DIFFERENT DETERMINANTS FOR PASSENGER LOYALTY TO LOW COST CARRIERS BETWEEN DOMESTIC AND INTERNATIONAL FLIGHTS

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Abstract- Low cost airlines are becoming aggressive competitors to full service airlines. As of today, there are many low cost airlines in which offered both domestic and international flights that offered low fare in competing with full service airlines. With their expansions and business model, it allows LCCs to take over the market shares. This research was conducted to investigate the different determinants of passenger loyalty between domestic and international flights. Questionnaire was used to collect data from respondents by using the 5 Likert scale based on their level of the agreement on each question and there are total of 24 questions. After data were collected, questionnaire data were proceed with one-way ANOVA and t-test to see if there is any different between domestic and international flights.

Keywords- Air Passenger loyalty, Domestic and International Flights, Passenger Satisfaction, Passenger Trust, Price, Service Employee Self-Efficacy, Service Recovery.

I. INTRODUCTION

Low cost airlines operate both or either one between Domestic and International flights that give options for passengers to choose the airline that fit individual's needs. With the huge low cost carrier's market expansion, it created highly competition on air fares due to lots of competitors. There is lots of low cost airlines that operate around the world due to the deregulation in aviation industry occurred in the United States in 1978. It has deregulated that has less restriction and more freedom to allow airlines to re-modify the business model. As a result, it helped boosting up the low cost airlines to grow in domestic markets (Hannon, 2009). As many low cost airlines are growing around the world, different strategies need to be applied to gain the competitive advantages among competitors. With the emergence of low cost carriers, they became main competitors for full service airlines. To maintain existing customers, loyalty is one of the most important factors that Low Cost Carriers need to consider. According to the previous study by Akamavi, Mohamed, Pellman & Xu, (2014), the authors tried to find the linkage of influences or impacts that Service Employee Self-Efficacy, Service Recovery, Price, Passenger Satisfaction, and Passenger Trust have on Passenger Loyalty. In this study, the linkage of influences or impacts that Service Employee Self-Efficacy, Service Recovery, Price, Passenger Satisfaction, and Passenger Trust have on Passenger Loyalty is still be research on; however, this study is trying to see the differences determinants of passenger loyalty between domestic flights and international flights.

II. LITERATURE REVIEW

1) Domestic and International Low Cost Carriers

According to Bjelicic (2007), "Low Cost Airlines" or "No-Frills Airlines" defined as a simple transportation on either products or services. The low cost carriers usually applied the paradigm, which the characteristics are single fleet type; simplification or elimination of in-flight service; use of less congested secondary airports; direct sales to consumers; e-ticking; short-haul; point-to-point flights with no transfers; single-class cabin layout; simple or no frequent-flyer program; high level of fleet utilization; and highly motivated employees (Silva and Espirito Santo, 2003). Therefore, LCCs are able to utilize cost advantages on short-haul routes (Graham and Vowles, 2006; Francis et al., 2006). In increasing the airline's market consumption to be more competitive, low cost airlines have pursued simplicity, efficiency, productivity and high utilization of assets to offer low fares (O'Connel and Williams, 2005). According to the liberalization, LCCs have received rights to operate international routes along with domestic routes in ASEAN due to the deregulation policies (Hanaoka, Takebayashi, Ishikura and Saraswati, 2014). For instance, after Thai AirAsia and Indonesia AirAsia were launched in 2004, they have launched domestic and international routes by the year (Hanaoka, Takebayashi, Ishikura and Saraswati, 2014) and together with AirAsia, these 3 airlines operate approximately 100 non-stop domestic and international routes (Zhang, Hanaoka, Inamura and Ishikura, 2009). According to Zhang, Hanaoka, Inamura and Ishikura (2009), domestic routes and some international routes are usually within 4-h flight time; however, some LCCs provided some international routes that are greater than 4-h flight time. Interestingly, prices are also vary according to different classes are being offered by LCC airline. For instance, Nok Air offered business-class seats, where the price will be higher around 500 THB or about US$15. However, regular class offered by many LCCs are quite similar since they all have the same business model.

