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The Effect of ASEAN Open Skies Policy 2015 Upon Opportunities for Low-Cost Carriers in Indonesia – A Case Study of PT. Citilink

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THE EFFECT OF ASEAN OPEN SKIES POLICY 2015 UPON OPPORTUNITIES FOR LOW-COST CARRIERS IN INDONESIA - A CASE STUDY OF PT.CITILINK

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Abstract

The ASEAN Open Skies agreement is included in the ASEAN Economic Community's blueprint and will be implemented in 2015. This study is intended to assist Citilink - an Indonesian low-cost carrier airline - in measuring its level of awareness and analyzing its SWOT towards the ASEAN Open Skies Policy 2015. This descriptive study utilizes quantitative and qualitative approaches and collected data from both primary and secondary sources. Questionnaires were distributed to Citilink Staff and analyzed using IBM SPSS and SPSS Amos. The awareness level of Citilink staff towards the ASEAN Open Skies Policy turned out to be high and the knowledge factor significantly influenced the awareness level. The study identified both benefits and drawbacks to the implementation of the ASEAN Open Skies Policy; however, Citilink already holds a good position as an Indonesian low-cost carrier and must pursue an aggressive strategy to maximize opportunities so that it can compete successfully at the regional level.



Keywords: ASEAN Open Skies Policy, Low - Cost Carrier, Awareness

Abstrak

Kebijakan Kerjasama ASEAN Open Skies 2015 adalah termasuk dalam cetak biru Masyarakat Ekonomi Asean (MEA) yang akan diimplementasikan pada tahun 2015. Penelitian ini dilakukan dengan tujuan untuk membantu salah satu maskapai penerbangan Indonesia ber-tarif rendah, Citilink dalam identifikasi terhadap tingkat kesadaran dan analisis SWOT-nya dalam mengantisipasi diberlakukannya ASEAN Open Skies Policy 2015. Penelitian ini merupakan penelitian deskriptif dengan menggunakan pendekatan kuantitatif dan kualitatif dengan mengolah data primer dan sekunder. Metode pengumpulan data dilakukan melalui kuesioner dan wawancara dengan pihak Citilink yang selanjutnya dianalisis menggunakan SPSS dan SPSS Amos. Tingkat kesadaran staf Citilink terhadap kebijakan ASEAN Open Skies 2015 cukup tinggi, dimana variabel pengetahuan merupakan variabel yang paling signifikan mempengaruhi tingkat kesadaran staf Citilink. Kebijakan ini memberikan manfaat, sekaligus dampak bagi operasional dan bisnis Citilink. Untuk itu Citilink perlu menerapkan strategi agresif untuk memaksimalkan peluang sehingga dapat sukses bersaing di tingkat regional.



Kata kunci: kebijakan ASEAN Open Skies 2015, kesadaran (awareness), penerbangan bertarif rendah (low cost carrier).

The ASEAN Open Skies Policy is intended to boost connectivity and increase traffic growth by granting all airlines from the ten ASEAN member states open market access to all international airports in Southeast Asia. The package consists of a number of distinct policy aspects (such as capacity deregulation and removal of price controls) that should lead to less regulation in airline services (Forsyth, King, Rodolfo, & Trace, 2004).

The need for a coherent air travel infrastructure system and the increasing demand for low-cost travel are the main drivers for the adoption of open-skies policy in the ASEAN (PR Newswire, 2013). Given the importance of trade in the ASEAN, member countries have recognized that transport is an important issue for cooperation as it can contribute towards the reduction of trade transaction costs for member countries and for the region as a whole (Tham, 2008).

ASEAN countries exhibit considerable diversity in matters of policy, economy, and infrastructure. Unlike European countries that started out with roughly equal size, GDP, economic policy, and level of industrial development, cooperation between ASEAN countries must overcome the issue of dramatic variation in those aspects.

The LCC (low-cost carrier) model is deemed appropriate for the Southeast Asian environment, which is characterized by large and widely dispersed national populations as well as rapidly growing economies. These factors are particularly apparent in Indonesia, where the numerous potential customers are separated by significant geographical distances all over the

archipelago (Fernando, Saad, & Haron, 2012).

LCCs could play a major role in the process of moving to Open Skies. It may involve opening up secondary gateways and markets prior to more extensive liberalization. Overseas experience suggests that LCCs are good at serving these needs since they have the flexibility to enter such markets quickly and do not require high yields to serve them (Forsyth, King, Rodolfo, & Trace, 2004).

According to preliminary data from Indonesia's Directorate General of Civil Aviation (DGCA), Indonesia's domestic market grew by 20% in 2012 from 60.2 million to 72.5 million passengers. This makes Indonesia the fifth largest domestic market in the world (after the US, China, Japan, and Brazil) and one of the fastest growing (CAPA Centre for Aviation, 2013).

According to Wilson (1998), employee awareness is pivotal to the success of an environmental management system. If employees do not understand the impact of their own actions, a company's efforts to achieve environmental performance will be futile. It means that with every step the company makes or every situation it faces, the company's employees should be provided with the appropriate knowledge and explanation so that they can contribute towards maximizing the impact of the chosen strategy.

