

# The Effect of Service Quality, Price, Customer Satisfaction on Customer Loyalty of AirAsia Customers

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**Abstract—** *This research aimed to explain the effect of service quality, price, and customer satisfaction on customer loyalty AirAsia airline customers. This research was conducted by distributing questionnaires to customer who had been used AirAsia airline service. Data processed using Lisrel 22 application with SEM (Structural Equation Model) technique. Total respondents in this research were 206 respondents, which male respondents were 108 respondents, and female respondents were 98 respondents. The results of research were service quality has positive influence on customer satisfaction, price has positive influence on customer satisfaction, service quality has positive influence on customer loyalty, price has positive influence on customer loyalty, and customer satisfaction has positive influence on customer loyalty. From the result that price was the most influence on customer satisfaction. And based on three variables (service quality, price, and customer satisfaction), customer satisfaction is the most influence on customer loyalty.*

**Keywords:** *service quality, price, customer satisfaction, customer loyalty*

## I. INTRODUCTION

Current economic development and growth make competition between industries increasingly tight. Increasing competition intensity makes companies always think of ways to keep going. One of the things that must be done by the company is maintaining customer satisfaction and loyalty.

One of industry that requires to maintaining customer satisfaction and loyalty is the airline industry. An airplane is used by many people to travel. Air transportation is considered faster than using other transportation.

Although the cost of using flight services is more

expensive than using other transportation, air transportation is still the main choice in traveling to an area. This is a challenge for airlines to attract interest from customers to use their services. That way, company needs to determine strategies to be able to compete with other airlines.

One of the airlines that maintain customer satisfaction and loyalty is AirAsia. AirAsia is one of the low-cost airlines. It can be seen from the award which they received as a low cost carrier in the world. AirAsia using an affordable pricing strategy to make attract the interest of their customers for used their flight services and creating satisfaction and loyalty for their customers.

Satisfaction is the relationship between work expectations and work performance. Customers expect good performance from a product that they used. If the performance of a product is good then customer will be satisfied and if the performance of a product is not good then it will make customers dissatisfied. Disappointment or dissatisfaction is something that is not expected by the company.

Satisfaction can be based on several factors, such as service quality and price. Service quality is related to the form of service provided to customers. Good service quality will make satisfaction for its customers, and if the quality of services provided is not good, then customers will feel dissatisfied and will switch to other products.

Price is also one of the factors that can increase customer satisfaction. If the price offered is affordable, customers will be satisfied, and if the price offered is high, satisfied customers are not satisfied. Good service quality and prices can have a positive impact on customer satisfaction. Furthermore, satisfaction created will have an impact on customer loyalty. Satisfied

customers will buy back the same product. If customer satisfaction is not good, customer loyalty will not be formed. Based on the explanation above, researcher want to conduct research entitled The Effect of Service Quality, Price, and Customer Satisfaction on Customer Loyalty.

## II. LITERATURE REVIEW

### *Service Quality*

Tjiptono & Chandra, service quality services are defined as a high level of services provided to customers to be able to meet customer expectations. This service is provided to meet customer needs and requests according to expectations from customers.

There are five dimensions of quality in accordance with the level of interest of consumers, namely Reliability, Responsiveness, Assurance, Empathy, and Tangible.

### *Price*

Kotler & Keller [1], prices are defined as the amount of value issued by customers to get benefit from owning or using a product or service. Price is one of the important elements for the company in gaining profits and also becomes one of the factors that are taken into consideration for buyers in purchasing products or services.

Price has four indicators for customers are affordability, price compatibility with product quality, price competitiveness, and price and benefit conformity.

### *Customer Satisfaction*

The word "satisfaction" comes from the Latin word "satis" which means good enough and "facio" which means to do or make. In short, it can be interpreted as an effort to fulfill something. Kotler & Keller [1], satisfaction is a feeling of someone both satisfied and unsatisfied which resulting from the performance of a product or service accordingly expectations. Customers will feel satisfied if the performance of a product or service is accordingly expectations, and customer will feel unsatisfied if the performance of a product or service is not accordingly expectations.

Customer satisfaction has five indicators are namely product quality, service quality, customer emotional factors, prices, and costs or ease of obtaining products.

