

Research article

The Business Strategy of the Indonesian Air Transportation Sector During the COVID-19 Pandemic

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Abstract.

The purpose of this study was to examine the airline industry's business strategy during the COVID-19 pandemic. This investigation focused on PT Garuda Indonesia. A qualitative approach was used, and the research was descriptive in nature. Data were collected through in-depth interviews with key informants and Garuda Indonesia service users, such as the Senior Manager for Operations and Engineering, Garuda Indonesia ticket sales customer service officers, airport officers, PT Garuda employees, and Garuda Indonesia plane passengers. The data were analyzed using the SWOT method. According to the findings, during the COVID-19 pandemic, PT Garuda Indonesia implemented several business strategies, including providing safe and comfortable facilities for Garuda Indonesia airline passengers by implementing strict health procedures, and expanding the cargo service business through freight forwarding services. Sponsors of other companies who wanted to promote their products on Garuda planes could use the digital KIRIM AJA. It can be concluded that PT Garuda Indonesia is acutely aware of the COVID-19 pandemic's impact on its business continuity and has been attempting to implement various strategies to survive the pandemic by first assessing the company's strengths and weaknesses, as well as the opportunities and challenges it faces.

Keywords: air transportation, COVID-19, business strategy, SWOT analysis

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1. Introduction

Almost all countries in the world are experiencing difficulties due to the Corona Virus Disease 2019 (COVID-19) outbreak, including Indonesia. The World Health Organization (WHO) declared the virus outbreak to be a pandemic that has spread globally, so quickly from time to time. The emergence of the covid-19 pandemic that hit almost all over the world resulted in paralysis of the joints of life, including the economic sector. The economy was in shock for individuals, households, macro and micro-scale companies in almost all of the world, including Indonesia. Indonesia has issued several policies to respond to the Covid-19 pandemic which has not subsided since the first case in Indonesia emerged in early March 2020. Various efforts have also been made by the Indonesian government to overcome the pandemic problem, including by urging the


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public to stay at home. have a great impact on men the decline in community mobility, which leads to a reduced demand for transportation modes. One of the impacts is the decrease in the movement of transportation modes. This is because the government made a decision with the existence of a new social system, namely social distancing and physical distancing, and was followed up with the Large-Scale Social Restriction Policy (PSBB) and the Enforcement of Restrictions on Community Activities (PPKM). The existence of the COVID-19 pandemic has an impact on almost all mass transportation sectors which have experienced a decline in passengers, including air transportation. Therefore, 'forcing' all transportation companies, including air transportation, to make some special adaptations in order to maintain their existence, by implementing precise business strategies in order to survive.

PT. Garuda as the largest airline in Indonesia is one of the modes of transportation that has been affected by the COVID-19 pandemic. President Director of Garuda Indonesia, Irfan Setiাপutra, said that the number of airline passengers had fallen by 90 percent. Currently, Garuda's passenger occupancy rate is only 10%. "So the Covid-19 pandemic has indeed caused a significant impact on the aviation industry", said Irfan in the Webinar "Anticipation and Adaptation of the Transportation Business World in the New Normal (Ipotnews, 16/6/2021). If this condition is allowed to continue, it will have an impact. Therefore, Garuda must be able to find a way out by developing business strategies in other sectors so that it can continue to exist in the aviation world.

2. Theoretical Framework/Related Research

2.1. Theoretical Framework

Business is a term to describe all the activities of various institutions from those that produce goods and services that are necessary to meet people's daily lives (Manullang, 2013: 7). To carry out these business activities, the community uses land, sea and air transportation modes. To increase sales of its products, companies need to carry out various strategies. Corporate strategy relates to activities to determine how much resources will be invested in existing businesses or new businesses that are planned to strengthen the portfolio they have (Hamid and Arifin, 2016). If the decision taken is to continue the functionalization of the business existence, then the strategy taken is a stability strategy. If the company plans to grow it with a new business, it tends to choose a growth strategy. Meanwhile, if there are reduced activities in the future, the strategy taken is a downsizing strategy (Hamid and Arifin, 2016). Thomson and

Strickland (Sampurno, 2013: 120) suggest that to analyze the company’s strategy there are two indicators that need to be considered, namely: (1) whether the company can achieve its financial targets and strategic objectives; and (2) whether the company’s performance is above the industry average. According to Glueck (Hamid and Arifin, 2016) the implementation of a stability strategy will be effective if the company is in the following three conditions: 1) a company in an industry that is already established, 2) the company achieves success in its business activities, and 3) changes in environmental conditions are very slow.

