

THE INFLUENCE OF SERVICE QUALITY AND PERCEIVED VALUE ON CUSTOMER LOYALTY OF GARUDA INDONESIA MEMBERSHIP PROGRAM (A Study of GAMiles members' in Malang City)

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ABSTRACT

Nowadays, the use of transportation is important in supporting the life process. Currently, the development of the aviation industry is rapidly increases, with many emerging types of airlines to meet the public demand; one of them is Garuda Indonesia that is taken as a case study for this research. This research aimed to analyze and understand the influence and relationship between service quality, perceived value, and customer loyalty within the Garuda Indonesia Membership Program. In this research, the researcher used a sample size of 200 respondents of GAMiles members, and they were collected in Malang by random sampling and a survey-based questionnaire. The research data analysis was done using Partial Least Square (PLS) with SMARTPLS application version 2.0 M3. The result indicates that both Service Quality and Perceived Value significantly influence Customer Loyalty positively, directly, and/or indirectly. By making these entire variables, customer loyalty should be increased due to the increase in service quality and perceived value.

Keywords: Service Quality, Perceived Value, Customer Loyalty, GAMiles

ABSTRAK

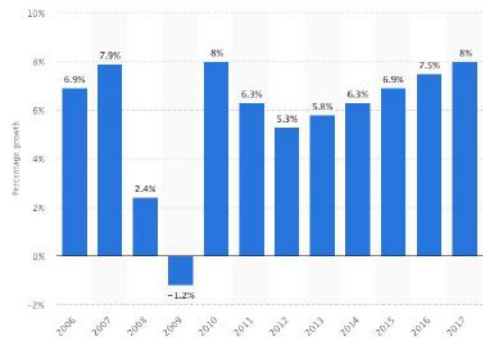
Saat ini, penggunaan transportasi sangat penting dalam mendukung proses kehidupan. Perkembangan industri penerbangan meningkat sangat pesat, dimana banyaknya berbagai macam jenis maskapai penerbangan yang bermunculan untuk memenuhi permintaan masyarakat. Salah satu maskapai penerbangan tersebut ialah Garuda Indonesia yang menjadi studi kasus untuk penelitian ini. Penelitian ini bertujuan untuk menganalisa dan memahami pengaruh dan hubungan antara kualitas layanan, *perceived value*, dan loyalitas pelanggan dalam program keanggotaan Garuda Indonesia. Dalam penelitian ini menggunakan sample dari 200 responden yang mereupakan anggota dari GAMiles dikumpulkan di Malang dengan menggunakan *random sampling* dan kuesioner berbasis survei. Data yang diperoleh diproses lebih lanjut dengan menggunakan *Partial Least Square (PLS)*, dengan menggunakan aplikasi *SMARTPLS* versi 2.0 M3. Hasil penelitian ini menunjukkan bahwa Kualitas Layanan dan *Perceived Value* memiliki pengaruh positif yang signifikan terhadap Loyalitas Pelanggan baik secara langsung maupun tidak langsung. Dengan melakukan keseluruhan variable, loyalitas konsumen harus ditingkatkan sehingga terjadi peningkatan pada kualitas layanan dan *Perceived Value*.

Keywords: Kualitas Layanan, *Perceived Value*, Loyalitas Konsumen, GAMiles

INTRODUCTION

Currently, the development of the aviation industry is rapidly increasing, with many emerging types of airlines to meet public demand. In Figure 1.1 below shows that the use of air transportation has been increasing for the last 5 years since 2012 (Statista, 2018). The fact also supported by the annual report of INACA, 2017 stated that in Indonesia, the number of passengers in domestics routes in 2017 were 96.890.664, compared to 2016 the number was 89.358.457, so it grew by 8,4% in a year. Therefore from both of the datas, it can be concluded that the growth of airplane passengers in Indonesia has been increasing.

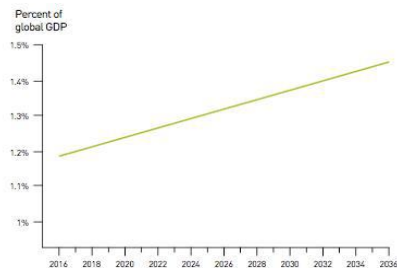
Figure 1. Annual Growth in Global Air Traffic Passenger demand from 2006 to 2018



Source: Statista, 2018

Simultaneously with the growth of the aviation industry, the performance of economics and tourism sector is also improving. Air Transport Action Group (ATAG) projected that international tourism facilitated by aviation could give a positive contribution to global GDP. In Figure 2 it can be seen that there will be a significant increase in the contribution of international tourism to world GDP, when GDP increases it will impact the world especially in developing countries where air transportation provides a vital economic path for the community.This is in line with the data in 2017, the aviation sector contributed 43,63% to Indonesia’s GDP. There is an increase of 2,96% in 7 years, wherein 2010, this sector contributed 40,67% (INACA, 2017).