2) Service Employee Self-Efficacy

As domestic and international flights are quite different in flying hours, will employee go for "extra mile" to fulfill and satisfy passengers as well as to meet expected outcome (Yi & Gong, 2008). As there are many low cost carrier providers, to be differentiate from competitors, highly self-efficacious service employees are one important factor for an airline to keep a competitive advantage among competitors (Bitner, 1995; Heskett et al., 2003; Pfeffer, 1994).

For domestic flights, service efficacy is necessary in any circumstances. However, they have low competitors in domestic market. On the other hand, international flights are more competitive because of full-service airlines are their main competitors. Therefore, customer is willing to stay loyalty to a service provider basically depends on employees' attitudes, behaviors and performance (Cheng et al., 2008; Kang et al., 2005; Keaveney, 1995).

3) Service Recovery

Service failures may occur in any stages of the service processes (Akamavi, 2005; Lovelock & Wirtz, 2004). According to Palmer, Beggs, and Keown-McMullan (2000, p.514) service failure refers to "any situation where something has gone wrong, irrespective of responsibility." Service failures could happen unexpectedly in any airlines for instance, over-booking, pre-booking and poor service on-board, lost luggage, technical problems or delayed flights (Chang & Yang, 2008; Tsaur, Chang, & Yen, 2002).

However, the degree or level of service recovery that has to be encountered on customer loyalty is vary depending on the type of service failure, the severity of the service failure and customer expectations (Levesque and McDougall, 2000). Zeithaml, Bitner, and Gremler (2006) suggest that keeping track on service recovery process can transform unhappy customers into ones who will be loyalty.

4) Price

As Kim and Lee (2011) have mentioned that many airlines have used different strategies to adjust price creating their prices to be more competitive with rivals in the low cost airline industry for more profitability in airline market segments. Price actually is not relevant for first-time customers, argued by Martinez and Yague Gillen (2006).

However, (Matzler et al., 2005; Martinez and Yague Gillen, 2006), have the same conclusion that price has an impact on customer loyalty for those customers who buy the service regularly. On the other hand, Varki and Colgate (2001) think that services provided by employees at site along with how customers perceive price fairness, is the key determinant on customer loyalty. Zeithaml et al. (2006) review previous findings and conclude that the price of a product or service that is being offered is the direct influence to customer loyalty.

5) Passenger Satisfaction

According to Oliver (1997), satisfaction is a comparison between the customer's expectations on that particular product or service or previous service experience and the actual performance the customer received. Due to the high intense of airlines' competitors, extremely satisfying customers must be done instead of just satisfying them to create brand loyalty and better long-term relationship to those customers who are tend not to convert to airline's rivals (Hussain et al., 2014).

There are some arguments about whether passenger satisfaction has an impact on passenger loyalty or not. On one side, Yi and La (2004) reveal that customer satisfaction has an impact on repurchase intention, but not to customer loyalty itself. The fact that they argue is customer satisfaction is intermediate factor between repurchase intentions and customer loyalty. As well as, it seems that satisfied customers will be likely become loyal ones (Hong and Goo, 2004, p.534).

6) Passenger Trust

Based on Garbarino and Johnson (1999); Morgan and Hunt (1994) and several authors reveal that an important factor to examine customer loyalty is trust. One of the factors is service recovery, which has an effect on consumer trust. The main reason for future repurchasing intention is based on trust elements as trust is one of the key factors that have impact on customer loyalty (Aydin and Ozer, 2005).

Hess and Story (2005) reveal that trust has a direct impact on customer loyalty. Forgas et al. (2010) noted that trust is the important variable to guarantee the relationship succession between an airline and its passengers.

