THE ANOMALY OF AIRLINE PASSENGER BEHAVIORAL INTENTION: A COMPARISON BETWEEN LOW-COST AND FULL-SERVICE AIRLINES

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ABSTRACT

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Research Aims: This study investigates the effect of service quality, perceived value for money, and customer satisfaction based on behavioral intentions to re-use, be loyal, and to recommend the airlines to others, in low-cost and full-service airlines.

Design/methodology/approach: The online survey was conducted to 161 low-cost and 156 full-service airline passengers

Research Findings: The study indicates that the most robust variable that influences the airline passengers’ behavioral intention is customer satisfaction. The study also indicates that customer satisfaction has a positive impact on passengers’ behavior intention in both the low cost and full-service customer groups. The study shows an anomaly in regard to the effect of value for money and service quality on behavioral intention. Although it is expected that perceived value for money will positively and significantly influence behavioral intention of low-cost airline customers, the study found that the impact of the variable is not significant in this customer group. In contrast, it is predicted that service quality will have a more positive impact on full-service airline passenger, but the study found no direct effect of the variable on the customer behavioral intention.

Theoretical Contribution/Originality: The study will shed light on the relative importance of value for money and service quality in the market where the low-cost carrier become the key players.

Practitioner/Policy Implication: The results indicate that the characteristics and the antecedents of the behavioral intention of the airline passenger might have changed. Therefore, the airline company should make some adaptation on their marketing strategy especially in regard to the pricing and service quality.

Research limitation/Implications: This study only distinguishes between low-cost and full-service airlines in general, without really considering the brand specifics of each airline. Thus, an inaccurate picture of a specific brand may be presented, since the performance of each brand is so different. The future researcher can investigate the robustness of the model and relationships among variables among different airlines brand.

Keywords: Low-Cost Airline; Full-Service Airline; Service Quality; Perceived Value for Money; Customer Satisfaction; Behavioral Intention
INTRODUCTION

Traveling has become a significant part of people’s lifestyles. People not only travel for holidays but also for other purposes, such as meeting business and educational interests. Airplanes have clearly become the favored option for travelers. While full-service airlines had already reached maturity, with strong competition between them, they now also had to compete with the intrusive low-cost airlines (Citrinot & Bailey, 2006).

Low-cost carrier (LCC) has become an attractive alternative to the full-service airlines in the last two decades (Eurocontrol, 2017). From 2007 to 2016, the low-cost carrier flight grew by 61% from (5,200 flights to 8,400 flights per day) while the full-service carrier flight decreased by (from 16,300 flights to 14,700 flights per day) (Eurocontrol, 2017). The STATFOR statistics also show that the market share of the low-cost carrier had significantly increased from 9% in 2007 to 30% in 2016 (Eurocontrol, 2017).

Low-cost airlines have become a threatening competitor to full-service airlines by changing price patterns in the industry (Forgas, Moliner, Sánchez, & Palau, 2010). Formerly, full-service airlines used a yield management technique to maximize their revenues (Bitzan & Peoples, 2016). Low-cost airlines can offer cheaper airfares due to cost reductions (Bitzan & Peoples, 2016). Low-cost airlines usually utilize fewer employees per available seat, have a uniform fleet to save on maintenance and training expenses, and use secondary airports to reap the benefits of lower airport fees and faster turnaround (Chopra & Lisiak, 2005).

Low-cost carriers which previously provide short haul flight only had also added long-haul flight into their operations with Jetstar and Air Asia X as its forerunners (Foster, 2017). The long-haul flight which previously considered has no potential to grow is currently become a significant segment. Since 2007 until 2011, there were only two airlines which provide long-haul services. But since 2012, there have been 15 long haul low-cost airlines launched. Five among 15 newly launched long-haul low-cost projects was operated by full-service airlines such as Singapore Airlines, Hainan Airlines Air Canada, Korean Air, Qantas and Lufthansa (Foster, 2017).

