HOW SERVICE QUALITY, FARES, REPEAT PURCHASE AND LOYALTY CREATE WORD OF MOUTH AT A PASSENGERS LOW COST AIRLINES IN INDONESIA

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Abstract: *The airlines with the concept of low cost carriers have attracted a large number of passengers in Indonesia. This makes the level of competition between the low cost airlines become high. The competition for passengers. Occurs in two areas: services provided and fares. As passengers, people choose to use low cost airlines to obtain inexpensive flight ticket fares with good service quality. If the passenger is expectations are fulfilled, they tend to choose the same airline and they will spread their experiences from word-of-mouth. The purpose of this study was to examine the impact of information provided by one passenger word-of-mouth to another passenger. The study used a data sample consisting of 322 respondents. The study was conducted at the Soekarno Hatta International Airport, Banten. The sampling was conducted by using a simple random sampling and cluster. The results showed that the fares are not the main attraction for passengers to choose the same airline; instead they prefer the quality of service. That is, fares have no effect on the repeat purchase, but the quality of service seems to have an effect on the repeat purchase of the flight. Therefore, this study concludes that the quality of service has an influence on the repeat purchase and loyalty toward word of mouth, while the fares have no effect on the repeat purchase and therefore cannot form loyalty and word of mouth.*

Keywords: *service quality, fares, repeat purchase, loyalty, word of mouth*

INTRODUCTION

The development of aviation industry in Indonesia recently showed that there were 16 airline companies which compete in the industry (source http://hubud. dephub.go.id). This led to the rapid development of competition in the airlines industry. Therefore, companies need to pay attention to the wishes of passengers. When the company can fulfill the wishes of passengers, it will cause repeat purchase, loyalty and word of mouth. Therefore it is the main attraction of why

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many researchers conducted studies on airlines. Many studies have conducted to both legacy and low cost carrier abroad. Therefore it is necessary to do research on airlines in Indonesia. The differences in concept used by airlines caused the service to passengers is also different. This will affect the attitude of the airline's passengers.

The concept of airline service in Indonesia consists of three types: full service, media service and no frills service. Although the concept is different among the companies, but passengers still wanted the satisfaction. The use of the concept of no frills service is causing the service is minimized so that the fares charged to passengers to be relatively low, it is this that gives rise to the level of passenger satisfaction with services is lower than the fares for passengers (Soelasih & Kartini, 2012). Research results Soelasih et al. 2012 showed that the fares has an effect on passenger satisfaction, meaning that passengers on flights still sensitive to fares paid, so that at the time of the emergence of low cost airlines in Indonesia to attract users of air transport is causing an increase in airline passengers. With the increase in airline passenger air transport industry caused competition to be high. Repeat purchase of airline passengers caused by the service quality and fares will cause an impact on the loyalty and word of mouth is a major concern that the airline can win the fierce competition in the airline industry.

Quality of care remains a major factor in the service industry. For flights using low cost carrier concept that emphasizes low fares, leads to reduced quality of service so as to cause an influence on security in flight (Chang and Yeh, 2002). Ostrowski study results; O'Brien and Gordon. 1993 indicates that provide good service quality continuously will cause passengers to make use of the flight back. Research results Soelasih et al., 2012 showed that service quality has an effect on passenger satisfaction. Most of airlines began to offer various incentives, such as the frequent flyer programs, in an effort to build and maintain the loyalty of customers (Miller, 1993). Repeat purchase the same flight would happen if at the time of the first flight to give satisfaction to the passengers. Satisfaction occurs when the in-flight experience to deliver more value than that passengers want. Repeat purchase on the same flight required by the airlines, because it causes the level of passenger loyalty towards the company. When behavioral loyalty is formed, there will be a long-term relationship, increasing the scale or scope in relation and recommendations (word of mouth advertising), (Hallowell, 1996).

However, airlines in Indonesia, which uses the concept of low cost carriers, pay attention to whether there is influence the quality of services and fares to repeat purchase the flight. So also the formation of word of mouth resulting from loyalty and repeat purchase. This is due to high competition causes companies will compete to defend its passengers. Therefore in this study examines how word of mouth occurs in airline passengers of low cost airlines in Indonesia.

The purpose of this study was to examine the influence of service quality, fares, repeat purchase and loyalty toward the word of mouth on the low cost airlines in Indonesia.