Figure 2. Contribution to global GDP from international tourism facilitated by aviation, 2016 – 2036



Source: ATAG, 2018

As the GDP results shows that the aviation industry contribute to Indonesia’s economy, therefore it offers customers with various airlines to purchase from, such as Garuda Indonesia, Batik Air, Lion Air, Citilink, and Sriwijaya Air. The following statement is statistical data that shows the number of passengers from all airlines company in Indonesia in the past five years.

Table 1. Airlines Passengers in Indonesia (Domestic route) in 2013 - 2017

No	Type of Airlines	Year				
		2013	2014	2015	2016	2017
1	Batik Air	N.A	1.881.855	4.595.872	7.479.833	10.079.902
2	Citilink	5.344.920	7.550.753	9.374.965	11.079.426	12.274.744
3	Garuda Indonesia	15.849.746	17.604.623	19.412.993	19.487.372	19.172.026
4	Lion Air	N.A	31.128.737	26.488.654	30.925.105	33.131.053
5	Sriwijaya Air	N.A	7.838.123	7.139.801	8.403.053	9.745.162

Sources: Garuda Indonesia, 2018 & INACA, 2017

As we can see from Table 1. Lion Air dominates the number of airlines users by having more than 25 million passengers meanwhile, Garuda Indonesia is in second place as an airline that is widely used by the passengers but the two airlines are not comparable because Lion Air is Low Cost Carriers (LCC) and Garuda Indonesia is Full Service Carrier (FSC). However, Lion Group has Batik Air as the full service carrier which is worthy of comparison to Garuda Indonesia.

Based on the data it is shown that the passenger of Batik Air has increase consistantly over the past five years. In the mean time, in 2017 the fuel of airplane rose to 25% (Sugianto, 2018). this possibly caused the ticket price got more expensive which result the decrease of the passenger of Garuda Indonesia that year. Based on the result author interested with this phenomenon.

Garuda Indonesia is the only 5-Star airline from Indonesia, they also managed to maintain the achievement as the Top 10 of The World's Best Airline 2018. Not only that, Garuda Indonesia also managed to win award The World's Best Cabin Crew by Skytrax for five consecutive years. Garuda Indonesia brings Indonesia’s hospitality and culture as its concept, where Indonesia is a country with culture diversity. This is the basis concept of Garuda Indonesia in providing services to consumers.

Service quality is one of the important aspects in the aviation industry. It is known that Garuda Indonesia is known to prioritizes services for their consumers. Aviation industry sells service as their main products, therefore these airlines company has to maintain its services quality. According to Gurau (2003), service quality could give a strong impact on business performance. It means if the company has high quality service it will stimulate the customer loyalty by retaining the customer. It is aligned with the statement of Kuo et al., 2009 that stated Service quality appears as a conclusive in customer satisfaction and turns out to affect customer loyalty.

For instance, when a customer checks-in at the airport counter, and the service is fast and precise, that will be part of good service quality. Moreover, while the passenger is on the plane and the flight attendants treat and serve the passenger right, it will make the passenger satisfied with service that is given by the company. When the customer is satisfied, they will come back to use the service and repurchase, which is supported by the statement of Arslan & Zaman (2014), that service quality also influences customer repurchase decision. Therefore, it becomes a beneficial term for company to maintain their services.

Aside from service quality, perceived value is also a crucial factor for the airlines company. Perceived value, is known as psychological assessment of the products or services given from the customers (Ali et al., 2015). According to Dodds & Monroe (1985), perceived value has direct influence on the customer's willingness to buy something. It means when a customer has purchased products or services, customer can make a comparison from what they are given and with what how much they spend. Therefore, perceived value can be interpreted as a ratio or trade-off between quality and price, which can be explained as value-for-money (Monroe, 2003; Sweeney and Soutar, 2001).

In the aviation industry, the value-for-money is an important term as the passengers use the service according to the cost they incur. For example, in this industry, the company usually offers various types of classes to customers, according to their needs. Classes offered by the company are economic, business, and first class. Each class has a different type of services and cost. Therefore, the customer can assess the values that each of the class offers, and willingly to pay for its cost if it is fits to their needs.

Through customer loyalty, Garuda Indonesia have an access to build and maintain their relationship with the customer. Customer loyalty is a commitment to buy back products / services consistently which causes repeat purchases of the same brand in the future, even if there will be some situations that allow the customer to buy other product/service, the customer will remain loyal (Oliver, 1999). Customer loyalty will occur once the services provided by the company meet the customers' expectation.

For instance, when the customer feels happy and satisfied with the services of the airlines, the company will get positive feedback from the customer, and unconsciously customer will recommend the airline to their family and friends. Thus, it is easier for the company to get a new customer because of the help of the existing customer. This matched the statement of Kassaboy (2018), by having a loyal customer, it is easier for the company to gain new customer and promoting things they offer. Customer loyalty can help the company keeping up with the competitor. In this era, competition between companies is very intense, that is why the company need to think about how to

maintain their customer. Also company has to provide the best performance to the customer.