Low-cost airlines positioned themselves as a price-competent service provider. Thus, we tend to assume that value for money is considered more important to the low-cost consumer. In contrast, we also tend to assume that service quality is considered more important compare to value for money to the full-service consumers. To test the hypotheses, Rajaguru (2016) conducted a study which compares the impact of value for money and service quality on the behavioral intention of the low-cost and full-service airline passengers. The study was conducted in Singapore and Malaysia, two countries in which the full-service airline’s companies previously became the key players in the airline industry. In Singapore, for example, Singapore airlines held the largest market share in the airline industry in 2013 with the market share of 33% in 2012 (CAPA, 2012). Unfortunately, the market share is declining steadily which resulting in 55.2% drop in net profit in 2017 (Wong, 2017). Similar to Singapore Airlines, Malaysian Airlines which previously become the key player in Malaysia with a 30.8% market share in 2013 (Oxford Business Group, 2014) also experienced years of losses (Sidhu. B.K, 2016). The study conducted by Rajaguru to the airline passengers that flew between both countries using low-cost and full-service consumers shows a different result to what we expected. The study shows that for the low-cost consumers, service quality is considered important compared to the value for money. Service quality significantly influences the low-cost customer satisfaction and behavioral intention whereas, for the full-service consumers, both values for money and service quality significantly affects consumer behavioral intention (Rajaguru, 2016). Rajaguru’s research result (2016)
supports the previous study which shows that the stiff competition has pushed the regular or full-service airline to provide not only excellent services but also a competitive price to the low-cost segment client (Félix Pereira & Lopes dos Reis, 2011).

An interesting result of Rajaguru’s study (2016) raises a question whether a similar pattern of relationship between value for money and service quality among the low-cost and full-service passenger will be found in Indonesia where the market where the low-cost carrier become the key major player. Based on statistical data, Lion Air, the low-cost carrier, became the main airlines in the industry with a market share of 41.6%. Garuda Indonesia, the full-service carrier, ranked in the second position with a market share of 23.5%, followed by another full-service airline, Sriwijaya Air with a market share of 10.4%. The rest of the market share held by the low-cost airlines such as Citilink (8.9%), Wings Air (4.7%) and Indonesia Air Asia (4.4%) (Jakarta Globe, 2014).

Based on the above discussion, the purpose of the study is to examine the impact of value for money and service quality on customer satisfaction and behavioral intention of both low-cost and full-service airline passengers in the market which is domineering by the low-cost carrier. The study will shed light on the relative importance of value for money and service quality in the market where the low-cost carrier become the key players.

LITERATURE REVIEW

Full-Service Airlines

Full-service airlines provide frequent service to a various destinations, bundled with a variety of ancillary services, with complimentary food and drinks, in-flight entertainment, airport lounges, and pre-arranged seating (Hüschelrath & Müller, 2011). Full-service airlines are characterized by having (1) fleets consisting of different aircraft types, (2) a diverse network of geographical coverage of destinations, (3) domestic, regional and long-haul (with a focus on the respective home country), (4) a hub-and-spoke network, (5) a flight schedule offering that consists of a wide range of destinations, (6) an offering of two to four different service classes, and (7) the use of complex yield management techniques to deal with the large price range for service provided (Vidović, Štimac, & Vince, 2013).

In Indonesia, the full-service airlines have the following characteristics: (1) wider seats and a roomy cabin (2) low utilization of aircraft (3) offers long-haul routes (4) wide variety of entertainment (5) wide-body aircraft (6) majority of ticket are sold via the third party (7) use various types of aircraft (Kusumawardhani, 2015).