### *Customer Loyalty*

Bendapudi & Berry in Tjiptono, customer loyalty is a response related to commitment in a supported relationship and is usually marked by a repurchase of a product. In short, customer loyalty can be called loyalty from customer to repurchase a product. With customer loyalty was created, it can help company to exist in marketing their products to customers.

Customer loyalty have four indicators are makes regular repeat purchases, purchases across product and servicelines, refers other, demonstrates an immunity to the full of the competition.

### *Conceptual Framework of Research*

Customer loyalty is one of the keys for companies to continue to operate. With the loyalty of customers, customers will make repeat purchases of same product. Factors that can make customer loyalty are service quality, price, and customer satisfaction. The conceptual framework of this research is:

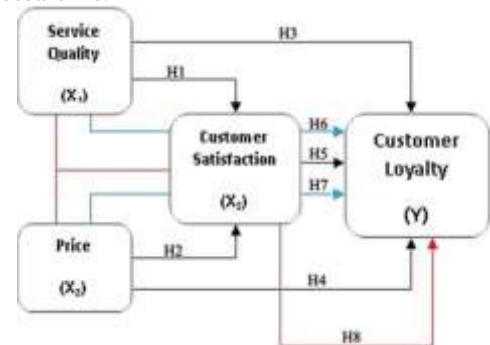


Figure 1: Conceptual Framework of Research

### *Hypothesis*

Based on conceptual framework of research, several hypotheses can be formulated as follows:

- H1: Service Quality has a positive influence on Customer Satisfaction
- H2: Price has a positive influence on Customer Satisfaction
- H3: Service Quality has a positive influence on Customer Loyalty
- H4: Price has a positive influence on Customer Loyalty
- H5: Customer Satisfaction has a positive influence on Customer Loyalty
- H6: Service Quality has a positive influence on Customer Loyalty through Customer Satisfaction
- H7: Price has a positive influence on Customer Loyalty through Customer Satisfaction

H8: Service Quality and Price has a positive influence on Customer Loyalty through Customer Satisfaction

**III. METHODOLOGY**

*Sampling*

This study used quantitative methods to determine the effect of service quality, price, and customer satisfaction on customer loyalty. The data source used is primary data obtained directly from respondents. The research was conducted with a questionnaire submitted online using a google form for AirAsia customer. The questionnaire was distributed on March 4 to April 21, 2019.

*Variable of Research*

The variables in this research consist of independent and dependent variables. Independent variable consists of Service Quality (X1), Price (X2), and Customer Satisfaction (X3). And the dependent variable consists of Customer Loyalty (Y).

*Measurement*

This research used Likert scale measurement. Likert scale is used to determine the level of opinion or perception of respondents. Likert scale levels consist of Strongly Disagree (STS), Disagree (TS), Neutral (N), Agree (S), and Strongly Agree (SS).

Calculation of validity and reliability test is calculated using the SPSS application. The results of the validity test can be seen in the value of the corrected item total correlation. If the value of the corrected item total correlation is above 0.2 then it can be declared valid, and if the value is below 0.2 then it is declared invalid. The reliability test results can be seen from the cronbach's alpha value. If the cronbach's alpha value is above 0.6, it can be declared reliable, and if the value is below 0.6 then it is declared unreliable.

**IV. RESULTS AND DISCUSSION**

*Data Collection*

Research Description		Total	Percentage
Gender	Male	108	52.4%
	Female	98	47.6%
Age	20 - 25	23	11.2%
	25-30	99	48.1%
	30-35	40	19.4%
	>35	44	21.3%
Education	Senior High School	28	13.6%
	Diploma III	31	15.1%
	Bachelor	129	62.6%
	Post Graduated	18	8.7%

This research was conducted by distributing questionnaires using google form to customers who had used AirAsia flights. Total respondents in this research were 206 respondents with total of male respondents were 108 respondents (52.4%), and total of female respondents were 98 respondents (47.6%). Based on age, total respondents with aged 20-25 years were 23 respondents (11.2%), total respondents with aged 25-30 years were 99 respondents (48.1%), total respondents with aged 30-35 years were 40 respondents (19.4%), and total respondents with aged above 35 years were 44 respondents (21.3%).

