ANTASEDEN CUSTOMER LOYALTY IN AIRLINES DOMESTIC WITH FULL SERVICE

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ABSTRACT

The purpose of this study was to observe the effect of the company reputation and service quality on customer loyalty through the mediation of the customer satisfaction and customer trust in the domestic airline with full service. This research was conducted through a survey of air passengers with a total sample of 472 respondents in the five international airports in Indonesia. Primary data was collected by the method of random sampling. The method of data analysis to test the hypothesis used Structural Equation Modeling and Multivariate Analysis, by using software processing Analysis of Moment Structure (AMOS) 18.00. The findings in this study is a customer loyalty positively and significantly influenced by the company reputation, service quality, customer satisfaction and customer trust. Customer loyalty is influenced most strongly by customer satisfaction through the mediation of customer trust, while the customer trust is influenced most strongly by service quality through the mediation of customer satisfaction. This study is limited to domestic airline customers or passengers with full service in economy class ie Airline PT Garuda Indonesia and PT Batik Air Indonesia. The research activities carried out at the five international airports which have a relatively high flight schedule, which among Soekarno Hatta in Jakarta, Kuala Namu in Medan, Juanda in Surabaya, Ngurah Rai in Denpasar and Sultan Hasanuddin in Makassar. This study provides a theoretical contributions in the form of an alternative model of customer loyalty in the airline industry and provide managerial implications for the management of the airline.

Keywords: company reputation, service quality, customer satisfaction, customer trust, customer loyalty, airlines, full service, domestic.
INTRODUCTION

Background Research

The development of airline services from year to year more and more prevalent and received wide public attention. It can be seen from the intense competition of services, pricing and promotions offered various airlines. This shows that the attractiveness of the aviation industry is quite large and promising. The geographical condition of Indonesia in the form of an archipelago of more than 17,000 islands where 6,000 islands are inhabited, then the only means of transportation is the most efficient air transportation (Garuda Indonesia Annual Report, 2011). With a total population of approximately 250 million people, the growth of the community of upper middle class is growing rapidly and is characterized by rising GDP per capita. Based on data from the Central Statistics Agency, Indonesia’s per capita gross domestic product in 2014 was recorded Rp41.8 million, up 14.5% from the year 2013 amounting to Rp36.5 million. This is a factor that led to the need for air transport services will continue to increase.

Law Number 15 Year 1992 on Aviation is one of the cornerstones deregulation of the airline business in Indonesia. With the existence of this law, the amount of aviation services company rose sharply. At this time the airline industry is very competitive and customers are the most important factors of the flight process. In addition to improving service quality and flight safety, customer satisfaction is the most important strategy of the airline (Fried, 1989; Gardner, 2004; Zaid, 1995). The aviation industry has a very important meaning for the global world because of the absence of air transport, international business activities, tourism, and recreation will be difficult (Tiernan et al., 2008). The development of the aviation industry in Indonesia today provides a new opportunity and challenge for airlines. Opportunities arise due to the increasing demand for aviation services, while the challenge is increasingly high levels of competition among existing airlines.

Companies also need to always make measurements of the services quality provided to consumers in order to face increasingly fierce competition (Chowdary, 2007). Customer complaint serves as a critical dimension of service quality and customer satisfaction. Handling complaints had a great influence on customer retention and positive handling of customer complaints is the improvement of quality of service (Davidow, 2003). Customer complaints provide opportunities for airlines to fix their mistakes to retain dissatisfied customers, because customers feel satisfaction complaint (Stauss, 2002) so that customers will repurchase intention (Palmatier, 2002). Satisfaction complaints directly related to the response of a company that ultimately had a huge impact on the future behavior of customers (Stauss, 2002). It is widely used by airlines as a material for evaluating the performance of the company (Strauss and Schoeler, 2004).