There are many resources that used customer satisfaction as dependent variable instead of customer loyalty. In this case author wanted to find out specifically about the loyalty of Garuda Indonesia customer. As stated from Tobe (2013) who said that customer satisfaction does not ensure loyalty. It means that when the customer satisfied it does not make them automatically loyal to a company.

Membership loyalty program is a program that is used to expand the customer and maintain the regular customer. Membership loyalty program can be in a form of points or reward to trigger customer making a purchase decision. The membership loyalty program itself is aimed to increase the company's revenue and build customer loyalty. Membership card is a component of membership loyalty program (Ergin, 2007). Nowadays membership card is not something new to coordinate the customer; almost everyone has at least one membership card. It could be in the form of physical card and e-card. Company can use the membership card as a platform to maintain the loyalty of their customers. Based on Garuda Indonesia annual report 2018, Garuda Indonesia membership program has successfully attracted customer to use their membership, namely GarudaMiles or better known as Garuda Frequent Flyer (GFF).

Table 2. Garuda Miles Members in 2014 - 2018

Year	Garuda Miles Members
2014	1.126.089
2015	1.583.412
2016	1.895.070
2017	1.716.768
2018	3.423.113

Source: Garuda Indonesia, 2018

Table 2 shows a significant increase in the number of GAMiles members in the last five years, wherein 2018 there was an increase of 99.39% from the previous year. Those numbers show customer enthusiasm in using GAMiles; this also gives a positive impact on the sustainability of Garuda Indonesia.

In this research, author chose to use mediating variable which is perceived value as the indirect effect in this research, to see if the other variable can strengthen the relationship between the independent variable namely service quality and dependent variable which is customer loyalty.

By seeing how Garuda Indonesia provides the best service to customers, this research will observe how Garuda Indonesia creates a relationship between service quality, perceived value, and customer loyalty which can improve the relationship between Garuda Indonesia and its consumers. The object of this

research is the Garuda Indonesia membership program, namely GAMiles.

LITERATURE REVIEW

Service Quality

As explained by Tjiptono (2006), "Quality is a dynamic condition that relates to products, services, people, processes and environments that meet or exceed expectations." From here, it can also be said that service quality focuses on efforts to fulfill the needs and desire of the customer and the accuracy of delivery to compensate for customer expectation (Tjiptono, 2014). From these definitions can be concluded that the good or not service quality depends on the ability of service providers to meet consumer expectation consistently.

Service quality is about the capability of the service provider to make the customer satisfaction efficiently, so it can improve company performance. When a company understands the customer better, they will give good performance to the customer. Quality encourages the customer to build a strong bond with the company. The longer the company establishes a relationship with the customer, the more company will understand what customers expect. So, the customer will have a pleasant experience with the services provided by the company. For example, a customer going to other city using an airplane and the airplane boarding on time as scheduled, it will make the customer happy because they did not have to waste their time for some delaying. Also when the customer feels satisfied with the service, they will use it over and over again.

Servqual is a tool to measure the assessment of service quality. This assessment is used to know the customer opinion about the service performance given by the company. Customer opinions like suggestion or complaint are useful as a guide to the company to create accurate operational procedures. According to Zeithaml et al (1990), there are five dimensions of Servqual, such as:

- a. **Tangibles:** The appearance of physical facilities, equipment, personnel, and communication material. Tangibility falls in the functional quality
- b. **Reliability:** Reliability is one of the most important dimensions in judging service. Where customers want service providers to look good, be responsive, be knowledgeable and nice, and be empathetic. However, most of all, customers expect service providers to

perform the service they promised to perform accurately and dependable.

- c. **Responsiveness:** Concern to what extent the employees are ready to provide service. Responsiveness is about providing information about the service, giving prompt service, employee's willingness to help the customers and that the employees never too busy to respond to a request from customers.
- d. **Assurance:** Assurance is related to technical quality as it is about how the service is delivered. Assurance is the knowledge and courtesy, the politeness of employees, and the ability to inspire trust and confidence in their customers.
- e. **Empathy:** Empathy is the caring and individualized attention that a firm provides to its customers. This dimension includes factors such as individual attention, if the company has the best of the customer at their heart if the employees understand the specific needs of the customers and convenient operating hours. This dimension is related to functional quality.

Customer Loyalty

Loyalty is about customer commitment to re-buy a product or services consistently in the future, although in the future there will be some potential to cause switching behavior the customer remains loyal (Oliver, 1999). This can be interpreted that loyalty is an action where the customer will make repetitions in the use of goods or services because they are satisfied with the results obtained. For example, when a customer uses laundry services from brand A, they still use that services till now even there are so much ne laundry services because the customer already know the quality of the services and they feel satisfied when using it.

