

INTI INTERNATIONAL UNIVERSITY

MASTER IN BUSINESS ADMINISTRATION

**UNDERSTANDING THE ANTECEDENTS OF CUSTOMER
LOYALTY IN NETWORK AIRLINES INDUSTRY IN KLANG
VALLEY AREA MALAYSIA**

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ABSTRACT

Network airlines industry is considered as one of the most growing markets in the world. The objective of this research is to investigate the main factors that influencing customer loyalty among international students from any education institution in Klang Valley Area Malaysia. The main factors that are adopted in this research are brand name, perceived service quality, price and loyalty programs. Questionnaires are distributed to 200 international students and was used to analyze the results. The research result shows that price has a high influence on customer loyalty. The result also showed that overall factors have strong positive influence toward customer loyalty. Further recommendations and discussions of the results for further research are also provided.

Keywords: *Customer Loyalty, Network Airlines, Brand Name, Perceived Service Quality, Price, Loyalty Programs.*

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CHAPTER 1: INTRODUCTION

1.1. Background Analysis of Industry

The Airlines Industry has evolved in the past decades. Earlier to travel using an airplane from one place to another used to be a huge event which was only attainable by the privileged people. Now Airlines are the most accessible transportation to the most levels of society with reasonably affordable fares (Vince, 2011). First of all, travelling by airplane is more convenient and comfortable for passenger. For example, in the airplane the stewardess is available to serve and help the passengers when they needed. Furthermore, airplanes have a good security system. For example, airports provided systems to take care of security of passengers. Staff will check supplies to protect from the accident before boarding the plane. Moreover, travel by airline is faster. Airplanes can benefit passengers save time very well such as passengers travelling by airplane use less time. Finally, special offers are provided by the airlines which provide comparatively cheaper air flow fares. Thus everyone is able to travel to different continent or country of their desire. Therefore the number of air travellers has grown and naturally the numbers of Airlines are grown too (see Table 1.1).

However, some airlines have survived longer than others. In a vastly competitive environment of Airlines Industry, customer loyalty is one of the core competitive advantages aimed at Airlines profitability and sustainability (Chen, 2008). Most airlines measured their success essentially in terms of customer loyalty (Huang, 2009). In any type of business to customer environment, satisfying a customer is an ultimate objective to achieve a high level of loyalty (Munusamy et al, 2010). Nevertheless it can quite be an issue. The reason is

because that some airlines do not understand of what customer needs and wants. This predicament has provided a challenging task to the most business of airlines that places strong emphasis on services.

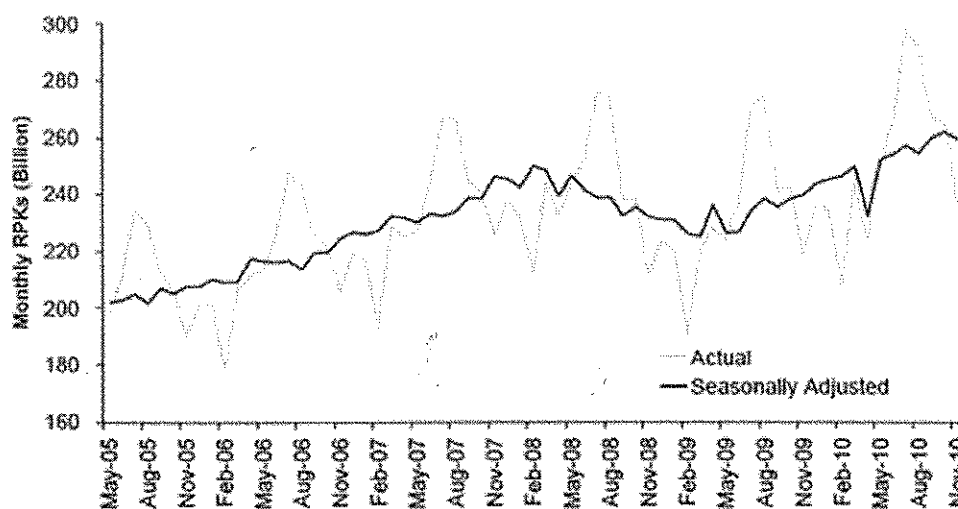
Many of Airlines has been seen customer loyalty as a method to gain competitive advantage from others. Customer enthusiasm on particular airlines has not stopped but has rather rapidly grown years to years (Liu and Yang, 2009). Satisfied consumers will purchase a ticket of airlines they trusted best. That is why the challenges in the industry itself are to address consumers' needs and persuade their decision choosing a specific airline is correct. For instance, changes of products and services made by Airlines Company have caused passengers eager to pay for air travel. Additional destinations to other part of the world, easy access to book the airline, security of travelling increased and extra benefits offered from inflight services have made travelling using airplane more convenient. Therefore, Airlines industry has brought extra advantages to customers which made international travel accessible to many people (Romanova, 2004).