Low-cost Airlines

Low-cost airlines focus on point-to-point service to reduce costs (Bitzan & Peoples, 2016). They succeed in offering cheap airfares by using a economy pricing strategy in the markets they serve (Vidović et al., 2013). With their competitive price benefit by eliminating extra services which usually provided to give comfort to the passengers (Han, 2013). The characteristics of low-cost airlines include (1) operating in a point-to-point network, (2) having uniform and newer aircraft, (3) having a simplified yield management technique (with fewer classes of passenger service), (4) using a minimum number of employee per aircraft, and (5) increasing their revenues by selling additional services (Pels, 2009).

The characteristics of the low-cost airline in Indonesia are: (1) small seats and limited legroom (2) maximum utilization of aircraft/short turnaround time (3) mostly offers short/medium haul flights (4) reduction of inflight catering and entertainment (5) narrow body aircraft (6) More than 95 of tickets are sold online (7) use similar type of aircraft to minimize cost (Kusumawardhani, 2015).
**Perceived Value for Money**

Perceived value is a customer’s judgment that compares the advantages, or the utility attained from a product or service with at certain perceived costs (Zeithaml, 1988). The general view of perceived value recognizes two possible outcomes: utilitarian and psychological ones (Gallarza & Saura, 2006). Utilitarian outcome is related to prices and transaction value, while psychological outcome link with the emotional reaction of the customer. Value for money is a tradeoff between price (consumer sacrifice or opportunity cost) and receivables. Thus, value for money is a measurement of perceived value under a utilitarian outcome (Kashyap & Bojanic, 2000).

Perceived value for money has been characterized as a proxy of overall customer satisfaction in the literature on services, tourism, and travel (Cronin, Brady, & Hult, 2000). This statement is likewise supported by several other researchers (Baker & Crompton, 2000). Value for money can help marketers predict customer satisfaction and determine the firm’s promotion strategy (Dodds, Monroe, & Grewal, 1991).

Based on the above arguments, the researchers developed the following hypotheses:

**H1:** Perceived value for money has a positive and significant influence on both low-cost and full-service airlines customer satisfaction.

**H1a:** Perceived value for money has a positive and significant influence on low-cost airlines customer satisfaction.

**H1b:** Perceived value for money has a positive and significant influence on full-service airlines customer satisfaction.

A consumer’s positive experience that based on positive value for money enables the creation of a favorable and positive behavioral intentions to buy again (C. F. Chen, 2008). Low-cost airlines customers determine their future purchases of service based on their experiences, service, and value for money that felled in the first visit. And this also applies to full service airlines (Alegre & Cladera, 2006). The positive experience that derived from the perceived value for money has higher chance of creating a favorable state of affair and affirmative behavioral intention. However, since both low cost and full-service has a different expectation about airline’s value for money, is expected to generate different level of customer satisfaction and behavioral intention (Rajaguru, 2016). Consumers’ behavioral intentions are usually measured based on two dimensions: future purchasing behavior and willingness to recommend behavior. Therefore, the following hypotheses are developed:

**H2:** Perceived value for money has a positive and significant influence on both low-cost and full-service airlines customer behavioral intention.

**H2a:** Perceived value for money has a positive and significant influence on low-cost airlines customer behavioral intention.

**H2b:** Perceived value for money has a positive and significant influence on full-service airlines customer behavioral intention.

**Service Quality**

Service quality is the customer’s assessment of the service excellence (Zeithaml, 1988). Another common definition of service quality is the comparison between customers’ expectations and real service received (Parasuraman, Berry, & Zeithaml, 1991). Service quality or SERVQUAL consists of five dimensions: (1) tangibility, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy. This scale explains the theoretical reasons for the differences—gap expectation and actual services perceived by the customers (Parasuraman, Zeithaml, & Berry, 1985).

Customers may feel satisfied after experiencing the purchased service (Panda & Das, 2014). The customers will be pleased if
the actual service performance surpasses the original expectations. If the service quality offered is high, they will have greater customer satisfaction (Lau, M.M., Chang, M.S., Moon, K., Liu & S., 2006). Another study found that the difference level of quality deliver to the customer have a different impact on customer satisfaction (Yaacob & Abas, 2011). In the context of low-cost airlines, service quality is found to significantly influences customer satisfaction (Saha & Theingi, 2009). This:

H3: Service quality has a positive and significant influence on both low-cost and full-service airlines customer satisfaction.