In daily basis customer loyalty can found anywhere, this thing could happen when the customer is purchasing something and when they feel the service or products are goods, they give it as a recommendation to their closest friends. For example, when someone going to the carwashes and the services was very good, the customer would love to say positive words about the carwashes to their friends. Fornell (1992) also stated that customer loyalty is customer desire to spread positive word-of-mouth about the service provider and repeat in purchasing the product or service (Fornell, 1992). That is why customer loyalty can be a significant impact of the

company's successes and profitability (Srivastava and Rai, 2018).

Perceived Value

In marketing, perceived value is one of an important thing that should be considered by the company. Based on Kotler and Keller (2009), value reflects the number of benefits, both tangible and intangible, and costs that are perceived by customers. Holbrook (1996) stated that perceived value is an interactive relativistic preference experience. In other words, perceived value is a picture of an experience felt by consumers when interacting with an object (service or goods).

Perceived value can be used as a predictor to a customer purchase decision, where the value created by the company is the value that comes from the customers (Kotler and Keller, 2009). This statement supported by Dodds and Monroe (1985) said the perceived value is an important factor in customers' purchasing decision, where the relationship between the model of price, quality, and perceived value have an important role. So, when making a purchase, the customer will buy products or services that have a high-perceived value. After making a purchasing customer will use their subjective perception to evaluate the products and services they buy (Dodds & Monroe, 1985; Zeithaml, 1988).

Zeithaml (1988) suggested that perceived value as a "consumer's overall assessment of the utility of products (or service) based on perceptions of what is received and what is given." It can be interpreted that perceived value is an assessment based on a comparison of what consumers give and receive from the service or product consumption. Consumer perceived value is based on experiential where the value that is perceived is the "value-in-use," as consumers are directly present in the situation where the experience value is made (Grönroos, 2011).

Sweeney and Soutar (2001) proposed that there are four multi-dimensions of perceived value, which consists of:

1. **Emotional value**, referring to the utility derived from the feelings or affective states that service creates.
2. **Social value**, referring to the utility derived from the service's ability to improve social self-concept.
3. **Quality and performance value**, referring to the utility derived from the perceived quality and expected performance of the service.

4. **Economic value**, referring to the utility derived from a service associated with the decline of its perceived short-term and long-term costs (i.e., price or value for money).

Loyalty program

Loyalty program is a program that made to increase customer commitment to the loyalty program. This program regularly used as a tool to create, promote, and maintain customer loyalty to organization or brand (Zikiene, 2010). To convince the customer, marketing offers a loyalty program to prove that they have more value than the other competitor. That is why loyalty program is useful to attract new customer and maintain the existing customer. Where the program gives added value to the buyers and increases company sales of services or products.

To increase customer loyalty, the company issued loyalty programs where this program can provide benefits to customers financially and non-financially (Rosenbaum et al., 2005). When someone buys products in a department store by using their loyalty card, they will get some benefits. Financially, the customer will get an extra discount on every purchase, and get points to reward in every transaction. Customer also will get the privilege to see and buy the newest collection before its launches to the public, and the customer can get merchandise or gift on their birthday, these can be categorized as non-financially benefits.

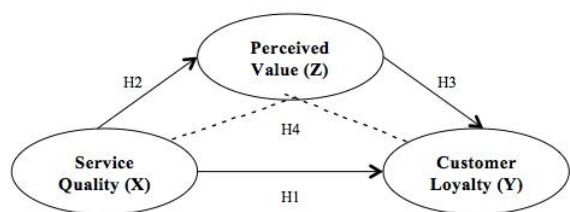
Membership card

The membership card is a small piece of plastic or stiff paper that stated someone is a member of a group or organization (Cambridge dictionary, 2018). This card is used to make customer identification easier. Membership card can be physical or e-card, where the card shows some information such as the owner name, card serial number, name or logo of company who issued the card, and some details that might be different from every company.

Hypothesis

- H₁: Service Quality significantly influence customer loyalty
- H₂: Service Quality significantly influence Perceived Value
- H₃: Perceived value significantly influence Customer Loyalty
- H₄: Service quality indirectly influence customer loyalty through perceived value

Figure 3 Hypothesis Model



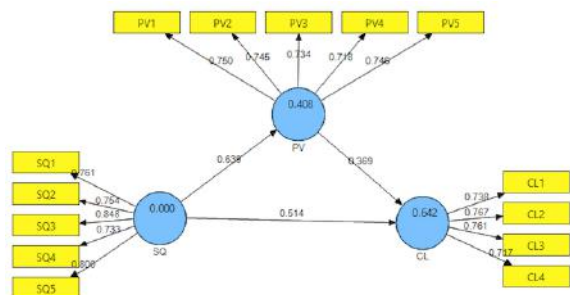
Source: Researcher, 2019

RESEARCH METHOD

This research uses explanatory research with quantitative approach. The subject of the research is considered to the people who use GarudaMiles; researcher limits the location of this research to areas around Malang with the condition that the respondent has used Garuda Indonesia airlines from Malang – Jakarta, and Jakarta – Malang. The population of this research is people in Malang aged 20 – 40. That is because in 2017 according to Indonesia National Air Carriers Association, the biggest percentage of people using airplane in Indonesia based on age are people aged 20 – 30, 30 – 40, then followed by 40 – 50, above 50 and under 20, and the variable used in this study are believed to be more influential to people of productive age (INACA, 2017). The questionnaire will be distributed directly around Malang city and also distributed via an online survey to have better exposure. the sample amounted to 200 respondent.

