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KEY DETERMINANTS OF PASSENGER LOYALTY IN THE LOW-COST AIRLINE BUSINESS

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ABSTRACT:

Given the intensive rivalry in the transport industry, passenger relationship management has become a vital concern for the low cost airline (LCA) sector. However, LCA passenger loyalty's determinants such as service employees, price, service recovery, passenger trust and satisfaction are overlooked. Therefore, this paper examines determinants' effect on LCA passenger loyalty. We surveyed 286 LCA passengers who had experienced service failure from two major British airports. Our results indicate that efficacious service employees positively influence service recovery and price, and enhance passenger trust. Service employee self-efficacy does not only diminish bad service experiences, but mostly boosts passenger satisfaction. Our structural equations modeling findings also support our hypothetical predictions that service employee self-efficacy, service recovery and passenger trust have a dramatic impact on passenger satisfaction. Passenger satisfaction is the uppermost driver of passenger loyalty enhancement but not price. This study provides novel insights into LCA passengers' behaviours, managerial and research implications for effective passenger relationship management.

Keywords:

Low cost airline, Price, Service employee self-efficacy, Service recovery, Passenger satisfaction, Passenger trust and Passenger loyalty.

1. Introduction

The European airline industry has faced major threats such as cyclical slowdown, natural disasters, health pandemics, strikes, terrorism threats across the world and global economic recession (Tew, Zhen, Tolomiczenko, & Gellatly, 2008; Wong & Musa, 2011). In addition, the liberalisation of the European transport industry resulted in major changes for the European

airline industry (Dobruszkes, 2009a; Doganis, 2006; Klopheus, 2005; Mak & Go, 1995). One of the major outcomes of the liberalisation was the development of the European low-cost airlines (Collison & Boberg, 1987; Francis, Humphreys, Ison, & Aicken, 2006; Graham & Shaw, 2008). For instance, airlines obtained the right to open access to routes within all member states of the European Union (Francis, Fidato & Humphreys, 2003; Dobruszkes, 2009b; Graham & Shaw, 2008; Williams, 2001). Before the liberalisation, the European airline market is divided into scheduled carriers with 75% market share and charter airlines with 25% market share (Binggeli & Pompeo, 2002). However, the entry of the low cost airlines (LCA) changes the marketplace with aggressive competitive mind-sets to gain competitive advantage and better returns than their counterparts: full-cost airlines (Kangis & O'Reilly, 2003; Graf, 2005; McLay & Reynolds-Feighan, 2006; Kumar, 2006; Porter, 1996). The low cost airline sector has become an interesting research area, and it has attracted a number of scholars and practitioners (Barrett, 2004; Collison & Boberg, 1987; Mak & Go, 1995; Mintel 2012).

Regardless of a growing body of studies (Dobruszkes, 2006, 2009a; Marcus & Anderson, 2008; Porter, 1996, Wong & Musa, 2011) upon the LCA sector, Casey (2010:176) reports that scholars have had “very little to say on this booming industry”. More empirical studies are essential for carrying on the exploration of this conceptual business model of LCA (Graham & Shaw, 2008; Porter, 1996; O'Connell & Williams; 2005; Wong & Musa, 2011). Furthermore, additional discussion is needed to examine the LCA model in details.

The first LCA in the worldwide airline industry was Southwest Airlines, launched in 1971. Southwest deviated from the airline industry's existing practice and business model (Porter, 1996). Southwest Airlines paradigm focuses a low-end disruptive innovation as a cornerstone for innovative strategy of entering and developing new markets and offering new affordable services and management practices (Adner 2006; Charitou & Markides 2003; Schmidt & Druehl, 2008). Consequently, this innovative strategy has disrupted the existing airline

marketplace (Bower & Christensen, 1995; Chesbrough & Rosenbloom, 2002; Danneels, 2004; Govindarajan & Kopalle, 2006; Markides, 2006).

Nowadays, their business model has become a benchmark that has been successfully popularised and proliferated across the worldwide airlines sector (e.g. *Europe*: Ryanair, Germanwings, Easyjet, Snowflakes; *Middle East*: Jazeera Airways, Air Arabia; *Asia*: AirAsia Berhad, Spring Airlines, Air India Express, T'way Airlines; *America*: WebJet Linhas Aéreas, REDjet, Spirit Airlines; *Africa*: 1Time, Kulula, Air Arabia Egypt, Aero Contractors, Fly540, Asky Airlines; *Oceania*: Jetstar Airways, Freedom Air, Air Australia Airways, Tiger Airways Australia). These LCA firms espouse their pioneering recipe's business principles (Dobruszkes, 2006; Lawton, 1999; Oliveira, 2008). In addition, all LCA firms have prime core common denominators such as efficiency, productivity, cost leadership leading to cheap fares (Lawton, 2003; O'Connell & Williams, 2005, Ryan & Birks, 2005; Wong & Musa, 2011). Table 1 illustrates the LCA business model which elucidates major characteristics of LCA.

Insert Table 1 about here

The above typology outlines LCA's different features and characteristic focus on the low cost service provision. It is debatable that there are in practice, some variations across the LCA sector (Ryan & Birks, 2005). However, the key strategy of cost-cuttings leading to low fares creates a demand for LCA services (Barrett, 2004; Casey, 2010; Porter, 1996). Additionally, in economically difficult times, the demand for less expensive travel increases, which is to the LCA advantage (Bel, 2009; Mintel, 2007; Euromonitor, 2008). Nevertheless, some of the above core business principles are not only exclusive to the LCA sector as they can be emulated by traditional legacy airlines (Gil-Moltó & Piga, 2008; O'Connell & Williams, 2005). The latter would be able to respond to low cost competition by lessening their overhead costs (e.g. employee costs and use of internet sales). In addition, new LCA firms can be set up and enter

this mass low fare market. This rivalry may erode the market share of some LCA firms and intensify competitiveness (Doganis 2006; Mak & Go, 1995; Wong & Musa, 2011).

Dobruszkes (2006:263) reports that the “market is not yet healthy, and several airlines will probably disappear”. For instance, a number of LCA firms ceased operations (e.g. Debonair, Sungold Airlines, Kiwi Airlines). Their failure might be due to a poor understanding and adoption of less rigorous LCA business model (Magretta, 2002; Porter, 1996; Teece, 2010). Therefore, LCA managers need to rethink and refocus their business model in order to survive in the competitive marketplace or maintain and increase their market share in the global economic crisis. However, the extant literature lacks a comprehensive LCA business model with annotated citations. Thus, this study presents a milestone with specific clues for understanding LCA business model in the broader context and a holistic perspective on the LCA sector.

Low price tactics are necessary, but low price and cost reduction can be imitated by competitors in this industry (Lawton, 2003). Consequently, LCA firms need to build their competitive advantage over their competitors beyond low prices. Low cost and price strategies alone may be insufficient for the LCA industry’s survival. Indeed, a low price strategy as a LCA mass service element can increase firm’s customer base in the short term. However, in the free market or perfect competition it will not guarantee LCA passenger loyalty which is necessary to gain and sustain competitive advantage (Porter, 1985). Wong & Musa (2011: 3412) assert that “the low fare of the low-cost airlines is the results of operation efficiency rather than lower service standards”.

Ryan & Birks (2005: 17) report that “the demand for low-cost flights is, however, not solely determined by a wish of to take advantage of low fares”. Ryan & Birks (2005) reveal that the effect of some influential variables on a LCA purchasing decision. For example, Baden-Fuller & Stopford (1994) argue that competitive advantage can be built on quality relationships between firms and their shareholders (e.g. service employees, passengers). Additionally, Kim & Lee (2011) and Cheng, Chen, & Chang (2008) assess encountering relationships between service

personnel and customer satisfaction. Despite, service employee encounter is vital to build passenger satisfaction and loyalty, a little has been done to explore the effect of service employee attitudes, performance and behaviours (e.g. tasks' execution, commitment, and self-efficacy) on the passenger experience in the LCA sector. Liao (2007) notes, there is scant research related to the link service employee performance between service recovery performance and customer loyalty. Furthermore, little is known about the direct and indirect links between service employee self-efficacy and passenger service recovery, price, passenger trust, satisfaction, and passenger loyalty. Therefore, practitioners need to understand key determinants of LCA passenger loyalty for sustaining their LCA business model.

LCA firms could ensure their long-term success through the development of passenger loyalty's determinants (Klophaus, 2005; Lawton, 2003; Porter, 1985). The concept of customer loyalty has been embraced by numerous firms (Reichheld & Sasser, 1990). In addition, academics have embarked on exploring customer loyalty (Berman, 2006; Lui & Yang, 2009; Parasuraman, Zeithaml, & Berry, 1994). Studies on airlines have examined factors such as competition between full-service and low-cost airlines (Barbot, 2008; Pels, Njegovan & Behrens, 2009; Rose, Hensher, & Greene, 2005; Wong & Musa, 2011), price strategies (Espino, Martín, & Román, 2008; Martinez & Yague Gillén, 2006; Porter, 1996), service quality (Hutchinson, Lai, & Wang, 2009; Kim & Lee, 2011), customer satisfaction (Gustafson, 2012; Gursoy, Chen & Kim, 2005; Guttentag, 2010). Although the latter has received a great deal of attention in the services management literature (Bitner, Booms, & Tetreault, 1990; Gustafsson, 2009; Tax & Brown, 1998), the extant studies overlook the link between service employee self-efficacy and service recovery, service employee self-efficacy and passenger trust, service recovery and passenger loyalty in the context of the LCA sector. A brief taxonomy of the literature from the *Tourism Management* outlet is given in Table 2. Table 2 provides a chronological record of the reviewed articles and indicates their listed constructs compared in each, which relates to the review sections in which they are discussed.