Timely performance of passenger transport is an important performance measurement of Quality of Service (QoS) to be provided by the air transport system. According to Heskett et al. (1994), quality of service correlate with profitability, productivity, customer loyalty and customer satisfaction of airlines. According to Gilbert and Wong, (2003) in the aviation industry understanding of what is expected of passengers is important to provide the desired service quality. In the airline industry, the service consists of a mixture of things that are very complex intangibles, as well as the
sale and the airline is not physical objects but the performance and experience (Gursoy et al., 2005). Thus, service quality is the key to attract and retain customer loyalty (Liou and Tzeng, 2007; Chang and Yeh, 2002). Conversely, if the poor service means the company reputation will fall.

According Wiederman and Buxel (2005), the company reputation helped the company to get good employees, attract customers, increase customer loyalty, which can be implemented as a competitive performance factors and useful in obtaining capital. The company reputation is positively correlated with a variety of desired business results, including customer satisfaction, customer loyalty, customer trust, and give a positive recommendation (Walsh and Beatty, 2007). The company reputation is understood by stakeholders, as it helps to cut operating costs, and affects both monetary indicators and as well as customer relations, such as customer satisfaction, customer trust and customer loyalty (Rose and Thomsen 2004). According to Kay (1993) the company reputation is a very important aspect to improve company performance. According to Roig et al. (2006), the company reputation as well as its products and services play an important role in creating the desired value for its customers. Customer satisfaction has an important role in distributing the service effectively, because satisfied customers will provide many benefits for companies that include: increase repeat patronage; generate positive word of mouth; increase brand loyalty; more readily accepted if there is a new product offerings; ability to carry premium pricing; and increase the value of customer life time, (Cronin and Taylor 1992; Boulding et al., 1993; Anderson 1998; Yüksel and Rimmington, 1998; Bolton et al., 2000; Reinartz and Kumar 2003; Russ 2006).

The most urgent problem of the Indonesian aviation industry is the air traffic control system, most likely in the plane crash. Indonesia is the only country in the ASEAN region that ranks lowest in aviation safety. The dominant services expected from the airlines is the certainty of safety and security, especially after the incidents of the World Trade Centre on September 11, 2001 (Gilbert and Wong, 2003).

Based on the above discussion at this time, factors such as service quality, customer satisfaction, customer trust and customer loyalty needs further investigation regarding the effect and the relationship of these factors on the airline in Indonesia. In this research a company reputation is a variable factor of the development of previous research studies, and will be seen the influence and relationship with service quality, customer satisfaction, customer trust and customer loyalty in the airline with full service in Indonesia.

**Research Purposes**

Based on the above discussion, this study aims to analyze:

1. Effect of the Company Reputation on Customer Satisfaction.
2. Effect of the Company Reputation on Customer Trust.
3. Effect of Service Quality on Customer Satisfaction.
4. Effect of Service Quality on Customer Trust.
5. Effect of Customer Satisfaction on Customer Trust.
LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The relationship between Company Reputation with Customer Satisfaction

According to Grönroos (1990), the company’s image is the filter that affect the perception of the company’s operations. A favorable image of a company should be considered an asset and may affect customer perception of quality and satisfaction (Grönroos 1990). According to research and Lindestad Andreassen (1998) if the customer is satisfied, their attitude towards the company increases and finally this increase attitude or appearance of influencing customer satisfaction. Similarly, Bolton and Drew (1991); Fornell, (1992) stipulates that the image of the company has a significant contribution to the development of customer satisfaction. In his research Abd-El-Salam et al. (2013) found that there is a positive relationship between the image and reputation on customer satisfaction in the biggest companies in Egypt. Likewise Loureiro S.M.C. and Kastenholz, E. (2011) found that there is a positive correlation between a company reputation on customer satisfaction at the inn in the countryside in Portugal. And reassened and Lindestad, (1998) show that the company reputation help to build strong relationships with customers. Nguyen and Leblanc (2001) found a higher level of customer loyalty when consumers have the perception of a strong and profitable a company reputation. According to Khuong and Uyen (2014) in a study of the airline in Vietnam, as well as Chang (2013) in research in the sector of restaurants in Taiwan found that the company reputation has a positive and significant impact on customer satisfaction. The things mentioned above are the basis for the development of hypothesis, namely:

H1: There is a positive influence on the Company reputation toward Customer Satisfaction