LITERATURE REVIEW

Air Transport Liberalization

The movement from regional economic cooperation towards regional integration in Southeast Asia has been gaining

strength since the end of the Cold War and particularly since the economic crisis of 1997-1998. The ASEAN Way, which has been a basis for regional cooperation in Southeast Asia, emphasizes compromise through formal and informal meetings, consensus-based decision making, avoidance of strict reciprocity, and rejection of hard legalization. Jong, K. H. (2010); ASEAN observes the ASEAN Way or the principle of non-interference not only in the political arena but also in the regional economy. In this respect, the implementation of the principle has encountered some difficulties. The ASEAN Free Trade Area (AFTA) and ASEAN Surveillance Program (ASP) offer the prospect of deeper regional economic integration. Yet despite some progress in the removal of intra-regional barriers, there has been a worrying tendency for states to withdraw without penalty from initial commitments made to the AFTA process.

Regional cooperation in Southeast Asia is also intended to facilitate liberalization measures, including in the air transportation sector. There are many approaches to studying air transport liberalization. Scientists have employed various methods including but not limited to mathematical, statistical, econometric, and empirical research. K. Button and J. Drexler (2000) divided these approaches into three basic groups:

First, survey-based techniques. This approach involves questioning people involved in air transportation, including professionals and passengers. Although this method often uncovers trends in the behavior of market participants, its main problem is the high degree of subjectivity in the responses obtained. Without due caution, the results would

be more appropriate as a basis for lobbying than for rigorous analysis.

Second, input-output analysis and Keynesian multipliers. This method traces local expenditure on air transportation either in aggregate (multipliers) or by sectors (input - output analysis). The biggest issue with this approach lies in the choice of the correct timeframe for analysis. 14. The multiplier values may also be rather difficult to estimate.

Third, econometric methods. This last approach seeks to build complex mathematical and statistical models. Its main advantage lies in its exceptional ability to isolate the effects of changes in air transportation policy upon local development (thus coming closest to the *ceteris paribus* rule). However, it carries the risk of choosing an inappropriate econometric model, and the methods are highly data-intensive.

There are also various approaches for the classification of liberalization's impacts. After a thorough research of available literature, we chose one of the simplest ways to categorize the impacts of liberalization upon trade and competition (Forsyth and Rudolfo, 2006).

Low-Cost Carrier Model

Today, air travelers tend to favor carriers that can offer high service quality, on-time arrival, and low fares all at once. Low-cost airlines differ primarily from full-service airlines in terms of service and above all in price standards (Kupka & Jamart, 2009). On the other hand, some of the decisions taken by international airlines including Malaysian Airlines (MAS) over air service destinations, pricing structure

and other business factors cannot be made purely upon commercial grounds. This has affected the profitability of such airlines. Furthermore, the global airline industry has been in turmoil since 11 September 2001 as a result of significant decline in air travel demand as well as an increase in fuel costs. Rosnan, H., & Mahmud, R., (2012).

The development of low-cost airlines, also known as "no-frills", is related to three factors (Dobruszkes, 2006). First, air transport is a cyclical sector-the demand correlates to economic cycles-with significant fixed costs linked to a high level of aircraft ownership. Second, the price of air transport remains a limiting factor for a large portion of the population. Third, liberalization in the air transport sector allows the unrestricted creation of new services and can thus encourage the creation of new airlines

Because of their impact upon fares and traffic, LCCs are often credited with being the major force in the development of regional tourism. LCCs often fly to destinations that were not previously known as holiday destinations (and often not adequately served by charter services), thus leading to the growth of tourism in these destinations (Forsyth, King, Rodolfo, & Trace, 2004).

The key characteristic of LCCs is that they offer low fares- typically much lower than those offered by the full-service carriers (FSCs) serving the same route. These fares are not very restrictive (e.g. with overnight stay restrictions), though they are normally not refundable. Fares vary according to availability, and will often rise as the time of the flight draws closer. While very cheap seats

will be available on some flights that are not in high demand, fares on busy routes can be quite steep, though usually not as high as the fares previously offered by full service carriers. LCCs may also offer lower fares than surface transport, especially in Europe. Passengers respond quickly to these lower prices and this enables the LCCs to grow rapidly (Forsyth, King, Rodolfo, & Trace, 2004).

The original LCC business model developed in the 1950's used only one single-class fare to attract low-yield leisure travelers; however, over the years the LCCs have modified their product offerings and marketing strategy to attract high-yield business travelers.

These are the characteristics of a low-cost carrier: (a) Core business: Passenger air service, although ancillary offers are becoming more common and more integral to the LCC's core business, (b) Point-to-point network: The network is developed from one or a few airports, called 'bases', from which the carrier starts operating routes to the main destinations. No connections are possible (simplifying luggage handling and plane turnaround), (c) Secondary airports: City-pairs are connected mainly from the secondary or even tertiary airports that are less expensive in terms of landing tax and handling fees and experience less congestion than the main hubs. According to Forsyth, King, Rodolfo, & Trace (2004) this also constitutes a way to avoid direct competition with strong FSCs that have established a stronger market presence. LCCs also tend to make extensive use of the Internet for booking, which saves on marketing expenses and travel agent commissions, (d) Single aircraft fleet: In general, LCCs operates only one type

of aircraft, such as the Boeing 737 series in the 149-seat configuration. The fleet composition also reflects the fact that they only operate short- or medium-haul routes, (e) Aircraft utilization: The aircraft is in the air, on average, for more hours per day compared with FSCs that have to respect connectivity schedules, (f) No-frills service. The product is not differentiated as LCCs do not offer lounge services at airports, choice of seats, and in-flight service, nor do they have a frequent flyer program. Fare restrictions are removed so that the tickets are not refundable and there is no possibility to rebook with other airlines, (g) Usually, LCC personnel have longer flying hours, less rest time, and tighter turnarounds (frequently 25 minutes). They are also more flexible in time and task assignments (hostesses cleaning the plane, stewards loading luggage if necessary), (h) Minimized sales/reservation costs: All tickets are electronic and the distribution system is implemented via the Internet or telephone sales center (only direct channels). Passengers receive an e-mail containing their travel details and a confirmation number for their purchase. The LCC does not mediate the sale through travel agents and neither does it outsource the distribution to GDS companies; (i) Ancillary services: LCC increasingly have revenue sources other than ticket sales. Typical examples are commissions from hotels and car rental companies, credit card fees, (excess) luggage charges, in-flight food and beverages, advertising space. The potential growth of this revenue comes from telephone operations and gambling on board.