Insert Table 2 about here

Table 2 presents 33 prior empirical studies of *Tourism Management* articles related to key constructs of this study. It analyses articles in the period from 1987 to 2012 to discover some antecedents of passenger loyalty. While, fragmented research contributions in the area of tourism management have evolved gradually, a careful detailed assessment of these studies indicates that numerous deficiencies and gaps can be observed in the tourism management literature related to the LCA sector. Surprisingly, only two out of 33 studies focused on service employee self-efficacy as a construct without any reference to passenger loyalty in the outlet of *Tourism Management*. In addition, prior research has not examined the effects of self-efficacy on passenger trust, service recovery, and passenger satisfaction. Furthermore, this meta-analysis of the LCA passenger loyalty literature demonstrates that there has been a lack of consideration paid to the interaction between service employee self-efficacy and other constructs, the primary focus of this study.

The literature fails to holistically explore key determinants of LCA passenger loyalty. Indeed, evidence reported in the work of Bosque & Martin (2008) supports the rationale for our study. Subsequently, they state that “the study of loyalty in tourism is a more recent phenomenon” (p. 557). In the same vein, Dolnicar, Grabler, Grün, & Kulnig (2011, p. 1020) assert that “yet very little is known about what makes an airline passenger loyal to an airline”. Therefore, this study questions relationships such as service employee self-efficacy → service recovery, service employee → passenger satisfaction, service recovery → passenger satisfaction, service recovery → passenger loyalty etc. Thus, this study aims to gain a better and comprehensive understanding of passenger loyalty in the low-cost airline industry including its determinants.

In this study, we examine the above discussed relationships by modelling service employee self-efficacy (SESE), service recovery (SR), price (Pr), passenger trust (PT), and passenger

loyalty (PL) through the mediating role of passenger satisfaction (PS). Our findings indicate that SESE increases passenger loyalty via the above variables as mediators. We report that SESE is positively related to the above variables. Our study sheds light on these hypothetical relationships: SESE \rightarrow PL by revealing the intervening role of PT, SR, Pr and PS. We demonstrate that SESE increases passenger loyalty via the above variables as mediators. This study advances previous studies and provides novel insights into LCA passengers' behaviours, and outlines managerial and research implications.

2. Theoretical review

Several authors, including Chi & Qu (2008), Oppermann (2000), Yoon & Uysal (2005) emphasise that there are numerous studies on satisfaction but loyalty remains under-explored in the tourism sector. In addition, considerable attention has focused on employee self-efficacy in the management and human resources management literature, but tourism literature is lacking a comprehensive review on service employee self-efficacy (Karatepe, Uludag, Menevis, Hadzimehmedagic & Baddar, 2006). Although these studies have separately investigated the aforementioned constructs on the surface, to the best of our knowledge, no study has integrated in a theoretical model and intended to investigate these causal relations yet in the LCA sector. Thus, to narrow and remedy this deficiency in the extant tourism loyalty literature, we aim to theoretically and empirically establish key determinants of LCA passenger loyalty, and their inter-relationships and direct and indirect impacts on LCA passenger loyalty in order to bridge these gaps and deficiencies.

The determinants of customer loyalty are disconnectedly discussed in the marketing literature: customer satisfaction (Kotler, Keller, Brady, Goodman, & Hansen, 2009; Oliver, 1993), trust (Moorman, Zaltman, & Deshpande, 1992; Morgan & Hunt, 1994), perceived service quality (Bloemer, de Ruyter, & Peeters, 1998; Zeithaml, 1988), and perceived value (Parasuraman et al., 1994; Zeithaml, 1988), service performance (Brady, Cronin, & Brand, 2002; Cronin & Taylor, 1992). Despite substantial academic and practitioner focus on

determinants of customer loyalty, to date there has been little empirical studies on drivers of passenger loyalty in the LCA market (Dolnicar, Grabler, Grün & Kulnig, 2011). In addition, there is an ongoing debate in the marketing literature that airline passenger loyalty is under-researched (Cassab & MacLachlan, 2006; Zins, 2001), particularly in the LCA sector (Kim & Lee, 2011). Thus, we aim to explore a comprehensive list of key underpinnings namely: service employee self-efficacy → LCA passenger loyalty, price → LCA passenger loyalty, service recovery → LCA passenger loyalty, LCA passenger satisfaction → LCA passenger loyalty, trust → LCA passenger loyalty.

2.1 Service employee self-efficacy

The service encounter between LCA service employees and its passengers constitutes a crucial prime foundation for passenger assessments of the erosion of service standards: service quality (Gremler & Gwinner, 2008; Kelley, 1992; Schneider & Bowen, 1993). For example, Dobruszkes (2006:250) states that “personnel of low cost carriers have a heavier workload, longer flying hours, less rest time and less paid than their fellow workers in the full service network carriers” of traditional airlines. From this reasoning, one can extrapolate that this pressure on LCA workforce raises the following hypothetical questions: Are LCA service employees able to maintain service quality and passenger satisfaction levels and retain their passengers? To what extent are they able to go the extra mile to satisfy passengers and perform service recovery? These questions remain unanswered in the LCA literature.

Albrecht & Zemke (1985) examine customer’s key aspects of service quality in British Airways. Most authors agree that the perception of what customer satisfaction means highly depends on a situation, industry standards, service employees’ behaviours, performance and attitudes and a passenger’s past experiences as an overall outcome standards or reference points (Lovelock & Wirtz, 2004; Parasuraman, Zeithaml, & Berry, 1988). The focal point of service failures may be due to low service employee self-efficacy and performance (Bitner et al., 1990; Chebat & Kollias, 2000; Chuang & Liao, 2010; Karatepe et al., 2006).

Scholars and practitioners have increasingly explored service employees' behaviours, attitudes and self-efficacy (Grewler & Gwinner, 2000; Humphrey & Ashforth, 1994; Kelley, 1992 and Hartline & Ferrell, 1996) but relationships between service employee self-efficacy and service recovery, passenger satisfaction, trust, and passenger loyalty remain under-researched in the LCA sector within the tourism management discipline. Thus, this study examines the effect of service employee self-efficacy on passenger loyalty in the LCA sector. Bandura (1977: 3; 1998:625) is one of the earlier pioneering scholars of self-efficacy who defines it as the “beliefs in one’s capabilities to organize and execute the courses of action required to produce given attainments”. This broad definition can be narrowed down to the scenario of service employees going the “extra mile” to meet expected outcomes and satisfy passengers (Yi and Gong, 2008). Compeau & Higgins (1995, p.192) reveal that “individuals with a strong sense of efficacy will not be deterred by difficult problems ... are more likely to overcome whatever obstacle was present”.

Service employee self-efficacy could be one of the most important aspects that influence the total outcome of passenger service experience (Bitner et al., 1990; Keaveney 1995; Netemeyer & Maxham III, 2007). Surprenant & Solomon (1987) also point out that personal interactions between front line employees and customers are the most crucial element of the service encounter and delivery. In addition, Hartline & Ferrell (1996) argue that self efficacious employees display higher levels of efforts in service encounters at the moment of truth’s service delivery to customers. Furthermore, Borman & Motowidlo (1993) suggest employee role performance such as i) volunteer to do extra work, ii) helping others, iii) follow organizational rule even personally inconvenient, iv) support organizational objectives, v) persisting with extra enthusiasm when necessary to complete own task activity successfully. Liao (2007:476) views service employees as “boundary spanners”, “agents” or “representatives” who self-efficaciously perform service delivery.

Borman & Motowidlo (1993)'s study is in line with Bandura (1977) and Gist (1987) who shed light on employee self-efficacy. Employee self-efficacy has attracted a number of scholars and practitioners from various disciplines: psychology (Bandura, 1977, 1989; Stajkovic & Luthans, 1998), human resources management (Barling & Beattie, 1983; Bradley & Roberts, 2004; Gist & Mitchell, 1992), information technology (Compeau & Higgins, 1995; Gist, Schwoerer & Rosen, 1989; Igbaria & Iivari, 1995), medicine (Bandura, Adams, Hardy & Howells, 1980; Maurer & Pierce, 1998), management (Gist, 1987; Wood & Bandura, 1989), tourism (Hallak, Brown & Lindsay, 2012; Karatepe et al., 2006). Self-efficacy is not a new theoretical concept (White, 1959). The concept has received significant interest in the literature; however, the extant tourism literature has not fully explored service employee self-efficacy (Karatepe et al., 2006).

Employee role performance influences customer evaluations and future relational behaviours (Bitner et al., 1990; Maxham, Netemeyer & Lichtenstein, 2008; Oliver, 1997). Moreover, Ballantyne (1997) and Kelley (1992) argue that the quality of staff competency and the quality of internal processes improve customer service which is one of the main foundations of customer satisfaction. This is consistent with (Donavan & Hocutt, 2001) and (Heskett, Sasser, & Schlesinger, 2003; Pfeffer, 1994). Tornow & Wiley (1991:105) mention that organisational service practices have a positive impact on customer satisfaction. Front-line employees are performing a helpful behaviour in serving their customers (Hartline & Ferrell, 1996; Kang, Jeon, Lee & Lee, 2005; Menon & O'Connor, 2007). In a customer service setting, efficacious employee behaviours and role performance have not been conceptualised along productivity and self-efficacy (Singh, 2000). However, self-efficacious service employees are playing a key role in affecting the passenger experience's satisfaction at various stages of the service delivery process (Halstead, Hartman, & Schmidt, 1994; Schneider & Bowen, 1993; Tse & Wilton, 1999). Westbrook (1981) ascertains that customers are sensitive to a front-line employee's willingness to handle problems or complaints. Self-efficacious employees need to maintain courteous

manners and deal with service breakdowns and customer complaints (Hartline, Maxham III, & McKee, 2000; Netemeyer & Maxham III, 2007; Wakefield & Blodgett, 1999).