LITERATURE REVIEW

Service Quality

Service is something that is not visible, but can be felt by consumers in the event of contact (Soteriou & Chase, 1998). Because the service was not visible then it becomes very important at the time of contact between companies and consumers, thus requires the service quality (Grönroos, 1984). There are 10 main factors of service quality in airline, which is the waiting time to fly, check-in, flight schedule, seating comfort, the location of entrance, the interior of aircraft, inflight service, after flight service, food and pilot flight hours (Glab, 1998, in Rhoades & Waguespack, 2008). There are different dimensions or attributes in the quality of service from the standpoint of passengers according to Rhoades et al. such as on-time performance, ticketing, refunds, fares, customer service, advertising, boardings, and baggage (Rhoades et al., 2008).

In the aviation industry, research conducted by Nadiri et al.(2008), mentioned the term AIRQUAL with five different dimensions of SERVQUAL, although the basis of AIRQUAL using SERVQUAL modification by Nadiri.

At the time of contact that caused satisfaction to the consumer, then the consumer will buy back. Therefore, the consideration of service quality is very important for the airline company. According to Soelasih (2013), the service quality for the aviation industry in Indonesia consists of six dimensions such as flight information, ticket service, check-in, on time performance, in-flight and post-flight. The results showed that the service quality has an influence on airline passenger satisfaction (Soelasih, et al, 2012).

Fares

Fares have a relationship with the services quality provided to consumers, the effect of consumer perceptions of perceived value will cause awareness to repeat purchase (Dodds; Monroe; Grewal,. 1991). Soelasih et al.(2012) research results, indicating that the fares have an effect in the form of passenger satisfaction.

Loyalty

For a flight, customer loyalty becomes a key element in the strategic competitive environment in which they run their business (Forgas, Moliner, Sa'nchez, Palau, 2010). Oliver, (1997) defines loyalty as the highest level of customer commitment,

thus implying a transition from a favorable tendencies (affective loyalty) to repeat purchase commitment (cognative loyalty) as the previous step of the purchase action. The main antecedents of loyalty that has been identified is satisfaction, trust and perceived value (Singh and Sirdeshmukh, 2000). Airline companies also attempted to differentiate their services through the use of computerized reservation systems which were also designed to create customer loyalty in the distribution channels (Lee; Cunningham, 1996 in Baker, 2013).

Word of Mouth

A comparison between the costs and the benefits provided by the company to the consumer then raises the repeat purchase, on positive word of mouth and customer loyalty (Saha; Theingi. 2009). Good service quality has a direct or indirect influence on customer behavior is mediated by customer satisfaction (Zeithaml; Berry; Parasuraman, 1996; Cronin; Brudy; Hult, 2000). Saha et al., (2009) says that there is an important relationship between service quality and customer satisfaction to influence customer buying behavior back. The service quality and fares charged to passengers have an influence on repeat purchase (Soelasih et al., 2012).

Based on the study above theory is formed following research model.

Picture 1 Research Model
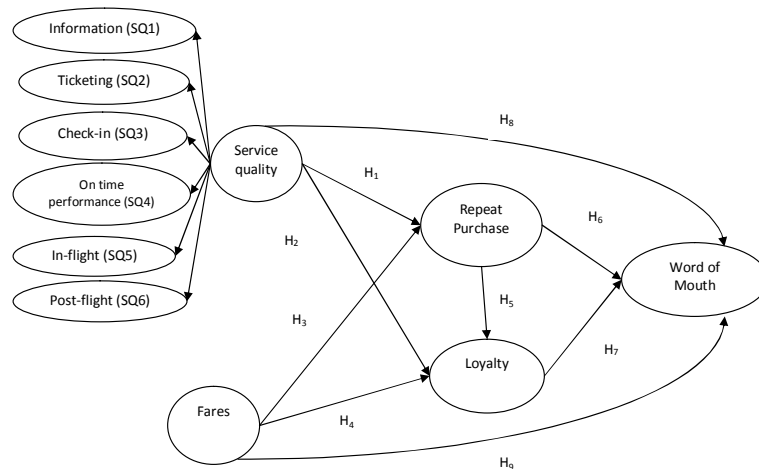
The model then shows the conceptual hypothesis as follows:

H1 : Service quality has a significant, positive effect on repeat purchase.