H3a: Service quality has a positive and significant influence on low-cost airlines customer satisfaction.

H3b: Service quality has a positive and significant influence on full-service airlines customer satisfaction.

Service quality also has a positive influence on customer loyalty by enhancing positive word-of-mouth and their willingness to buy again (Lin, Chan, & Tsai, 2009; Rajaguru, 2016). In the context of airlines, several studies found the significant impact of service quality on behavioral intention (Ali & Omar, 2014; P.-T. Chen & Hu, 2013). Service quality supports a firm’s success by inducing consumer behavior in both their intention to buy again and their loyalty. Service quality and its consequence, consumers’ behavioral intention, is important for firms.

H4: Service quality has a positive and significant influence of both low-cost and full-service airlines customer behavioral intention.

H4a: Service quality has a positive and significant influence of low-cost airlines customer behavioral intention.

H4b: Service quality has a positive and significant influence of full-service airlines customer behavioral intention.

Customer Satisfaction

Satisfaction is the customers’ individual assessment based on the discrepancies between original expectations and the actual product or service received (Han & Ryu, 2009). Customer satisfaction is manifested by the consumer’s satisfaction response. He makes an evaluation as to whether a product or service feature provided an enjoyable level of consumption-related fulfillment, considering both levels of under- or oversatisfactory (Oliver, Rust, & Varki, 1997). Each service quality factor may influence customer satisfaction differently (Yi & La, 2003). Customer expectations are the standard of comparison, performance norms, anticipated performance, or projected service (Zeithaml, Berry, & Parasuraman, 1993). Customers with low expectations will have a broader tolerance zone and will be much easier to please, while customers with high expectations will have a narrower tolerance zone and be much harder to please, once the provider’s actual performance and the value of services meet their expectations (Zeithaml et al., 1993).

Customer satisfaction is an evaluation process (Anderson, 1998). Customer satisfaction has a positive impact on word-of-mouth recommendations and attitudinal loyalty. In other words, the intention to use the same airline’s service and the customers’ inclination to recommend it to other consumer is derived from customer satisfaction stemming from the initial purchase (Cronin & Taylor, 1992).

Behavioral Intention

Behavioral intention is an appraisal of the consumer’s interest in a product or service and an evaluation of the consumer’s real buying choices (Lee, Hsu, Han, & Kim, 2010). Behavioral and loyalty intentions are often linked to the specific nature of customer loyalty (Han & Kim, 2009). Behavioral intention may be considered as customer loyalty that also includes his intention to repurchase and his willingness to recommend
it to other consumers. The intention to repurchase is a form of customer loyalty that is beneficial in predicting future consumer behavior. The intention to recommend is the exchange of consumer sentiment: comments, thinking or ideas, between two or more consumers, where none of them is marketing source (Sirdeshmukh, Singh, & Sabol, 2002).

**H5:** Customer satisfaction has a positive and significant influence on both low-cost and full-service airlines customers' behavioral intention

**H5a:** Customer satisfaction has a positive and significant influence on low-cost airlines customers' behavioral intention

**H5b:** Customer satisfaction has a positive and significant influence on full-service airlines customers' behavioral intention

Based on the above discussion the study aims to analyze the influence of value for money and service quality on behavioral intention was investigated by means of this case study of full-service and low-cost airlines. The two independent variables were value for money and service quality, while the two dependent variables were customer satisfaction and behavioral intention. The figure below shows the framework used.

**RESEARCH METHOD**

A descriptive cross-sectional design was used—given that there are clear and specific hypotheses—with data collection to form the sample being conducted one time only.