RESEARCH RESULTS AND DISCUSSION

Figure 4 Outer Model



Source: Primary Data Processed, 2019

Table 3. illustrates the loading factor value (convergent validity) of each indicator. The value of the loading factor> 0.7 can be said to be valid. From this table, it is known that all loading factor values of the Service Quality (X), Perceived Value (Z), and Customer Loyalty (Y) indicators

are greater than 0.7. It shows that the indicators are valid.

Table 3. Outer Loading

	CL	PV	SQ
CL1	0.738		
CL2	0.767		
CL3	0.761		
CL4	0.717		
PV1		0.750	
PV2		0.745	
PV3		0.734	
PV4		0.718	
PV5		0.746	
SQ1			0.761
SQ2			0.754
SQ3			0.848
SQ4			0.733
SQ5			0.800

Source: Primary Data Processed, 2019

Table 4. Cross Loading Value

	CL	PV	SQ
CL1	0.7383	0.4599	0.4673
CL2	0.7672	0.5377	0.5356
CL3	0.7608	0.554	0.6971
CL4	0.7166	0.5165	0.4971
PV1	0.5649	0.7502	0.3954
PV2	0.4996	0.7447	0.5118
PV3	0.3752	0.7341	0.4847
PV4	0.5525	0.7181	0.5593
PV5	0.5594	0.7458	0.3915
SQ1	0.4713	0.4106	0.7607
SQ2	0.5716	0.5173	0.7542
SQ3	0.6644	0.5373	0.8484
SQ4	0.5347	0.4525	0.7331
SQ5	0.649	0.551	0.8

Source: Primary Data Processed, 2019

Table 5. Goodness of Fit

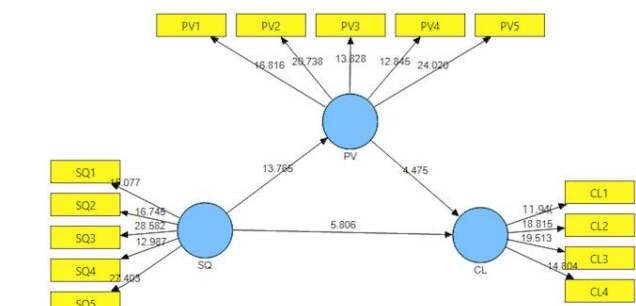
Variable	AVE	Composite Reliable	Cronbach's Alpha
SQ	0.6089	0.8859	0.839
PV	0.5456	0.8572	0.7924
CL	0.5565	0.8337	0.7361

Source: Primary Data Processed, 2019

The AVE value for the three constructs is greater than 0.5, so it can be concluded that the evaluation of model measurements has good discriminant validity.

Besides the construct validity test, the construct reliability test was also measured by the criteria test, namely composite reliability and Cronbach alpha from the indicator block that measured the construct. Constructs that is reliable if the composite reliability value and Cronbach alpha are above 0.70. So it can be concluded that the construct has good reliability.

Figure 4. Inner Model



Source: Primary Data Processed, 2019

Testing of the structural model is done by looking at the R^2 value, which is a goodness-fit model test.

Table 6. R^2 Value

Variable	R^2
Z	0.4078
Y	0.6420

Source: Primary Data Processed, 2019

Table 6. shows the R-square value for the Perceived Value variable obtained at 0.4078. The R-square value indicates that 40.78% of the Perceived Value (Z) variable can be influenced by the Service Quality (X) variable while the remaining 59.22% is influenced by other variables outside of the research.

Table 6. shows the value of R-square Customer Loyalty of 0.6420 shows the Customer Loyalty (Y) variable is influenced by Service Quality (X), and Perceived Value (Z) variables of 64.20% while the remaining 35.80% is influenced by variables others outside the research.

Based on Table 6. , the calculation of predictive relevance is as follows
Value of $Q^2 = 1 - (1 - R^2) \times (1 - R^2)$
 $Q^2 = 1 - (1 - 0.4078) \times (1 - 0.6420)$
 $= 0.7880$

in terms:

- Q^2 : value of Predictive Relevance
- R_1^2 : value of R^2 in perceived value
- R_2^2 : value of R^2 in customer loyalty

From the results of these calculations it is known that the Q^2 value is 0.7880, meaning that the amount of diversity of data from the research that can be explained by the structural model designed is 78.80%, while the remaining 21.2% is explained by other factors outside the model. Based on these results, it can be said that the structural model in this research is quite good because it is closer to the value of 1.