Grand Strategy

Grand strategy is a long-term master plan that provides basic direction for major actions intended to achieve long-term business objectives. It indicates the time period over which long-range objectives are to be achieved. Thus, a grand strategy can be defined as a comprehensive general approach that guides a firm's major actions (Pearce & Robinson, 2013). The principal grand strategies are discussed below:

Concentrated growth: a grand strategy in which a firm directs its resources to the profitable growth of a single product, in a single market, with a single dominant technology. The ability to assess market needs, knowledge of buyer behavior, customer price sensitivity, and effectiveness of promotion are the characteristics of a concentrated growth strategy.

Market development: a grand strategy of marketing present products, often with only cosmetic modifications, to customers in related marketing areas by adding channels of distribution or by changing advertising content. Firms that open branch offices in new location or switch from advertising in trade publications to newspapers are practicing market development.

Product development: a grand strategy that involves the substantial modification of existing products that can be marketed to current customers. It is often adopted either to prolong the life cycle of current products or to take advantage of a favorite reputation or brand name.

Innovation: a grand strategy that seeks to reap the premium margins associated with creation and customer acceptance of a new product or service. It is to create a new product life cycle and thereby make similar existing products obsolete.

Horizontal acquisition: a grand strategy based on growth through the acquisition of similar firms operating at the same stage of the production-marketing chain. Such acquisitions eliminate competitors and provide the acquiring firm with access to new markets.

Vertical acquisition: a grand strategy based on the acquisition of firms that supply the acquiring firm with inputs or new customers for its outputs. Acquisitions of suppliers or customer businesses are this kind of acquisition.

Concentric diversification: a grand strategy that involves the operation of a second business that benefits from access to the first firm's core competencies. The ideal form is when the acquiring firm searches for a new business whose products, markets, distribution channels, technologies, and resource requirements are similar to but not identical with its own, so that the acquisition result in synergies but not in complete interdependence.

Conglomerate diversification: a grand strategy that involves the acquisition of a business because it presents the most promising investment opportunity available. It gives little concern to creating a product-market synergy with existing business; instead, it seeks financial synergy.

Turnaround: a grand strategy of cost and asset reduction by a company to survive and recover from declining profits. It is typically begun through one of two retrenchments or in combined cost reduction or asset reduction. It is normally associated with changes in top management. The need for retrenchment often arises when companies face an economic recession.

Divestiture: a grand strategy that involves the sale of a firm or a major unit of a firm as a going concern.

Because the intent is to find a buyer willing to pay a premium above the value of a going concern's fixed assets, the term marketing for sale is often more appropriate. Divestiture often arises because of partial mismatches between the acquired firm and the parent corporation.

Liquidation: a grand strategy that involves the sale of the assets of the business for their salvage value. It is typically sold in parts, only occasionally as a whole but for its tangible asset value and not as a going concern. It is usually seen as the least attractive of the grand strategies.

Bankruptcy: when a company is unable to pay its debts as they become due. Choosing a strategy to recapture its viability, such a company asks the courts for a reorganization bankruptcy. The firm attempts to persuade its creditors to temporarily freeze their claims while it works to reorganize and rebuild its operations more profitably. It must convince the creditors that it can succeed by implementing a new strategic plan.

Joint ventures: a grand strategy in which companies create a co-owned business that operates for their mutual benefit. It can also happen between companies in different countries. Joint ventures minimize the threat of foreign domination and enhance skills, employment, and profits for local firms.

Strategic alliances: contractual partnerships where the companies involved do not take an equity position in one another. In many cases, this alliance is partnership that exists for a defined period during which partners contribute their skills and expertise to a cooperative project. In other cases, it is synonymous with licensing agreements. Contract manufacturing is form of licensing.

Consortiums, keiretsu, and chaebols: consortiums are large interlocking relationships between businesses of an industry. Keiretsu are Japanese business consortiums coordinated by a large trading company to gain a strategic advantage. Chaebols are Korean consortiums financed through government banking groups to gain a strategic advantage.

Citilink (under Garuda) has been implementing a strategic plan to achieve its goal as a low-cost carrier in Indonesia. Munir, N. S., Prasetyo, A., & Kurnia, P. (2011); In order to achieve this goal, Garuda must choose a strategy that features quality service as its main priority, but at the same time distinguish itself from other airlines. This is why the best strategy available is the hybrid strategy, combining differentiation and cost-leadership strategies. In the differentiation strategy, GIA must improve its customer service quality to the level of a leading airline while maintaining its unique Indonesian tradition. Customer service must undergo overall improvement before, during and after flights. As such, GIA must improve its reservation, check-in, and boarding systems, minimizing if not eliminating all delays and providing better baggage handling.