The relationship between Company Reputation with Customer Trust

According to Herbig and Milewicz (1993); Hyde and Gosschalk (2005) the reputation or image of a company is often associated with the credibility and trustworthiness as perceived by customers. In the context of an online business, many researchers whom Jarvenpaa, Tractinsky and Vitale (2000); Walczuch, Seelen and Lundgren (2001) has tried to explain the relationship between reputation and corporate image with customer trust. Lin and Lu (2010) present evidence in their study that the company reputation has a strong positive effect on trust. According to Dick et al., (1990) through the research suggests a proof that the company reputation directly form customer trust in the products or services of their respective companies so that it will affect customers in determining the choice. According to Dick et al., (1990) through his research put forward a proof that the company reputation directly establishes the customer’s trust in the product or service of the company concerned so that it will influence the customer in making choices. Customers are more confident in offering the company’s product / service if the company has a positive reputation as a result of good quality performance. As a result, the greater confidence that customers experience in the company will result in greater customer satisfaction (Doney and Cannon, 1997) and loyalty (Flavia’n et al., 2006). According to Nguyen et al. (2013) in its research on credit unions in Canada found that customer trust is a mediating variable between customer reputation and customer loyalty and there is a positive and significant relationship between the company reputation and customer
trust. According to Chang (2013) in his research in the restaurant sector in Taiwan found that the company reputation has a positive and significant impact on customer trust. The things mentioned above that became the basis for the development of the proposed hypothesis, namely:

\textit{H2: There is a positive influence on the Company Reputation toward Customer Trust.}

\textbf{The relationship between Quality of Service with Customer Satisfaction}

Cronin and Taylor (1992) proved that service quality is an important antecedent of customer satisfaction. Likewise Sureshchandar, et al., (2002) in his study suggests that there is a close relationship between service quality and customer satisfaction. Spreng and Mackoy study (1996) showed that the higher of service quality will lead to higher customer satisfaction. Similarly, Wang et al. (2004), as well as Turel and Serenko (2006) reaffirms that there is a positive relationship between service quality and customer satisfaction in the study in the field of telecommunications services. Namukasa, (2013) in his study in Uganda found that the service quality before the flight, during the flight and post-flight has a statistically significant effect on passenger satisfaction. Likewise Saha and Theingi (2008) in a study of the airline in Thailand found that the dimensions of service quality greatly affects customer satisfaction. On the other hand Archana and Subha (2012) in a study of the airline in India found that service quality has a significant and positive effect on customer satisfaction. The things mentioned above are the basis for the development of hypothesis, namely:

\textit{H3: There is a positive effect on the Quality of Service toward Customer Satisfaction.}

\textbf{The relationship between Quality of Service with Customer Trust}

According to Hsieh and Hiang (2004) there is a positive and strong relationship between service quality and trust in the context of relationship marketing. High-quality services that can help service providers to gain the trust of customers (Doney and Cannon, 1997). Similarly, Doney and Cannon (1997), Coulter and Coulter (2003) explains that service perceived quality has a positive effect on customer trust. The same thing was stated by Chou, P-F. (2014) in his research on home-dilevery services found that there is a positive and significant relationship between service quality and customer trust. The things mentioned above are the basis for the development of hypothesis, namely:

\textit{H4: There is a positive effect on the Quality of Service toward Customer Trust}

\textbf{The relationship between Customer Satisfaction with Customer Trust}

According to Dwyer, et al. (1987) customer trust can be considered as a result of customer satisfaction. The linkage of both lies in the customer’s trust that arises as a result of the customer has fulfilled his needs and wants by the service company. Customer trust acts as a key to continued business success, especially in the service sector. If the company is not able to build and maintain customer trust then it is very difficult for companies to restore this trust. The service company is required to always foster communication with customers and strive to satisfy with handle complaints wisely. In the sector/service industry, every company must have good service objectives in serving customers. Customer satisfaction can occur after the customer receives the product or service that is in accordandce with expectations (incompatibility with the expectation will cause customers
disappointed or dissatisfied). If customers have been satisfied with the services provided, the customer will be easier to believe in the company. Customer trust is the desire of customers to rely on employees who can be trusted (Moorman et al., 1992). According Chinomona and Sandada (2013) in a study of the retail industry in South Africa found that there is a positive and significant relationship between customer satisfaction and customer trust. The things mentioned above are the basis for the development of hypothesis, namely:

H5: There is a positive influence on the Customer Satisfaction toward Customer Trust

The relationship between Customer Satisfaction with Customer Loyalty

Currently, customer loyalty and customer retention is the most important goal for a successful service organizations (Jones and Sasser, 1995). John and Sasser (1995) classifies customers into four sub-groups with their satisfaction levels: advocate, mercenaries, hostages, and terrorist. All customers except advocate has a relatively higher likelihood to switch providers when they encounter unsatisfactory service experience. This is supported by other studies. Research conducted by Bearden and Teel (1983); Cronin and Taylor (1992); Caruana (2002); Dick and Basu (1994); Selnes (1993) concluded that satisfaction is an important determinant of customer loyalty. More Asuncion et al. (2004) concluded that customer satisfaction is a key factor affecting customer loyalty. More Asuncion et al. (2004) concluded that customer satisfaction is a key factor affecting customer loyalty. Akbar and Prevaez (2009) investigated the influence of service quality, customer trust and customer satisfaction to customer loyalty. They found there is a significant positive relationship between these variables. Their findings also support the argument that customer satisfaction is the mediating variables of service quality and customer loyalty. Likewise, the study of Chang (2013) and Anderson (1998) which states that there is a positive and significant relationship between customer satisfaction and customer loyalty. The same thing was stated by Chinomona and Sandada (2013) in a study of the retail industry in South Africa has found that there is a positive and significant relationship between customer satisfaction and customer loyalty. On the other hand Namukasa, (2013) in a study of the airline in Uganda and Pi and Huang, (2011) in a study of the airline in Taiwan found that passenger satisfaction significantly influence passenger loyalty. The things mentioned above are the basis for the development of hypothesis, namely:

H6: There is a positive influence on the Customer Satisfaction on Customer Loyalty.

The relationship between the Customer Trust with Customer Loyalty

Moorman et al. (1993); Morgan and Hunt (1994); Singh and Sirdeshmukh (2000); Sirdeshmukh, Singh, and Sabol (2002) in a research report that the trust is fundamental in developing customer loyalty. Chiou (2004) says that trust occurs directly and have a positive relationship with customer satisfaction and customer loyalty. Akbar and Prevaez (2009) investigated the influence of service quality, trust and customer satisfaction to customer loyalty. They examined the direct and indirect relationship between service quality and customer loyalty mediated by customer satisfaction and customer trust, while also examining the relationship between customer trust and customer loyalty. They found a significant correlation and positive impact on the relationship of these variables.
Likewise, Aydin and Ozer (2005) in his research on phone cell service gain that trust is an important antecedents of customer loyalty. The same thing was found by Chinomona and Sandada (2013) in a study of the retail industry in South Africa found that there is a positive and significant relationship between customer trust and customer loyalty. On the other hand, and Huang Pi, (2011) in a study of the airline in Taiwan found that passenger satisfaction significantly influence passenger loyalty. The things mentioned above are the basis for the development of hypothesis, namely:

**H7: There is a positive influence on the Customer Trust on Customer Loyalty.**

**Conceptual Framework**

In a study conducted will be tested to determine the effect of the determinant of customer loyalty in the domestic airline with a full service in Indonesia. In the model described other research models influence the company reputation and service quality on customer loyalty through the mediation of customer satisfaction and customer trust.

