Airlines much better than other one level Airlines. The orders mostly be done individually (50%) compared through company (34%), so the service of *direct marketing* can work together with *corporate account*.

### **8.4. Effects of brand equity to the consumer satisfaction**

The data of research results produce analysis that strong brand equity will raise consumer satisfaction or brand equity significantly to the consumer satisfaction. This research result is the same with what had been done by Ghazizadeh, Besheli and Talebi (2010), Pappu and Quester (2006), Martenson (2007) that high brand equity will push consumer satisfaction. Consumer satisfaction strongly measured from how the expectations to get comforts when enjoy the flight travel starts from check in, in a plane, and finishes in check out process can be given by International flight of Garuda Indonesia. The result of descriptive analysis explained that more than a half of consumers felt satisfaction got from International flight of PT. Garuda Indonesia can give something better than other airlines that are in one level with it. In other words, satisfaction indicator from the side of *comparison to ideal* hold the key role to measure satisfy or not satisfy when someone enjoys International flight of Garuda Indonesia. A brand of the company is a *intangible asset*, where its success will measure hard and it can only be seen from the performs of financial. The role of a strong *brand equity* is also stated by Aaker

said that *brand* of a company and *brand* of a product play a different role. In this research, brand is closer with company brand, because the offered product of airlines that is produced will always be changed periodically.

Brand equity that is built by International flight of PT. Garuda Indonesia is a group of assets and brand liability that is related with a brand, name, and symbols that increase or decrease values that is given by the products to a residence and the house owner. The measurement model from hypothesis model that is observed has been proved that strong brand equity can occur because of supports of four indicators such as, quality impression, brand loyalty, brand realization and brand association. The strongest in brand equity is brand awareness. **Brand realization is power measurement of flight brand existence power in flight** in user thoughts. This *Brand awareness* scope in *brand* recognition (unknown user *brand*); **brand recall** (*brand* that remembered by the user of a certain product category); **top of mind** (first *brand* what user called as one of the certain product category); until **dominant brand** (the only brand remembered by the user). Consumer satisfaction correlation with brand equity especially can be explained that efforts of International flight of PT. Garuda Indonesia to be able to give a better flight packet than other airlines in the same level will be easier to strengthen brand equity.

### **8.5. Effects of advertisement to consumer loyalty**

The data of research result doesn't support that advertising effect to the consumer loyalty directly, but it effects to brand equity indirectly. In other words, strong brand advertising role will raise consumer loyalty to choose International flight of PT. Garuda Indonesia Airlines. The competition among the airlines substantially is competition in grabbing consumer loyalty. The growth of airlines that is so fast in Indonesia along with opening routes of new travels will increase competitions. The roles of advertising as media in delivering messages will be through the airline in order to the consumers still know the development of performances and products offered. Through advertising, airlines can do some positive images about their best products compete others. The effects of advertising to the consumer loyalty has been observed by Omar and Ali (2010) with Belch and Belch (2001), that a good ad display will push the raise of consumer loyalty.

### **8.6. The effects of service quality to consumer loyalty**

The data of research result doesn't support that service quality affect to the consumer loyalty directly, but it effects through consumer loyalty indirectly. In other words, a high consumer loyalty has a result of giving a good service quality will increase consumer loyalty to choose International flight of PT. Garuda Indonesia Airlines. Service quality is measured from 5 indicators of physical proves, reliable, responses, guarantee, and empathy. The giving of a high service quality will cause a high satisfaction also can keep the loyalty to the airlines of Garuda Indonesia. The passengers will tell their experiences when fly with Garuda Indonesia, so positive testimony will make people interested in using PT. Garuda Indonesia Airlines. The effects of service quality has been observed by Lassar *et al* (2000) and Rubben (2005), stated that giving a good service quality will push consumer loyalty. The new invention created by Garuda is a card of GFF (*Garuda Freqen Flyer*), cards with function and special benefits that is counted based on flight points and in a certain number can be purchased with amount of facilities.

### **8.7. Effects of brand equity to consumer loyalty**

The data of research result supports that brand equity effects to consumer loyalty directly. Flight travel of International routes is different with domestic routes. In this route, the time of travel will be longer, so the comforts and secure factor become the big considerations of taking a decision. The efforts to create a strong brand equity will always done by PT. Garuda Indonesia Airlines, such as through advertising and service quality. If the brand of PT. Garuda Indonesia has been closed to the consumers that this airlines will give a good flight service, so the level of consumer loyalty will be increased. The effects of brand equity to consumer loyalty has been observed by Taylor, Celuch and Goodwin (2004) with Ahmad and Hashim (2010), that a good brand equity push the advance of consumer loyalty.