In determining the business strategy of an organization can use many analytical methods, one of which is a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). According to Pearce and Robinson (Hamid and Arifin, 2016) SWOT analysis is a systematic way to identify the strength and weakness factors in a company as well as the opportunity and threat factors in the environment facing the company. Gurel and Tat (2016) have identified several variables that must be analyzed by management, as shown in table 1.

TABLE 1: SWOT Variable Identification.

1.	Strengths and weaknesses			
	Company Reputation Channel Management Decision making Scale Financial Labor relations	Brand Names Computer Information Systems Distribution Economic of Resources Government Inventory Management Leadership	Customer loyalty Lobbying Management	Location Management operation Marketshare Physical facilities/equipment Product/service differentiation quality Promotion Public relation Research and development Selling Technology
2.	Threats and opportunities: Economic forces Technological forces			
	Industrial forces Political/legal forces Social forces			

2.2. Related Research

Previous research that has been done shows several findings. Bunga et al (2017) studied about marketing strategy applied by airlines with low cost carrier concept at PT. Garuda Indonesia Citilink, its impact on the company’s competitiveness. The results of the study concluded that PT. Garuda Indonesia Citilink has experienced very rapid growth in terms of the number of passengers, flight frequency, and flight routes, due to the cheap ticket prices provided.

Another research by Rosmadi (2021) about the business strategy in marketing Waroenk Ngemil products through social media, which explains that this strategy can work as expected by paying attention to consumer purchasing power during the

Covid-19 pandemic. However, by using social media facilities, the funds needed by small business actors have an impact on reducing business capital

Then. Research by Sumarni (2020) concluded that Covid-19 pandemic had an impact on decreasing demand for sharia products and hampering sharia production because the raw materials came from foreign countries.

3. Methodology

This research is a type of descriptive research, while the method used is a qualitative method. The data used in this study are primary data and secondary data. The method used in primary data collection is in the form of observations made directly to the field, namely at Soekarno Hatta airport and Garuda Indonesia aircraft hangars and in-depth interviews with key informant. The key informant in this study include: Senior Manager Operations and Engineering, Garuda Indonesia ticket sales customer service, airport officers, PT Garuda employees, Garuda Indonesia flight passengers. Furthermore, secondary data was extracted from internet sites and other related reports related to the object of research. Secondary data were obtained from: electronic media (Kompas.com, Merdeka.com, etc.), PT Garuda Indonesia website (Garuda Indonesia profile, PT Garuda Indonesia organizational structure and PT Garuda Indonesia financial reports). The data analysis method used in this study is the SWOT analysis method, which consists of Strengths, Weaknesses, Opportunities and Threats. SWOT analysis aims to maximize strengths and opportunities, but can minimize weaknesses and threats.

4. findings and analysis

4.1. Overview of PT Garuda Indonesia (GA)

Garuda Indonesia currently serves more than 60 destinations around the world and various exotic locations in Indonesia. Garuda Indonesia Group operates a fleet of 210 aircraft in total with an average fleet age of under five years. Meanwhile, Garuda Indonesia as the main brand currently operates 142 aircraft, while Citilink operates 68 fleets. Until 2020, Garuda Indonesia has succeeded in getting recognition from various parties, including Garuda Indonesia achieving a 5-Star On Time Performance Rating 2020 from OAG Flightview, which is an Independent On Time Performance rating agency based in the UK. In addition, Garuda Indonesia also won "The Best Airline in Indonesia" for 4 consecutive years from 2017 - 2020; "Major Airlines - Traveler's Choice

Major Airline Asia” for 3 consecutive years from 2018 - 2020 from the TripAdvisor 2020 Traveler’s Choice Airlines Awards and has been named one of the airlines with the implementation of the best health protocols in the world version of the ”Safe Travel Barometer”. (www.garuda-indonesia.com).

In line with its efforts and commitment to provide a safe and comfortable flying experience for all service users, especially when traveling during the Covid-19 pandemic, Garuda Indonesia Consistently Prioritizes Security and Comfort Aspects One of them by Strictly Implementing Various Health Protocol Policies in All Lines Service Mainly Through Physical Distancing Policy During Flight.