Awareness

Awareness means genuine concern and sensitivity towards the environment and its problems. The concept of awareness is the ultimate driving force that stimulates knowledge. Awareness, defined as concern and sensitivity towards the environment, has implications for the way people acquire information, perceive information, and express concern (De Lavega, 2004). According to the Macmillan Dictionary, awareness means knowledge or

understanding of a subject, issue, or situation. Moreover, as cited from Ackah and Owusu (2012):

"... This study therefore seeks to determine the level of insurance awareness in Ghana, where awareness is defined with respect to people's knowledge of and attitude towards insurance."

"From a user perspective, security lies in the overlap of attitudes, knowledge, and behaviors. If an organization wants to know if their security awareness training is effective, they need to measure the impacts on these three elements" (SAI Global, 2008).

"... awareness raising as a process of information supply through various means and instruments with the aim of creating changes in knowledge, attitude and behavior" (Lise & Lise, 2002).

Attitude is a person's consistently favorable or unfavorable evaluations, feelings, and tendencies towards an object or idea (Kotler & Armstrong, 2010). It can also be defined as a general feeling or evaluation -positive or negative - about some person, object or issue and a relatively enduring organization of beliefs and feelings towards socially significant objects, groups, events or symbols (Hogg & Vaughan, 2011).

Behavior is what people actually do that can be objectively measured. Behavior refers to not only obvious motor activities (such as running) but also to more subtle actions such as a raised eyebrow or what we say and what we write. In this sense, behavior is publicly verifiable. The meaning attached to behavior is a matter of theoretical perspective, cultural background or personal interpretation (Hogg & Vaughan, 2011).

RESEARCH METHOD

There are two major approaches in information gathering, namely primary and secondary data, and this study utilizes both. Primary data is collected from primary sources that provide first-hand information, while secondary sources provide second-hand data (Kumar, 2011). The primary data for this research includes information about Citilink's business model, its history, and its staff's awareness of the ASEAN Open Skies Policy. Secondary data consists of all existing and available data on current research about Indonesian LCCs regarding the implementation of the ASEAN Open Skies Policy 2015. This secondary data helps us in understanding the existing literature and the comprehensive background of the topic. Descriptive statistics is used throughout the data analysis to describe the basic features of the research data together with simple graphic analysis to describe and quantitatively summarize the meaning of the data. Questionnaire data collected from respondents (Citilink staff) was analyzed and tested against hypotheses with statistical methods. This research seeks to answer the question: what is the level of awareness about the ASEAN Open Skies Policy 2015 among Citilink's marketing staff? Therefore, the hypothesis is formulated as:

H0: The Citilink Marketing staff's awareness of the ASEAN Open Skies Policy is low.

This study uses the path diagram as a structural equation modeling (SEM) tool to illustrate the relationship between

observed and unobserved variables and then to define correlations between those variables. The path diagram represents the model visually and shows how the hypotheses are attached to the problem. Pre-testing was conducted with 10 respondents; for this number of respondents, an instrument is considered valid if the Pearson correlation coefficient value (r) is > 0.632 for a significance level of 5%. For 31 respondents, an instrument is considered valid if the value of correlation coefficient value (r) is > 0.361 for a significance level of 5 %.

RESULTS AND DISCUSSION

Brief Overview of PT Citilink Indonesia

PT Citilink Indonesia ("Citilink") is a Strategic Business Unit (SBU) within PT Garuda Indonesia, Indonesia's only first-class airline. Garuda established Citilink in 2001 to tap into Indonesia's lucrative low-cost aviation sector while Garuda itself focuses on the premium market. In the beginning, Citilink operated no more than five Fokker 28 aircraft handed down from its parent company. It started operations on July 16, 2001 with flights from Surabaya to Tarakan via Balikpapan. In July 2004 four 148-seat Boeing B737-300s replaced the Fokker F28s. However, in January 2008 Garuda Indonesia's Management Board decided upon a temporary halt in operations to redefine Citilink's strategic orientation. In September 2008 Citilink returned to the market from its base of operations in Surabaya, initially flying two Boeing B737-300s (148 seats). The investment

Table 1. Citilink Passengers: 2010 – 2013

Year	Passengers
2010	1,200,000
2011	1,600,000
2012	3,800,000
2013	7,800,000 (predicted)

Source. Koran Jakarta (2012), Nugroho (2013), Purnomo (2013)

took US\$ 10 million, 60% of which was allocated for fuel, 17% for aircraft maintenance, and the rest for miscellaneous costs. Under the new management, Citilink set Surabaya in East Java as its main hub.

Since 5 July 2012 it has become an independent airline company after securing an Air Operator Certificate (AOC) from the Ministry of Transportation of the Republic of Indonesia. The AOC is a certificate issued by the regulatory authority over commercial air transport Indonesia. Previously, as a subsidiary of PT. Garuda Indonesia Tbk, Citilink operated under Garuda Indonesia's AOC. After the separation, it operates 21 aircraft under the international code QG and carries the license to fly 70 domestic routes and 16 regional routes. This certification ushered in a new era of dynamic and independent management. Since 2012, Citilink has gone through a rebranding process that included changes to its livery, logo, aircraft interior, sales offices, cabin attendants' uniforms, and website system. This effort is supported by marketing and communication programs intended to reach a broader customer base.

Citilink currently operates 22 aircraft, consisting of 17 Airbus A320 (180 seats), 4 Boeing 737-300 (148 seats), and 1 Boeing 737-400 (170 seats).