Framework model of the research can be seen in Figure 1, below:

![Conceptual Framework Model](image)

**Figure 1 Conceptual Framework Model**

**RESEARCH METHODOLOGY**

The research design in this study is hypothesis testing is intended to test hypotheses about the influence of the company reputation, service quality, customer satisfaction, customer trust customer loyalty. This type of relationship between variables is a causal relationship for explaining the causes or more than one issue, which in this case explains antecedent domestic airline customer loyalty with full service. The contribution of researchers in the design of the study is to establish a conceptual framework model of research, formulate hypotheses, operating variables of the study, collecting relevant data and analyze the results. The population in this study is a domestic flight passengers of PT Garuda Indonesia and PT Batik Air Indonesia in economy class. The research activities carried out at the five international airports which have a relatively high flight schedule, which among others
include Jakarta, Medan, Surabaya, Bali and Makassar. In this study, samples taken at the respondent of domestic air passengers with full service in five international airports, namely: Jakarta, Medan, Surabaya, Denpasar and Makassar. Samples were taken at the time the passengers will leave for the cities of interest while in the waiting room or the lounge of the airline. After the samples taken at random, have criteria in this study, samples taken were passengers of domestic airlines with full services in Indonesia have economy class tickets are already feeling the services of domestic flights at least 2 times in the last year and a minimum education graduate high school or the equivalent. In this research, data collection method used is the method of questionnaires submitted to each of the selected respondents. The collection of data by using the enclosed statement given to respondents directly. The statement closed already led to the alternative answer is found. The statements made in the questionnaire enclosed with Likert Scale and measured by scoring from 1 to 5 from very positive to very negative.

From the survey that was conducted to airline passengers with full service and obtained as many as 472 samples were taken from five international airports as shown in Table 1 below:

<table>
<thead>
<tr>
<th>City</th>
<th>Airport</th>
<th>Total Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jakarta – Cengkareng</td>
<td>Soekarno– Hatta</td>
<td>226</td>
</tr>
<tr>
<td>Medan</td>
<td>Kuala Namu</td>
<td>74</td>
</tr>
<tr>
<td>Surabaya</td>
<td>Juanda</td>
<td>52</td>
</tr>
<tr>
<td>Denpasar</td>
<td>Ngurah Rai</td>
<td>73</td>
</tr>
<tr>
<td>Makassar</td>
<td>Hasanuddin</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Data processed

RESULT AND DISCUSSION

Hypothesis Testing

Before testing the hypothesis is necessary to test the suitability of the model (model fit) in advance. Once the model is declared fit then testing the hypothesis in a row from the first hypothesis to seventh hypothesis. The data analysis in this research is done using Structural Equation Model (SEM), by means of software processing Analysis Of Moment Structure (AMOS) 18:00 developed by James L. Arbuckle.

From the data processing result of Suitability Test Model as shown in Table 2 below:

<table>
<thead>
<tr>
<th>Indicator Goodness Of Fit</th>
<th>The Expected Size</th>
<th>Research Result</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significance probability</td>
<td>&lt; 0.05</td>
<td>0.000</td>
<td>Goodness of Fit</td>
</tr>
<tr>
<td>RMR</td>
<td>&lt; 0.10</td>
<td>0.018</td>
<td>Goodness of Fit</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt; 0.90</td>
<td>0.912</td>
<td>Goodness of Fit</td>
</tr>
<tr>
<td>NFI</td>
<td>&gt;0.90</td>
<td>0.937</td>
<td>Goodness of Fit</td>
</tr>
</tbody>
</table>
Based on the results of data processing in Table 2, it can be seen that all goodness of fit indicators have goodness of fit index, so it can be said that the model compiled in this research is good. Thus the research step can be continued in the next stage.

Figure 2, is a diagram of a standardized model of the path the data processing Structural Equation Model using AMOS software 18.00.

From the data processing loading factor values obtained from the manifest variables from each latent variables used in this study as shown in Table 3 below:

<table>
<thead>
<tr>
<th>Latent Variables</th>
<th>Manifest Variables</th>
<th>Loading Factor (λ)</th>
<th>Sig</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company’s Reputation</td>
<td>Good employer</td>
<td>0.756</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td></td>
<td>Customer orientation</td>
<td>0.863</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td></td>
<td>Reliable and strong company</td>
<td>0.869</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td></td>
<td>Social and environmental responsibility</td>
<td>0.610</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Service Quality</td>
<td>Pre-flight service quality</td>
<td>0.835</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td></td>
<td>In-flight service quality</td>
<td>0.835</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td></td>
<td>Post-flight service quality</td>
<td>0.810</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>
Table 3 above shows the results of the measurement model, which is described in the manifest variables measuring the validity of their respective latent variables. According to Hair et al. (2010), if the loading factor (λ) ≥ 0.50, then the variable is said to be quite meaningful manifest in the form of latent variables.