Highly self-efficacious service employees are one of the key sources of differentiation as they help their organizations to develop and sustain competitive advantage (Heskett, et al., 2003; Pfeffer, 1994). Customer willingness to stay loyal to a service provider could likely depend on employees' attitudes, behaviors and performance (Keaveney, 1995; Cheng, Chen & Chang, 2008; Kang, Jeon, Lee & Lee, 2005). If self-efficacious service employees demonstrate customer-oriented service, they would enhance the level of customer satisfaction and long term relationships (Chang & Lin, 2008; Saxe & Weitz, 1982). A number of scholars report that employee performance affects service experience performance which leads to customer satisfaction and repurchasing intentions (Bitner et al., 1990; Keaveney 1995; Kelley, 1992; Netemeyer & Maxham III, 2007; Williams & Fidgeon, 2000). Table 1 shows that this relationship has been understudied in the LCA sector. Thus, this study aims to fill this gap.

Efficacious service employees play a key role in service delivery and customer satisfaction (Hart, Heskett, & Sasser, 1990). Highly efficacious LCA employees' attitude, behaviours and overall performance encourage passengers to inhibit defections (Keaveney, 1995; Kelley, 1992) and switching behaviours. For example, Ellinger, Elmadağ Baş, Ellinger, Yu-Lin Wang & Bachrach (2011) reveal that companies are increasingly losing customers due to poor service employees' performance. Service employee with strong self-efficacy is one of the most important aspects that may positively affect the total outcome of customer satisfaction (Chebat & Kollias, 2000). In addition, Chuang & Liao (2010, p. 163) show that "employees' behaviours directly influence customer satisfaction, the level of customer loyalty, and the amount of sales". For example, if LCA firms can go the extra mile to deliver reliable, responsive, courteous, friendly, and helpful service performance; they are likely to enhance their service delivery experience, passenger satisfaction and loyalty (Hartline & Ferrell, 1996; Parasuraman et al.,

1994; Yi & Gong, 2008) and profitability (Heskett, Sasser, Jones, Loveman, & Schlesinger, 1994). Taken together, this discussion suggests the following hypotheses:

H_{1a}: Service employee self-efficacy affects service recovery

H_{1b}: Service employee self-efficacy affects passenger satisfaction

H_{1c}: Service employee self-efficacy affects trust

H_{1d}: Service employee self-efficacy affects price

H_{1e}: LCA passenger loyalty is influenced by service employee self-efficacy.

2.2 Service recovery and passenger satisfaction

Passengers may have to contend with a variety of service employees at different stages of the service process such as reservation / ticket office employees, employees at check-in counters and the lounge, and cabin crew, handling and/or baggage collection employees. Service breakdowns can occur at any stage of the service process map (Lovelock & Wirtz, 2004). Palmer, Beggs, & Keown-McMullan (2000, p. 514) refer to a service failure as “any situation where something has gone wrong, irrespective of responsibility”. Sometimes airlines experience service failures such as overbooking, pre-booking and poor service board, lost luggage, technical problems or delayed flights (Tsaur, Chang & Yen, 2002; Chang & Yang, 2008). Any failure of a service quality (SERVQUAL)’s element of Parasuraman et al’s (1988) seminal model leads to service gaps: service failure. However, Hoffman, Bateson, Wood and Kenyon (2009:414) state that the service quality (SERVQUAL) framework “has received its share of criticisms”. This view is in line with Cronin & Taylor (1992) who propose the SERPERF model which measures behavioural outcomes and service performance only.

Consequently, numerous authors including (Brady, Cronin, & Brand, 2002 Boulding, Kalra, Staelin & Zeithaml, 1993; Churchill & Suprenant, 1982; Kozak (2001; Teas, 1994) favourably consider SERPERF to measure performance-based service quality. Boshoff & Allen (2000) and Karatepe & Sokmen (2006) use SERPERF to examine service recovery performance outcomes. Thus, SERPERF is the most appropriate model to assess LCA passengers’ experience

satisfaction, because a passenger is likely to be content when a service performance is at her/his desired level regardless of any prior expectations. However, the existing tourism literature has not fully examined the effect of service employee self-efficacy on passengers' perception of the service performance: service recovery, passenger satisfaction, and loyalty, particularly in the LCA sector.

If the service performance is unsatisfactory, LCA firms have to sort out failures in order to meet or exceed passengers' expectations although some failures may not be under the control of LCA (e.g. severe weather, volcano eruption, air-traffic congestion). Bamford & Xystouri (2005) and Dobruszkes (2006) convey service failures such as long delays, flight cancellations, strikes, in case of being denied boarding, and negative service employees attitudes (e.g. rudeness, helplessness, hostility, disrespect) might result in more complaints for LCA firms than for full service network carriers. However, LCA service recovery exertion may restore positive customer perceptions of the service process map and the outcome of recovering the broken-down service (Maxham III, 2001). Smith, Bolton, and Wagner (1999), Tax and Brown (1998) and Yuksel, Kilinc & Yuksel (2006) reveal that a successful service recovery approach can lessen customer dissatisfaction from service deficiencies and maintain customer loyalty.

Service failure can have a negative effect on organisational performance: financial performance (e.g. costs, profitability), non-financial performance (e.g. customer satisfaction level, brand equity, negative word of mouth, employee's stress and burnout, employee's morale and emotion, employee's job satisfaction, teamwork capability, customer retention level). Therefore, LCA firms should have a process to recover failed services. A service recovery process or procedural justice is all strategic activities in which a LCA firm engages to address a passenger's complaints regarding a service failure severity (Cheng et al., 2008; Deutsch, 1985; Oliver, 1993; Spreng, Harrell, & Mackoy, 1995). Levesque and McDougall (2000) argue that the influence of service recovery on customer loyalty varies depending on the type of service failure, severity of service failure and customer's expectations. They go on to point out that the

magnitude of customer satisfaction is likely to increase future purchase intentions or minimise customer switching intentions or customer exit.

According to Grönroos (1988), service recovery is one of the six criteria which determine good perceived service experience performance. Therefore, service recovery is crucial for ensuring customer satisfaction which may reinforce customer loyalty (Miller, Craighead & Karwan, 2000). Zeithaml, Bitner and Gremler (2006) convey that a well implemented and tracked service recovery process can turn frustrated customers into more loyal ones. For instance, when a passenger is dissatisfied, she/he may complain to the LCA firm or starts a negative campaign: word of mouth which can damage a firm's reputation and image (Blodgett, Hill, & Tax, 1997). In addition, Boshoff (2005, p.411) suggests that "failure to ensure customer satisfaction through service recovery could lead to a decline in customer confidence, lost customers, negative word-of-mouth, possible negative publicity, and the direct cost of re-performing the service. Moreover, a service failure can result in high costs for LCA firms and loss of future passengers to their rivals due to passenger's dissatisfactory experiences. However, a successful implementation of the effective recovery process may lead to positive word-of-mouth.

A number of authors argue that effective service recovery leads to customer satisfaction (Hart et al., 1990; Fournier & Mick, 1999) while failure or refusal to resolve passengers' complaints is likely to result in dissatisfied passengers and switching behavioural departures (Grewal, Roggeven, & Tsiros, 2008; Wong & Musa, 2011). If LCA passengers experience a flight delay, overbooking or lost luggage, LCA firms should empower their back-room and front-line employees to sort out the service failure problems through social interactions and relational aspects of the service recovery process for successful outcomes of the service recovery (Tax & Brown, 1998). Simultaneously, LCA firms should acknowledge and provide a quick response of explanations for the service failure, a personal apology, a profound excuse, a personalised letter/e-mail, a prompt rectification of problematic issues, and a reasonable

compensation (e.g. price discounts, ticket vouchers, free products or services, refunds, upgrade services) to alter passengers' emotions and perceptions of justice (Levesque & McDougall, 2000; Tax, Brown, & Chandrashekar, 1998; Smith, Bolton, & Wagner, 1999; Rhoden, Ralston & Ineson, 2008). It seems that passengers can be both players and referees when perceptions of justice are concerned in the service industry. However, they can also be passive victims, avoiding the dissatisfying firm, walking away from a poor service standard and just accepting it as it is low cost (Conlon & Murray, 1996; Davidow, 2000; Ping Jr, 1994). Availability of other LCA providers and low switching costs can precipitate exit or dissolve the relationship in the future (Chebat, Davidow & Borges, 2011).

Hart et al. (1990) and Clark, Kaminski and Rink (1992) assert that customers should even be encouraged to complain in case of a service failure so that firms can learn from their errors and identify and rectify bottlenecks in the service delivery process. Cronin and Taylor (1992) argue that a proper service recovery process is a predictor for customer satisfaction. Furthermore, Gilly (1987), McCollough, Berry and Yadav (2000) and Sánchez-García & Currás-Pérez (2011) advance an opinion that efficient and effective resolution of service recovery calms down an annoyed customer who may be satisfied and loyal in the long-term.

Due to the complexity of the satisfaction construct, various definitions of satisfaction can be found in the literature (Hippner & Wilde, 2006). According to Huang and Lin (2005), satisfaction is the outcome of buying a product or service, whereby rewards and costs of the purchase are compared. Furthermore, satisfaction is described as the cognitive comparison between the expectations a passenger holds prior to the purchase or service experience and the actual performance of the product or service (Oliver, 1997). Additionally, Oliver (1999) argues that customers' expectations can either be positive or negative disconfirmation. Bloemer & de Ruyter (1999) bring forward a contention that positive disconfirmation is positively related to customer satisfaction whereas negative disconfirmation is negatively related to dissatisfaction.