The loyalty will be increased along with the steps includes *cognitive loyalty*, *affective loyalty* and *conative loyalty*. This model gives images that consumer become loyal on their cognitive aspects first, then in affective aspect and finally on the conative aspects where it is along with motivation and a strong commitment, this loyalty cognitive will cause the loyalty. First step, called with *cognitive loyalty* means loyalty that is based on cognitive aspect only. It means, this loyalty is forced only based on information about the products accepted by the consumers so it will affect the next loyalty. Second step is affective loyalty, means loyalty which based on affective aspect of consumer attitude. Attitudes of the product will build the correlation between consumer and the products. Consumer preference to like or dislike a certain product that will define build or doesn't build in affective loyalty. If the consumer has a positive attitude to the product, so they won't have affective loyalty to a certain product. Affective loyalty can not guarantee the real loyalty occurred, means that affective loyalty is not a good predictor to loyal behaviour (*behavioral/action loyalty*). It is because of the possibility of consumer may

feel satisfy of some brands for the same product category so they will have affective loyalty to some brands. Then, the third step is *conative loyalty*. *Conative loyalty* is a will of consumer to stay using the same brand in the future or loyal behaviour. It means that *behavioral intention* stated that there is a will to try to do some actions.

### **8.8. The effect of consumer satisfaction variable to consumer loyalty**

The data of research result support that consumer satisfaction effect to consumer loyalty directly. Passengers sometimes do the travel of International flight with the different airlines so they will be able to feel the different of service quality given. Consumer satisfaction will be high because of getting services as International flight standard or feel the existence of a better service than other airlines. The forces of this satisfaction will effect consumer decision in the next flight. The consumer will stay to choose the same airlines if they felt satisfy with the service along their travel. The effect of consumer satisfaction has been observed by Torris and Tribo (2007), Lewis (2008), Moraga (2000) and Ruben (2009), that consumer satisfaction level will push increase of consumer loyalty.

As the organizer of flight industry, PT. Garuda Indonesia Airlines will always try to defend or raise passengers loyalty that has been exist. Loyalty occurred can be explained in two possibilities, which are loyalty an *intarsia*. Repurchasing in sensitive situation of a strong brand is categorized as loyalty. In the contrary, repurchasing in sensitive of a weak brand is categorized in *inersia*. Loyalty is a long term and cumulative (continually), the longer passengers' loyal, the more profits got by the organizer of flight industry. Some of characteristics of loyal passengers are:

- Doing flight service transaction regularly.
- Refusing another flight service from other airlines.
- Resist of competitor's interests.
- The weakness or strength will be informed by Garuda Indonesia Airlines.

## **IX. PRACTICAL CONTRIBUTION**

Service quality that is given by PT. Garuda Indonesia Airlines effects significantly to the consumer's satisfaction and brand equity. It is supposed to be attention of PT. Garuda Indonesia Airlines to develop service quality to be able to make the consumers satisfy to the International flight that is given by PT. Garuda Indonesia, so the *brand equity* will be stronger.

Brand equity can not be separated from service quality and consumer's satisfaction, either in a contrary. The product that has brand equity will not be recognized by the people without designed through the programs of giving an appropriate service quality. The service quality that does not cause satisfaction to the consumers is useless activities that will not reach the target. That is why, service quality and expectation attainment of consumer satisfaction should be matched until the aims reached.

Creativity is the key to build *brand equity* through service quality. Creating ideas of service in communicating *brand equity* to the target market is the hardest challenge. The process in building strong brand equity through service quality needs to be examined whether there is a relevant correlation between brand products with service quality given. That correlation should be imaged clearly between relation of product and brand, brand with service quality or product with service quality itself. Although to see those correlations need some proper indicators in order to see the correlation more clearly.

Brand identity system includes values created. In the term of functional benefits, the values statement can scope emotional benefits and self expression benefits. Emotional benefits related with brand equity ability to make consumer feels strength in purchasing process and can be experiences. The important thing should be attended is whole brand equity stay in costumer's thoughts, so brand is not something created by the consumer perception. If a term of *brand image* compared with *brand equity* and *brand identity* so Aaker (1991) defined *brand image* as "a set of associations, usually organized in some meaningful way".

The higher level of the responses of brand information is delivered by consumer satisfaction. PT. Garuda Indonesia Airlines is not only make consumer interested in its product and buy it, but also satisfy the consumer by giving a higher value perception than they paid. Further, a pride of the brand should be built or created in consumer's heart and PT. Garuda Indonesia Airlines because it will produce effects of being loved, chosen, satisfy, and goes to a high consumer satisfaction. The results of service quality will end in brand equity. Building *brand equity* completely needs patients and diligences.