**Measurement**

The researchers adapted all the instruments from Rajaguru (2016). The service quality instrument itself was adapted and modified from Parasuraman et al. (1988). Service quality variable comprises of tangibility (4 items), reliability (5 items), responsiveness (4 items), assurance (4 items) and empathy (4 items) (Parasuraman et al., 1988). Value for money scale was adopted from Forgas et al. (2010). The variable was measured using four items, e.g., The service is good for the price paid, the fare is very reasonable, I received what I paid for, and I received what I paid for (Forgas et al., 2010). Customer satisfaction was measured using three items such as I was satisfied with how the airline had taken care of me, I was satisfied with this airline, and I enjoyed the travel (Cronin et al., 2000). Customer behavioral intention was measured using 4 items e.g. I would select the same airline again if I am going to fly another time, I would recommend my family and relatives to fly with this airline, I would
Table 1. Demographic Profile of Low-cost & Full-Service Airlines Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Low-Cost Airlines</th>
<th>Full-Service Airlines</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Gender</td>
<td>Female</td>
<td>112</td>
<td>69.57</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>49</td>
<td>30.43</td>
</tr>
<tr>
<td>Education</td>
<td>No Formal</td>
<td>1</td>
<td>0.62</td>
</tr>
<tr>
<td></td>
<td>Junior high school</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Senior high school</td>
<td>67</td>
<td>41.61</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>12</td>
<td>7.45</td>
</tr>
<tr>
<td></td>
<td>Undergraduate</td>
<td>74</td>
<td>45.96</td>
</tr>
<tr>
<td></td>
<td>Master degree</td>
<td>5</td>
<td>3.10</td>
</tr>
<tr>
<td></td>
<td>Doctoral degree</td>
<td>2</td>
<td>1.24</td>
</tr>
<tr>
<td>Place of residence</td>
<td>Jakarta Greater Area</td>
<td>88</td>
<td>54.66</td>
</tr>
<tr>
<td></td>
<td>West Java</td>
<td>25</td>
<td>15.53</td>
</tr>
<tr>
<td></td>
<td>East Java</td>
<td>21</td>
<td>13.04</td>
</tr>
<tr>
<td></td>
<td>Central Java</td>
<td>8</td>
<td>4.97</td>
</tr>
<tr>
<td></td>
<td>Yogyakarta</td>
<td>13</td>
<td>8.07</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>6</td>
<td>3.71</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>&lt;IDR 1 million</td>
<td>30</td>
<td>18.63</td>
</tr>
<tr>
<td></td>
<td>IDR 1-2.99 million</td>
<td>46</td>
<td>28.57</td>
</tr>
<tr>
<td></td>
<td>IDR 3-4.99 million</td>
<td>42</td>
<td>26.09</td>
</tr>
<tr>
<td></td>
<td>IDR 5-10 million</td>
<td>27</td>
<td>16.77</td>
</tr>
<tr>
<td></td>
<td>&gt;IDR 10 million</td>
<td>16</td>
<td>9.94</td>
</tr>
<tr>
<td>Airline used -</td>
<td>Citilink</td>
<td>58</td>
<td>36.02</td>
</tr>
<tr>
<td>Low Cost</td>
<td>Lion Air</td>
<td>50</td>
<td>31.06</td>
</tr>
<tr>
<td></td>
<td>Air Asia</td>
<td>42</td>
<td>26.09</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>11</td>
<td>6.83</td>
</tr>
<tr>
<td>Airline used -</td>
<td>Garuda Indonesia</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Full-service</td>
<td>Batik Air</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Sriwijaya Air</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Singapore Airlines</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Sample</td>
<td></td>
<td>161</td>
<td>100</td>
</tr>
</tbody>
</table>

recommend my friends to fly with this airline look forward to travel by this flight again and I am loyal to the airline (Žabkar, Brenčič, & Dmitrović, 2010). Based on the Cronbach’s Alpha scores, the scales used were reliable and consistent. Variables with the highest reliability score were service quality (0.916), followed by behavioral intention (0.896), customer satisfaction (0.864), and value for money (0.834).