On one hand, Yi & La (2004) point out that customer satisfaction is rather an antecedent of repurchase intentions than customer loyalty. They argue that customer satisfaction acts as a mediating factor between repurchase intentions and customer loyalty. They go on to report that satisfaction does not necessarily lead to customer loyalty. On the other hand, several scholars assert that customer loyalty is mainly driven by satisfaction (Bigne', Sánchez & Sánchez, 2001; Chan, Hui, Lo, Tse, Tso, & Wu, 2003; Fornell, Johnson, Anderson, Cha, & Bryant, 1996, Matzler, Hinterhuber, Daxler, & Huber., 2005). Hong & Goo (2004, p. 534) advance a view that satisfied customers tend to be loyal. Numerous writers including Hippner & Wilde (2006), Lee, Yoon & Lee (2007), and Jayawardhena, Souchon, Farrell & Glanville (2007) concur that customer satisfaction may predict future repurchasing behaviours and profitability. This is evidenced by Parasuraman et al. (1994) who developed a satisfaction model where it is apparent that satisfaction is influenced by factors such as perceived service quality and service recovery. However, we cannot ignore the vital role that service failure recovery plays in customer satisfaction and customer trust (Kim, Kim & Kim, 2009; Liao, 2007).

Passengers are becoming increasingly sensitive to service quality; LCA firms should have strategies to recover a service failure in order to prevent passengers switching behaviours and retain passengers (Gilly & Gelb, 1982; Wong, 2004). Satisfactory service recovery may diminish negative emotions (e.g. anxiety, rage, frustration, anger, distress, disappointment) whilst reinforcing positive emotions (e.g. delight, happiness, enjoyment, satisfaction) which can lead to repeat purchase intentions (Blodgett et al., 1997; Kim et al., 2009). This view is shared by Petrick (2004) and Mattila (2001) who reveal that the quality of the service recovery process is the strongest predictor of repurchase intention. According to Maxham (2001), customer loyalty remains stable and possibly increases if the service recovery process is effective. Thus, in light of the above discussion, the following hypotheses are proposed:

H_{2.1a}: Service recovery has an effect on Price.

H_{2.1b}: Service recovery has an effect on LCA passenger satisfaction.

H_{2.1c}: LCA passenger loyalty is influenced by service recovery.

H_{2.2a}: Passenger satisfaction has an impact on LCA passenger trust.

H_{2.2b}: LCA passenger loyalty is influenced by passenger satisfaction.

2.3 Price

Disruptive innovation in the airline has changed the pricing strategies (Govindarajan & Kopalle, 2006; Kumar, 2006; Porter, 1996) and marketplace into cyberspace with disintermediation, bypassing travel agents etc (Button & Ison, 2008; Kim, Kim & Shin, 2009; Koo, Mantin & O'Connor, 2011; Wu & Chang, 2006; Kim, Chung & Lee, 2011). Subsequently, LCA firms are able to use aggressive pricing strategies and revenue management policies which yield lower air fares due to economies of density (Hofer, Windle & Dresner, 2008; Lindenmeier & Tscheulin, 2008; Kumar, 2006; Marcus & Anderson, 2008).

As illustrated in Table 1, LCA firms deploy some of these tactics to breakeven, compete on the basis of low fare and pioneer a distinctive set of performance and price features of existing services (Porter, 1996). The LCA firms are able to use disruptive innovation and lean operation in order to offer a low price (Christensen, 1997; Porter, 1996; Schmidt & Druehl, 2008). This leads low cost carriers to create and offer low price flights (Francis, Dennis, Ison & Humphreys (2007; Francis, Humphreys & Ison, 2004; Grigolon, Kemperman & Timmermans, 2012).

Porter (1996) discusses the pricing strategy of the low cost carriers' market. Ryan (1991, p.110) reports a "market gap for budget hotels" which offer low prices to appeal and attract various customer segments. Several studies note that the core customer segment of LCA is young adult passengers (Grigolon et al., 2012; Mintel, 2012; O'Connell & Williams, 2005, Ryan & Birks, 2005). Clarke (1992) views this low price customer segment as "downmarket" with an emphasis on dynamic price. Price is well acknowledged in various areas such as economics, finance and marketing (Allenby & Lenk, 1995; Isakson & Maurizi, 1973; McMullan, 2005; Srinivasan, Pauwels & Nijs, 2008; Starr & Robinson, 1978; Webster, 1965; Wernerfelt, 1986, 1991). It is arguable that price subsists for the function of the exchange process (Kotler et al.,

2009; Brassington & Pettitt, 2006). According to Dibb, Simkin, Pride, & Ferrell (2006), customer's assessment of price is determined by the perceived value of offerings. Jen & Hu (2003) suggest a focus on price as defined by monetary costs. Zeithaml et al., (1996) discuss the actual price in terms of monetary and non-monetary costs.

Grewal, Gopalkrishnan, Krishnan & Sharma (2003) point out that non-price factors such as time, and effort influence customers' perceived value and price sensitivity. Surprisingly, the debate on the definition of price is ongoing as scholars are yet to reach any consensus. We contend that price can be regarded as information disguised as a number, exchange ratio or consequence of events. McMullan (2005:476) views price as ““deal breakers” or “bargain hunting value for money” that may trigger switching behaviours. Arguably, price may play an important role in the LCA passenger buying behaviour when switching from the traditional airline sector but not in the LCA sector as most LCA firms follow a similar business model. For instance, passengers may be able to buy a single air ticket to an European destination for less than £20.00 without airport taxes for early-booking passengers. Kim & Lee (2011, p. 235) note that “price may not be a prominent factor in choosing an airline, even among LCCs”. However, in the monopolistic market, pricing strategy may lead customers to be loyal as prisoners (e.g. customer lock-in effect) due to the lack of choice in the marketplace with little threat of market entry.

Matzler et al., (2006) convey the nominal price is not crucial for customers. Martinez & Yague Gillén (2006) further find mixed evidence that price is irrelevant for customers who buy the service for the first time. On the other hand, they reveal that price has an important influence on customer loyalty for customers who regularly buy the service. In contrast, Varki & Colgate (2001) think that customers perceive price fairness during the service encounter as an important factor influencing customer loyalty. Parasuraman et al., (1994) make a similar observation. They go on to suggest that the perceived price directly affects customer loyalty. Zeithaml et al., (2006) critically review these findings and confirm that customer loyalty is only directly

influenced by the price of the product or service. Hoffman, Bateson, Wood & Kenyon (2009, p. 223) report that “efficiency price is to appeal to economically minded consumers who are looking for the best price”. One of the main selective motives of LCA is that this passenger segment is primarily driven by the economic cost-conscious value which mirrors the LCA firms (Wong & Musa, 2011). Thus, this reasoning leads to the following hypothesis:

H_{3a}: price has an effect on LCA passenger trust.

H_{3b}: price has an effect on LCA passenger satisfaction.

H_{3d}: LCA passenger loyalty is influenced by price.

2.4 Trust

According to various authors including Garbarino & Johnson (1999) and Morgan & Hunt (1994), trust is another factor which has to be considered when examining the construct of customer loyalty. Morgan & Hunt (1994) view trust as the confidence of a customer in the companies’ reliability and integrity. To gain a comprehensive understanding of trust, Doney, Cannon & Muellen, (1998) provide an important distinction between five different types of trust. Ali & Birley (1998) and Doney & Cannon (1997) reveal that the role and nature of trust vary depending on various factors. These factors may include for instance expertise, confidentiality, timeliness, tactfulness and service recovery. Liao (2007: 475) notes that service recovery affects consumer trust. Furthermore, Kramer & Tyler (1996) point out that the importance of trust in customer relationships is due to several reasons. For instance, trust may reduce the perceived risks associated with LCA flight.

Grönroos (2007) reveals that firms should deliver a purchase experience in a way which makes customers realise that the firm is trustworthy at all times. According to the marketing literature, previous studies have posited that satisfaction is an antecedent of trust (Anderson & Srinivasan, 2003; Ulaga & Eggart, 2006; Forgas, Moliner, Sanchez & Palau, 2010). Furthermore, Bove & Johnson (2006) argue that the development of trust is associated with customer loyalty. Hess & Story (2005) support this view by reporting that trust indeed has a direct impact on

customer loyalty. According to Aydin & Özer (2005), trust is the most important factor influencing customer loyalty compared with service quality, switching costs and company image. They go further on to reveal that the main reason of future purchases is based on trust elements. Thus, from this reasoning, it is hypothesised, that:

H₄: LCA passenger loyalty is influenced by trust.

2.5 Passenger Loyalty

The definition of customer loyalty is forwarded by Oliver (1999, p. 34): “a deeply held commitment to re-buy and re-patronise a preferred product or service constantly in the future despite situational influences and marketing efforts having the potential to cause switching behaviour”. According to Lam, Shanka, Erramilli & Murthy (2004, p. 294), customer loyalty is “a buyer’s overall attachment or deep commitment to a product, service, brand, or organization”. Whereas Oliver (1999) emphasises that loyalty refers to the repeat purchase of goods or services, Lovelock & Wirtz (2004) and Severt, Wang, Chen & Breiter (2007) highlight that loyal customers purchase a good or service, and are willing to recommend their service provider, and spread out positive word of mouth and word of mouse propaganda. This may be done through the viral marketing process of social network sites (e.g. Facebook, LinkedIn, Blog etc). Binggeli, Gupta, & de Pommès (2002) note that customer loyalty can increase the revenue of an airline by as much as 2.4 % per year.

It may be arguable that passenger loyalty in the LCA sector is an outcome of some key determinants such as service recovery, employee self-efficacy, satisfaction and trust (Carman, 1990; Singh, 1988; Zeithaml & Bitner, 2000). Passengers may choose to be loyal to LCA due to the inducement of calculative commitment and personal sacrifice related to cost-benefit of purchasing intentions (De Ruyter & Bloemer, 1998; Zins, 2001). Griffin (1995) advances this notion by identifying four types of customer loyalty behaviour. The examination of the literature review indicates several types of customer loyalty stages (Dick & Basu, 1994; Oliver, 1999). Dick & Basu (1994) distinguish between four stages. Five years later, Oliver (1999) refined the

framework of Dick & Basu (1994). Andreassen & Lindestad (1998) and Dimitriadis (2006) suggest that customer loyalty is based on satisfaction of previous purchases. However, a loyal customer “exhibits repeat purchases and considers using the same provider when a need for this service arises” (Gremler & Brown, 1999, p. 271). De Ruyter & Bloemer (1998) reveal that customer loyalty has a multi-dimensional structure (i.e. preference loyalty, price indifference loyalty and dissatisfaction response). According to Caruana (2004), customer loyalty can be described in terms of brand, product, vendor, and store or service loyalty among others.