## X. LIMITS

Result of the study has delivered some inventions related with the model building process though, but it is still some limits such as:

1. This research is only limited in International passengers route of Asia represented by Jakarta, Bali, Singapura and Hongkong, so for generalization needs to be expanded with different routes. Like route of Australia continent, ASEAN route, Eropa continent route and Mid East route.
2. This research is only limited in passenger who has characteristic in doing bussines trip and pay individually, so it needs to be expanded with passengers who has destination from instances or in a holiday in International routes.

## XI. CONTINUATION RESEARCH

Theoretical model development that is offered in hypothesis picture and empirical model tests implemented leaving some agendas of continuation research as follows:

1. Element of CRM can be used as one of the variable or measurement in measuring brand equity strength, beside of the ad variable and service quality that can be a consideration for the continuation research.
2. In measuring the strength of passenger loyalty, complaint variables can be an element that can consolidate passenger loyalty for the continuation research.

## XII. CONCLUSION

From the research result and discussion as given in the previous chapter, it can be concluded as follows:

1. Ad and service quality that can get a good perception will consolidate brand equity. Service quality has a role dominantly in explaining brand equity compared with advertising. For International flight consumers of PT. Garuda Indonesia Airlines, brand equity will getting strong if service quality exists is raised. Contribution of advertising to consolidate brand equity is lower than service quality roles.
2. Service quality that gets a good perception from the consumer and a strong brand equity will raise consumer satisfaction. Brand equity has a role dominantly to explain consumer satisfaction compared with service quality. For teh consumer of International flight of Garuda Indonesia Airlines, satisfaction is getting higher if this airlines will be still the best brand in flight service. The better service of PT. Garuda Indonesia Airlines is also contributed to raise consumer satisfaction significantly. Related with the first conclusion, advertisement has indirect effects to the raise of consumer satisfaction after contributed in consolidate brand equity.
3. Service quality that is thought well, brand equity that is strong and a high consumer satisfaction will raise consumer loyalty. Meanwhile, advertising effects to the consumer loyalty. Consumer loyalty of International flight user of Garuda Indonesia Airlines will be still high because of a strong brand equity and a high consumer satisfaction. Service quality that is thought well still be occured because of a good service quality giving also advertising effect intensively. Consumer satisfaction is effected dominantly to consumer loyalty than with a brand equity, advertising, and service quality.

## XIII. SUGGESTION

Based on results of analysis results and the discussion, so it can be explained that some suggestions can be a consideration either for researcher, academics people, or practitioner as follows:

### 13.1. For PT. Garuda Indonesia Airlines

- a) In the term of making passengers become loyal, the airlines should give information to the consumers about all activity programs related with service quality advance using advertising, electronic media, electronic media, and internet, sometimes.
- b) The company always repairs network quality, the easy of company product access, consolidate product communication and raise the contribution from sales to repair the product through *global alliance*. Another important things are ability advance and IT skills to support the act of the company in the future. The company should focus to all corporate segments to keep their loyalty to use the service of the company. Besides, this segment is relatively not sensitive to the changes of prices, so it can support commercial acts in the future. The direct selling method of development will be implemented by doing innovations and developing team works in sales and marketing with other clients. Whole efforts is expected to produce the company acts that is more solid in the next years.
- c) Garuda Indonesia Airlines always keep the reputation in flight industry by attend the safety aspects and security as IOSA standard which is security standard that is implemented by association of airlines in the world. This IOSA program is designed as reference standard in evaluating the obedience of airlines to flight quality and security standard. Garuda Indonesia should raise and keep the implementation of *Safety Management System* consistently (SMS) as one of the initiative to increase safety acts as part of decreasing

- incidents and prevent the accidents. The realization of safety in the employees shows positive development.
- d) Garuda Indonesia Airlines should always repair the basic values as follows: *on time and safety* (for product), fast and proper (for process), clean and comfort (for premises) reliable, professional, competent dan *helpful* (for staff) in order to be success in increasing image of Garuda Indonesia in front of the costumers. So that, the existence of *Service Gallery* as the biggest and the most complete service facility in Indonesia located in Senayan City, Jakarta and Nusa Dua Bali is very helpful the service user who did business travel.
  - e) Costumer satisfaction as the proves of measurement of a high commitment to the services, the company should implement systems that is possible to get feedback from the costumers. The company provides some lines of communications to accommodate the scoring of the company. This scoring may called with *Customer Voice*, which can be delivered through *e-mail, Call Center, Suggestion Form or mails*. The attention of Garuda Indonesia services.

### 13.2. For further research

- a) The element of CRM can be used as one of the variable or measurement in measuring brand equity strength, besides advertising variables and service quality.
- b) In measuring the strength of passengers loyalty, complaints can be consolidate passengers loyalty.
- c) The continuation researchers can do the same research with research object of Europe route, ASEAN route, domestics routes. And the respondent characteristics with the aim of tourism travel, so it can compare whether advertising, service quality, with brand equity mediation, and consumer satisfaction can be incisive or weakened.

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