Based on education, total respondents who had the last education in senior high school were 28 respondents (13.6%), total respondents who had the last education in D3 (Diploma III) were 31 respondents (15.1%), total respondents who had last education in S1 (Strata I) were 129 respondents (62.6%), and total respondents who had the last education in S2 (Strata II) were 18 respondents (8.7%).

*Result*

**Table 1: Validity Test Result**

Variable	Statement	Corrected item total correlation	Information
Service Quality	SQ1	0,628	Valid
	SQ2	0,603	Valid
	SQ3	0,695	Valid
	SQ4	0,760	Valid
	SQ5	0,678	Valid
	SQ6	0,662	Valid
	SQ7	0,708	Valid
	SQ8	0,605	Valid
	SQ9	0,629	Valid
	SQ10	0,647	Valid
Price	P1	0,706	Valid
	P2	0,805	Valid
	P3	0,752	Valid
	P4	0,634	Valid
Customer Satisfaction	CS1	0,735	Valid
	CS2	0,751	Valid
	CS3	0,713	Valid
	CS4	0,630	Valid
	CS5	0,646	Valid
Customer Loyalty	CL1	0,736	Valid
	CL2	0,698	Valid
	CL3	0,633	Valid
	CL4	0,638	Valid

Based on Table 1 Validity Test Results, the statements of each variable in this research were declared valid. This can be seen from the value of the corrected item total correlation which has value above 0.2.

Statements in service quality variables are declared valid, where value of SQ1 was 0.628, value of SQ2 was 0.603, value of SQ3 was 0.695, value of SQ4 was 0.760, value of SQ5 was 0.678, value of SQ6 was 0.662, value of SQ7 was 0.708, value of SQ8 was 0.605, value of SQ9 was 0.629 and value of SQ10 was 0.647.

Statements in the price variable are declared valid, where value of P1 was 0.706, value of P2 was 0.805, value of P3 was 0.752, and value of P4 was 0.634.

Statements in the customer satisfaction variable are declared valid, where value of CS1 was 0.735, value of CS2 was 0.751, value of CS3 was 0.713, value CS4 was 0.630, and value of CS5 was 0.646.

Statements in the variable customer loyalty are declared valid, where value of CL1 was 0.736, value of CL2 was 0.698, value of CL3 was 0.633, and value of CL4 was 0.638.

**Table 2: Reliability Test Result**

Variable	Cronbach's Alpha	Information
Service Quality	0,904	Reliable
Price	0,870	Reliable
Customer Satisfaction	0,869	Reliable
Customer Loyalty	0,833	Reliable

Based on Table 2 Reliability Test Result, the variables in this research were declared reliable. This can be seen from the cronbach's alpha value of each variable which has value of above 0.6, where value of the cronbach's alpha on service quality was 0.904, value of cronbach's alpha on price was 0.870, value of cronbach's alpha on customer satisfaction was 0.869, and value of cronbach's alpha on

customer loyalty was 0.833.

The results of the analysis of this research were conducted to know effect of independent variables on the variables performed. The analysis was conducted to find out whether H0 was rejected or H1 was accepted. To test the data, researchers used the Lisrel 22 application with the SEM (Structural Equation Model) technique.

Table 3: Hypothesis Test Result

Indirect Variable	Direct Variable	Estimates	T-values
Service Quality	Customer Satisfaction	0.37	4.93
Price	Customer Satisfaction	0.42	5.53
Service Quality	Customer Loyalty	0.18	2.02
Price	Customer Loyalty	0.22	2.30
Customer Satisfaction	Customer Loyalty	0.36	3.58
Service Quality	Customer Loyalty through Customer Satisfaction	0.13	2.93
Price	Customer Loyalty through Customer Satisfaction	0.15	3.06
Service Quality and Price	Customer Loyalty through Customer Satisfaction	0.18 & 0.21	2.02 & 2.30

Based on Table 3 Hypothesis Test Results used the Lisrel 22 application. Value of T-values of all variables in this research show values above 1.96, where value of t-values of service quality on customer satisfaction was 4.93, value of t-values of price on customer satisfaction was 5.53,