According to International Air Transport Association (IATA) 2010, international passengers demand has been growing by an average 6.4% in year on year in 2010. Volume growths in traveller markets are hastening. On 2009, amount of travellers has expanded by 4.3% while volume has increased by 6% (see Table 1.2). In Asia Pacific, there is an increase in demand of 6.2% while in European recorded 5% growing of passengers in the previous. These demand progresses are being supported by incoming traffic on Euro. For North American a table shows 5.3% increase due to falling of US\$ tempting a leisure and business passengers to travel. However, since liquidation of Mexicana Airlines the growth of passengers in Latin America is slower than before. It happened as well in Middle East where carriers recorded demand reduced to 12.3% and Africa to 10.8% since markets in this area are emerging. Thus in North America and Europe the growth of airlines industry is slower than Africa. From the table utmost active development of airlines industry is located on Asia-Pacific region where

national wealth of country is increasing with rapid development of trade and investment. Although the 1997-1998 financial crisis affected the growth of world economics the airlines market still will continue to increase.

However, the airline industry still has problems to look in. For example unstable growth of global economic with the high fuel prices, unresponsive service given to passengers, employee issues, overfilled terminals and financial issues have overwhelmed the industry, they still continue as to be the industry which has the lowest profit attained (Unger, 2009). That is why several airlines are changing their strategy to low cost carriers' airlines and offer rates as low as possible. Even though they gained a cost advantage the airline can suffer a diminished image among customers and potential stakeholders. Furthermore, in any kind of cost advantage they get, at times some low cost carriers' airlines are not capable enough to close the gap of their costs of expenditures.

Looking at the problems yet airlines industry remains a large and growing for some company. The industry facilitates economic growth, world trade, international investment and tourism and therefore central to the globalization taking place in many other industries (Air Asia, 2010). The availability of aircrafts made it convenient and affordable for people to travel further to new and exotic destinations. Governments in developing countries also realized the industry bring benefits to their national economies in terms of investments, supply chains and their customers (Arif, 2010). Thus by doing the research we can explore the antecedents of customer loyalty perhaps to help them to achieve high rates of customer retention, fast growth and increased profitability.

Table 1.1: International passenger traffic, actual and seasonally adjusted from 2005 to 2010

Source: IATA (International Air Traffic Association) 2010. Available from: www.iata.org

Table 1.2: Number of passengers' growth levels from 2009 to 2010

	RPK Growth	ASK Growth	PLF	FTK Growth	AFTK Growth
Africa	10.8%	9.0%	71.7%	28.1%	12.1%
Asia/Pacific	6.2%	4.6%	79.2%	22.0%	19.6%
Europe	5.0%	4.3%	84.2%	9.6%	3.5%
Latin America	8.7%	5.7%	77.3%	22.3%	2.1%
Middle East	12.3%	13.0%	76.9%	24.3%	13.5%
North America	5.3%	4.5%	86.1%	25.7%	11.3%
Industry	6.4%	5.5%	81.6%	19.6%	11.9%

Source: Centre for Asia Pacific Aviation and IATA. Available from: <http://www.centreforaviation.com>.

Explanation of Measurements:

RPK: Revenue Passenger Kilometres measures actual passenger traffic

ASK: Available Seat Kilometres measures available passenger capacity

PLF: Passenger Load Factor is % of ASKs used

FTK: Freight Tonne Kilometres measures actual freight traffic

ATK: Available Tonne Kilometres measures available total capacity (combined passenger and cargo)

1.2. Airlines Industry Market in Malaysia

Airlines industry in Malaysia functions as a main part in helping the economy of the nation. De-regulation of airlines industry encouraged rapid growth in this industry particularly the progress determined by the appearance of low cost airlines. The economic environment of Malaysia is improving after 1.7% last year and estimated to increase strongly with 4.9% growth in 2011 led by the retail trade sector and freight transport sector. Table 1.3 below revealed that airlines and other business sectors output and productivity are important contributor to GDP of Malaysia. In addition, the airlines sector also offer job opportunities to the citizens, airlines industry provides 4% share of employment in companies (World Bank, Government of Malaysia, 2010).

According to Malaysia Freight Transport Report 2009, Malaysia Airports Holdings issued bonds worth US\$824 million to build the second low cost carriers terminal. The construction estimated to be completed in 2012 and the terminal which closes to Kuala Lumpur International Airport (KLIA) will be able to handling 30 million passengers in a year. Looking at Table 1.4 and Table 1.5, the tables' shows a historical data for passengers carried of air transport in Malaysia. The passengers carried were estimated at 22420870.00 in 2009 and this includes domestic and international aircraft passengers. In addition, there are 83 airlines (see Appendix, Table 1.6) registered in Malaysia itself (IATA, 2009). Thus, the Malaysian airlines sector estimated to grow strongly due to economic growth, demand of regional Asian airfreight and improving capitals of the regional carriers including Malaysia Airlines.

