

# CORPORATE REPUTATION AND CORPORATE IMAGE INFLUENCE CUSTOMER PURCHASE INTENTIONS AND LOYALTY OF LOWCOST AIRLINES

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## ABSTRACT

This research studied on the corporate reputation and corporate image influence the customer purchase intentions and loyalty of low-cost airlines. The samples of this research were 400 low-cost airline users at 4 Upper-Northeast airports by using the stratified random sampling method (probability sampling technique) and convenience sampling method (non-probability sampling technique) and using a questionnaire to collect the data. The reliability of the questionnaire is found out by Cronbach's alpha coefficient method. The reliability of the corporate reputation, the corporate image, the purchase intention and the loyalty were 0.946, 0.940, 0.909 and 0.92. Descriptive Statistics used in the analysis were frequency, percentage, mean, and standard deviation, and the regression analysis will be used the Inferential Statistics to analyze.

The results of the study found that the effect of corporate reputation on the customer purchase intentions of low-cost airline is about 52.20%, which the corporate reputation was a statistically significant in a positive relationship on the purchase intentions with 0.722. The effect of corporate image on the customer purchase intentions of low-cost airline is about 60.70%, which the corporate image was a statistically significant in a positive relationship on the purchase intentions with 0.779. The effect of corporate reputation on the customer loyalty of low-cost airline is about 50.60%, which the corporate reputation was the statistically significant in a positive relationship on the loyalty with 0.711. The effect of corporate image on the customer loyalty of low-cost airline is about 59.90%, which the corporate image was the statistically significant in a positive relationship on loyalty with 0.774. In conclusion, when customers perceive the good corporate image, they will have more loyalty to the airline. The better corporate image the airlines have, the more loyalty the customers will have to the airline. Moreover, when the customers receive news about the corporate reputation, it will bring the purchase intention to the customers to buy and use the airline service even more.

**Keywords** - Corporate Reputation, Corporate Image, Purchase Intentions, Loyalty

## INTRODUCTION

### *Background*

Reputation and image play a significant role in the corporate or organization. "Corporate image" is a factor that affects people acceptance or support. If any organization or corporate has a good image, people will have confidence, faith and trust in its products and services, causing smooth operation and leading to the corporate progress. In view of the image has an impact on the organization success, they therefore try to compete in creating a good image for themselves. Creating and maintaining the organization image will bring "corporate reputation" which is an essential tool for business operations. Each organization or corporate need to create a unique reputation and image from others in order to gain a competitive advantage.

Traveling by plane is one way of public travels. Either to travel for tourism or for business are all essential factors and related to the way of people life in modern times. The first major reason for choosing this type of travel is to manage limited time effectively. The fact that consumers must consider as well when decide to buy air tickets is about worthiness like other spending. In the past, traveling by plane had a very high cost so it was automatically reserved for rich people or only when it was necessary. Common people would need to spend very long time to save some money for affording the air ticket as well as had to think more reasonably when deciding about traveling by plane[10]. However, at present, low cost airlines in each country around the world provide common people more opportunities to travel by plane because the ticket is cheaper than in the past and less

expensive than traditional airlines, Legacy Airlines or Full-service airlines [13]. Traveling by plane today is no longer reserved for only rich people and sometimes even cheaper than traveling by other types.

In addition, traveling by plane can save a lot of time. According to the past news, low cost airlines experienced problems about the corporate reputation and image that affected the customer decision on using service. Besides, the business operation model of low-cost airlines caused customers to wonder whether those airlines neglected safety or not, or doubt that how could the airlines sell such a cheap ticket. Thus, in order to continue the business smoothly, the low-cost airline entrepreneurs must build confidence, trust, as well as corporate reputation and image to be recognized by customers.

Regarding the above importance, it can explain that the corporate reputation and image is very important to the business. Other related researches and articles also showed that the researchers were interested in studying the corporate reputation and image that affected the purchase intentions and the loyalty of low-cost airline customers. At present, Thailand has many low-cost domestic airlines to choose. There are also more emerging airlines due to the Open Sky policy, economic expansion and international trade. Having more airlines causes competition in various areas, especially service. With this reason, the airlines are trying to find marketing strategies and various methods to impress the customers when they use the service and to make them keep coming back. The airlines will have to consider comments on their services to improve in the inferior points in order to meet the customer needs. If any defects are found, they must be quickly revised to prevent damage to benefits, corporate reputation and image including customer loyalty towards the company so that they can obtain a competitive advantage.