Table 7. Goodness of Fit Model

Variable	AVE	R^2
SQ	0.6089	
PV	0.5456	0.4078
CL	0.5565	0.6420
Average	0.5703	0.5249

Source: Primary Data Processed, 2019

$GoF = \sqrt{AVE \times R^2}$
 $GoF = \sqrt{0.5703 \times 0.5249}$
 $GoF = 0.5471 \text{ (54.71\%)}$

The result of the calculation of GoF is 0.5471 or 54.71%. It shows that the model obtained is already well used in making predictions. It means that the model has a high ability to explain empirical data

Table 8. Results of Hypothesis Testing

Variable Relationship	Coefficient of Estimation	Standard Deviation	T - count	P - value
$SQ \rightarrow CL$	0.5136	0.0884	5.8065	0.000
$SQ \rightarrow PV$	0.6386	0.0464	13.7649	0.000
$PV \rightarrow CL$	0.369	0.0825	4.4753	0.000

Source: Primary Data Processed, 2019

The structural equation obtained is:
 $Z = 0.6386 X$
 $Y = 0.5136 X + 0.369 Z$

The results of hypothesis analysis used in testing the hypothesis are the value of t count. Hypothesis testing can be done by comparing t-table with t-table. The t-table value can be obtained from 200 respondents, which in the end obtained t-table of 1.960. However, if using the p-value then the comparison value used is the error rate (α) of 5%. The results of the research hypothesis testing are as follows:

H₁: Service Quality has a significant influence on Customer Loyalty

The results of testing the Service Quality variable hypothesis on Customer Loyalty obtained path coefficients of 0.5136 and t count of 5.8065. Because the value of t count is greater than t table (1.960) or $p < 0.05$. Then the results of H_0 are rejected, and H_1 is accepted, so Service Quality has a direct and significant influence on Customer Loyalty. It means that the first hypothesis is accepted.

H₂: Service Quality has a significant influence on Perceived Value

The results of testing the Service Quality variable hypothesis on the Perceived Value obtained by the path coefficient of 0.6386 and t count of 13.7649. Because the value of t count is greater than t table (1.960) or $p < 0.05$. Then the results of H_0 are rejected, and H_1 is accepted, so Service Quality has a direct and significant influence on Perceived Value. It means that the second hypothesis is accepted.

H3: Perceived Value has a significant influence on Customer Loyalty

The result of testing the hypothesis of the Perceived Value variable on Customer Loyalty is obtained by the path coefficient of 0.369 and t count of 4.4753. Because the value of t count is greater than t table (1.960) or $p < 0.05$. Then the results of H_0 are rejected, and H_1 is accepted, so Service Quality has a direct and significant influence on Customer Loyalty. It means the third hypothesis is accepted.

H4: Service Quality has a significant influence on Customer Loyalty through Perceived Value

In the relationship between Service Quality and Customer Loyalty, there is an alleged Perceived Value variable as an intervening variable. The calculation of the influence of Perceived Value as an intervening variable is as follows:

$$Y = PYX + (PYX \times PYZ)$$

Direct Effect of Service Quality to Customer Loyalty is 0.469

$$\begin{aligned} \text{Indirect Effect (IE)} &= PZX \times PYZ \\ &= 0.6386 \times 0.3690 \\ &= 0.236 \\ \text{Total Effect (TE)} &= PYX + (PZX \times PYZ) \\ &= 0.5136 + 0.236 \\ &= 0.7496 \end{aligned}$$

The amount of the indirect standard error or standard error uses the calculation of the sobel formula so that it is obtained as follows:

$$\begin{aligned} Se_{12} &= \sqrt{P_1^2 \cdot S_{e2}^2 + P_2^2 \cdot S_{e1}^2 + S_{e1}^2 \cdot S_{e2}^2} \\ &= \sqrt{(0.6386)^2 \cdot (0.0825)^2 + (0.369)^2 \cdot (0.0464)^2 + (0.0464)^2 \cdot (0.0825)^2} \\ &= 0.0555 \end{aligned}$$

Thus, the value of the t test is obtained as follows:

$$t \text{ count} = \frac{P_{12}}{Se_{12}} = \frac{0.236}{0.0555} = 4.244$$

The results of this test indicate that the relationship between the Service Quality variable and Customer Loyalty (Z) through the Perceived Value shows an indirect path coefficient of 0.236 with a t value of 4.244. The value of t count is greater than t table (1.960) or $p (0.000) < 0.05$. This result means that Perceived Value has a significant influence on bridging Service Quality to Customer Loyalty. The above results show that H_0 is rejected; this means that the fourth hypothesis is accepted.