Aviation industry in Malaysia was dominated by few flag airlines such as Garuda Indonesia, Singapore Airlines, Malaysia Airlines and Thai Airways (Damuri and Anas, 2005). Malaysian Government prioritizes their flag carriers not

only to oblige transportation necessities but to promote Malaysia globally. In addition fast economic expansion in Malaysia is also encouraging tourist to choose Malaysia as their destinations. Government protection on their local airlines permitted them to lead the market and allowed airlines to charge high price on their fares which yielding high revenues.

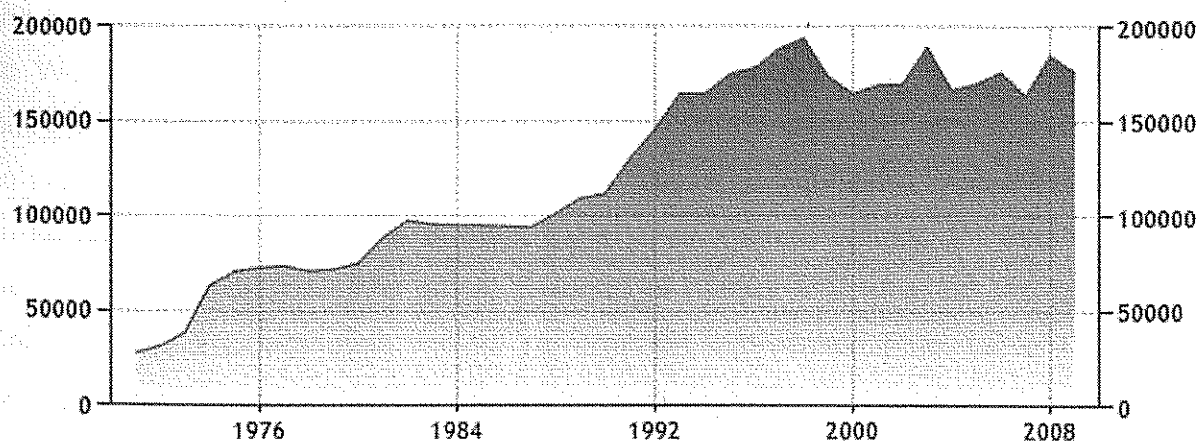
Table 1.3: Output & Productivity Major Service Producing Industries, 2010.

	Share of GDP (%)	Share of Employment (%)	Output per Worker ('000 RM/worker)
Utilities	3.0	0.5	215.6
Retail Trade	11.2	15.0	28.7
Hotels and Restaurants	2.2	6.4	13.5
Airlines transportation	3.9	4.0	37.4
Communications	3.1	0.7	174.7
Finance	9.2	2.5	141.7
Real Estate	4.4	2.8	60.3
Public Admin/Defense	3.0	6.8	16.8
Education	3.1	5.4	22.2
Health services	1.1	1.6	26.7
Other Services	1.3	5.6	9.2
Total Services	45.5	51.3	34.1

Sources: World Bank, Government of Malaysia. Available from: <http://www.epu.gov.my>

Table 1.4: Malaysia Air Transport, Passenger Carried, 2009

MALAYSIA - AIR TRANSPORT; REGISTERED CARRIER DEPARTURES WORLDWIDE



Source: Trading economics, 2009. Available from: www.tradingeconomics.com

Table 1.5: Malaysia Air Transport, 2009.

	Previous (2008)	Last (2009)
Air transport, freight (million ton-km) in Malaysia	2661.5	2444.5
Air transport, passengers carried in Malaysia	21325754.0	22420870.0
Air transport, register carrier departures worldwide in Malaysia	185052.0	176549.0

Source: Trading economics, 2009. Available from: www.tradingeconomics.com

1.3. Problem Statement

Many organizations introduced extensive efforts to enhance customer relationship in order to compete in the industry (Mckinsey, 2001). The market expansion has broadened the needs of customers but at the same time has turned them more experienced and demanding. Attributes like departure schedules and varied destinations are no longer enough to win their preference (Pandit, 2009).

In 1978, The Federal Government of United States deregulated the airline industry which allowing a free market to regulate ticket prices, schedules and service levels (see Table 1.7). The removal of this fare restriction has changed the competition by attracting new entry of competitors in the industry. According to World Air Transport Organization 2009, since deregulation many airlines suffered losses and fare wars became the standard management as a response to increased competition (see Table 1.8). Setting of deregulation created trends to some airlines which come through external or internal factors, for example freedom to choose routes to go to, changed of market structure, set the price based on market regulation without government intervention (see Table 1.9). Deregulation's goal actually is to bring more customers to use air transport which increased competition in the market and lead them to lower the fares. However some of carriers' are affected by this deregulation and found it difficult to survive. That is why some airlines are setting new strategy by offering new routes with additional extra benefits onboard.