The impact of the decline in passengers was also confirmed by the senior manager of operations engineering of PT Garuda Indonesia as the results of the interview as follows:

”The COVID-19 pandemic, which has been running for more than a year, has had a very significant impact on all sectors, especially the aviation sector. Not only Garuda, all airlines, both domestic and foreign, have been affected by this pandemic. The number of Garuda passengers also decreased significantly due to public concerns about the transmission of the COVID 19 virus, in addition to government policies that took preventive measures to tackle the increase in COVID 19 cases in Indonesia by imposing large-scale social restrictions and limiting the movement of people across countries (except for passengers) / repatriation / Indonesian citizens who will return to Indonesia or foreigners who will return to their countries of origin) make airlines also cut flight frequencies due to falling demand to minimize operational costs incurred”.

After making observations at the airport on April 22, 2021, Soekarno Hatta international airport seemed deserted. The absence of these passengers has a significant impact on Garuda Indonesia’s revenue. The decline in the company’s income finally forced the company to borrow from the government. This is as published in the digital daily Merdeka February 9, 2021, that PT Garuda Indonesia has successfully completed the process of disbursing the proceeds from the issuance of the Mandatory Convertible Bonds (OWK) of Rp. 1 trillion for a tenor of 3 years. The funds will be used to support liquidity, solvency, and finance the company’s operations.

The decline in the company’s revenue for PT Garuda Indonesia was confirmed by Senior Manager operation engineering as the results of the following insights:

”From the company’s point of view, it has been confirmed that the company’s revenue will fall in line with the decreasing demand (passengers) due to this pandemic. while in terms of costs incurred, due to a decrease in demand, so that there is also a decrease in the number of flight frequencies, direct operational costs (which are variable) also

decrease, but there are some fixed cost flight operational costs such as aircraft rental costs, maintenance aircraft, human resource costs and other fixed costs that remain the company's expense.

Furthermore, when asked about the strategy taken by the company in an effort to maintain the company's existence, it was stated as follows:

"Doing various ways to stay afloat, by making several breakthroughs such as:

1. increased flights to accommodate demand cargo,
2. expanding charter flight business opportunities,
3. conduct a campaign to support government programs in vaccine prevention, such as reducing the capacity of seats sold to maintain health protocols with the "Because You Matter" campaign, "Let's Wear a Mask" aircraft livery),
4. Negotiating with the Lessor regarding the restructuring of the aircraft charter fee
5. perform cost efficiency by reducing the number of human resources (early retirement, no extension of contract employees)
6. Negotiating for support from the government
7. Maximizing passenger loading on certain routes, and maximizing the use of aircraft owned

Finally, after doing study at PT Garuda Indonesia, the SWOT analysis was carried out as explained below:

Based on the SWOT analysis, the following business strategies for PT Garuda Indonesia can be recommended:

SO Strategy: (Using Strength to take advantage of opportunities, developing existing strengths to take advantage of opportunities/aggressive growth strategies), by:

1. Provide safe and comfortable facilities for GI airline passengers by implementing strict health procedures in order to regenerate public trust who travels by plane for family, official and other purposes
2. Expanding the cargo service business through the digital shipping service KIRIM AJA
3. Provide space for sponsors of other companies who want to market their products on Garuda planes

WO Strategy: (Overcome weaknesses by taking advantages of opportunities, taking advantage of opportunities by minimizing weaknesses/product and market diversification strategies) through:

1. Minimize and streamline operational costs such as: fuel efficiency

TABLE 2: Garuda Indonesia's SWOT.