Data Collection

A pretest was administered to 45 respondents for each type of airline (90 respondents in total for both low-cost airlines and full-service ones) before conducting the main survey that yielded the primary dataset. Before data collection, original scales were translated from English into Bahasa Indonesia. Back translation, which was re-translation from Bahasa Indonesia
Figure 2. Structural Model 1 of Low-Cost and Full-Service Airlines

Notes: Normed Chi-Square (X2/df) =2.07; GFI=0.748; NNFI=0.832; RMSEA= 0.058
*Significant t-value

RESULT AND DISCUSSION

Demographic Profile

Based on Table 1, the low-cost airlines respondent group were mostly female (69.57%). The sample seemed to be a highly educated group, with the majority of the respondents holding a college/university (45.96%) or master degree (3.11%). Apparently, the respondents appeared to be a lower to middle-income individuals with monthly income of IDR 1-2.99 million per month (28.57%). Apparently, the low-cost respondents preferred to fly with Citilink (36.02%).

Like the low-cost airline’s respondents, the majority of the full-service airline’s respondents were female (66.67%) and university graduate (55.7%). Most of the full-service airline’s respondents (32.05%) had income higher than the low-cost airline’s respondents. The full-service airlines also prefer to fly with Garuda Indonesia.

To test the hypothesis, the researchers divide the analysis into three parts. The first one is the structural model analysis for all the sample or both the low-cost and full-service airline passenger. The second analysis is for the low-
cost airline passenger. The last analysis is for the full-service airline passenger.

Based on Figure 2 of the structural model 1 of low-cost and full-service airlines, we can see that value for money has a significant effect on customer satisfaction of both low-cost and full-service passengers (SLF = 0.13, t-value = 2.96). Therefore, the H1 is accepted. The figure shows that value for money has no significant influence on behavioral intention (SLF = 0.01, t-value = 0.19). Thus, the H2 is rejected. Similar to value for money, service quality also has a positive and significant influence on customer satisfaction which leads to the acceptance of H3 (SLF = 0.82, t-value = 13.60). In contrast to the value for money, service quality has a positive and significant impact on behavioral intention (SLF = 0.51, t-value = 3.88). Therefore, H4 is accepted. Figure 3 also shows that customer satisfaction is positively and significantly aﬀects behavioral intention (SLF = 0.33, t-value = 2.56) which leads to the acceptance of H5.

Figure 4 denotes the structural Model 3 of full-service airlines. Based on Figure 3, value for money has a significant impact on customer satisfaction of full-service passengers (SLF = 0.26, t-value = 2.83). Therefore, the H1b is accepted. The figure shows that value for money also has a positive and significant effect on behavioral intention (SLF = 0.19, t-value = 1.75). Thus, the H2b is also accepted. Service quality also has a positive and significant impact on customer satisfaction of the low-cost airline’s passengers which leads to the acceptance of H3a (SLF = 0.69, t-value = 7.11). In contrast to the Model 2 of low-cost airline, service quality has no

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**Notes:** Normed Chi-Square (X²/df) = 1.51; GFI = 0.81; NNFI = 0.89; RMSEA = 0.065