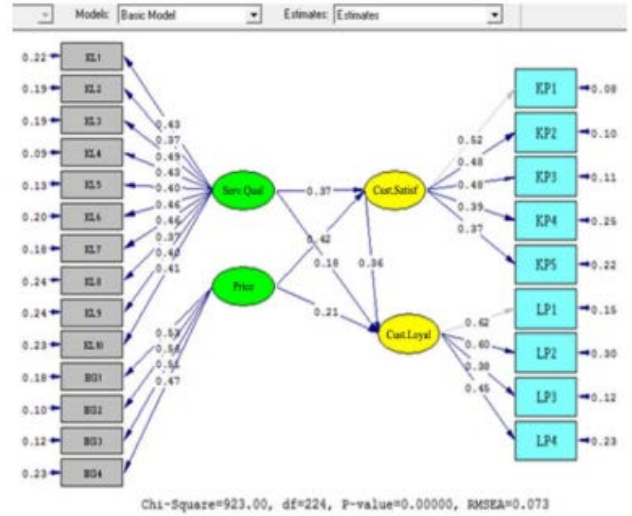


Figure 2: Estimates Test Result

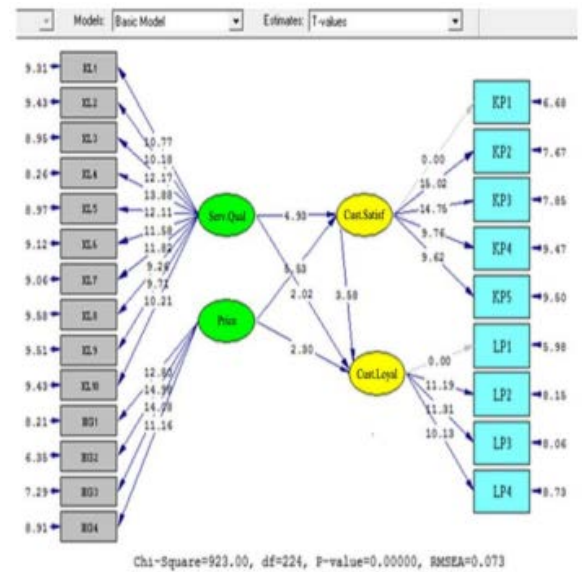


Figure 3: T-values Test Result

Figure 2 and Figure 3 show the results of the research hypothesis using the Lisrel 22 application. Figure 2 shows the results of estimates test of the research variables, and Figure 3 shows the results of T-values test of the research variables. value of t-values of service quality on customer loyalty was 2.02, value of t-values of price on customer loyalty was 2.30, value of t-values of customer satisfaction on customer loyalty was 3.58, value of t-values of service quality on customer loyalty through customer satisfaction was 2.93,

value of t-values of price on customer loyalty through customer satisfaction 3.06, value of t-values of service quality and price on customer loyalty through customer loyalty was 2.02 an 2.30. It can be stated to have positive influence between the variables tested.

### *Discussion*

Hypothesis 1: Service Quality has positive influence on Customer Satisfaction.

Hypothesis 1 was in line with previous research entitled "The Mediating Role of Customer Satisfaction: Evidence from The Airline Industry" by Rahim Hussain, where the results of the research show that service quality has positive influence on customer satisfaction. Good service quality will create customer satisfaction, and if the quality of service is bad, then customers feel unsatisfied and will switch to other products.

Hypothesis 2: Price has positive influence on customer satisfaction.

Hypothesis 2 is in line with previous research entitled "The Effect of Perception Quality/Price of

Service on Satisfaction and Loyalty Algerians Customers Evidence Study Turkish Airlines" by Sedjai Asmal, Maliki Samir Baha Dine, Berbar Wafaa, and Ainous Redouan, where the results show prices has positive influence on customer satisfaction. Affordable prices can make customers feel satisfied, and conversely high price makes customers feel unsatisfied.

Hypothesis 3: Service quality has positive influence on customer loyalty.

Hypothesis 3 is in line with previous research entitled "Mediators of the Relationship between Service Quality and Customer Loyalty" by Charles Manyeza, where the results of his research show that service quality has positive influence on customer loyalty. Service quality that can create customer loyalty, and poor service quality, will not create customer loyalty.

