
Analysis of the Form and Impact of Airfare Discrimination in Indonesia

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Abstract

Research aim : To analyze the forms of price discrimination in the airline industry in Indonesia and its impact on consumers and business actors.

Design/Method/Approach : The research method used is a qualitative approach with a descriptive method through literature studies from academic journals, policy reports, and official government publications.

Research Finding : Based on the results of data analysis, the research findings are (1) various forms of price discrimination exist, including based on time of purchase, class of service, location of purchase, payment method, and customer loyalty programs, (2) the impacts on consumers include price uncertainty, unfair access to transportation, and potential price exploitation through price adjustment algorithms, (3) the impacts on businesses include revenue optimization but also increased regulatory risks and decreased customer loyalty if perceived as unfair.

Theoretical contribution/Originality : This paper highlights how price discrimination strategies in the airline industry impact the balance between business optimization and consumer protection in the Indonesian context.

Practitioner/Policy implication : More transparent and fair policies are needed in the implementation of pricing strategies to protect consumer rights without hindering fair business competition in the aviation sector.

Research limitation : Limited to literature studies without direct empirical analysis of airline pricing behavior in Indonesia.

Keywords : Price discrimination, airline tickets, airline industry.

1. Introduction

Price discrimination is the practice of setting different prices for different consumers for the same goods or services, based on various (Hidayat et al., 2019; Lubis & Simbolon, 2019). This practice has long been a business strategy applied in various sectors, both on a domestic and global scale. While it can improve market efficiency and maximize corporate profits, price discrimination also poses ethical and social challenges. Unequal access to goods and services due to significant price differences can deepen economic disparities and create injustice for groups with low purchasing power (Abdella et al., 2021; Hemmati et al., 2023). On the one hand, this strategy allows firms to maximize profits and improve market efficiency and on the other hand, inequity in access to goods and services can be a social problem that deepens economic disparities (He, 2016; Malighetti et al., 2009). Consumers with low purchasing power often experience difficulties in obtaining the goods and services they need at affordable prices.

In Indonesia, price discrimination occurs in various sectors, including transportation, hospitality, education, and e-commerce. In the transportation industry, for example, tariffs for online motorcycle taxis and app-based taxis often fluctuate based on demand and vehicle availability at any given time (Sugesti & Deva Aurellea, 2025). In the hospitality sector, the price of hotel rooms can differ depending on the time of booking and the hotel occupancy rate in a certain period (Natalia et al., 2020). In education, the cost of education in private schools or colleges often differs for prospective students based on the entry path, internal subsidies, or scholarships available. Meanwhile, in the e-commerce sector, companies use algorithms to adjust prices based on search history data, user location, and their shopping habits (Hasanah & Iriani, 2024; Oktavia et al., 2021; Paramita & Wahyuningtyas, 2020; Yetti et al., 2021). This phenomenon shows that while price discrimination can benefit businesses and consumers who are more flexible in their purchases, people with low purchasing power are often at a disadvantage.

The Indonesian government has issued various policies to address excessive price discrimination and protect consumers. Through Consumer Protection Law No. 8/1999, the government seeks to prevent unfair business practices and guarantee consumer rights (Jisman, 2022; Suryadi, 2019). In addition, regulations related to business competition as stipulated in Law No. 5/1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition aim to create fairer competition in the market (Chusnida & Muliani, 2024; Petting, 2017; Pratama, 2020). The government also applies subsidies and price controls on certain goods and services, such as fuel oil (BBM) and electricity tariffs, to ensure affordability for the wider community.

One of the most frequent forms of price discrimination in the public eye is in the airline industry in Indonesia (M. Sari et al., 2020; Sunur & Sunur, 2022). Airline ticket prices often experience significant fluctuations depending on factors such as the holiday season, time of booking, and method of ticket purchase. For example, tickets purchased in advance tend to be cheaper than tickets purchased close to the departure date (Auliya & Frisnawati, 2024; A. N. Sari & Wakhidah, 2022). In addition, airlines also apply price segmentation based on service classes, such as economy, business, and *first class*, which offer different facilities at much higher prices. Some online platforms even apply price adjustments based on a user's location or their search history, which can lead to consumers paying different prices despite purchasing tickets for the same route.

1.1. Statement of Problem

Based on the background that has been described, this research seeks to answer several main questions:

1. What forms of price discrimination occur in the aviation sector in Indonesia?
2. What is the impact of price discrimination on consumers and businesses in Indonesia?