Beside that brand name of the Airlines also influence the consumer's choice on purchasing the services. Consumers pay high amount to a specific brand name of products than a product that do not have a well-known name (Klein, 2008). Once the creators of the products are not known for their name, an important part of marker will not be able to function since consumers are not able to use their experienced to identify which goods to purchase and not to purchase. Customer's belief on brand names provides businesses the encouragement to produce products with high quality and charge greater amounts. A business that builds a recognized brand name realizes that if they offer bad quality goods, demand of the products will decrease and the future sales will decline as well the future passengers (Leffer, 1981). Thus this study expects to give some knowledge by studying the value of airlines brand name to customer loyalty.

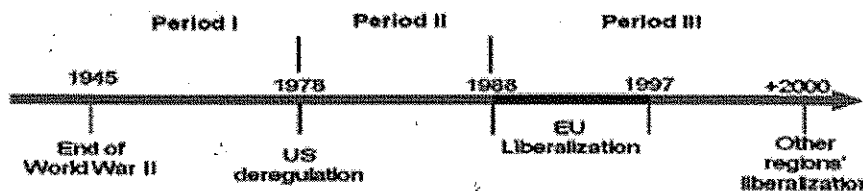
Evolutions of low cost carriers' airlines are also become a driving force in airlines industry. In contrast, network airlines (non-low cost airlines) characteristically use service differentiation approach while low cost airlines emphasis mostly on keeping their operation cost low (Benner, 2009). The dramatic decline in airlines prices causes changes in passengers' demand for air travel. Some customer has sensitivity of air travel to fare changes while some customers are not. In addition to price, take an airline ticket as example of products. The internet and online travel distribution channels enhanced customers to choose the best airlines available. Consumers decided to purchase an airline ticket are for the values behind it such as services offered, time, accessibility to purchase and so forth. When consumers feel that the values are worth the price then the chance to repurchase again is possible. That is why this research is conducted to identify whether the price is matters for consumers in making a decision to purchase a ticket from non-low cost airlines.

Therefore to compete with the price evolution of low cost carriers, other non-low cost airlines develop loyalty programs for travellers who love to travels and often shop around in order to build up their points. When passengers are determining whether to participate in airline's loyalty program, there are factors

Not a good problem statement :-C

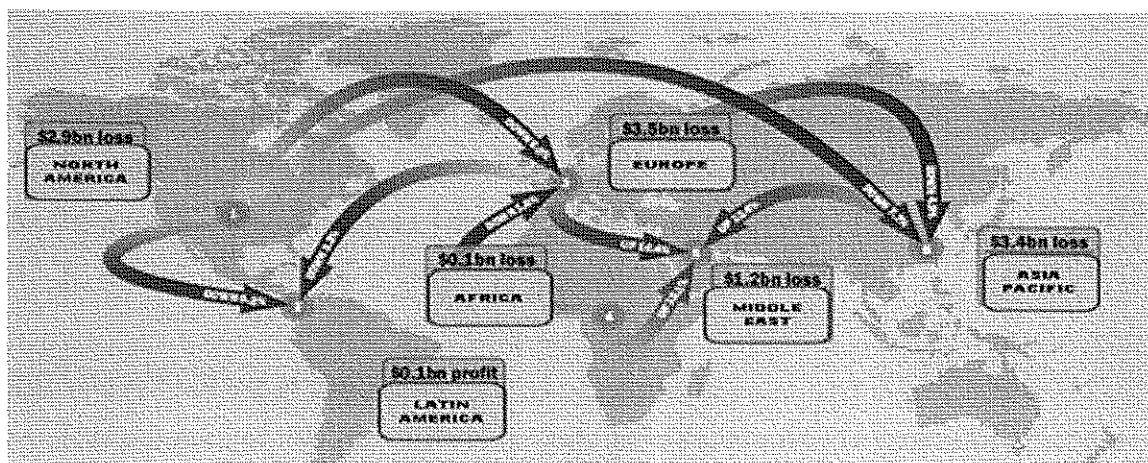
that can influence them to subscribe the programs. They will compare the benefits and the costs and some customers may not be willing to join the program. This reluctant of customers may lead to a negative attitude towards their loyalty to a particular airline. Another issue is whether perceived service quality determine the customer loyalty of customers. Yet it is problematic to separate the correct perceived service quality from a customer's point of view. Thus, this research is necessary to be conducted to analyze the customer's loyalty towards a particular airline in Klang Valley Area Malaysia. The results of this research can assist managers to identify a better strategy that can affect sales in the airlines industry. A good understanding of these factors can also benefit the economy of Malaysia. Therefore, the knowledge gap presence in this research was to determine the several factors influencing customer loyalty.