Objectives 1) to study the reputation and image of low-cost airlines which are Nok Air and Thai Air Asia; 2) to study the relationship, reputation and image of low-cost airlines that influences the purchase intentions and loyalty of low cost airline customers; 3) to compare the corporate reputation and image of low cost airlines in the view of the customers.

## **LITERATURE REVIEW**

### ***Corporate Reputation***

The reputation measurement criteria were developed by academics and many academic institutions. Reputation Institute developed a reputation measurement, including Reputation Quotient or RQ and a tool called RepTrak System [7], quoted in [12]. Reputation Quotient or RQ reputation criteria consisted of 20 questions in 6 aspects: 3 questions for emotional, 4 questions for products and services, 3 questions for vision and leadership, 3 questions for working environment, 4 questions for financial performance, 3 questions for social responsibility. However, many disadvantages of the RQ measurement criteria were found. Reputation Institute therefore developed a tool called RepTrak System which could cover many stakeholder groups in the United States and various types of business groups [11]. This system has 7 main indicators including products and services, innovation, workplace, supervision, good citizenship, leadership, and financial performance [15].

### ***Corporate Image***

Creating a good image for the organization must cover many aspects because the corporate image is the image combination of many things [5,6]. It can be categorized as following:

1. The image of business practice must be a corporate being straightforward, honest, respect the law and strengthen the country economy.
2. The image of employees must be apparent that they are talented, capable, have responsibility, honest, attractive, and have good service mind.
3. The image of products & services must be a quality product and a product that enhances quality
4. The image of social activities requires special activities other than businesses to reflect social responsibility. This is to return to the society which will help improve society to a better place.

### ***Purchase Intentions***

Intention is a person willingness to act which happens before the action. The theory of Planned Behavior, [1,2], was used to explain what happened before attitude, subjective norm, and perceived behavioral control. These three things were used in explaining the direct and indirect intentions of a person in many cases, such as voluntary pronunciation and giving [14]; in direct measurement of these factors. Attitude means evaluating judgments on advantages and disadvantages of behavior expression. Subjective Norm means a person perception in expressing behavior under social pressure. Perceived Behavioral Control means confidence in a person perception to show

their behavior [3]. This theory of planned behavior has been used extensively by many researchers for a long time until now and used it as a basis.

**Loyalty**

Customer loyalty measurement must consider the attitudes, behaviors and thinking processes of customers. All can be measured by the Behavioral Intentions Battery, developed [4]. Its conceptual framework is about behavioral intentions which can be used to consider how much the customers are loyal to the corporate from where they are using the service. It consists of 4 dimensions:

1. Word of Mouth Communications is talking about good things related to service and service providers, suggest and encourage others to use the service. This can be used to analyze consumer loyalty to service providers
2. Purchase Intention is to choose the service as the first choice. This can reflect the habits of service change.
3. Price Sensitivity is the fact that consumers do not have any problems when the service provider increases price. The consumers are willing to pay more than paying to other competitors if the service meets their satisfaction.
4. Complaining behavior is a complaint when a problem occurs, such as a complaint with the service provider, telling other people, sending the story to the newspaper. This can be a response measurement to the customer problems.