A number of studies including Helgesen (2006), Page, Pitt & Berthon (1996) and Rosenberg & Czepiel (1983) reveal that customer loyalty is one of the key factors for a company’s profitability. Hallowell (1996) and Lindenmeier & Tscheulin (2008) argue that a strong link exists between customer loyalty and organisational performance. Scholars such as Caruana (2004), Griffin (1995), Reichheld & Sasser (1990) and Yang & Lui (2003) reveal that customer loyalty reduces marketing costs, lowers transaction costs, reduces turnover expenses, increases cross-selling, provides positive word-of-mouth and reduces failure costs. Reichheld & Sasser (1990) find a positive economic effect of customer loyalty on firms’ performance. Moreover, they note that the costs of winning a new customer are six times more than the costs of maintaining an existing customer (p. 45). In addition, Duffy (1998) also recognises that it is difficult to reach and acquire new customers. Consequently, the acquisition costs of winning a new customer far exceed the costs of maintaining a loyal customer (Rosenberg & Czepiel, 1983; Reichheld & Sasser, 1990; Yieh, Chiao, & Chiu, 2007).

3. Study methodological approach

3.1 Measures

In this study, we examine an extensive literature survey to generate six constructs with their respective items which are modified to suit the LCA context. We follow the basic procedures suggested by Maddox (1985) and Churchill (1979) to develop 20 items using a five-point Likert-

type scale anchored by 1= *strongly agree* and 5=*strongly disagree* for this study. Table 3 shows the operationalisation of the data collection instrument illustrating the five antecedent-facets of LCA passenger loyalty.

Insert Table 3 about here

The content of the instrument was validated through rigorous pre-testing and piloting stages: three LCA services operation managers, and 20 LCA passengers from each Airport (i.e. London-Stansted and Manchester), ten doctoral students and two senior academics in this research field.

3.2 Data Collection

All LCA firms have one important characteristic in common: they share a “cult of cost reduction” (Lawton, 2003, p. 175). We selected two LCA airports (London-Stansted Airport and Manchester Airport) due to their first ranking positions in distinct geographical locations in England: South and North regions (Eurocontrol, 2007: 12; Graham & Shaw, 2008). In addition, these airports have undergone considerable growth and expansion with regards to average daily Instrument Flight Rules (IFR¹): high traffic volume, national and international LCA departures and arrivals, and large LCA passenger numbers travelling through them (Civil Aviation Authority, 2009; Eurocontrol, 2007). Furthermore, prior studies used a quantitative methodological approach as an appropriate method to examine consumer behaviours in the tourism industry (Bigne´ et al., 2001; Chang & Yang, 2008; Cheng et al., 2008; Dolnicar, et al., 2011; Grigolon, et al., 2012; Wong & Musa, 2011). Based on this reasoning, we conducted face-to-face interviews with LCA passengers’ sample waiting for their flights at London-Stansted Airport and Manchester Airport.

Passengers were contacted in the waiting lounge and invited to take part in the survey. Following filtering questions, respondents were screened to guarantee that they were

¹ Instrument Flight Rules (IFR). Properly equipped aircraft are allowed to fly under bad-weather conditions following instrument flight rules

representative of LCA relational customers who had travelled and experienced service failure recovery with LCA in the last six months. The 6-month period was used to lessen recall bias (Bitner et al, 1990; Liao, 2007; Tax et al., 1998). In addition, the spots of the interviews and the time of the day were changed to minimise likely sampling bias errors. Furthermore, the questionnaires were completed and returned on sites.

Furthermore, we used the same instrument and techniques in both sites to ensure consistent. Our revised piloted questionnaire was distributed to 654 passengers who experienced service failure recovery. 293 cases were returned but seven cases with 15% omitted data were discarded due to missing information and careless response patterns (Johnson & Wichern, 2001). Therefore, 286 questionnaires with a total usable response rate 43.73%. The response rate for London-Stansted Airport is 52% and 48% for Manchester Airport. Table 4 shows respondents' demographic profile.

Insert Table 4 about here

The highest percentage (60%) of respondents is aged between 20 – 29 years, followed by 30.4% of the sample size that are aged between 30 – 39 years. A small percentage (6%) of respondents is between 40 – 49 years old and only 3% of the sample size is older than 49 years. This finding of age group 20-29 years is consistent with studies such as (Grigolon et al., 2012); O'Connell & Williams (2005) and Ryan & Birks (2005). This customer segment aims to “bargain hunting value for money” (McMullan 2005:476). We examine sample bias in terms of the difference between demographic characteristics against attitudinal variables by using tests such as T-test and one-way analysis of variance (Hair, Anderson, Tatham & Black, 2006). Results of these tests did not yield any statistically significant results ($p>.05$). In addition, we conducted an independent t-test and found no statistically significant differences at 95% between the samples from the two Airports (Armstrong & Overton, 1977).

3.3 Study results and discussion

Factor analysis results in Table 5 authenticate the six constructs of the instrument which account for 69.1% of the total variance explained in the data.

Insert Table 5 about here

The obtained factor composition consists of six constructs: *service employee self efficacy* (SESE), *Service recovery* (SFR), *price* (PR), *passenger trust* (TRUS), *passenger satisfaction* (PS) and *passenger loyalty* (PL). These scales are internally reliable since our Cronbach alpha values range from 0.76 to 0.94 (Nunnally & Bernstein, 1994).

3.4 Confirmatory factor analysis

Confirmatory factor analysis (CFA) provides the measurement of variables which logically and systematically represent constructs involved in the theoretical model. The adequacy of the CFA measurement models is evaluated through two criteria: assessment of the structural model (goodness of model fit) and evaluate measurement model (confirm the unidimensionality of research constructs through explore the convergent and discriminant validity). To assess the goodness of CFA model fit, the literature suggested that chi-square/degrees of freedom (χ^2/df) should be less than 5, all fit indices such as Goodness-of-Fit Index (GFI), Comparative fit index (CFI), Normative fit index (NFI) and The Tucker- Lewis coefficient (TLI) should exceed 0.9 and Root Mean standardised Residual (RMR) should be ≤ 0.05 (Eid, 2007; Guo, Xiao & Tang, 2009; Lee, Nam, Park, & Lee, 2006; Segars & Grover, 1993; Tellefsen & Thomas, 2005; Yang, Wang, Wong, & Lai, 2008). We run separated CFA models for the six research constructs as recommended by Eid (2007) and Jayachandran, Sharma, Kaufman and Raman (2005). The results of the CFA models in Table 6 revealed that the measurement model results for reflective measures indicate a satisfactory model fit as all obtained fit statistics meet the recommended cut-off values.

Insert Table 6 about here

Moreover, we establish the construct dimensionality by examining convergent and discriminant validity for each construct. Convergent validity had been assessed through three criteria as recommended by Fornell & Lacker (1981). Firstly, the factor loadings should be significant and greater than 0.5. Secondly, average variance extracted (AVE) should be above the cutoff- value of 0.5. Finally, construct validity should be greater than 0.7. Table 7 shows convergent validity assessment for reflective measures for research constructs.

Insert Table 7 about here

Based on Table 7, factor loadings for all construct items are significant at the 0.001 level and ranged from 0.53 to 0.93, all exceeding the minimum criterion of 0.5. Secondly, AVE for service employee self-efficacy, service recovery, competitive price, passenger trust, passenger satisfaction and passenger loyalty constructs are 0.70, 0.90, 0.75, 0.67, 0.72 and 0.73 respectively, which exceeded the minimum threshold of 0.5. Finally the construct reliability values for constructs are 0.70, 0.95, 0.82, 0.74, 0.84 and 0.78 respectively that exceeds the threshold of 0.70. Thus, CFA results show signs of the convergent validity of all research constructs (Gerbing & Anderson, 1988; Joreskog & Sorbom, 1988).

Respect to discriminant validity, correlation matrix and square root of AVE were used to assess the discriminant validity for constructs. To meet the requirements of satisfactory discriminant validity, the square root of AVE of each construct should be higher than the correlations between any combinations among any two pairs of constructs in the model as recommended by Fornell & Larcker (1981). Table 7 highlights composite Cronbach alphas, correlation matrix and average variance extracted (AVE) for research variables. As shown in Table 8, diagonal elements (in bold) - the square root of the average variance extracted (AVE) - are larger than off-diagonal elements which represent the correlations among those constructs, which confirm discriminant validity for research variables. Moreover, the alpha coefficients for

SESE, SR, PR, TRUS, PS and PL (ranged from 0.76 to 0.94) are greater than their correlation coefficients (the maximum value for correlation between any two pairs of constructs = 0.56) confirmed that discriminant validity is support for all constructs as recommended by Eisingerich & Bell (2007) and Gaski (1984). To determine the impact of common method variance, we computed Harmon's one-factor test as described by Podsakoff & Organ (1986). No single factor accounted for the majority of the covariance, suggesting that common method variance is not exclusively responsible for our results.

Insert Table 8 about here

4. Structural equations modelling (SEM) results

To examine the key determinants of passenger loyalty in the low-cost airline business, we used structural equation modelling. The assessment of the proposed model is done through the two following criteria: the overall model goodness (χ^2/df , GFI, RMR, CFI, NFI and TLI) and the statistical significance for the models' hypothesised parameters (Guo et al., 2009; Lee et al., 2006; Tellefsen & Thomas, 2005; Yang et al., 2008). The proposed model was examined using path analysis with AMOSv16. We find that the goodness-of-fit indices indicate that structural model provides good fit to the data as shown in Table 9.