Citilink serves 134 flights to Surabaya, Batam, Banjarmasin, Denpasar, Balikpapan, Medan, Makassar, Lombok, Pekanbaru, Bengkulu, Semarang, Jambi, Ambon, Malang, and Jogja from its two hubs in Jakarta and Surabaya. It is expanding its fleet to a desired size of 29 aircraft by the end of 2013 and 50 aircraft in 2015. If profit and growth targets are met, Citilink will conduct an initial public offering (IPO) in 2015. Citilink treats passenger satisfaction as its first priority. As proof of its commitment to customer satisfaction, it has received several awards, e.g. Leading Low Cost Airline 2011/2012 from Indonesia Travel and Tourism Foundation, Best Overall Marketing Campaign in The Budgies and Travel Awards 2012, and (the latest) Service to Care Award 2012 for the Airlines Category from Markplus Insight. It has seen consistent annual growth in the number of passengers as shown in table 1 below:

Garuda Indonesia has made a commitment to add 30 more Airbus A320 to Citilink, which will be provided gradually in 2014-2018. While waiting for the new aircraft, Citilink has already leased 15 aircrafts. Garuda Indonesia seeks to display a strong and consistent commitment to support the growth of Citilink, starting with the purchase of 50 additional aircraft and rebranding efforts (PT Citilink Indonesia).

Brief Profile of Citilink	
Company Name	: PT. Citilink Indonesia
Address	: Komplek Juanda Bussines Centre Blok C1 No. 2, Jl. Raya Juanda Desa Sawotratap, Kec. Gedangan Sidoarjo, Jawa Timur, Indonesia 61524
Jakarta Head Office	: Menara Citicon, 16th floor Jl. S. Parman Kav. 72 Slipi Jakarta Barat 11410
Phone	: +62 21 - 2934 1000
Fax	: +62 21 - 2930 8786
Website	: www.citilink.co.id
Chief Executives	: M. Arif Wibowo (CEO) Albert Burhan (CFO) Hadinoto Sedigno (COO)
Vision	: To be the leading low-cost airline operator in the region
Mission	: Provide affordable commercial air transportation that prioritizes passenger safety

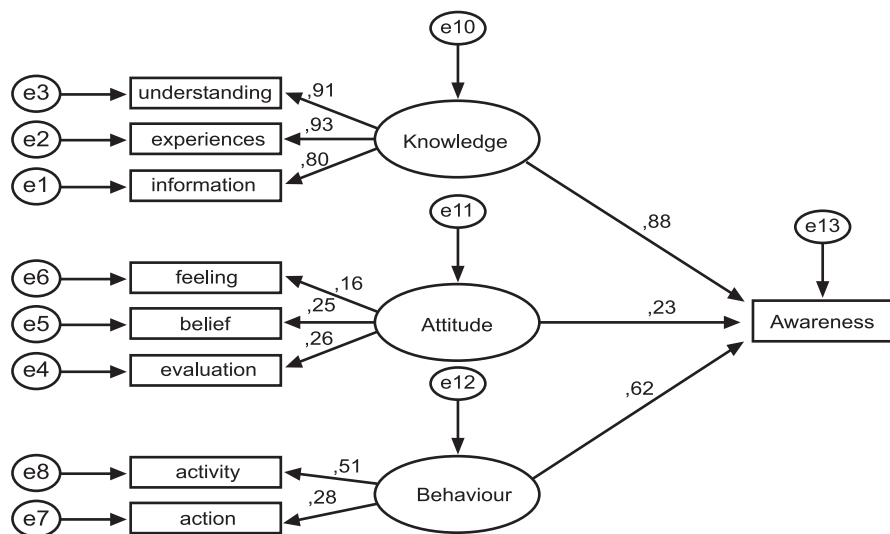


Figure 1. AMOS Output Path Diagram

The Citilink Marketing staff's awareness of the ASEAN Open Skies Policy 2015

SEM is used in this research for data analysis by utilizing AMOS version 21 to analyze the variables that signify awareness of the ASEAN Open Skies Policy 2015. The idea is to connect independent variables with dependent variables. The objective is to find out the level of awareness towards ASEAN Open Skies Policy 2015 and its

influencing factors. The AMOS software produced the path coefficient in Figure 18 below, which we use to interpret the data. The path coefficient is a standardized regression coefficient that shows the direct effect of an independent variable upon a dependent variable in the path model. The standard regression weight r and square correlation (r^2) representing the squared value of standard regression weight is indicated in the path diagram (Sekaran & Bougie, 2009).

Table 2. Correlation Coefficients for Awareness

No.	Factor	Correlation Coefficient, r	Square Correlation, r ²	Strength of Association
1	Knowledge	0.88	77.44%	Strong
2	Attitude	0.23	5.29%	Very weak
3	Behavior	0.62	38.44%	Moderate

The three factors that influence Awareness are Knowledge, Attitude, and Behavior. From the path coefficient displayed in table 19 below, the Knowledge factor is shown to have the strongest influence upon Awareness with a correlation coefficient of 0.88 or a contribution of 77.44%. The second factor in terms of influence is Behavior with a correlation coefficient correlation of 0.62 or a contribution of 38.44%. The least influential factor is Attitude, with a correlation of 0.23 or a contribution of 5.29%.

There are three indicator variables influencing Knowledge. The most important of all is Experience with a correlation coefficient 0.93. The variable that influences Attitude the most is Evaluation with a correlation coefficient of 0.26. The variable that has the greatest influence upon Behavior is Activity with a correlation coefficient of 0.51.

Hypothesis Testing Results

The result of hypothesis testing using IBM SPSS version 20 and SPSS Amos version 21 are as follows:

H0: The Citilink Marketing staff's awareness of the ASEAN Open Skies Policy is low

H1: Citilink Marketing staff's awareness of the ASEAN Open Skies Policy is not low

The number of respondents for this research is 31 ; therefore, it qualifies

for the T-Test ($n > 30$). The one-sample T-Test compares the mean of sample data against the hypothesis population mean to see if there is a significant difference. Since this measurement uses a 5-point Likert scale, the population mean (test value) is $\mu = 3$.