*Significant T-value

Figure 3. Structural Model 2 of Low-Cost Airlines
Table 2. Summary of Structural Equation Modeling Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Hypothesis</th>
<th>Path</th>
<th>t-Value</th>
<th>SLF</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>H1</td>
<td>VM → CS</td>
<td>2.96</td>
<td>0.13</td>
<td>Accepted</td>
</tr>
<tr>
<td>Low Cost</td>
<td>H2</td>
<td>VM → BI</td>
<td>0.19</td>
<td>0.01</td>
<td>Rejected</td>
</tr>
<tr>
<td>&amp; Full-Service Airlines</td>
<td>H3</td>
<td>SQ → CS</td>
<td>13.60</td>
<td>0.82</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>H4</td>
<td>SQ → BI</td>
<td>2.29</td>
<td>0.29</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>H5</td>
<td>CS → BI</td>
<td>4.08</td>
<td>0.60</td>
<td>Accepted</td>
</tr>
<tr>
<td>Model 2</td>
<td>H1a</td>
<td>VM → CS</td>
<td>2.33</td>
<td>0.17</td>
<td>Accepted</td>
</tr>
<tr>
<td>Low cost Airlines</td>
<td>H2a</td>
<td>VM → BI</td>
<td>0.56</td>
<td>0.04</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>H3a</td>
<td>SQ → CS</td>
<td>8.81</td>
<td>0.74</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>H4a</td>
<td>SQ → BI</td>
<td>3.88</td>
<td>0.51</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>H5a</td>
<td>CS → BI</td>
<td>2.56</td>
<td>0.33</td>
<td>Accepted</td>
</tr>
<tr>
<td>Model 3</td>
<td>H1b</td>
<td>VM → CS</td>
<td>2.83</td>
<td>0.26</td>
<td>Accepted</td>
</tr>
<tr>
<td>Full-service airlines</td>
<td>H2b</td>
<td>VM → BI</td>
<td>1.75</td>
<td>0.19</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>H3b</td>
<td>SQ → CS</td>
<td>7.11</td>
<td>0.69</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>H4b</td>
<td>SQ → BI</td>
<td>0.93</td>
<td>0.15</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>H5b</td>
<td>CS → BI</td>
<td>2.50</td>
<td>0.50</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Significant effect on the behavioral intention of the full-service airline passengers (SLF=0.015, t-value=0.93). Therefore, H4b is rejected. Figure 3 also shows that customer satisfaction is positively and significantly affects behavioral intention (SLF=0.50, t-value=2.50). Thus, H5b is accepted.

Table 2 summarizes the outcomes of the structural equation modeling of Model 1 (both low-cost and full-service airlines), Model 2 (low-cost airlines only) and Model 3 (full-service airlines only). Based on the SEM results, H1, H1a, and H1b are all accepted. The results are aligned with early research conducted by Baker and Crompton (2000), which stated that value for money is characterized as being an important indicator in the service, tourism, and travel literature that is useful for predicting overall customer satisfaction. The study shows some differences in the study of Rajaguru (2016). The study of Rajaguru (2016) finds a significant influence of value for money in the low-cost airline’s group. The current study shows a similar result in which value for money significantly
influences customer satisfaction of the low-cost consumer group. Table 2 shows that H1b is also accepted, which is in line with research conducted by Rajaguru (2016) that concluded a strong interaction effect between value for money and customer satisfaction in full-service airlines.

Table 2 shows that value for money only has a positive impact on the behavioral intention of full-service airlines passengers. This result does not support the studies of Rajaguru (2016), and Carpenter (2008) that show value for money has a direct and significant effect on the low-cost airline passengers’ behavioral intention.

The result of H3, H3a, and H3b hypothesis testing shows the significant impact of service quality on customer satisfaction of both low-cost and full-service airlines. The results are different to the result of Rajaguru (2016) or Saha and Theingi (2009) which shows that service quality has no significant impact on low-cost airlines customer satisfaction. However, the results are in line with early research conducted by Lau et al. (2006), which stated that the higher the service quality offered, the higher would be customer satisfaction. Service quality included pre-flight, in-flight, and post-flight services (Namukasa, 2013). The better the service quality of the airlines which included pre-flight, in-flight, and post-flight services (Namukasa, 2013), the higher is the customer’s satisfaction.