7) Passenger Loyalty

According to Cronin & Taylor (1992), customer loyalty includes re-purchase intention, recommendation intention on products or services and not willing to change to another rival. Various studies, including Helgesen (2006), Page, Pitt, and Berthon (1996), Reinartz & Kumar (2003) and Rosenberg and Czepiel (1983), have similar conclusion that one of the most important factors for profitability of a company is customer loyalty. In airline industry, Binggeli, Gupta, and de Pommes (2002) stated that an airline's revenue can increase by as much as 2.4% per year by customer loyalty. It is difficult to get new customers; and reaching out to new customers will cost six times higher than maintaining the existing customers (p.45) (Duffy, 1998; Reichheld and Sasser, 1990).

Conceptual Framework

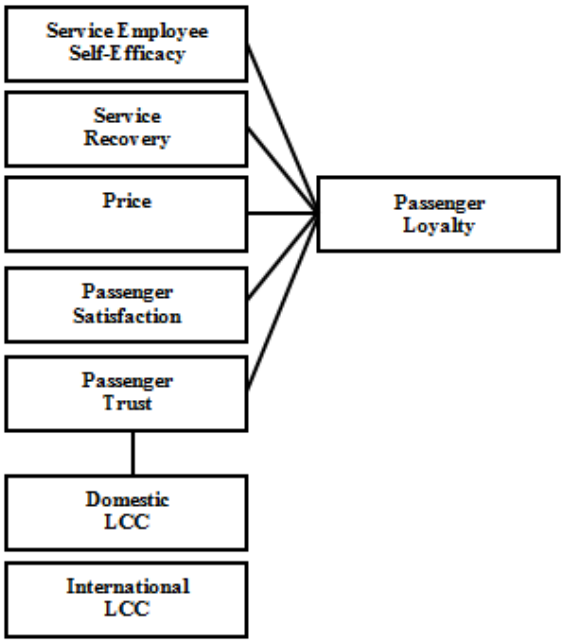

Figure 3: Conceptual Framework

H1: Service Employee Self-Efficacy, Service Recovery, Price, Passenger Satisfaction and Passenger Trust have influenced to LCC Passenger Loyalty.
H2: Domestic and International Passengers have differences in Service Employee Self-Efficacy, Service Recovery, Price, Passenger Satisfaction and Passenger Trust to LCC Passenger Loyalty.

III. METHODOLOGY

Sample and collection procedures
This research used questionnaire to be an instrument to collect data. Participants were chosen randomly; however, they must be Low Cost Carrier's passenger. A pilot test was carried out to test for credibility with 107 respondents who travelled with Low Cost Carriers to check the validity of questions in the questionnaire by online-based during May 27, 2015 – June 2, 2015. The questionnaire consists of 24 questions regarding variables related to this research.

Variable measurements
- Independent variables: Service Employee Self-Efficacy, Service Recovery, Price, Passenger Satisfaction, and Passenger Trust

Five independent variables were measured with a 5-point Likert scale starting with 1 for strongly disagree to 5 for strongly agree. There were 3 items for Service Employee Self-Efficacy, 4 items for Service Recovery, 4 items for Price, 4 items for Passenger Satisfaction and 4 items for Passenger Trust that were adapted from previous studies to guarantee construct reliability and validity.

- Dependent variable: Passenger Loyalty

One dependent variable was measured with a 5-point Likert scale starting with 1 for strongly disagree to 5 for strongly agree. There were 5 items for Passenger Loyalty that was adapted from previous studies to guarantee construct reliability and validity.

- Control variables: Domestic LCC and International LCC

Two control variables were meant to separate results to compare the differences.

Statistical analysis
IBM SPSS Statistics 20 was used for the analysis. In this study, one-way ANOVA was used to investigate if each independent variable has an effect on the dependent variable. After there is an effect on dependent variable, groups were separated by dummy variables (where domestic is equal to 0 and international is equal to 1). Differences of effects that have on dependent variable between the control variables were compared by using t-test.

Expected Result(s)
According to the literature reviews by previous researchers, there is more likely that Service Employee Self-Efficacy will have an effect on passenger loyalty. The reason is that the different between services that was provided by employees will be different according to the flying-time of that flight. Therefore, the expected result was expected that passengers are more likely to dissatisfy with international flights and will be more satisfy with domestic flights.

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