Discussions

Service quality and perceived value are used in this research to expose the customer loyalty of GAMiles membership in Malang city area. The data are collected by using questionnaires, which have been tested in terms of its validity and reliability, so it is valid and reliable. The data were tested by using two methods, such as the outer model and inner model. The first method is Outer model consisting of convergent validity, discriminant validity, and composite reliability. After that, proceed to the second method, which inner model consisting of the coefficient determinant (R^2) and Predictive relevance (Q^2). After all the tests were done, the data were analyzed by using PLS to determine the effect of the independent variable on the dependent variable through mediation. Lastly, hypothesis testing was also done using the bootstrap method.

From the tests results, it can be concluded that from two independent variables, all variables have a positive effect. Therefore, service quality on customer loyalty have a positive direction, perceived value to customer loyalty have positive direction, service quality, and perceived value on customer loyalty have positive direction, and also the relationship of service quality to customer loyalty by using perceived value as a mediation is giving a significant result.

Considering the obtained results, GAMiles appeared to strengthen the relationship between customers to the Garuda Indonesia Airlines, also GFF gives benefits to the customers. Garuda Indonesia realization to increase the service quality and perceived value will trigger the customer to be more loyal to Garuda Indonesia through membership program owned by the company, which is Garuda Frequent Flyer (GFF) membership.

The Influence of Service Quality on Customer Loyalty

Based on the results discussed in this research, service quality has a positive and significant influence on customer loyalty. Furthermore, this finding is in accordance to the previous researches done by Karunaratna (2014), Lee (2017), and Shi et al (2014) who also found that service quality can lead to customer loyalty. They mentioned that service quality is positively related to a customer's willingness to act as a reference customer. Thus, being able to prove good service quality must support positive customer loyalty in the airline industry according to the main journal of this research. Lai (2015) also said that service quality has significant influence to customer loyalty.

The indicator used for service quality in this research is tangible, responsiveness, reliability, assurance, and empathy. Tangibility is indicative of Garuda Indonesia facilities, where the GAMiles members feel the facilities are quite important as GAMiles members has privilege to use the lounge that make this facility is different from other membership programs. Besides responsiveness, reliability, and assurance are the most important parts of the airline, where these three indicators give swift, timely, and reliable service for the members. Empathy plays a role in understanding customer-specific needs that can create customer loyalty. GAMiles give special attention and service to the members themselves. Thus, the members can be encouraged to be more intense and extensive in the activities of GAMiles, so that customer loyalty can be better established.

By improving the service and quality that GAMiles have, the customer will continue to be GAMiles members in the future. Also, when GAMiles provide trustworthy services and understand customer needs, it will make customer indirectly give positive comments and promote GAMiles to their relatives. So, this relationship will give positive impact to GAMiles and the members.

The Influence of Service Quality on Perceived Value

According to the results gained from this research, service quality has a significant influence on perceived value. This result is following the previous research done by Kuo et al. (2009) who also found that service quality can generate to perceived value. Corresponding to service quality, the main journal of this research,

Lai (2015), it is stated that service quality has significant influence to perceived value, where in this journal stated that company delivers excellent overall service, so it creates value that exceeds what customers expect.

The indicator of service quality has already mentioned before; it gives an impact where the appearance of those indicators will trigger perceived value, because when the members found what they want, they will feel more satisfied. By increasing specifically the service quality owned by GAMiles it will have an impact on customer satisfaction and fulfilling the members' needs. If the company is more focused on improving the service quality, the value will be more felt positively to the members.

By offering an experience that following the costs that the customers incur, it can be concluded that Garuda Indonesia understands customers' needs specifically. It can be felt when the members of GAMiles get more privileges when purchasing airline tickets. Where when the members redeem the points they collect by upgrading the flight classes, so the facilities they get are more than what they spend. Thus, the value they get is more than non-members.

The Influence of Perceived Value on Customer Loyalty

Perceived value discussed in this research is the value that people felt when they experience something from the object; it could be a product or services. Based on the result of the analysis that is mentioned before, perceived value has a significant influence on customer loyalty. Moreover, these findings are following the previous researches done by P. T. Chen and Hu (2010) who found that perceived value can lead to customer loyalty, this reinforced by a statement from Ha and Jang (2010) who stated that customer who perceives a high value in their experience is more likely to recommend the experience they had to the other people. However, Lai (2015) as the primary journal of this research indicated that perceived value does not have any significant influence on customer loyalty. It seems to be due to the differences in the objects and subjects used.

In this research, perceived value used four indicators; they are price value, service value, experience, service quality, and satisfaction. These four indicators have an important role when GAMiles want to trigger the perceived value that customer wants to get. Therefore GAMiles have to improve those indicators. By providing

attractive offers and pleasant experience that would be easier to motivate the customer to be more loyal in using GAMiles. When the value is given is accordance with what is expected by the customer, it will help the company to stimulate the customer desire to use and explore more about GAMiles and gain more benefits from the customer purchase by using the membership. Also by increasing the value given by GAMiles to the customer in collecting points from every purchase, it can attract customer attention to use GAMiles more often, where each point obtained can be exchanged for airlines ticket or hotel voucher which indirectly can make the customer more loyal in the future.