From the table above, the one sample T-Test statistic is 4.625 and the p-value is .000, which is lower than 0.05 (the level of significance usually used for the test). This p-value indicates that the mean level of awareness among the Citilink Marketing Communication staff is statistically different from the hypothesized value, which is 3 (neutral on the Likert scale). The 95% confidence interval estimate for the difference between population mean awareness and neutral is (.4143, 1.0696).

The mean of the variable is 3.7419 compared to the test value of 3. It means that the staff's average level of awareness is significantly higher. Therefore, H1 is rejected. Thus, the answer to research question is "The Citilink Marketing staff's awareness of the ASEAN Open Skies Policy is high."

Based on the mean difference, a positive value means that the staff has a significantly higher level of awareness. Since the standard error of the mean measures the variability of the sample mean, the smaller the standard error of the mean, the more likely it is that our sample mean is close to the true population mean.

Table 3. Mean, Standard Deviation, and Standard Error Mean (n = 31)

Variables	Mean	SD	Std. Error Mean
Awareness	3.74	0.893	0.160

Table 4. One-Sample T-Test of Awareness Level (Test value = 3, n = 31)

Variables	t	df	Mean Diff.	95% confidence interval of the difference	
				Lower	Upper
Awareness	4.625*	30	0.74195	0.414	1.070

*Significant at 5% level (2-tailed)

Analysis of the Main Contents of the ASEAN Open Skies Policy 2015 Compared to Indonesian Aviation Law

The main content of the ASEAN Open Skies Policy 2015 for passenger services is stated in two multilateral agreements between the ASEAN member states. These agreements are the ASEAN Multilateral Agreement on Air Services (MAAS) on 20 May 2009 and the ASEAN Multilateral Agreement of the Full Liberalization of Passenger Air Services (MAFLPAS) on 12 November 2010.

The principal instrument of aviation law in Indonesia is Act No. 1 of 2009 on Aviation ("the 2009 Aviation Act"). The 2009 Aviation Act replaced Act No.15 of 1992 on Aviation, which was deemed incapable of coping with the current condition and requirements of aviation operations. The new act is a comprehensive legislation consisting of more than 466 Articles. It covers all aspects of aviation law: safety regulation, security, human resources, economic regulation, information systems, etc. According to the results of an in - depth interview with a Citilink branch manager, it can be concluded that there are six aspects of comparison between the ASEAN Open Skies Policy 2015 and the 2009 Indonesian Aviation Act.

Safety

Both the ASEAN Open Skies Policy and the 2009 Indonesian Aviation Act emphasize the importance of safety in all aspects of aviation, including aeronautical facilities, flight crew, aircraft, and the operation of the airlines in question. The importance of safety is indicated by the existence of established certification and licensing regimes intended to ensure the airworthiness of the aircraft and all related paraphernalia, or at least to check for compliance with minimum standards that have been set in international agreements. Therefore, the implementation (or lack thereof) of the ASEAN Open Skies Policy should not affect existing international aviation safety regulations.

Security

Security is another aspect of aviation that has been subjected to international standardization. Every member state must provide assistance and report suspicious events to avoid undesirable occurrences that can interfere with aircraft operation, flight crew, airport, passengers, and flight facilities. Local authorities must not only report but also supervise all activities right from the passengers' check-in until the arrival of the flight at the destination, including through a close observation of passengers, crew, and their belongings.

Thus, the ASEAN Open Skies Policy should not affect established worldwide aviation security regulations.

Tariff

The ASEAN Open Skies Policy requires airline operators to set all prices at reasonable levels after considering all relevant factors, including the passengers' interest, operational cost, service characteristics, and other commercial concerns. The tariff does not have to be agreed upon by all member states unless there is such a provision in the national laws of the destination country. In the 2009 Aviation Act, the Indonesian Government set a price ceiling for domestic commercial flights. This step was taken to protect both consumers and airlines from unhealthy competition. Operators are not allowed to demand a price above the ceiling set by the government. This regulation obviously conflicts with the ASEAN Open Skies principle, where the fare should only be determined according to market demand without any government intervention.

Route

ASEAN Open Skies requires that every international airport be opened up to all member states, while Indonesia authorizes only 5 airports for international service. The reason behind this is to guarantee the survival of domestic Indonesian airline companies. The 3rd and 4th freedoms seek to open the Indonesian domestic market to foreign airlines. This situation is potentially unfavorable to Indonesia, especially since its domestic market provides the principal livelihood for small domestic airlines.

Government Intervention

The Open Skies policy discourages anti-competition practices (such as monopolies or government subsidies)

that may disrupt free competition among operators. In the ASEAN Open Skies Policy, every operator must have an equal chance to compete in servicing approved routes. Government intervention is supposed to be minimized not only in matters of routes and tariffs but also in setting, control, and supervision. The 2009 Aviation Act states that that Indonesian Government has the right to intervene in favor of developing Indonesian airlines by providing them easier access to funding and tax relief so that they would be more competitive. This provision indicates that Indonesia's air transport industry may not yet be strong enough to compete internationally without the aid of government safeguards. However, if this practice is allowed to continue, Indonesian airlines will never be ready to compete on an independent basis.