From the data processing hypothesis test results can be obtained as shown in Table 4 below:

If the probability value sig ≤ than the value of α = 0.05, the hypothesis fails rejected.

From Table 4 above shows that the sig probability value of all hypothesis testing, ≤ than the value of α = 0.05, so it can be deduced all failed hypothesis is rejected or hypotheses are accepted.

CONCLUSION

In details outlined in the following conclusion:

1. Company reputation has a positive and significant effect on customer satisfaction with the path coefficient of 0.168. The strongest company reputation indicator is indicated by the reliable and strong company dimension, while the weakest reputation indicator is represented by the social and environmental responsibility dimension.
2. Company reputation has a positive and significant effect on the customer trust with the path coefficient of 0.160.

3. Service quality has a positive and significant effect on customer satisfaction with path coefficient of 0.679. The strongest service quality indicator is shown by the dimensions of pre-flight service quality and in-flight service quality, while the weakest service quality indicator is indicated by post-flight service quality dimension.

4. Service quality have positive and significant effect to customer's trust with path coefficient of 0.301.

5. Customer satisfaction has a positive and significant effect on customer trust with path coefficient of 0.486. The strongest indicator of customer satisfaction is shown by the dimensions of satisfaction with services, while the weakest indicator of customer satisfaction is indicated by the dimension of satisfaction with fare.

6. Customer satisfaction has a positive and significant effect on customer loyalty with path coefficient of 0.417.

7. Customer trust has a positive and significant effect on customer loyalty with path coefficient of 0.462. The strongest indicator of customer trust is indicated by the credibility trust dimension, while the weakest indicator of customer trust is indicated by the benevolence trust dimension.

**Theoretical Implications**

From the results of this study found a model that involves construct customer loyalty, customer reputation, service quality on customer loyalty mediated by customer satisfaction and customer trust. By not generalize the model findings in this study, the model is expected to provide an alternative that enriches the literature regarding customer loyalty in the air transport sector in particular airline with full service. In addition, all the dimensions of the constructs used in this study has been tested and found valid and reliable to measure a company reputation, service quality, customer satisfaction, customer trust and customer loyalty on domestic airline with full service.

**Managerial Implications**

Based on the research that has been done to further improve customer loyalty (repurchase intention and word-of-mouth is positive) on domestic airline with a full service, it is recommended practical steps as follows:

1. To improve the reputation of the airline companies need to improve the social responsibility to the society, because this indicator still had not been optimal.

2. To increase the service quality, the airline should provide announcements and all the necessary information (a long wait, the possibility to receive food vouchers, hotel stays, or rescheduling flights) in case of delay. Likewise, the airline is expected to always give a positive response to any customer complaints. This is necessary because both of these indicators had not been optimal.

3. To increase customer satisfaction the airlines needs to provide services in accordance with the prices that customers pay. Customers are not satisfied with the services received, because it is still not in accordance with the prices that customers pay.
4. To increase the trust necessary to time the company’s commitment depart and arrive on schedule have been determined. Likewise, the company’s commitment to understand the problems faced by customers. This is necessary because both of these indicators had not been optimal.

**Recommendations for Further Research**

1. Future studies are expected to be developed for other variables that affect customer loyalty in the full service domestic airline in Indonesia in addition to the variables used in this study, for example customer relationship management, marketing mix and other variables. Likewise, the dependent variable customer loyalty can be increased to customer engagement.
2. Future studies are expected to do the same variable on the airline by international passenger observation unit with full service, domestic passenger observation unit with medium services, domestic passenger observation unit with a minimum service.
3. Future studies are interesting to study using the model and the same variables but different analysis unit, for example on hospital services, tourism services, education services, restaurant services.

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