Table 1.6: Market deregulation timeline



Source: Macário et al. (2009). Available from: <http://www.europarl.europa.eu>

Table 1.7: Capacity changes and Regional Profitability



Source: WATO, 2009. Available from: www.atwonline.com

Table 1.8: Trends in Air Transport

CONTEXTUAL DRIVERS	INTERNAL	
	Trends & Drivers	Trends
Social	Networks and growing impacts of networking	Changes in air transportation market structure;
Technological	Technological evolution	
Economic	Evolution towards a mass-market sector; increasing safety concerns; Emerging new forms of modal competition; Irregular space and time distribution of the sector	Changes in airlines, airline-airport and airports relationships;
Political	Liberalization and deregulation of the market	
		Declining Yields;

Source: Macário et al. (2009). Available from: <http://www.europarl.europa.eu>

1.4. Research Questions

1. In airlines industry, is there any influence of brand name to customer loyalty?
2. In airlines industry, ^{does} is perceived service quality affect customer loyalty?
3. Is price an influencing factors on customer loyalty in airlines industry
4. In airlines industry, ^{do} is loyalty programs have actual effect on customer loyalty?

1.5. Research Objectives

1. To determine the influence of brand name on customer loyalty
2. To determine the effect of perceived service quality on customer loyalty
3. To examine the influence of price on customer loyalty
4. To identify the effects of loyalty programs on customer loyalty

1.6. Significance of the study

The purpose of this research is to gain insights into the dynamics of customer loyalty in Network airlines industry and the outcome of these can affect customer. This study presents a better understanding about factors influencing customer

loyalty in Klang Valley Area Malaysia. First is to gain understanding whether brand name influence the customer loyalty on particular Airlines. This research will provide the airline to have better understanding if brand name is one of the factors choosing the airline. Second is to identify the perceived service quality factors have on customer loyalty. Then this research will allow airlines to identify the way customers perceived service quality and how it will affect the loyalty of customers. Furthermore is to examine if price and loyalty programs influenced the customer loyalty. Many Airlines now have loyalty programs by using discounts as a way to encourage people to purchase the tickets. Thus the study will assist airline the advance understanding the influence of price and loyalty programs to consumer loyalty. Therefore, the result of the research will establish more profound understanding of customer's retention of specific Airline brand characteristics. Then the knowledge gained from this research will provide a foundation and recommendation directed at Airline managers can be built.

1.7. Limitations

The research has some limitations. The sample size obtained in this research relatively small and carried out to international students in any Education institution in Klang Valley area in Malaysia. Jason (2009) mentioned that with larger sample size the result of the research is more accurate and able to eliminate greater risk of inaccuracies. Thus the results might not be reliable since the findings may not a complete evidence of entire student. Respondents will be chosen randomly in any institution in public place. Chosen Airlines are also limited to five big Airlines such as Garuda Indonesia, Emirates Airlines, Qatar Airways, Malaysia Airlines and Yemenia Airways. These five big airlines are chosen by looking at number of international students in Malaysia. Many foreign students choose Malaysia as a place to pursue their education since global recession. On 2010 itself Higher Education Ministry of Malaysia is expecting more than 75,000 foreign students to register on undergraduate and postgraduate programs. Most of the students who interested study in Malaysia

commonly come from Middle East, Indonesia and China (New Strait Times, 2010). That is why the chosen airlines are selected based on the origin of the country.

Since it is only answered by international students in Klang Valley Area, the feedback of this research may not represent the whole international students in Malaysia. Klang Valley area is divided by 5 main areas in Malaysia such as Subang Jaya, Petaling Jaya, Kuala Lumpur, Klang and Sepang. Other than that the access to reach other respondents are limited due to the time distance. Finally, the questionnaires are given only to customers who have made the purchases of chosen airlines.

1.8. Assumptions

1. The research will focus on international students in Education Institution around Klang Valley area and we assume that the respondents are able to signify the entire students.
2. It also assumes that 200 respondents answered the questionnaire without bias and reflect their opinions as accurately as possible
3. Personal preference bias is also ignored in order to present the customer's view about particular airlines.

1.9. Operational Definition

i) Consumer Loyalty

In this study, customer loyalty is defined as commitment of customer to patronize desired product or service constantly in the future causing repetitive same brand purchasing. International students are respondents who have made airline's purchase decision in Klang Valley Area.

ii) Demographic factors

In this research, demographic factors are used to categorize students for statistical purpose such as age, gender, education level, marital status and so forth.

iii) Brand Name

Brand name is refers to the customer's actual behavior of repurchasing a specific brand name. This obviously means that the passengers repeatedly purchase the same brand name of airline when he needs it.

iv) Perceived Service Quality

In this study, perceived service quality defined as a process that consist a set of activities which aim at solving customer's problems. This means that airlines must offer the correct services to meet the customer's desire.

v) Price

Price is defined as the amount of money required by passengers to purchase the ticket of airlines.

vi) Loyalty Programs

In this study loyalty programs is defined as marketing efforts of Airlines to reward or compensate customer's loyalty and to enhance their buying behavior. It requires a comprehensive approach to attract customers and design the products or services that will nurture customer loyalty.