Hypothesis 4: Price has positive influence on customer loyalty.

Hypothesis 4 is in line with previous research entitled "Price, Service Quality, and Customer Loyalty: A Case of AirAsia" by Nadia Hanum Amiruddin, where the results of the research show that price has positive influence on customer loyalty. Affordable prices can create customer loyalty, and high price will not create customer loyalty.

Hypothesis 5: Customer Satisfaction has positive influence on Customer Loyalty.

Hypothesis 5 is in line with previous research entitled "The Impact of Service Quality, Customer Engagement, and Selected Marketing Construct on Ailine Passenger Loyalty" by Raditha Hapsari, where the results of research show that customer satisfaction has positive influence on customer loyalty. With customer satisfaction was created, it can make customers loyal to used the products, and if there is no customer satisfaction, then customers will switch to use other products.

Hypothesis 6: Service Quality has positive influence on Customer Loyalty through Customer Satisfaction.

Hypothesis 6 is in line with previous research entitled "The Mediation Effect of Customer Satisfaction in the Relationship between Service Quality, Service Orientation, and Marketing Mix Strategy to Customer Loyalty" by Solimun, and Adji Achmad Rinaldo Fernandes, where the results of research show that service quality has an influence positive towards customer loyalty through customer satisfaction. Good service quality can create customer satisfaction and will have an impact on customer loyalty, and if service quality was bad, it can make customers feel unsatisfied and customer loyalty will not be created.

Hypothesis 7: Price has positive influence on customer loyalty through customer satisfaction.

Hypothesis 8: Service Quality and Price have positive influence on Customer Loyalty through Customer Satisfaction.

Hypotheses 7 and 8 are in line with previous research entitled "Service Quality, Service Convenience, Price, and Fairness, Customer Loyalty, and The Mediating Role of Customer Satisfaction" by Vinita Kaura, Ch. S. Durga Prasad, and Sourabh Sharma, where the results show service quality and prices have a positive influence on customer loyalty through customer satisfaction. Good service quality and affordable prices can make customers satisfied and will have an impact on customer loyalty for repeat purchases, and if the quality was bad and price was not affordable will make customers unsatisfied, and will switch to use other products.

Based on the results of hypothesis testing which used Lisrel 22 application, the price variable has the highest estimated values and t-values than service quality. That way, price is the most influential variable on customer satisfaction. Based on three variables (Service Quality, Price, and Customer Satisfaction), Customer Satisfaction is the most influence on customer loyalty. This shows that AirAsia provides affordable prices to its customers, and

that makes customers feel satisfied. With satisfaction created, customers repurchase products from AirAsia, so that by making a repeat purchase, customer loyalty is created.

## V. CONCLUSION AND RECOMMENDATIONS

### *Conclusion*

Based on the result of this research, it can be concluded that service quality has positive influence on customer satisfaction, price has positive influence on customer satisfaction, service quality has positive influence on customer loyalty, price has positive influence on customer loyalty, customer satisfaction has positive influence on customer loyalty, service quality has positive influence on customer loyalty through customer satisfaction, price has positive influence on customer loyalty through customer satisfaction, and service quality and price have positive influence on customer loyalty through customer satisfaction.

From the test results used Lisrel 22 application, price was the most influence on customer satisfaction. Based on three variables (Quality of Service, Price and Customer Satisfaction), customer

satisfaction is the most influence variable on customer loyalty. In short, it can be concluded that an affordable price can make customers satisfied and will have an impact on customer loyalty. And if the price offered is not affordable, then customers will feel dissatisfied, and will switch to use other products. If customer satisfaction was created, it can be impact to customer loyalty and customer will make repurchase product, and if customer satisfaction was not created, customer will look for other product.

### *Recommendations*

Recommendation for companies is to maintain a price competitiveness strategy that is already running. Based on the results of the research that has been done, price is a factor that can give effect to customer satisfaction and customer loyalty. Beside of affordable price, company

must have good service quality for customer. It can be impact to customer satisfaction. In short, good service quality and affordable price can make customer satisfied and it will impact to customer loyalty.

Recommendations for further research are to add and develop variables in future research. In addition, add the number of respondents and use other research objects.

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