

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The Minister of Tourism and Creative Economy of Indonesia, Sandiaga Uno, predicts that traveling trends will likely be in demand in 2023. According to him, healing tourism or those that are part of wellness tourism are still and will be of interest to travelers in the next year. This happened because of a paradigm shift in tourism. According to Sandiaga, tourists will seek tourism or vacation activities for their mental health and also their thoughts (Inasis, 2022). Dutch researchers set out to determine the impact of trips on overall happiness and how long it lasts. They looked at happiness levels in 1,530 Dutch people, 974 of whom went on vacation throughout the 32-week study. The study, published in the journal *Applied Research in Quality of Life*, discovered that the simple process of planning a vacation provides the greatest boost in happiness. The study found that anticipating a vacation increased happiness for eight weeks (Parker-Pope, 2010).

Various restrictions during the pandemic then triggered people to take revenge on a trip that involved emotions and tended to be excessive, according to a social psychologist from the Indonesian Psychological Association (HIMPSSI), Juneman Abraham. This phenomenon emerged as a response to feelings of being imprisoned or mobility deficits due to restrictions on physical movement during the pandemic (Dianti, 2021). This phenomenon also causes tourism actors to breathe fresh air because many people's desires to undertake traveling activities fills hotels, airports, train stations, and bus terminals. According to BPS statistics, despite a considerable reduction in domestic visitor numbers in 2020, the number of domestic tourists began to rise in 2021 (Figure 1.1).

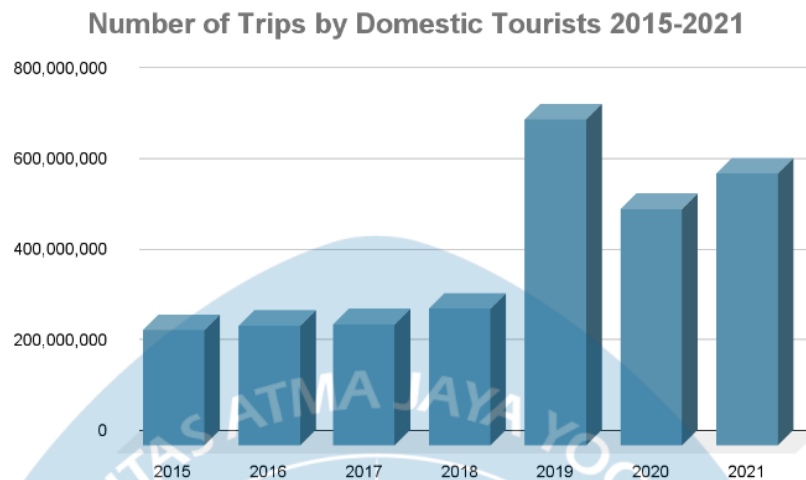


Figure 1.1  
Number of Trips by Domestic Tourists 2015-2021  
Source: BPS (2021)

PT. Kereta Api Indonesia (KAI) is a state-owned enterprise (BUMN) with a rich history, having undergone various forms of BUMN structures that are recognised in Indonesia. Prior to World War II, the management of rail transport in Indonesia was under the purview of a privately-owned Dutch company. Moreover, it can be noted that in 1950, the management of the previously mentioned organization was transferred to the Ministry of Communications of the Republic of Indonesia, by means of DKA (Djawatan Kereta Api). The railway manager underwent a series of name and status changes over time. Specifically, it was renamed to PNKA (the State Railways Company) in 1963, PJKA (Railroad Bureau Company) in 1971, PERUMKA (Railroad Public Company) in January 1991, and ultimately changed to PT KAI - Kereta Api Indonesia (Persero) in June 1999. PT KAI has a significant opportunity to enhance its profitability by adopting the Persero form, given that the operation of rail land transport remains under the authority of the government monopoly.

Railways, as a component of the national transportation system, are characterized by their mass transportation capabilities and unique advantages. It is imperative to develop their potential and enhance their role as a crucial link between regions on both national and international levels. This will enable railways to serve as a support system, driving force, and catalyst for development, ultimately

contributing to the improvement of people's welfare. Moreover, the train presents several benefits such as its independence from traffic congestion due to its exclusive rail system, and its enhanced fuel efficiency resulting from its ability to carry a substantial amount of cargo in a single journey.