CHAPTER 2

LITERATURE REVIEW

Retaining customers' loyalty is an invaluable advantage to companies in Airlines Industry. By repeating purchases made by customers it provide a company an enormous impact on revenues, growth and competitive advantage. Doganis (2006) said that numerous airlines have lost their effort on customer and then lead to have a lack strategic method to gain customer loyalty. Airlines operate in extremely competitive industry and they will not be able to develop without taking risks (Lane, 2007). Therefore, airlines must capable to cope with changing markets and atmosphere to survive in global industry. We can consider changes in regulatory barriers, evolution of low cost carriers and growing mergers and acquisitions has affected the airline industry in past two decades (Baker, 2006, p.43). These challenges happened within a short time which can create chaos and overload tasks to the leaders of airlines. Therefore, the idea and past findings from previous literature concerning the antecedents of customer loyalty to Network Airlines Industry will be exemplified in this paper.

2.1. Network Carriers Airlines compared to Low Cost Carriers Airlines

Boehmer, (2010) stated that network carriers' airlines or known as non-low cost airline has the important feature shaping the airline industry. Even though low cost carriers seen as a leader in airline industry, it is believed that they are not as low cost as they were. Point to point routes of single aircraft strategy might has endorsed LCCs to reach efficiency on times, fuel and utilization where network carrier airlines found it as a challenge. Regarding statement by Maxon (2010), there is cost gap between these two different airlines. The gap is seen when LCC strategy keeping their operation on low cost to make profit while network carriers can simply make profits from investment they made in business and first class passengers. The strategy of keeping low on operation cost

perhaps continuously beneficial in the future but higher costs can also be antecedents to higher profits.

It is also supported by Wyman (2011) that the LCCs are not as low cost as they were. The fuel costs are raising and adjustment for level of distance is enhancing which will affect the airlines industry. Fuel prices might go anywhere and the ability of LCCs to cope on fuel prices volatility is restricted in this price sensitive market. Thus, the airlines who will suffer the most are the LCCs airlines when they are not able to keep up with adjustment of fuel prices. Whereas most of network carriers' airlines have experienced volatility growth rather than LCCs. This situation affected LCCs to lose from their cost competition while network airlines will keep surviving in the industry.

Besides that, network carriers benefits from their global reputation and they can provide connectivity internationally. While low cost carriers are only able to deal with cross regional connections within a specific region. Therefore, low cost carriers created new strategy by expanding their routes to long-haul. For instance, Air Asia created Air Asia X which could start a new trend in an effort to cut down the costs and with this barrier it may challenge the network carriers again (Stanley, 2008). However the contrary is when this long-haul offered charge based on long-haul rates which make low cost carriers operation cost not so low anymore. To overcome this expansion of low cost carriers' airline, network carriers have selected to compete directly on domestic market by offering short haul rates. With short haul rates and well known inflight services, passengers might choose network carriers rather than low cost carriers.

Furthermore, low cost airlines might feel up their seats with price sensitivity customer but some airlines are taking the customer relationship as a serious business. Network carriers see customer relationship as a strategy to gain market share and as essential part of their brand. (Lonides, 2010) stated that initiatives to cut cost can be seen as a way company to gain profits but nothing can compare with customers relationship. Good customer relationship between the

airline and passenger will lead network carriers to achieve customer loyalty. Loyal customer have tendency to repurchase the airlines even though the low cost airlines market is thriving. Therefore, it is a market niche that network carriers must apply in the industry.

Finally the comparison of these two airlines is when it comes to adapt with new environment of airline's market. When low cost airlines market is booming, there might occurred a risk of cannibalizing to dominant the carrier's routes. For instance, Air Asia has overlapped Malaysia Airlines on domestic routes but if Malaysia Airline capable to enhance the brands attractively the market actually can be segmented (Malaysia Airlines, 2009). However, victory of the low cost carriers might reach the expiration date when the instability condition today affects them. The best possibilities of low cost carriers are to keep focusing on their short-haul routes or intensifying the business strategy and try to strive with other major airlines.

2.2. Customer Loyalty

The competition between airlines are increasing, the importance and the challenge is to keep customer loyalty to growth. Significant efforts are made to sustain a loyal customer. According to (Reinart and Kumar, (2000)), long term customers are profitable for company. Each customers has different perspective towards a specific goods or service, to direct their perspective into company's best interest is the task of the companies. Company must be able to acknowledge that long-term customers are treated differently than new customers. The reason is because long-term customers carry a certain unique advantage to the organization. First is because long-term customers offered stable revenue to company even though the amounts of purchases are small. Beside that if customer stick around for years, customer practically recommending the product or service to their relatives or friends which help promoting company's business. Studies did by (Reichheld, 1990) also supported the statement by suggested that long-term consumers involve lower operating

costs too. In other words, it helps company to reduce their promotion and sales budget. Thus, by studying customer loyalty makes it possible the antecedents of which factors have affected this variable.

customer loyalty is the strength or the association involving individual's relative attitudes and repurchase that facilitated by social standards and situational factors according to Dick and Basu (1994). Therefore many companies have been emphasized on their loyalty offered and marketing strategies to enhance customer loyalty. Often the customers are attracted because of special sale of company; purchase goods that have lower prices and then switch to another brand when it runs a sale event. Repeat customers are more to tempt to buy a full range of goods not merely discounted items. That is why it is no longer adequate to simply attract customers, they must be cultivated by marketing efforts of company. Without marketing efforts, customers are unaware of products or services offered by company thus adequate marketing efforts ensures a successful of sales. To ensure this, the company must remember that customers are the main strength of the business and the efforts made is aimed to meets the customer needs or otherwise they may be obtained by other competitors.