H2 : Service quality has a significant, positive effect on loyalty

H3 : Fares has a significant, positive effect on repeat purchase

H4 : Fares has a significant, positive effect on loyalty

H5 : Repeat purchase has a significant, positive effect on loyalty

H6 : Repeat purchase has a significant, positive effect on word of mouth

H7 : Loyalty has a significant, positive effect on word of mouth

H8 : Service quality has a significant, positive effect on word of mouth

H9 : Fares has a significant, positive effect on word of mouth

METHODOLOGY

The object of this research is focus on low cost carrier passengers. The population in this study are unknown, thus making the number of samples in this research was based on the number of variables multiplied by a minimum of 5 and a maximum of 10 (Hair; Black; Babin; Anderson; Tatham, 2006: 373). Based on these calculations, the maximum number of samples that is picked up by a range between 210 and 420. Samples were taken at Sukarno-Hatta International Airport, Jakarta, Indonesia on domestic departures area. The number of samples were drawn as many as 350 and the valid ones which can be used as many as 322 samples. Samples were selected using probability sampling technique with simple random sampling to randomize the terminal and perform cluster on the selected terminal.

To view the indicators used valid and reliable then using SPSS to process the data. Reliability test results shown in Table 1.

Table 1
Result of reliability

No.	Sub variable/variable	Reliability
1.	SQ1	0.78
2.	SQ2	0.88
3.	SQ3	0.76
4.	SQ4	0.80
5.	SQ5	0.82
6.	SQ6	0.75
7.	Fares 550 bilitashaariabeliabilitas dan Validitas pada Table penelitian dapat diterima.	0.84
8.	RP	0.90
9.	Loyalty	0.90
10.	WOM	0.91

Test results on the indicators used showed reliability values above 0.7 that mean the variables were qualified as reliable and valid indicators for this study. According to Nunnally, 1978; Nunnally and Bernstein, 1994 in Uyanto, 2009:274 indicates that a reliable measurement scale should have a Cronbach alpha value of at least 0.70. Values above 0.7 indicate the reliability of the variables. This study uses a scale interval so that the correlation score of the item to test the validity of the Pearson Product Moment Correlation. Pearson Product Moment Correlation was used to measure the strength of the linear relationship between two variables continuous (have a scale interval or ratio scale) (Uyanto, 2009:222). The validity of the test results in Table 2.

Table 2
Result of validity

Indicators	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	Fares	RP	L	WOM
SQ11	0.67									
SQ12	0.71									
SQ13	0.76									
SQ14	0.76									
SQ15	0.71									
SQ16	0.62									
SQ21		0.84								
SQ22		0.89								
SQ23		0.90								
SQ24		0.81								
SQ31			0.81							
SQ32			0.79							
SQ33			0.76							
SQ34			0.70							
SQ41				0.85						
SQ42				0.76						
SQ43				0.74						
SQ44				0.83						
SQ51					0.75					
SQ52					0.81					
SQ53					0.78					
SQ54					0.76					
SQ55					0.74					
SQ61						0.75				
SQ62						0.73				
SQ63						0.81				

SQ64		0.73			
F1			0.87		
F2			0.85		
F3			0.76		
F4			0.72		
F5			0.74		
RP1				0.90	
RP2				0.89	
RP3				0.83	
RP4				0.87	
L1					0.87
L2					0.89
L3					0.87
L4					0.89
WOM1					0.89
WOM2					0.94
WOM3					0.92

Validity of test results showed that all the indicators that can be used to measure sub variable or variables that exist. It is seen from the validity above 0.6 and all significant.

Processing the data using structural equation modeling with LISREL 8.8 tools. The suitability of the model test results shown in Table 3.

Table 3
Goodness of fit

Fit Measure	Good Fit	Acceptable Fit	Estimasi
χ^2 (Chi-square)	$0 \leq \chi^2 \leq 2df$	$2df \leq \chi^2 \leq 3df$	$\chi^2 = 1904.10$
p value	$0,05 < p < 1,00$	$0,01 \leq p \leq 0,05$	p-value = 0.00
χ^2/df	$0 \leq \chi^2/df \leq 2$	$2 < \chi^2/df \leq 3$	2.26
RMSEA	$0 \leq RMSEA \leq 0,05$	$0,05 \leq RMSEA \leq 0,08$	0.063
P valuefor test of closefit	$0,10 < p \leq 1,00$	$0,05 < p \leq 0,10$	0.00
(RMSEA < 0,05)	Closeto RMSEA, left-	Closeto RMSEA	0.08
Confidenceinterval (CI)	boundary of CI = 0,00	$0,05 \leq SRMR \leq 0,10$	
SRMR	$0 \leq SRMR \leq 0,05$		
NFI	$0,95 \leq NFI \leq 1,00$	$0,90 \leq NFI \leq 0,95$	0.95
NNFI	$0,97 \leq NNFI \leq 1,00$	$0,95 \leq NNFI \leq 0,97$	0.97
CFI	$0,97 \leq CFI \leq 1,00$	$0,95 \leq CFI \leq 0,97$	0.97
GFI	$0,95 \leq GFI \leq 1,00$	$0,90 \leq GFI \leq 0,95$	0.78
AGFI	$0,90 \leq AGFI \leq 1,00$	$0,85 \leq AGFI \leq 0,90$	0.76
	closeto GFI	closeto GFI	