Sovereignty Over Airspace

Open Skies appears to envision a unified ASEAN airspace. This is characterized by unrestricted air travel across national airspaces. This runs in stark contrast to Indonesia's aviation regulations. Aviation is a matter related not only to the economic sector but also to sovereignty, defense, and national integrity issues. Therefore, Indonesia has established prohibited and restricted airspaces where only Indonesian airlines are allowed to fly. ASEAN Open Skies also requires the assignment of air traffic control authority to the country with the highest or most advanced technology in the area (such as Singapore). This is certainly unfavorable to Indonesia because it has the largest airspace but unfortunately its technology and human resources are not strong enough to give it an advantage.

Citilink's Strengths, Weaknesses, Opportunities, and Threats (SWOT) Matrix

In developing a strategy to face the ASEAN Open Skies Policy, we need to start by composing Citilink's strengths, weaknesses, opportunities, and threats matrix. The SWOT Matrix matches key external and internal factors as a basis for generating feasible strategies (David, David, & David, 2009).

Strengths

(a) Excellent reputation: Citilink is a subsidiary of Indonesia's flag carrier, Garuda Indonesia. Therefore, it can rely upon its parent company's financial and aircraft maintenance expertise. This subsidiary status also gives Citilink an excellent reputation in the customer's mind; (b) Low aircraft age (5 months on average): Garuda Indonesia has recently purchased many new aircraft and some of these will be periodically handed down to Citilink to support its operation. At the time of this research, the average age of Citilink's fleet is around five months. New aircraft consumes less fuel, which makes them more efficient and results in lower operational costs; (c) Good On-Time Performance record: This feature is very important for its particular target market, such as business travelers who place a high premium on timeliness; (d) Experienced managerial staff: After revamping its management in 2008, Citilink became a brand new operator. Its managerial lineup is filled by skilled people who understand their business. This is one of their strengths, especially when combined with the presence of Garuda supervisors tasked with monitoring Citilink's operation and performance; (e) High Government support: Since Citilink is a subsidiary of the Indonesian flag carrier, it enjoys

a close relationship with the government. As such, government regulations and policies are likely to avoid harming its position; (f) The only Indonesian LCC that offers 20kg free baggage: Passengers are allowed to bring 20 kg of baggage for free, while other operators charge for this service; (g) Unique distribution channel: Distribution channels are not limited to travel agencies but also include Citilink Kiosk on the Road (CKOTR), which changes location periodically. The CKOTR chooses convenient locations where customers can access it easily.

Weaknesses

(a) Limited route: Citilink still flies relatively few routes compared to its competitors. Currently it has 70 domestic routes. (b) No international routes yet: Although it has already obtained permission for regional flights, it hasn't opened an international route yet. This lack of international exposure results in lower load factors compared to domestic networks, (c) Inadequate frequency: As of now it runs only 140 flights daily, which sometimes makes its schedules rather inconvenient to passengers.

Opportunities

(a) High demand for air travel: As explained in the background section, the airline industry is growing in Indonesia. Apart from ASEAN's geographical situation (and especially Indonesia's), the inadequate competition from sea and land transport provides an ideal market for air travel. The widespread introduction of low airfares in Southeast Asia reduces the cost barrier to air travel; (b) Abundance of Indonesian population: Indonesia is the largest market in ASEAN with its 240 million people, almost half of ASEAN's

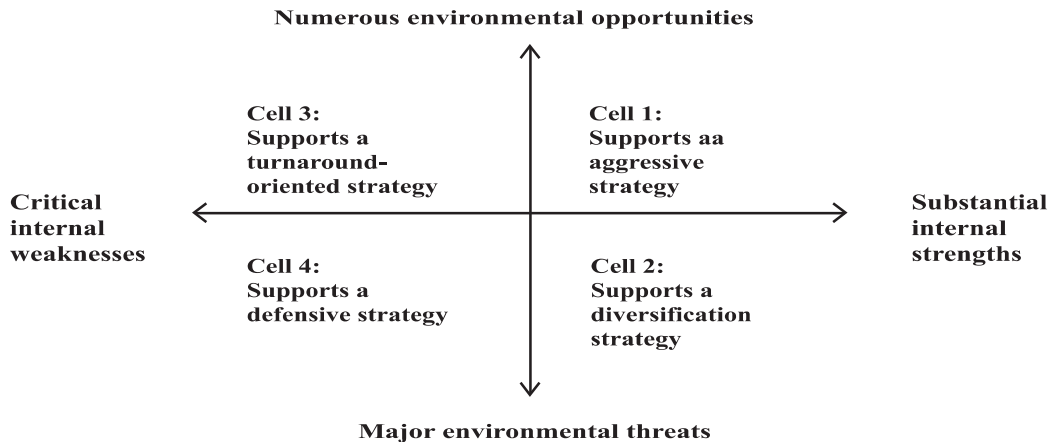


Figure 2. Result of IFE and EFE Equation in SWOT Diagram

entire population. However, due to the low per capita GDP, a large proportion of the population can't afford air travel. Nevertheless, the introduction of LCCs and the growing economy makes travel more affordable to more people; (c) Growing trend in budget travelling: Budget travelling is becoming a trend thanks to the increasing number of middle-income citizens. People are also starting to assign greater importance to traveling, especially for leisure; (d) Increasing demand from business travelers: Companies these days consider using budget airlines to reduce their expenses. The use of 100- to 180-seat aircraft provides LCCs with the opportunity to serve destinations more frequently than some of the region's network carriers. A high frequency of flights offers business travelers flexibility and may increase their use of LCCs; (e) Route development into ASEAN market: Although Citilink has not started regional operations, it has already obtained the necessary permissions. Flying to more destinations may affect its bottom line.