STRENGTHS	WEAKNESSES
<p>a) Company Reputation : Garuda Indonesia is the oldest Indonesian national airline in Indonesia which has been operating since 1949. b) Brand Names : Garuda Indonesia is the best airline in Indonesia and the 6th best on the Asian scale c) Channel Management : GA has a sophisticated reversion system d) Computer Information System: GA has a sophisticated operating system and reversion system e) Control Systems: GA has a sophisticated operating system f) Costs: GA has its own maintenance facility, so it is more efficient and better g) Customer loyalty: 1) GA has a Garuda Miles program that can be used by loyal passengers using GA in the form of free tickets, etc. 2) GA provides pre-flight services in the form of: First Class Lounge for Boeing 777 passengers, and Business Class Lounge h) Distribution: GA has a small plane that functions as a feeder i) Economic of Scale: The number of GA aircraft in 2019 is approximately 170 j) Government Lobbying: GA is the only Indonesian airline that is trusted to transport Indonesian pilgrims by the Government of Saudi Arabia k) Manufacturing and operation: GA received the IATA Operational Safety Audit (IOSA) certificate from The International Air Transport Association (IATA) as an airline that has implemented international standard operational management and control systems. l) Organizational structure: 1) GA is categorized as Very Good in implementing the company's GCG in 2019 by independent assessors 2) GA has its own maintenance facility, so it is more efficient and better m) Physical facilities/equipment : 1) The number of GA aircraft in 2019 is approximately 170 2) GA provides facilities in the form of: Flat Bed Seats, more legroom with a minimum pitch of 32 inches, and Wifi 3) GA provides wide body aircraft specifically for cargo with type A 330-300 n) Product/service differentiation: Has 7 subsidiaries: PT Aerowisata, PT Saber Travel Network Indonesia, PT GMF Aero Asia, PT. Aero System Indonesia, PT Citilink Indonesia, PT Garuda Indonesia, Garuda Indonesia Holiday France o) Product/service quality: 1) In Dec 2014 was awarded a 5 star rating from Skytrax 2) High safety and punctuality of GA flights and low incident rate 3) GA implements strict covid process standards p) Promotion: Since 2013 GI has provided wifi services for long-haul flights of type AB 330-200/300 and Boeing B777-300 ER q) Quality control : In 1950 GA got IATA certificate which shows that GA has complied with aviation safety standards.</p>	<p>a) Costs: 1) High operating costs so the price of airline tickets is high 2) The types of aircraft vary greatly so that the cost of purchasing spare parts becomes expensive b) Purchasing: Aircraft rental prices that are higher than the market price c) Organizational structure: The organizational structure is too big d) Leadership: High position positions are often taken from outside the organization e) Garuda international flights that cannot compete with other international airlines, especially foreign airlines.</p>

2. Negotiating with the lessor to delay payment of bills that are due

3. Restructuring the organization through offering early retirement for employees who have entered the age of 50 years.

WT Strategy: (Minimize weaknesses and avoid threats/Defensive Strategies), including:

1. Optimizing funding assistance of 1 trillion from the government to cover unavoidable operational costs

TABLE 3

OPPORTUNITIES	THREATS
<p>a) Economic forces : There are other companies that want to advertise their products on Garuda planes b) Industrial forces: Cargo business in eastern Indonesia (Kalimantan to Papua in the form of sea fish shipments) with the digital shipping service KIRIM AJA c) Political/legal forces: GI airlines have flight permits for Indonesian Hajj pilgrims from the Government of Saudi Arabia d) Social forces: GI is a member of Sky Team Global Airline Alliance so it can serve international routes.</p>	<p>a) Economic forces: There are still many people who choose to take cheaper planes b) Political/legal forces: There is an option for the government to lower the price of airline tickets to stimulate the tourism industry c) Industrial forces: There are other airlines operating with more competitive ticket prices: Lion, Sriwijaya, WingsAir, Air Asia d) CAB-OTAGE policy that is detrimental to GA, namely a country has the right to restrict foreign airlines from serving their domestic flights. On the other hand, the existence of foreign airlines in the long term will kill local airlines.</p>

2. Not rehiring retired pilots
3. Offer/sell aircraft to other airlines to cover losses
4. Extend the economic life of the aircraft

ST strategy (Using strength to avoid threats), as follows:

1. Spraying aircraft with disinfectant regularly to increase public confidence
2. Implement stricter procedures

5. Conclusions

As a state-owned business company, PT Garuda Indonesia really feels the impact of the COVID-19 pandemic for the sustainability of its business. Therefore, PT Garuda Indonesia implements various strategies to survive during this pandemic, by first looking at the company's strengths and weaknesses, which are the company's internal factors. Besides that, it also pays attention to the opportunities and challenges faced by the company, which are external factors that are no less important to consider.

In the face of the COVID-19 pandemic, Garuda Indonesia needs to continue to differentiate services, save on company operational costs and tighten health protocols. In terms of service differentiation, Garuda must strive for various sustainable business developments to improve business competitiveness. The business segment that has the most opportunity to be developed includes cargo services which need to be strengthened with various attractive promotions in order to attract customers to use Garuda's cargo services. In addition to strengthening cargo services, it is also necessary to improve private aircraft rental services to customers. In the future, PT

Garuda Indonesia needs to work together with the Ministry of Tourism to jointly revive the Indonesian tourism sector.

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