H4a and H4b hypothesis testing show some very interesting results. H4a shows a significant impact of service quality on the behavioral intention of low-cost airline passengers. In contrast, H4b shows an insignificant impact of service quality on the behavioral intention of full-service airline passengers. The result is different compare to the Rajaguru (2016); Ali and Omar (2014); Chen and Hu (2013) studies which show that service quality has a positive and significant influence on the behavioral intention of full-service airline passengers.

The last hypothesis of H5, H5a, and H5b are all accepted. The result is in line with early research conducted by Rajaguru (2006) and Carpenter (2008), which found a positive impact of customer satisfaction on word-of-mouth recommendations for a service and attitudinal loyalty (Carpenter, 2008). This finding means that when consumers feel satisfied with the service offered by an airline, they will have more positive behavioral intention to use the airline’s services in the future.

CONCLUSION

The aim of this research was to investigate factors influencing the behavioral intentions of both low-cost and full-service airlines. The findings of this study support the following conclusions. The study shows an anomaly in which value for money is no directly influencing the low-cost airline passengers’ intention to re-use, be loyal, and to recommend the airlines to others. In contrast, value for money has direct and significant influences on the full-service airlines behavioral intention. The impact of value for money on the behavioral intention of the low-cost consumer groups is only taking place indirectly via customer satisfaction.

Another anomaly can be observed in the association between service quality and behavioral intention. The current study shows no direct influence of service quality on the full-service airline passengers’ behavioral intention whereas the significant influences of service quality on behavioral intention are found in the low-cost consumer group. The impact of service quality on the behavioral intention of the full-service consumer group only occurs indirectly via customer satisfaction.

Based on the above results, we can conclude that the full-service airline passengers also consider the pricing factors into their decision-making scheme whereas the low-cost airline passengers also expect to get
good quality services despite the low price that they get from the low-cost airlines. The study also shows that customer satisfaction becomes the most important thing that should be maintained by both the low-cost and full-service airlines, as it becomes the strongest factor of the airline passengers’ behavioral intention.

The result of the study shows that the low-cost airlines can not solely rely on the low-price offering as their competitive advantage. The low-cost airlines should also consider the service quality delivered to the customers either in terms of the tangible aspects of the services such as an aircraft’s physical appearance or the intangible aspects such as (1) service quality provided by the cabin crew, (2) time management, and (3) its understanding of how to cater to the needs of passengers. To make passengers more satisfied, low-cost airlines must improve their service before, during and after the flight. They should also implement good levels of service at all levels, including a flight attendant and ground staff services.

In short, passengers no longer rely upon to consider the affordability of the trip. Price becomes a secondary factor in choosing which low-cost airline they want to use, as they already perceive that a low-cost airline must already be offering affordable airfares. This factor must be an input for the low-cost airline rather than mainly focusing on offering affordable airfares. In today’s market, they must maintain better service quality than their competitors.

The study implies that the full-service airline’s passengers are keenly aware that full-service airlines are renowned for their good service and, therefore, already expect it when they fly. The competitive pricing in the airline industry had also made the full-service airlines passenger to consider pricing into their decision criterion. Thus, for full-service airlines, service quality performed by the employees is important, but the price of the airfare ticket also becomes another significant factor to attract more passengers. Ticket promotions and credit card joint promotions can be an essential input for full-service airlines nowadays.

These findings have some limitations. This study only distinguishes between low-cost and full-service airlines in general, without really considering the brand specifics of each airline. Thus, an inaccurate picture of a specific brand may be presented, since the performance of each brand is so different. The future researcher can investigate the robustness of the model and relationships among variables among different airlines brand.

Similar to the study of Rajaguru (2016), the study was also conducted in the Asian context. Therefore, a future researcher could investigate the application of similar model within different context or market such as Europe or to different route option e.g. long-haul vs short-haul flights.

The number of samples is too limited for generalization as the current study only collected data from 317 samples. Therefore, the future researcher who will conduct a similar study is suggested to have a larger sample to increase the validity and generalization of the study.

REFERENCES