Insert Table 9 about here

Furthermore, fourteen paths were significant with $p < 0.05$ and only one path was not significant. The empirical results testing the relationships between service employee self-efficacy, service recovery, price, passenger trust, passenger satisfaction and passenger loyalty demonstrated that all hypothesized relationships were supported except H_{3c} (*price* → *passenger loyalty*). Figure 1 and Table 10 show the proposed model results.

Insert Figure 1 and Table 10 about here

Our results support the significant and positive relationship between *Service employee self-efficacy* and service recovery ($\beta = +.42$ with $p < .001$). This supports H_{1a} . The positive relationship also between *Service employee self-efficacy* and customer satisfaction had been confirmed ($\beta = +.37$ with $p < .001$) which proves H_{1b} . As hypothesised in H_{1c} , we found that *Service employee self-efficacy* is positively related to passenger trust ($\beta = +.26$ with $p < .001$). The results also give validation to the significant and positive relationship between *Service employee self-efficacy* and price ($\beta = +.30$ with $p < .001$) which proves H_{1d} . Furthermore our research results support the notion that *Service employee self-efficacy* is positively associated with passenger loyalty, which prove H_{1e} ($\beta = +.17$ with $p < .01$). In the same time a service recovery has a negative and significant impact on price ($\beta = -.31$ with $p < .001$) which verified $H_{2\ 1a}$. Service recovery also affected positively on passenger satisfaction which proved $H_{2\ 1b}$ ($\beta = -.31$ with $p < .001$). Our findings also supported the positive impact of service recovery on passenger loyalty ($\beta = .18$ with $p < .01$) which confirmed $H_{2\ 1c}$. Furthermore our research results support the notion that passenger satisfaction has positive effect on both passenger trust and passenger loyalty ($(\beta = +.16$ with $p < .05$, $\beta = +.40$ with $p < .001$) that proved $H_{2\ 2a}$ and $H_{2\ 2b}$.

Price is found to be positively related to passenger trust to LCA ($\beta = +.29$ with $p < .001$). In line with earlier findings of Zeithaml et al. (2006) and Mattila (2001), The link between price and passenger satisfaction H_{3b} is similarly positive and significant in our study ($\beta = +.30$ with $p < .001$). In contrast, the direct positive relationship between price and passenger loyalty H_{3b} is not significant ($\beta = +.02$ with $p > .05$). This might be due to the oligopolistic LCA market whereby passengers have a range of competitive choices in the UK. For instance, passengers may be locked in a country with one LCA firm. Moreover our research results support Morgan & Hunt (1994)'s view that passenger trust is positively associated with passenger loyalty, which prove H_4 ($\beta = +.13$ with $p < .05$).

With regard to the indirect effects between the elements of our LCA model as illustrated in Table 11, our results showed that price affects indirectly on passenger loyalty through passenger trust and passenger satisfaction. This means that low price develops passenger satisfaction and passenger trust in a LCA firm which increase the probability to establish loyalty to LCA firms.

Insert Table 11 about here

Service employee self-efficacy also has an indirect effect on passenger trust through efficient service recovery processes, price and passenger satisfaction as mediating variables, which increase the total effect of service employees on passenger loyalty to 0.43 rather than 0.26. Moreover, Service employee self-efficacy has an indirect effect on passenger satisfaction through service recovery and price as mediating variables that increase the total effect from 0.37 to 0.57. Thus, if LCA has an efficient service recovery process and competitive price this leads to passenger satisfaction and make passengers more loyal. In addition, service recovery affects indirectly on passenger trust through customer satisfaction where high level of response to service failure makes passenger satisfy and develop passenger trust in LCA firms. Moreover, the indirect impact of service recovery on passenger loyalty via passenger satisfaction and passenger trust increases the total effects from 0.18 to 0.30, which means that accumulation of passenger satisfaction through effective service recovery processes increase passenger loyalty to LCA firms. In particular, the effect of service employee self-efficacy has the strong impact directly and indirectly on passenger loyalty rather than service recovery, price, satisfaction and trust (see table 11). In addition, service employee self-efficacy has the greatest effect on passenger satisfaction rather than service recovery and price. Thus, our results show that service employee self-efficacy considers the main antecedents that develop passenger loyalty (Netemeyer & Maxham III, 2007) while price has not any effect on loyalty. The effect of service employee self-efficacy on passenger satisfaction via service recovery and price was substantial. In conclusion, these results indicate that the meditational role of passenger satisfaction between

service employee self-efficacy, service recovery, price and passenger trust, and passenger loyalty is substantial.

The direct and indirect effects in the proposed model are further examined in an effort to gain in-depth insights into the passenger loyalty and its determinants in the low-cost airlines (see Table 11). Service employee self-efficacy affects passenger loyalty positively via service recovery and passenger trust (0.19). Service recovery (0.09) and passenger trust (0.12) affect passenger loyalty positively via passenger satisfaction. The results show that the effect of passenger trust on loyalty via passenger satisfaction was greater than the effect of service recovery on passenger loyalty. In particular, the effect of service employee self-efficacy on passenger loyalty via service recovery and passenger trust was found to be the greatest. Thus, the effect of service employee self-efficacy on passenger satisfaction via service recovery and passenger trust was substantial.

5. Discussions

Loyal passengers are an essential asset to any successful airline business. The most effective way to create loyal passenger in LCA is to attain high passenger satisfaction through enhancing service recovery process, efficient service employee self-efficacy and price that increase passenger trust in the organisation's actions. Liao (2007) also reported service recovery is associated with customer satisfaction. The results of this study provide useful insights into behaviours of passengers in low-cost airlines. The behavioural intention of passengers was affected by service employee self-efficacy, service recovery, price, passenger satisfaction and passenger trust. Three of them represent antecedents of passenger satisfaction: service employee self-efficacy, service recovery, price while passenger trust in LCA is shaped through the interaction between service employee self-efficacy, service recovery, price and passenger satisfaction. The study results should help to enlighten the efforts of any front staff that pursues to ensure that the passengers receiving service recovery efforts perceive a high level of satisfaction (Karatepe et al., 2006; Kim et al., 2009; Yuksel et al., 2006). An effective effort for

service recovery after experiencing faulty service must be carefully planned and carried out in order to establish a long-term relationship with the passengers (Lindenmeier & Tscheulin, 2008; Mattila, 2001). Moreover, the passenger-contact employees should be empowered in such a way as to provide a quick recovery resolution for any service breakdown (Boshoff & Allen, 2000). Low-cost airlines managers also should consider suitable rewards and recognition for their staff's smart choice of exemplary recovery efforts to stimulate their voluntary participation and self-efficacy.

In our research model, three exogenous variables (service employee self-efficacy service recovery, and price) could be used to estimate the endogenous passenger satisfaction. Regarding the relative magnitude, service employee self-efficacy demonstrated the most influential power on passenger satisfaction. In addition, passenger loyalty is affected directly by five elements (service employee self-efficacy, service recovery, price, passenger satisfaction and passenger trust), while service employee self-efficacy affect indirectly on passenger loyalty via service recovery, passenger trust, price and passenger satisfaction. Interestingly, our results show that passenger satisfaction and passenger trust are the uppermost drivers of passenger loyalty in the low cost airlines sector. These findings are congruent with those found by Jayawardhena et al., (2007) and Kim & Lee (2011). This discovery is parallel with reports of Hong & Goo (2004), Hippner & Wilde (2006) and Forgas et al. (2010). Additionally, our results are consistent with the findings of Grönroos (2007) and Parasuraman et al. (1994) who suggest that customer satisfaction is not the only predictor for customer loyalty, but that it has the strongest direct influence on customer loyalty. This finding supports Parasuraman et al. (1994) and Zeithaml et al. (2006)'s studies.

6. Implications, limitations and further research

This study sheds light on better understanding of the LCA business model characteristics. Our results imply that the enhancement of passenger loyalty should be one of the major strategic goals for low-cost airlines (Fournier & Mick, 1999; Yieh et al., 2007). Managers of a

low-cost airline are supposed to re-emphasize the importance of passenger loyalty to their employees as well as to their passengers. Moreover, as pointed out in this analysis, the dominant indication for passenger loyalty is post purchase satisfaction. Secondly, as discovered in this study, passenger satisfaction is the main predisposition of passenger loyalty which means that a passenger shows preferences, repurchase intention and commitment to a particular low-cost airline. Under consideration of the fact, that acquisition costs of new passengers exceed the costs of maintaining current passengers (Anderson & Sullivan, 1993; Cheng et al., 2008).

Another implication results from the impact of service employees on passenger satisfaction. Hence, service employees have a major indirect influence on passenger loyalty. Managers need to constantly maintain the quality of their service. Due to intensified competition in the low-cost airline business, a firm should attempt to achieve a quality standard for service employees which are at least as high as the standard of its strongest competitor in order to gain competitive advantage (Maxham III, 2001). Finally, in order to enhance the passenger loyalty practice, a training program should focus on instilling the proper procedures and the correct policies by reacting to customer problems quickly and handling passenger complaints in a timely manner (service recovery). The ultimate goal of service recovery is not limited to preventing the loss of passengers, but rather to maintain a long term cooperative relationship with passengers (De Ruyter et al., 1998; Dimitriades, 2006). Our findings, then, will be useful to low-cost airlines managers for developing procedures that maximize the passenger satisfaction with service recovery and subsequently augment long-term passenger relationships. This study suggests some guidelines and directions for management actions.