Executive trains are a type of passenger train that is outfitted with air conditioning technology. Executive trains offer entertainment amenities during transit, such as audio and video presentations from "Show On Rail" operators that are subsequently broadcasted nationally through KATV transmissions (Radio Television). This service was first introduced on Executive Trains in the year 2000. Apart from recreational amenities, travellers have the option to request victuals and beverages from a pre-determined menu, which can be relished either in their designated seats or within the dining car, fashioned as a miniature bar.

The origins of the Executive Train can be traced back to the introduction of the Parahyangan Train, which marked the initial phase of its development. Subsequently, the Executive Train made significant strides with the introduction of the Bima Train, which comprised a range of Class 1 and 2 sleeper trains.

Table 1.1  
Number of Passengers on PT. KAI executive service

Description	2021	2020	Growth	
			Difference	Percentage
PT. KAI Executive service	1.469.231	1.284.652	184.579	14,37%

Source: E-PPID PT Kereta Api Indonesia (2021)

In 2021, the Main Executive Class Train transported a total of 1.469.231 passengers, indicating an incline of 14.37% in comparison to the previous year's figure of 1,284,652 passengers. The incline in service utilization can be attributed to the increasing train capacity during the end of PPKM period, as mandated by government regulations aimed at enforcing social distancing measures to mitigate the spread of COVID-19. Consequently, certain groups of service users that are scared opted to continue their trips.

Meanwhile, the luxury train offered by KAI represents the most exclusive mode of transportation, offering a maximum capacity of 18 passengers per carriage. The primary dissimilarity between the two trains is discernible in the configuration of the seating arrangement, which bears a striking resemblance to that of a business class aircraft. The seating arrangement is equipped with partitions that offer a heightened sense of privacy. Additionally, the seats are capable of reclining up to 150 degrees, which can be conveniently adjusted using automatic buttons. The softness of the foam facilitates optimal passenger rest during the trip, allowing for comfortable stretching of the body.

Joni Martinus, the Vice President of Public Relations at PT Kereta Api Indonesia, has reported that the executive luxury trains experienced a 96% occupancy rate during the Eid homecoming period. The data presented in this figure was obtained during the period spanning from April 22nd to May 13th, 2022. In the specified timeframe, the number of individuals who availed the services of luxury trains amounted to 7,382. The occupancy rate of the available capacity, which was 7,706 seats, was recorded at 96 percent.

The Indonesian government is committed to developing a national railway system as the backbone of passenger and freight transportation to enhance efficiency and reduce congestion (Ministry of Transportation Directorate General of Railways, 2018). In Indonesia, the provision, regulation, and management of railway transport services are carried out by PT Kereta Api Indonesia (PT KAI). PT Kereta Api Indonesia (PT KAI) is continuously improving its efforts to achieve an efficient, environmentally friendly, safe, comfortable, punctual, and easily accessible mode of transportation (PT Kereta Api Indonesia, 2021). However, the availability of various transport alternatives, the construction of toll roads, and the increase in private transport ownership may reduce the interest in using railway transport.

To encourage passengers to use rail transportation services depends on the ability to increase customer trust. Trust is very important for PT KAI because empirically it influences the loyalty of train passengers (Anggrayni et al., 2020; Borhan et al., 2019; Kospandani & Wahyudi, 2021; Muslim et al., 2020; Wang et

al., 2020; Wonglakorn et al., 2021). Customer trust has a positive effect on company reputation and financial performance (Song et al., 2019).

## 1.2 Problem Statement

Based on the background above, the formulation of the problems and questions of this research are:

1. Does customer engagement influence customer loyalty?
2. Does service quality influence perceived value?
3. Does service quality influence brand image?
4. Does service quality influence customer satisfaction?
5. Does service quality influence customer loyalty?
6. Does perceived value influence customer satisfaction?
7. Does perceived value influence customer loyalty?
8. Does perceived value influence customer engagement?
9. Does customer satisfaction influence brand image?
10. Does customer satisfaction influence customer engagement?
11. Does customer satisfaction influence customer loyalty?
12. Does brand image influence customer loyalty?
13. Does brand image influence customer engagement?
14. a. Does perceived value mediate the influence of service quality on customer loyalty?  
b. Does brand image mediate the influence of service quality on customer loyalty?  
c. Does customer satisfaction mediate the influence of service quality on customer loyalty?
15. a. Does customer satisfaction mediate the influence of perceived value on customer loyalty?  
b. Does customer engagement mediate the influence of perceived value on customer loyalty?
16. Does customer engagement mediate the influence of customer satisfaction on customer loyalty?