English

Arising customer attitude and behavioral reaction towards specific products or services determined company to act upon to accomplish their target. A company must consistently confirm the customers that their expectations about the products or services are met in order to be loyal. Aaker (1996) suggested that approach to enhance the loyalty of the customer is to develop a relationship through brand names, perceived service quality and loyalty programs. Brand names will reflect the existence of the company in the mind of consumer, ostensible service quality will delivers meaning and purpose of the company also loyalty programs is rewards for loyal customer. Therefore, company must create a strategy to approach the customers and to overcome any attraction of competitors.

Even one customer can be an asset to the company according to Hallowell (1996). It is an asset to the company since profitability relates to positive (Rowley and Dawes, 1999). It is less costly to company to keep customer loyal than if they have to replace them. A loyal customer will have less intention to shift brand, price insensitivity and repeating buying behavior where company can retains their profit to a maximum. Being loyal to the brand means that consumer trusts the brand. Although company raised the price most of customers still feel safe with a particular brand. Then the customers are unwilling to change to another brand due to the perceived service quality they attained. However, customers will not be loyal persistently, if they found the gap between each product is too wide then a chance to switch to another brand is available. Thus when the customer's alteration to one product occurred then the customer will not be an asset to the company any longer.

Finally, it is not an easy task for airline to gain customer loyalty since rapid development of global market enhance customer to switch brand easily. Looking at the global economic and technology with their new trends, it will influence customers and their purchase behavior. Darsono (2004) suggested that customers are more focus on product and service quality they perceive, brand name of the product, suitable price and other benefits offered by a company. Therefore, network airlines must be able to establish more strategies or else these factors will motivate customers to find other best alternatives. Thus it means that Airline's task is to achieve loyal customers will be more difficult and complex and they must be ready with variation of any changes of consumer preference as well (Dharmmesta, 1999; Rowley and Dawes, 2000).

2.3. Brand Name

Loyalty represents customer loyalty to a specific object. The object can be a brand, product or particular outlet (Rowley and Dawes, 1999). According to Kotler (2000 p.396) a brand is the name associated to one or more products and used to distinguish the source of character of the products. By looking at his view we

You should define brand name not a brand.

can see that a brand name is intended to differentiate one product from other competitors. In airlines industry, a brand name means a lot to the customers especially when the airlines want to meet the customer's expectations. A respectable brand name of particular airlines may result in brand loyalty since customers will have a high behavioral attitude thorough purchase behavior (Kapferer, 2005). It can be a great asset to the Airlines since customers are willing to purchase higher prices and bring new customers to the company. ✓

It is important to the airlines to concern on differentiating their product from other competitors (Bennett and Thiele, 2005). Popular brands give benefit towards the customer rather than non popular brands (Keller, 2003). Customers will feel comfortable choosing the well-known brand name because naturally customer seeks uniqueness in particular brand. Product with top brand names can easily attract attention of the customer, collecting popularity, captivating the purchasing rates and awareness of consumer, the benefit is clear. While the brand that has less popularity are often underestimated and even unnoticed by customer. Brand name used by a person to reflect their taste of preference and economic background. When customers purchase products, it is frequently affected by brand name. However, some customers may purchase particular products only due to brand name. Thus, it is essential strategy for business to identify customer decision process on brand name which customer applies while making decision. ✓

According to Howell (2004), the development of brand name is a crucial part in the process of customer loyalty. There are many unfamiliar Airlines brand names available in the market but several consumers may only prefer a familiar brand name. Then prestigious brand names will enhance customer to purchase the brand and influence them to repeat purchasing behavior (Cadogan and Foster, 200). They tend to identify the products from a whole perception, associating the brand name and all attributes offered influence the purchase behavior. The attributes is what the consumer thought the product or service has ✓

and what is involved with its purchase or consumption. The findings suggested by Bhat and Reddy (1998), there was a need to identify the relationship between brand prestige, personality and popularity to brand attitudes, purchase intention and purchase behavior. Then the result showed that when customers perceive higher prestige of the brands, they were more loyal to the company. Therefore, the hypothesis to test in this study was:

HA: There is a significant relationship between brand name and customer loyalty in Network Airlines Industry

In addition, brand name used as a symbol to reveal hidden qualities of the product. It distinguished them from other competitors. That is why the challenge of airlines today is to create a strong and unique name. The common thing in industry is the better the name of airlines, the chance of the airline to become a global player is greater. Unpredictable adjustment of situation has challenged the airline to pursue innovative methods in order to gain customer. Customer need to know that the chosen brand airline worth the value. The airlines that survive usually are the ones that have capability to build a strong brand and create influence by engaging customers around their brand (Ross, 2009). Airlines are awakening to focus on building their brands to sustain and form their position which can build loyalty beyond prices.