This study addresses the importance of relationship marketing tools to low-cost airline managers. As proved in the above analysis, passenger satisfaction seems to be the appropriate tool in this context in order to enhance passenger loyalty in the low-cost airline business. These loyalty building efforts are likely to complement other marketing and brand building efforts of

the company. The low-cost airline managers must be willing to consider their employees as one of their key drivers of passenger loyalty, and design the internal processes in line with the loyalty marketing tool. Otherwise, the low-cost airline would waste its time, money and internal resources. Despite its possible importance in the passenger retention process, the role of service employee self-efficacy has received relatively little attention in tourism management (exceptions include Hallak, Brown & Lindsay, 2012; Karatepe, et al, 2006). The current study paper contributes to two different threads of literature: LCA business model and loyalty's determinants in the LCA sector.

LCA Management should allow efficacious service employees with the flexibility to handle at least modest deviations from standard operating measures when this leads to fast and satisfactory service recovery performance and consecutively to greater customer satisfaction. Management should have service employees' recruitment and development strategies (e.g. selection procedures, effective training, emotional support, job autonomy etc) to increase self-efficacy of service employees in order to go the extra mile to satisfy passengers and perform service recovery (Bandura, 1997; Yi & Gong, 2008).

It is interesting to observe that price has no significant effect on loyalty. However, prior research demonstrates that the relationship between price and loyalty (Parasuraman, Zeithaml, & Berry, 1994), this study indicate the opposite. Due to the fact, that price is not the decisive factor for customer loyalty in the low-cost airline business, there is need a call for further investigations.

We offer interesting insights in terms of passenger loyalty in the low-cost airline business, its importance and its determinants. However, this study is restricted by several limitations which have to be taken into account when analysing and using the findings. An underlying problem with a 5-point Likert scale, which was used in the questionnaire of this study, is that respondents often show a bias to the middle point of the scale in order to reduce their effort (Coelho & Esteves, 2007). Cultural aspects of the respondents may influence the reflection of

passenger loyalty and its antecedents (Mattila & Patterson, 2004; Wong, 2004). A distinction between different cultural backgrounds is not carried out in this research.

A long-term study would provide more substantial support for the findings of this study. Moreover, Fournier & Mick (1999) reveal, that satisfaction is a dynamic process as well. They advocate different pre-consumption standards of each respondent which have to be considered at the time of the accomplishment of the survey, as these standards change over time. Thus, we suggest that scholars should examine area of passenger loyalty using in-depth interviews. Another constraint of this study is the focus on a single industry, the low-cost airline industry (Too, Souchon, & Thirkell, 2001). Consequently, the results might be completely different in an industry of tangible goods or other services, (e.g. low cost hotels, and retailers: supermarkets and clothing etc). Further studies should also explore the key determinants of customer loyalty within the whole airline industry. The business model based on disruptive innovation also remains fruitful research domain for future research.

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Table 1: Core business model of low-cost airline (LCA)

<i>Some LCA common denominators / principles</i>	Studies and authors' propositions
Low-end disruptive strategic innovation as cornerstone, scale and scope economies; a new way of competing in an existing industry: screen-based electronic trading systems, efficient processes, network value; lower operating costs, low-feature air travel, least demanding customer segment but most price sensitive; new technological frontiers; product is completely described by its cost and its performance, focus on performance.	Adner (2006); Alamdari & Fagan (2005); Bower & Christensen (1995); Charitou & Markides (2003); Chesbrough & Rosenbloom (2002); Christensen (1997); Danneels (2004); Markides (2006); Porter (1996); Schmidt & Druhl (2008)
Adoption of the pioneering Pacific Southwest airline strategies, easy imitation of a competitor's move: Southwest copy-cut, me too service strategy	Graham & Shaw (2008), Kangis & O'Reilly (2003), Wensveen & Leick (2009),
Low cost, cost /price leadership, low fares/promotional fares, dynamic price, budget airline, discount airline, cost reduction, cost advantage, identification of cost drivers, use of less expensive airports: low fixed cost	Doganis (2006), Marcus & Anderson (2008), Porter (1985), Wong & Musa (2011)
E-commerce sales, e-ticketing and distributing, online booking: disintermediation, bypass travel agents or other intermediaries, no agent commission, ticketless travel/no printed tickets, not refundable tickets, sales maximisation	Barrett (2004), Casey (2010), Kumar (2006), O'Connell & Williams (2005), Shaw (2007)
No frequent flyer programmes, limitations to the served routes/destinations, leverage of human capital and material assets to the full capacity	Doganis (2006), Graham & Shaw (2008), Hofer, Windle & Dresner, (2008)
No freight, outsource of maintenance and ground holding, no access to courtesy lounge, no loyalty scheme; price sensitive market segments: core customer segment – 20-29 year old passengers; over-served customers or new customers neglected by airline incumbents, less demanding consumers with price sensitive mainstream, high internet bookings	Barrett (2004); Lawton (2003), Ryan & Birks (2005); Gursoy, Chen & Kim (2005); Govindarajan & Kopalle, (2006);
Cyclical sector: Link between demand and economic cycles; seasonality; fly point to point service journeys	Dobruszkes (2006), Graf (2005), McLay & Reynolds-Feighan (2006).
Passenger segment target: cost-conscious passenger segmentation, economic value seekers – value for-money offers, focus on core service activities	Casey (2010), Mason & Alamdari, (2007), Kangis & O'Reilly (2003)
Likelihood of M-commerce, SMS-based bookings, web-check ins, ticket-less travel, offer of tour packages and other travel and tourism-related service offerings, target segment: X generation	O'Connell & Williams (2005), Wong & Musa (2011), Barrett (2004)

No-frills, no meals on board, seat cannot be reserved, no baggage transfer, no flight entertainment, self service kiosk check, payment for amenities; sell-off inventory due to the perishability of the service characteristics.	Kumar (2006), Sorenson (1991), O'Connell & Williams (2005),
High frequency and point-to-point carriage, fast-turn-arounds; maximisation of flying time, reduction of unit costs, control operational flexibility, costs being linked to output rather than overheads, effectiveness in all functional areas.	Bel (2009), Graham & Shaw (2008), Kangis & O'Reilly (2003)
Increase of output and productivity, reduction of arrival time and departure rotary turn-around up to 25 minutes, use of small and unsaturated / secondary airports: economies of density	Barrett (2004), Casey (2010), Caves, Christensen, & Tretheway (1984), Wensveen & Leick (2009), Button & Ison (2008)
Low wages, multiple roles for employees, long working/flying hours, operational adaptability and malleability, operational competence: service employees seem to be self-efficacious	Francis, Humphreys, Ison, & Aicken, (2006), Williams (2001), Dobruszkes (2006),
Most LCA have a standardised service: single cabin economy class travel and only one service, uniform layout of seating and similar treatment for all passengers: mass service – cost reduction, cost-cutting, fleet standardisation and utilisation	Barrett (2004), Casey (2010), Dobruszkes (2006), Francis, Fidato & Humphreys (2003, Ryan & Birks (2005), Doganis (2006).
Less rest time, more retained turn-arounds, flexibility in time and routine tasks, poor likelihood of setting up unions: pressure on service employees	Dobruszkes (2006), Francis, Humphreys, Ison, & Aicken, (2006),
Likelihood of membership of IATA: Doubt about non-member IATA dealing with quality standard problems in the case of service failure- flight cancellations	Dobruszkes (2006), Doganis (2006)

Source: Authors' own construction

Table 2: Some key studies related to our variables

Some extant key studies from <i>Tourism Management</i> outlet	Variables of this study							
	<i>Low-cost airlines</i>	<i>Price</i>	<i>Service employee (SE)</i>	<i>SE self-efficacy</i>	<i>Passenger/customer trust</i>	<i>Service recovery</i>	<i>Passenger/customer satisfaction</i>	<i>Passenger/customer loyalty</i>
Collison & Boberg (1987)	•	•						•
Ryan (1991)		•						•
Clarke (1992)		•						•
Mak & Go (1995)	•	•						•
Williams & Fidgeon (2000)		•	•				•	
Bigne, Sánchez & Sánchez (2001)							•	•
Tsaur, Chang & Yen (2002)							•	
Yang & Liu (2003)		•						•
Francis, Humphreys & Ison (2004)	•	•						
Gursoy, Chen & Kim (2005)	•	•	•				•	
Kang, Jeon, Lee & Lee (2005)			•		•			
Petrack (2005)		•					•	•
Wu & Chang (2006)					•			
Yuksel, Kilinc & Yuksel (2006)			•			•	•	•
Karatepe, Uludag, Menevis, Hadzimehmedagic & Baddar (2006)			•	•				
Francis, Dennis, Ison & Humphreys (2007).	•	•						
Lee, Yoon & Lee (2007)			•			•	•	
Severt, Wang, Chen & Breiter							•	•

(2007)								
Lindenmeier & Tscheulin (2008)	•	•				•	•	
Cheng, Chen, & Chang (2008)			•			•	•	•
Chang & Yang (2008)			•				•	
Kim, Kim & Shin (2009)					•			•
Kim, Kim & Kim. (2009)			•		•	•		•
Guttentag (2010)							•	
Koo, Mantin & O'Connor (2011)		•						•
Kim & Lee (2011)	•	•	•				•	•
Dolnicar, Grabler, Grün, & Kulnig (2011)		•					•	•
Kim, Chung & Lee (2011)		•			•		•	•
Sánchez-García & Currás-Pérez (2011)			•			•		
Grigolon, Kemperman & Timmermans (2012)	•	•						
Gustafson (2012)		•					•	•
Hallak, Brown & Lindsay (2012)				•				

Source: Authors' own construction

Table3: Operationalisation of the data collection instrument

Service recovery: Based on Gilly (1987); Mattila (2001); Mattila & Patterson (2004)

The service recovery outcome was satisfying

The service recovery process was satisfying

The service recovery process was successful.

The problem was solved in a manner that was fair to me

Passenger loyalty: Based on Jayawardhena et al.(2007); De Ruyter et al. (1998); Dimitriades (2006)

I will do more business with the LCA in the next years.