Threats

(a) Strong competition: Intense rivalry - not only from existing rivals but also from newcomers - can result in a price

war. To offer lower fares, airlines may compromise passenger safety; (b) Fluctuating oil price: Fuel makes up the largest portion of airline fares. The higher the price of fuel, the higher operational costs will be, which may result in higher fares and reduced competitiveness; (c) Lack of infrastructure: The lack of airport infrastructure can become a problem. Most runways are too short to accommodate some aircraft types. Moreover, LCCs need a fast turnaround at the airport to optimize their operations; (d) Trend for mergers among airline operators: some local Indonesian airlines have merged with foreign operators, for instance Mandala and Singapore's Tiger Airways; (e) Low awareness of the LCC model: Low awareness of the LCC model is a threat because sometimes people think that in the end prices under LCC are not going to be too different from in FSC; moreover, they may not get some facilities currently available in FSC.

The EFE matrix reveals that the most important external factor that influences success in this business is the high demand for air travel, as indicated by its weight of 0.18. The results from the IFE and EFE Matrix shows that Citilink is in cell 1, which supports an aggressive strategy as shown in figure 2.

The total weighted score of 3.55 and 3.36 is above the mid-point of 2.5; therefore this aviation business is already doing well since it has the internal strength to avoid threats faced by the organization and to take advantage of external opportunities. However, there is certainly room for improvement, since the highest total weighted score is 4.0. This improvement can be made by employing an aggressive strategy as indicated by the SWOT Matrix.

The most suitable strategy for Citilink in facing the ASEAN Open Skies policy 2015

Citilink lies in cell 1 of the SWOT Diagram, which supports an aggressive strategy. The appropriate strategies are market development, market penetration, and product development (Fardela, 2013). Below are the explanations for these strategies:

Market development

According to Pearce and Robinson (2013), this is the least costly and the least risky of the 15 grand strategies. Citilink's market segmentation currently includes middle and lower income citizens. The major target markets are people who visit friends and relatives (VFR) and budget travelers. Citilink can increase its market share by expanding its distribution channels. Business and student travelers can also become their new target markets because companies have begun to consider the idea of reducing expenditures by cutting their travel budget. Citilink can advertise through attractive posters to develop its market share among student travelers and advertise in regional business magazines to attract business travelers, both those coming from Indonesia and those from other ASEAN states. Since Internet

coverage in Indonesia is still not quite universal and not all citizens use credit cards, a large network of agents must be prioritized. Other ticket distribution channels such as post office may prove helpful as well. To give customers a unique experience, Citilink can create a "blind booking" program. This program was first implemented in Germany but has not reached Indonesia. Basically, the customer must pay for the ticket first without knowing which destination the computer program will book them to. They just need to choose the date of departure and arrival. After the payment is confirmed, the system will inform the passenger about their destination and flight time. This system should also be made available to customers outside Indonesia as well.

Market penetration

Citilink can increase its promotion activities by advertising extensively on the television because this medium can reach remote areas that still lack Internet access. It can also create a special program for a particular target market, such as discounted rates for corporate travel or a frequent flyer program to attract passenger loyalty.

Product Development

Service companies must be able to provide high quality service to satisfy customers. One possible way is by adding ancillary services, such as on-board Wi-Fi service. It is clear that Citilink's main target market is young budget travelers who rely on Internet access. Another service that can be offered is snacks or beverages that are popular with the target market. Rather than selling soft drinks or carton juice, Citilink can establish a strategic cooperation with certain vendors to sell bubble drinks on board for younger customers or to sell premium-brand

coffee for older ones such as business travelers. Not only will this increase revenue, but customers may also feel that Citilink understands what they want

CONCLUSION

10 ASEAN member countries have agreed to liberalize passenger air transport and established two multilateral agreements to this effect: the ASEAN Multilateral Agreement on Air Services (November 2008) and the ASEAN Multilateral Agreement on the Full Liberalization of Passenger Air Services (December 2010). This open skies policy is scheduled to be implemented in two years' time.

The introduction of Open Skies will remove market entry and operational restrictions. The consequent liberalization will lead to increased competition, evidenced by the entry of new airlines, an increase in air transportation services including new routes, increased frequency on existing routes, enhanced products, and lower prices. The result is an accelerated growth in air traffic that stimulates growth in the economy, boosts economic activity, and increases employment. However, it is not easy to implement Open Skies the Southeast Asia region due to huge differences between the member states in terms of population, GDP per capita, and availability of skilled human resources (among others).

On the other hand, the low-cost carrier sector is growing in this region. The growth is supported by some factors such as a predominantly maritime geography, growing economies, air liberalization, and people's desire to travel.

It is concluded that the awareness level of Citilink Marketing Staff about the ASEAN Open Skies Policy is high, although there are some differences in awareness level based on demographic grouping. Out of 3 factors, knowledge has the most significant influence upon awareness level.

Every policy will have advantageous and disadvantageous impacts on involved parties, and the ASEAN Open Skies Policy is no exception. The regional Open Skies policy follows the same principles as the 2009 Indonesian Aviation Act in certain fundamental aspects such as security and safety. However, there are important differences in other aspects related to economy and sovereignty issues.

From the SWOT Analysis and the calculation of the IFE and EFE Matrix, it can be seen that Citilink is already in a good position and should employ an aggressive strategy to seize the opportunity to become the market leader in the low-cost carrier sector in Southeast Asia, which is currently on track to a more liberalized environment.

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