1.2. Research Urgency

This research has high urgency given the widespread practice of price discrimination in various economic sectors, which has a direct impact on people's welfare. Inequity in the pricing system can exacerbate social and economic inequality, especially for low-income groups. In addition, this research is also important in providing insights for the government and regulators in formulating more effective policies to protect consumers while maintaining fair business competition.

1.3. Research Novelty

This research makes a novel contribution by identifying patterns of price discrimination in the aviation industry in Indonesia and describing the various impacts on consumers and aviation businesses. In contrast to previous studies that mostly discuss price discrimination in a macroeconomic context, this study focuses on the real impact on consumers and businesses in the aviation industry in Indonesia, and provides data-based recommendations for fairer and more transparent policies.

2. Method

This research uses a qualitative approach with a descriptive method to analyze the phenomenon of air ticket price discrimination in Indonesia. Data was collected through literature studies from national and international academic journals, policy reports, and official government publications related to price regulation and consumer protection. Data analysis was carried out in 3 stages, namely data reduction, data presentation, and conclusion drawing.

3. Results and Discussion /Hasil dan Pembahasan

3.1. Impact of airfare discrimination on passengers/consumers

In the airline industry, the implementation of price discrimination strategies has become a common practice that allows airlines to adjust ticket prices based on various factors, such as booking times, market demand, and user profiles. While this strategy aims to optimize profits and manage flight capacity, its impact on passengers is often inconvenient and uncertain. Significant price differences for the same service can make it difficult for consumers to plan their travel budgets, create inequities in access to transportation, and potentially exploit passengers who lack understanding of dynamic pricing systems. In addition, airfare instability also impacts the tourism and business mobility sectors, which rely on stable travel costs. If consumers feel that the ticket prices they pay are unfair or not transparent, this can lead to dissatisfaction and reduced trust in airlines and travel agencies. Here are some of the main impacts of airfare discrimination on passengers:

1. **Price Uncertainty and Financial Planning Difficulties:** Passengers experience difficulties in planning their travel budget due to fluctuating airplane ticket prices (Hidayat et al., 2019). Prices that fluctuate depending on the time of purchase and location of purchase can cause uncertainty for consumers.
2. **Inequity in Access to Transportation:** Economically deprived passengers may find it difficult to get cheaper tickets due to lack of access to technology or information on strategies to get the best price. This can exacerbate social inequalities in people's mobility (Nafisah, 2024).
3. **Potential Exploitation of Consumers:** Some online platforms use algorithms to adjust prices based on a user's search history or location. This can lead to certain consumers paying higher prices than others for the same route, even without any difference in service (Agungnoe, 2024; Fastercapital, 2024).
4. **Impact on Tourism and Business Mobility:** Passengers who travel frequently for business or tourism may be affected by fluctuations in ticket prices. Prices that are too high can hamper business mobility and reduce the attractiveness of tourism in certain areas (Wardiyanta, 2003).

5. Consumer Dissatisfaction and Loss of Trust: When passengers feel that the ticket price they pay is unfair or not transparent, they may lose trust in the airline and travel agent which may encourage them to seek other transportation alternatives or reduce the frequency of traveling by plane (Kumparan.com, 2023; Nadhiroh, 2024).

3.2. The impact of airfare discrimination on airline business actors

Impact of Airline Ticket Price Discrimination on Aviation Business Actors

Price discrimination in the airline industry is a business strategy that aims to optimize revenue by setting different prices based on various factors, such as time of purchase, customer profile, and market demand. While this strategy can increase airline profits, its implementation also brings its own challenges. Demand volatility due to price fluctuations can make it difficult to plan airline operations, while potential government regulations can limit flexibility in implementing pricing strategies. In addition, passenger satisfaction and loyalty levels are also important considerations, as dissatisfaction with pricing practices deemed unfair can lead to a loss of loyal customers. Airlines also face stiff competition from low-cost carriers that offer more transparent pricing. With these aspects in mind, here are some of the main impacts of airfare discrimination for airlines:

1. Revenue and Profit Optimization: By implementing a price discrimination strategy, airlines can maximize revenue from different customer segments. For example, business people who need tickets urgently are willing to pay more, while travelers can buy tickets in advance at lower prices (Jisman, 2022; Suryadi, 2019).
2. Demand Instability and Operating Expenses: Price discrimination can cause fluctuations in the number of passengers at various times. When prices are low, demand surges, but when prices are high, demand can drop dramatically, causing imbalances in operational planning (Chusnida & Muliani, 2024).
3. Regulatory Risk and Government Sanctions: If deemed detrimental to consumers or in violation of fair competition rules, airlines may face government intervention. Policies such as upper and lower tariff caps are often implemented to control the negative impact of price discrimination (Deny, 2019; Ulya et al., 2023).
4. Passenger Satisfaction and Loyalty: Passengers who feel unfairly treated may switch to other airlines or seek other travel alternatives. If price discrimination practices are not managed properly, airlines may lose loyal customers (Fastercapital, 2024; Petting, 2017).
5. Increased Competition with Other Airlines: Airlines that practice price discrimination must compete with low-cost carriers that offer more transparent pricing. If pricing policies are perceived as too exploitative, consumers may switch to airlines that offer fixed fares and simpler services (An et al., 2016; Szopiński & Nowacki, 2015).

4. Discussion

Airline ticket price discrimination in Indonesia is a complex phenomenon with far-reaching impacts for both passengers and airline businesses. For consumers, this practice creates price uncertainty that can complicate their financial planning, this is in accordance with research conducted by Ananta, (2019; and M. Sari et al., (2020). Passengers with limited access to information are often disadvantaged because they do not know the strategies to get cheaper ticket prices. In addition, algorithms used by online platforms to adjust prices based on user behavior further deepen the inequity of access to air transportation. In the long run, this practice

can reduce the level of public trust in airlines and travel agents, potentially decreasing customer loyalty (Fastercapital, 2024; Hariyanti, 2024).

On the other hand, according to Auliya & Frisnawati, (2024; and A. N. Sari & Wakhidah, (2022) for airline businesses, price discrimination is a strategy that can maximize profits by adjusting prices based on market segments. This model allows airlines to obtain optimal revenue from passengers who have high purchasing power, such as business people who need urgent travel. However, demand volatility due to price fluctuations is also a challenge, especially in managing airline operations efficiently (Abdella et al., 2021; Hemmati et al., 2023). In addition, airlines must be careful in implementing this pricing strategy so as not to violate government regulations regarding upper and lower tariff limits, which aim to protect consumers from unreasonable prices.

The Indonesian government has attempted to control price discrimination through various policies, including consumer protection and competition regulations (Pratama, 2020; Ulya et al., 2023). While these measures aim to create a fairer market, their effectiveness is still debatable, especially in the face of technological developments that enable data-driven price discrimination. Therefore, further evaluation of the extent to which existing regulations are able to protect consumers without stifling innovation in the aviation industry is required. With the right policies, it is hoped that a balance between airline business profits and consumer rights can be realized, so that the aviation industry remains sustainable and inclusive for all levels of society.

5. Conclusion

Price discrimination in the airline industry in Indonesia is a business strategy that aims to optimize airline revenue by setting different ticket prices based on various factors such as time of purchase, class of service, location of purchase, and payment method. This practice benefits businesses by increasing market efficiency and profitability, but also has negative impacts on consumers, such as price uncertainty, unfair access to transportation, and price exploitation through dynamic algorithms. In addition, the impact of price discrimination can also affect the tourism sector and overall business mobility. Therefore, although price discrimination has benefits for airlines, the need for more transparent and equitable regulation is an important aspect that must be considered in order to protect consumer rights without hindering fair business competition.

6. Advice

a. Consumer:

- 1) Consumers need to better understand airfare patterns and purchasing strategies that can reduce travel costs, such as booking tickets early or using airline loyalty programs.
- 2) Improve digital literacy to be able to compare ticket prices from different platforms and avoid price exploitation based on users' search history or location.

b. Business Actors:

- 1) Airlines need to be more transparent in setting ticket prices and providing clear information to consumers to increase customer trust.
- 2) Implement a more equitable pricing strategy so as not to cause customer dissatisfaction which can have an impact on passenger loyalty.

c. Government and Regulators:

- 1) Strengthen oversight of price discrimination policies in the airline industry to prevent practices that harm consumers.
- 2) Develop regulations that ensure ticket prices remain reasonable and not overly exploitative, such as minimum and maximum price caps.
- 3) Provide subsidies or incentives for low-income groups to continue to have access to affordable air transportation.

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