The influence of Service Quality on Customer Loyalty through Perceived Value

Based on the results, there is a positive and significant influence between service qualities on customer loyalty through perceived value. This research used mediation which is an interrelation variable between the independent and the dependent variables so that the independent variable does not directly affect the change or the emergence of the dependent variable (Sugiyono, 2016). From the results obtained, the mediation used in this research is partial mediation. Partial mediation is an independent variable capable of directly influencing the dependent variable without going through or involving mediator variables (Baron & Kenny, 1986). Based on the result, it is found that the Service Quality variable can significantly affect the Customer Loyalty variable without having to pass the Perceived Value variable. Therefore, it is found that mediation is an indirect influence is greater compared to direct influence.

The results are much correlated with the theory and previous research that became the guideline of this research. These three variables create a positive relationship where service quality that includes service, quality, trust, and good response influences customer loyalty. Customer loyalty focuses on continuity, positive word of mouth, and recommendation. Here, perceived value acts as a mediation that focuses on price value, service value, experience, and satisfaction. As a mediating variable perceived value influence service quality on customer loyalty, by giving more value to the value given to customers such as price value, where customers can get the same experience or more than the cost they incur. Thus, the loyalty process between the company and the

customer will be easier to occur. Because the results obtained are significant, it makes the perceived value as an amplifier between the two variables.

Respondents in this research were requested to indicate service quality, perceived value, and customer loyalty in GAMiles membership. Generally, all of the statements that intended to respondents have a continuous relationship. Customer who likes the service given by GAMiles would like to use it over and over again this can be defined as service quality. For customer who enjoys to feel the experience that they never felt before can be concluded as perceived value, and customers continuity in using services provided by GAMiles become part of Customer Loyalty. Hence, service quality affects customer loyalty and strengthened by perceived value.

Implication

The results of this research provide some theoretical and practical implication to the influence of service quality on customer loyalty through perceived value of GAMiles. The results of this research provide some insights for the company to improve and be more effective in promoting and maintaining the membership program.

To improve the service quality of Garuda Indonesia as the number one airlines in Indonesia, the company has to improve its service and pay more attention to customers' needs, where each customer has different needs, by feeling this kind of attention customers tend to have valuable experience. To drive customers to sense the value that Garuda has, the company must create a pleasant and unforgettable experience so the customers will always come back to use Garuda Indonesia airlines. By making this entire stuff, customer loyalty should be increased due to the increase in service quality and perceived value.

For instance, Garuda Indonesia should pay more attention to every member they have because if what happens in the membership cannot be processed; this will give disadvantage to the customer. That is why Garuda Indonesia must rectify their service and systems. To maintain the loyalty of Garuda Indonesia customers, they can give bonus as an added value to GAMiles members when they want to redeem their reward points, as currently, airlines tickets have unreasonable prices, and this can be an advantage

for Garuda Indonesia in increasing the number of passengers they have.

CONCLUSION & SUGGESTIONS

Conclusions

1. Service Quality significantly influences customer loyalty. So it can be concluded by increasing service quality it will increase customer loyalty.
2. Service Quality significantly influences perceived value. So it can be concluded by increasing service quality it will increase perceived value.
3. Perceived value significantly influences customer loyalty. So it can be concluded by increasing the perceived value it will increase customer loyalty.
4. Service quality influences customer loyalty through perceived value indirectly. It means that the three variables have relevancy with each other.

Suggestions

1. Service quality is influencing customer loyalty, it is expected the company should trigger the potential members as much as they can so the customer loyalty will increase. As the two lowest mean scores of the items on service quality is an assurance that customer will be more trusted in Garuda Indonesia, and the company pays more attention to the empathy they must give to the customers. Those two things are the ones that should be enhanced. Starting from GAMiles guarantees the promptness service that will make customers not wasting their time. Also, the company can give more interest to what customers need.
2. As well as service quality has significant influence on perceived value, it is important for GAMiles to pay attention to how to trigger their potential members in perceived value. As the two lowest mean scores of the items in perceived value are experience and satisfaction on GAMiles membership, those two things are the ones that should be increased. The company can provide customers a pleasant experience by providing family pack facilities where family members can feel the facilities like riding a first-class flight at a certain time.
3. Perceived value has significant influence on customer loyalty, it is important to GAMiles to trigger potential members as much as they

can. To trigger the customer it is not that hard because when the customer, already feels the value, they will easily become loyal to the company. Although based on the lowest mean score recommendation intention gets a fairly low value, it can be seen because customers do not get the value they expect. Then, the company can increase the value they have by learning more about what customers need.

4. Garuda Indonesia can increase their membership by increasing cooperation with various merchants; it will give an increase in the points reward systems.
5. For further research, the result of this research can be used as a reference or guide for further researchers regarding the influence of several other factors that have a similar concept of this. Finally, the researcher hoped that future researchers will elaborate more on this to even more precisely calculate the relationship between each factor.

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