I consider the LCA to be my first choice when flying.

I consider myself as a regular customer of the LCA.

I prefer to fly with this LCA as opposed to competitors

I consider myself as loyal to the LCA.

Passenger trust: Based on Morgan & Hunt (1994); Doney& Cannon, J.(1997); Eng, (2006); Yieh et al. (2007)

I feel I know what to expect from the LCA^r.

Most of what the LCA says about its products is true.

In my experience, the LCA is very reliable^r.

I can trust the employees of the LCA.

Passenger satisfaction: Based on Yi & La (2004); Maxham (2001); Fournier & Mick, (1999)

I felt happy after flying with the LCA.

I felt satisfied after flying with the LCA

My choice to fly with this LCA was a wise one

I think I did the right thing when choosing this LCA.

Service employees Self efficacy: Based on: Parasuraman et al. (1988); Lovelock & Wirtz (2004); Netemeyer & Maxham III (2007)

The LCA's employees go extra miles to provide the necessary service

The LCA's employees are always willing to help

The LCA's employees give individual attention and prompt response.

Price: Based on McMullan (2005); Oliver (1999)

When choosing a flight operator I am interested in bargains

When choosing a flight operator I compare prices

I would try another LCA if the price will increase by 10%

I will take some of my business to a LCA with better prices

Table 4: Profile of survey respondents

<i>Demographic aspects of respondents</i>	<i>Variables</i>	<i>Usable cases</i>	<i>Response rate (%)</i>
Gender			
	Male	151	52.8
	Female	135	47.2
Age			
	20 – 29	173	60.6
	30 – 39	87	30.4
	40 - 49	17	6
	> 49	9	3
Purpose of your travel			
	Business	56	19.7
	Leisure (Holiday)	230	80.3
Membership of LCA Frequent-Flyer-Programmes (FFP)			
	Yes	36	12.6
	No	250	87.4
Data Collection Sites: Airports			
	London-Stansted	149	52.1
	Manchester	137	47.9

Table 5: Statistical summary: Descriptive statistic, factor analysis and reliability analysis with N=286.

Factors and Variables	Descriptive Statistics		Factor Components & Loading						Reliability	
	\bar{x}	Std	1	2	3	4	5	6	Π C	∞
<i>Service recovery</i>										.94
The service recovery outcome was satisfying	2.75	.94	.89						.87	.92
The service recovery process was satisfying	2.78	.95	.91						.88	.92
The service recovery process was successful.	2.74	.96	.91						.87	.92
The problem was solved in a manner that was fair to me	2.85	.88	.85						.82	.94
<i>Passenger loyalty</i>										.80
I will do more business with the LCA in the next years.	2.73	1.2		.69					.52	.78
I consider the LCA to be my first choice when flying.	2.58	1.2		.72					.66	.74
I consider myself as a regular customer of the LCA.	2.84	1.2		.67					.54	.78
I prefer to fly with this LCA as opposed to competitors	2.85	1.1		.71					.63	.75
I consider myself as loyal to the LCA.	3.18	1.1		.68					.59	.76
<i>Passenger trust</i>										.76
I feel I know what to expect from the LCA ^f .	2.32	.92			.69				.51	.74
Most of what the LCA says about its products is true.	2.72	.86			.74				.60	.70
In my experience, the LCA is very reliable ^f .	2.57	.83			.71				.59	.71
I can trust the employees of the LCA.	2.62	.90			.63				.54	.72
<i>Passenger satisfaction</i>										.82
I felt happy after flying with the LCA.	2.85	.96				.69			.52	.82
I felt satisfied after flying with the LCA	2.68	.90				.66			.66	.76
My choice to fly with this LCA was a wise one	2.46	.92				.60			.69	.74
I think I did the right thing when choosing this LCA.	2.28	.93				.61			.67	.75
<i>Service employees Self-efficacy</i>										.78
The LCA's employees go extra miles to provide the necessary service	2.41	.93					.66		.54	.78
The LCA's employees are always willing to help	2.95	.96					.60		.59	.75
The LCA's employees give individual attention and prompt response.	2.38	1.1					.61		.61	.71
<i>Price</i>										.84
When choosing a flight operator I am interested in bargains	2.30	.97						.68	.57	.83
When choosing a flight operator I compare prices	1.78	1.1						.78	.74	.75
I would try another LCA if the price will increase by 10%	2.1	1.2						.82	.71	.77
I will take some of my business to a LCA with better prices	2.2	1.1						.73	.64	.80
<i>% of Cumulative variance</i>			13.2	25.	36.6	47.	58.6	.69		

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Kaiser-Meyer-Olkin (KMO) Measure Sampling Adequacy = **.821** *Bartlett test of sphericity* = **2351.94**

Bartlett test, significance = **.000** :

\bar{X} = mean score, Std = Standard deviation, IIC = Inter-Item correlations, α = Cronbach Alpha Values **r**: reversed code

Table 6: Measurement model results for reflective measures

Construct	No. of items	<i>Obtained fit indices</i>					
		χ^2/df	GFI	RMR	CFI	NFI	TLI or NNFI
Service employees self-efficacy	3*	-	-	-	-	-	-
Service recovery	4	2.3	.98	.01	.99	.99	.99
Price	4	.92	.99	.003	1.00	.99	.99
Passenger trust	4	2.8	.97	.03	.97	.95	.90
Passenger satisfaction	4	3.9	.93	.05	.90	.90	.90
Passenger loyalty	4	1.03	.99	.03	.99	.99	.99
<i>Suggested fit indices</i>							
		≤ 5	$\geq .90$	$\leq .05$	$\geq .90$	$\geq .90$	$\geq .90$

* We do not report goodness-of-fit indexes for constructs with three or fewer indicators, because they have a perfect fit (Jayachandran et al., 2005:185).

Table 7: Convergent validity assessment for reflective measures

Construct	No. of items	Factor loadings range of construct items	AVE	Construct reliability
<i>Obtained statistics</i>				
Service employees self-efficacy	3	(0.60 - 0.91)	.70	.70
Service recovery	4	(0.84 - 0.93)	.90	.95
Price	4	(0.63 - 0.85)	.75	.82
Passenger trust	4	(0.57 - 0.77)	.67	.74
Passenger satisfaction	4	(0.53 - 0.84)	.72	.84

Passenger loyalty	5	(0.63 - 0.91)	.73	.78
<i>Suggested statistics</i>				
		≥ 0.5	≥ 0.5	≥ 0.7

Table 8: Discriminant validity assessment for research variables.

Variables	α	AVE	SESE	SR	PR	PTRUS	PS	PL
SESE	.78	0.70	0.84					
SR	.94	0.90	.32**	0.95				
Pr	.84	0.75	.30**	-.19	0.87			
PT	.76	0.67	.43**	.14*	.42**	0.82		
PS	.82	0.72	.56**	.38**	.35**	.41**	0.85	
PL	.80	0.73	.39**	.37**	.08	.13*	.50**	0.85

* Correlation is significant at the 0.01 level (2-tailed), α = Composite Cronbach Alpha.

*Diagonal elements (in bold) are the square root of the average variance extracted (AVE). Off-diagonal elements are the correlations among constructs. For discriminant validity, diagonal elements should be larger than off-diagonal elements.

* SESE = Service employees self-efficacy, SR= Service recovery, Pr= Price, PT= Passenger Trust, PS= Passenger satisfaction and PL= Passenger loyalty.

Table 9: Assessment of overall model fit

Model	<i>Obtained fit indices</i>						
	χ^2/df	p	GFI	RMR	CFI	NFI	TLI or NNFI
Overall model fit	1.24	.266	.99	.01	.99	.99	.99
<i>Suggested fit indices</i>							
	≤ 5	$\geq .05$	$\geq .90$	$\leq .05$	$\geq .90$	$\geq .90$	$\geq .90$

Table 10: Summary of SEM results for the proposed model

Predictor variables	Criterion variables	Hypothesised relationship	Standardised coefficient
Service employees self-efficacy	Service recovery Passenger satisfaction Passenger trust Price Passenger loyalty	$H_{1a} \rightarrow \text{Support}$ $H_{1b} \rightarrow \text{Support}$ $H_{1c} \rightarrow \text{Support}$ $H_{1d} \rightarrow \text{Support}$ $H_{1e} \rightarrow \text{Support}$.42*** .37*** .26*** .30*** .17**
Service recovery Passenger satisfaction	Price Passenger loyalty Passenger trust Passenger loyalty	$H_{2\ 1a} \rightarrow \text{Support}$ $H_{2\ 1b} \rightarrow \text{Support}$ $H_{2\ 1c} \rightarrow \text{Support}$ $H_{2\ 2b} \rightarrow \text{Support}$ $H_{2\ 2b} \rightarrow \text{Support}$	-.31*** .32*** .18** .16* .40***
Price	Passenger trust Passenger satisfaction Passenger loyalty	$H_{3a} \rightarrow \text{Support}$ $H_{3b} \rightarrow \text{Support}$ $H_{3c} \rightarrow \text{not Supported}$.29*** .30*** .02 ^{ns}
Passenger trust	Passenger loyalty	$H_4 \rightarrow \text{Support}$.13 *

*P< 0.05; **P< 0.01; *** P< 0.001; ns= not supported.

Table 11: Direct, indirect and total effects among research variables

Criterion variable	Predictor variables	Direct effect	Indirect effect	Total effects
Passenger trust	Service employees self-efficacy	.26	.17	.43
	Service recovery	.00	.05	.05
Passenger satisfaction	Service employees self-efficacy	.37	.20	.57
	Price	.30	-.10	.20
Passenger loyalty	Service employees self-efficacy	.17	.22	.39
	Service recovery	.18	.12	.30
	Price	-.02	-.02	-.04

Figure 1 SEM results