Source: Engel; Moosbrugger; Muller (2003). Evaluating the Fit of Structural Equation Models: Tests of Significance and Descriptive Goodness-of-Fit Measures and result

In Table 3 shows that the value estimated in this study looks for χ2/df, RMSEA, SRMR is acceptable fit while for NFI, NNFI, CFI value showed good fit. As forχ2(Chi-square), p value, the P value for test of close fit (RMSEA <0.05), GFI and AGFI showed no acceptable fit. The overall result that this model shows the level of suitability, so the research model can be accepted. In answer to the hypothesis being tested using SEM with LISREL 8.8 tools.

RESULT AND DISCUSSION

In this study the number of samples that can be used as many as 322 with the following characteristics:

Table 4
Passengers Characteristic

No.	Information	Amount
1	Gender:	
	Female	127
	Male	195
2	Jobs:	
	Private employees	146
	Government employees	85
	Entrepreneurs	91
3	Used low cost carrier airlines:	
	2 – 5	143
	> 5	179

From Table 4 shows that the majority of passengers on low cost carrier is male, private as well as their employees work on average are using low cost carrier is more than 5 times. Seeing the pattern that the highest users private employees, therefore, they will demand precision flying time, while the demands for fares may not be a priority for them. The above data also demonstrate that they have already happened repeat purchase, as the average of the passengers to use more than 2 times the cost to the concept of the low-cost airlines. To indicate whether they arise loyalty and word of mouth it is necessary to prove the following hypothesis test.

Table 5
Hypothesis Test

Hypothesis	Path coefficient	t-test	t-table	Result	Conclusion
H1 SQ ⟶ RP	0.68	9.31	1.96	Significant	The effect service quality toward repeat purchase
H2 .SQ ⟶ L	0.28	3.29	1.96	Significant	The effect service quality toward loyalty
H3 Fares ⟶ RP	0.11	1.66	1.96	No Significant	Accept H_0
H4 Fares ⟶ Loyalty	0.02	0.37	1.96	No significant	Accept H_0
H5 RP ⟶ Loyalty	0.54	7.19	1.96	Significant	The effect repeat purchase toward loyalty
H6 RP ⟶ WOM	0.11	1.39	1.96	No significant	Accept H_0
H7 Loyalty ⟶ WOM	0.58	7.60	1.96	Significant	The effect loyalty toward Word of mouth
H8 SQ ⟶ WOM	0.21	2.65	1.96	Significant	T he effect service quality toward Word of mouth
H9 Fares ⟶ WOM	0.00	0.01	1.96	No significant	Accept H_0

Hyphotesis test results in Table 5 shows that H3, H4, H6 and H9 no significant, meaning that Word of mouth is not influenced by the fares, either directly or through repeat purchase and loyalty.

Based on the problems studied, the service quality, fares, repeat purchase and loyalty have an influence on word of mouth. Therefore, it can be formed in common issue. Where service quality and fares indirectly have an influence on word of mouth through repeat purchase and loyalty. The value equation is taken from the indirect effect and direct effect to the variables studied. Results of the equation as follows:

$$WOM = 0.662*Repeat\ Purchase + 0.826*Loyalty + 0.463*SQ + 0.072*Fares$$

$$(0.054) \qquad (0.056) \quad (0.057) \qquad (0.042)$$

$$12.256 \qquad 14.707 \quad 8.186 \qquad 1.699$$

Results of the equation shows that the variable repeat purchase, loyalty and service quality have an influence on word of mouth while fares do not have an influence on word of mouth. In the variable fares shown that both a direct influence on the repeat purchase or indirect influence on word of mouth has no effect, it means that the passengers flying low-cost airlines remains more emphasis on service quality as compared to the fares paid.
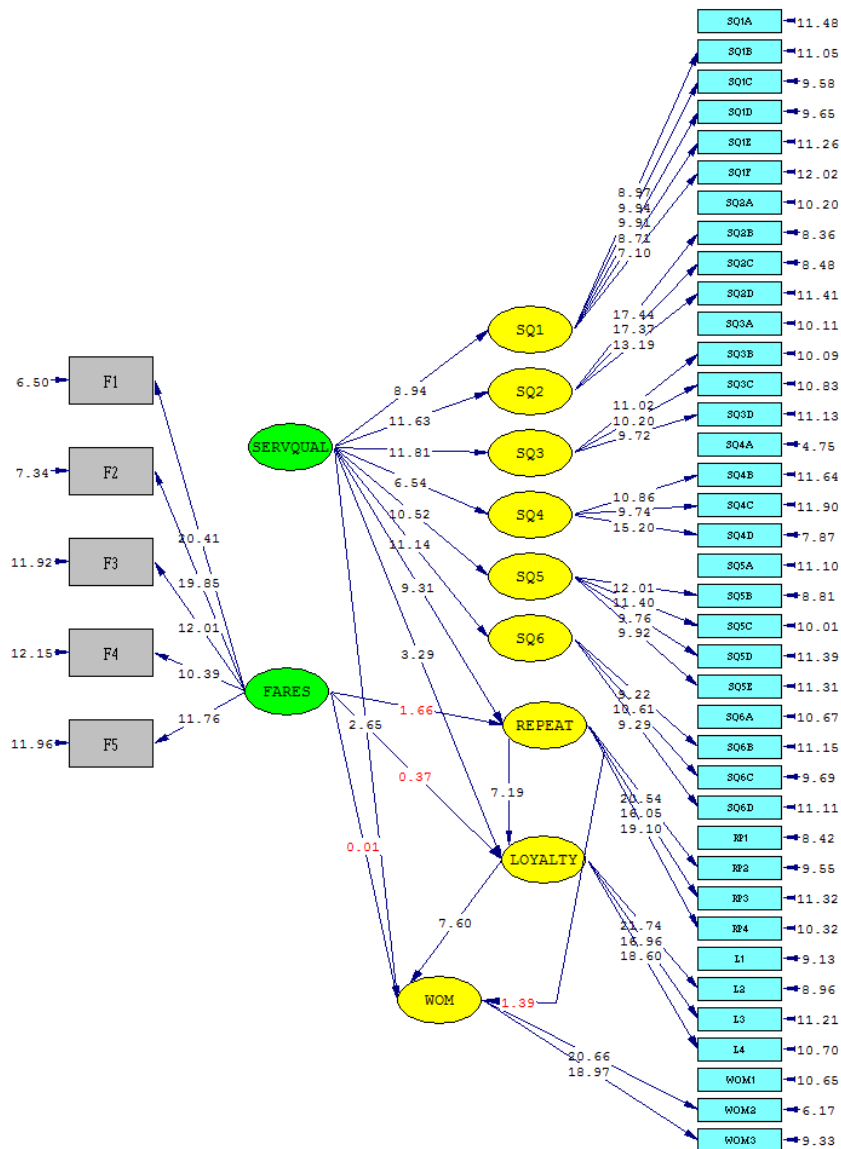
Chi-Square=1904.10, df=844, P-value=0.00000, RMSEA=0.063

The research model tested in accordance with the processed LISREL shown in picture 2. In picture LISREL seen that it is variable fares has no effect on the repeat purchase and word of mouth.

In the results of this study indicate that forming of word of mouth is variable service quality, repeat purchase and loyalty, while fares do not form a word of mouth on the passenger low cost airlines. Where the high level of competition among low cost airlines, they can emphasize the different service quality on a flight with the concept of low cost airlines. This fact makes the passenger will repeat purchase the same flight, so this will cause the loyalty to the passenger. This is consistent with the results of the study Soelasih, et al., 2012, which said that the service quality will affect the satisfaction of passengers who chose flying with low cost airlines. Differences in previous studies, that service quality and fares have an influence on satisfaction while physical evidence passengers who do not have an influence on satisfaction passengers, whereas in this study resulted in fares has no effect on repeat purchase at low cost airlines

CONCLUSION

These results indicate that the quality of services through repeat purchase and loyalty can form word of mouth as well as service quality directly to the word of mouth has a positive influence. As for the fares directly to word of mouth or through repeat purchase fares and loyalty has no effect on word of mouth. The company who have low cost carrier remains concerned about the quality of service, although the concept of low cost airlines is the minimum service and cheap fares.

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