17. Does customer engagement mediate the influence of brand image on customer loyalty?

### **1.3 Research Objective**

From the formulation of the problems and questions above, the purposes of this research are:

1. To analyze the influence of customer engagement on customer loyalty.
2. To analyze the influence of service quality on perceived value.
3. To analyze the influence of service quality on brand image.
4. To analyze the influence of service quality on customer satisfaction
5. To analyze the influence of service quality on customer loyalty.
6. To analyze the influence of perceived value on customer satisfaction.
7. To analyze the influence of perceived value on customer loyalty.
8. To analyze the influence of perceived value on customer engagement.
9. To analyze the influence of customer satisfaction on brand image.
10. To analyze the influence of customer satisfaction on customer engagement.
11. To analyze the influence of customer satisfaction on customer loyalty.
12. To analyze the influence of brand image on customer loyalty.
13. To analyze the influence of brand image on customer engagement.
14. a. To analyze perceived value mediates the effect of service quality on customer loyalty.  
b. To analyze brand image mediates the effect of service quality on customer loyalty.  
c. To analyze customer satisfaction mediates the effect of service quality on customer loyalty.
15. a. To analyze customer satisfaction mediates the effect of perceived value on customer loyalty.  
b. To analyze customer engagement mediates the effect of perceived value on customer loyalty.
16. To analyze customer engagement mediates the effect of customer satisfaction on customer loyalty.



17. To analyze customer engagement mediates the effect of brand image on customer loyalty.

#### **1.4 Research Benefits**

This research is expected to be able to provide benefits for the readers that are divided into theoretical and practical benefits.

##### **1. Academic Benefit**

For readers and researchers, this research is expected to provide information and new perspectives to increase knowledge about the impact of service quality, customer engagement and selected marketing constructs on PT. Kereta Api Indonesia (KAI) passenger loyalty. It is anticipated that this research will serve as a valuable reference and provide useful information for future researchers, whether they are conducting similar studies or developing new variables.

##### **2. Practical Benefit**

It is anticipated that the researcher's findings will provide valuable insights and make a significant contribution to the transportation industry. The aim of this study is to provide reliable information for enhancing the performance of PT. Kereta Api Indonesia (KAI) with the objective of augmenting customer loyalty. In spite of the notable growth of the transportation sector in Indonesia subsequent to the pandemic, PT. Kereta Api Indonesia must recognize the need to enhance its service quality, customer engagement, customer satisfaction, brand image, and perceived value in order to generate greater customer loyalty.

#### **1.5 Writing Systematic**

The systematics of writing this research is described as follows:

##### **Chapter 1 Introduction**

The first part of the research paper is often referred to as the introduction. The introductory section includes the contextual framework of the study, the statement of the research problem, the research objectives, the anticipated research outcomes, and the research methodology.

##### **Chapter 2 Literature Review**

The second chapter is review of various theories and literature from previous research and variables that form the basis of the conduct research. The variable that will be utilized in this research are service quality, customer engagement, customer satisfaction, perceived value, brand image and customer loyalty. This chapter consists of the definitions and explanation of variables, the related previous research that support the hypothesis development, the hypothesis development, and the research framework.

### **Chapter 3 Research Methodology**

The third chapter is the explanation of the method used for this research. This chapter consists of the explanation of type of research including objects, subjects, and location of the research, the research population and sampling, the operation definition (variable, indicators, and measurement scale), the data collection, the measurement and the data analysis method with analytical tools.

### **Chapter 4 Data Analysis & Discussion**

The fourth chapter is an illustration of data statistical analysis & discussion. This chapter consists of the explanation of the findings with descriptive statistics and overview based on predetermined hypotheses, data analysis using analytical tools, and the discussion of the research findings.

### **Chapter 5 Conclusion**

The fifth and the last chapter is the conclusion of this research. This chapter consists of the conclusion of the research, the managerial implication, the limitations (disadvantages), and the suggestion for future research.