Creating brand name's value in the airline industry means raising customers around the service and the experiences which lead to a strong relationship. This includes sponsorship events such as Emirate's contribution to the McLaren F1 team or Emirate's contribution to Arsenal Football club. Finally, brands are like people, they matters to an issue that most societies are passionate about. Thus airlines must focus on the brand names experience since today customers will choose the airlines that offers the best value. Focusing the brand strategies not only will sustain existing passengers but also attract others to purchase the products.

2.4. Perceived Service Quality

Identifying service quality can be a specific task as well as continual process to improve services. Previous study determines that customers can stay with a specific product when they perceived high quality service and behave contrariwise when the service is perceived to be low (Keaveney 2001). Many companies believe to the fact that customer satisfaction on company's service will lead to great customer loyalty (Anderson and Sullivan, 1993). That is why many companies (including airlines) that have superior service quality have been found to be a market leader in terms of revenues and long-term customer loyalty (Boulding et al, 1993).

According to Parasuraman (1991) service quality theory, there are ten determinants of service quality. The aim of identifying the service quality is to measure which kind of services that need to be improve. It will essentially allowed airlines to provide services that met the expectations of customers.

Table 2.1: Service Quality Attributes

1. Access	The ease of accessing the services
2. Communication	Keeping the customers informed
3. Competence	Adequate knowledge in providing the services
4. Courtesy	Politeness and friendliness of the staff
5. Credibility	Trustworthiness and image of the service provider
6. Reliability	Delivering the services that was promised
7. Responsiveness	Willingness to provide the services
8. Security	Confidentiality, physical safety
9. Tangibles	Physical aspect of the services such as facilities, equipment, resources
10. Understanding the customer	Knowing what customers wants and needs

Source ...

Quality can be defined as conformance to requirements according to Crosby (1979). Most services are unable to measure due to intangibility, which is why it is not easy for the company to identify how customers perceived their services and assess service excellencies (Zeithaml, 1981). That is why we are using factors above to determine the service quality because when purchasing the goods, customers engage with many physical indications such as safety, style or politeness.

Service quality is defined as overall impression of consumer to specific organizations and its services. Understanding the needs of customers is the most crucial step in defining and delivering (Zeithaml et al., 1996). That is why some researchers have measured airline perceived service quality through various dimensions. Gourdin (1998) characterized airline service quality through 3 parts which are safety, timeliness and price. While other researcher Elliot and Roach (1993) categorized it to food and beverage, luggage transport, seat comfort, check in process and in-flight entertainment. Different with Haynes (1994) which identified the use of the luggage process, cleanliness of seat, check in ease, the convenience of transit, timeliness and way to handle customer complaints as the standards of service quality. These dimensions expressed the service quality that Airlines must achieve in order to compete with other airlines.

Network airlines must keep in mind that perception of value that customer received on the service embodies a compromise relating the quality that the customer perceive in the service and to the sacrifice perceived by customer for paying the price (Monroe, 1990, p.46). Thus to maximize customers' perceived value of quality, an airline must either increased their quality or decrease price and time effort of customer. Therefore, the literature supports perceived value on service quality as the ancestor of customer loyalty (Cengiz & Yayla, 2007; Dodds et al., 1991), and perceived value has a critical role in facilitating positive relationship with customer loyalty (Lemon et al., 2001; Yoo et al., 2000).

Therefore, several studies explain about antecedents of perceived service quality and customer loyalty. In Cronin and Taylor (1992) study, the hypothesis did not appear that service quality relates with important relationship with repurchase intentions whereas Boulding et al. (1993) result showed that repurchase intentions and willingness to recommend has positive relationship with service quality. Thus, this paper shows the hypothesis as below:

HA: There is a significant relationship between perceived service quality and customer loyalty in Network Airlines Industry

2.5 Price

The most important element in the airlines industry is to put effort on the marketing strategy for the long run competition. On the ground of marketing theories, a price plays as important factors determining customers' loyalty (Bustcher, 1998). It must be taken into account that the success of customer loyalty is depends on how the quality of benefits offers to them. Customer loyalty must be made over time by the good value of money. Any changes on marketing strategy develop by company can significantly affect the nature of customer price sensitivity. Some marketing effort can increase price sensitivity which leads to more intense price competition.

Price sensitivity according to Miller (2006) is the cost awareness of consumer to what they gained in buying a particular product or service. Knowing the price sensitivity of existing and potential customers is essentials for the company. Any customers have some degree of price sensitivity (Draeger, 2007). Small change in price can have significant impact to the revenues of the company. Network airlines recognized that price sensitivity is crucial in the fact that LCCs airlines are dominant player in the competition. A passenger usually estimating the value of quality that they received is by price. Thus to achieve success in global airlines market, network airlines must evaluate price impact on customer loyalty (Laisves, 2009).