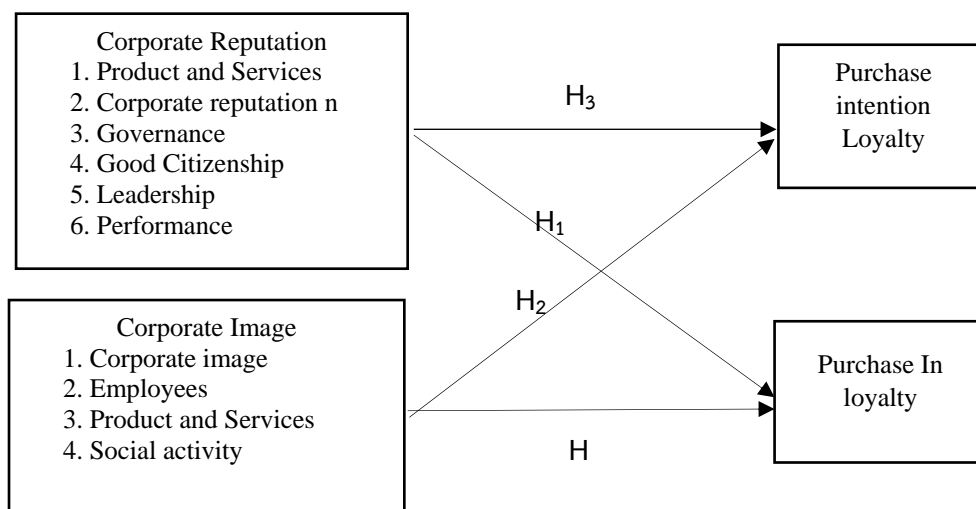
**CONCEPTUAL MODEL AND HYPOTHESES**

According to the literature reviews, the conceptual framework of this research was shown in the Figure 1, which is describing the corporate reputation and corporate image affecting the purchase intentions and the service users' loyalty of the low-cost airlines. The research hypotheses were:

- H1: The corporate reputation influences purchase intention of low-cost airline users in the Upper-Northeast region.
- H2: The corporate image influences the purchase intention of low-cost airline users in the Upper-Northeast region.
- H3: The corporate reputation influences the loyalty of low-cost airline users in the Upper-Northeast region.
- H4: The corporate image influences the loyalty of low-cost airline users in the Upper-Northeast region.

**Figure 1**

Research Conceptual Model



This research was about the corporate reputation and corporate image influence the customer purchase intentions and loyalty of low-cost airlines, which we will compare between NokAir Airline and Thai AirAsia Airline. The data collection was express by using the quantitative research and questionnaires from low-cost airline users at 4 Upper-Northeast airports. The population are included the service users of the low-cost airlines

(Nok Air and Thai AirAsia) and the report of the flight in each airport comparing in an annually year 2018 [16]. The sample group was 400 low-cost airline users. The probability sampling through stratified a random sampling and non-probability sampling through the convenience sampling were used, which is including the questionnaire for data collection. The reliability of the questionnaire is realized by Cronbach's Alpha Coefficient method Cronbach[8,9] described that the acceptable reliability must not be less than 0.70. The details are shown in the Table 1 as follows:

**Table1**  
Cronbach's Alpha Coefficient of Variables

Variables	Cronbach' Alpha
Corporate Reputation	0.946
Corporate Image	0.940
Purchase Intentions	0.909
Loyalty	0.926

## RESULTS

### *The descriptive statistics*

The research on corporate reputation and image that affect the purchase intention and the loyalty of low-cost airline customers found that the most respondents in the question were 253 females (36.80%). The average age was 21-30 years, which they are 179 persons (44.80%). Most educational levels were bachelor's degrees in 270 persons (67.50%). Most people were 113 civil servants or government employees (28.20%). The average monthly income was 15,001-25,000 Baht (133 people or 33.30%). Most of the low-cost airline customers were using Air Asia Airlines with 261 persons (65.30%), which they shown in Table 2.

**Table 2**  
Description of the Respondents

Demographic Information		Numbers of Respondents (NR)	Percentage of NR to Number of TR*
Gender	Male	147	36.80%
	Female	253	63.20%
Age	Under or equal to 20 Years	41	10.30%
	21-30 Years	179	44.80%
	31-40 Years	108	27.00%
	41-50 Years	33	8.30%
	51-60 Years	30	7.50%
	More than 60 Years	9	2.30%
Education	Below bachelor's degree.	56	14.00%
	Bachelor's degree	270	67.50%
	Higher than Bachelor's degree.	74	18.50%
Career	Student	109	27.30%
	Government	113	28.20%
	State Enterprise Officer	30	7.50%
	Staff/Employee	70	17.50%
	Househusbands/ Housewife/ Elderly	7	1.80%
	Owners	69	17.30%
	other	2	0.50%
Monthly Income	Less than 15,000 Bath	133	33.30%
	15,001-25,000 Bath	113	28.20%
	25,001-35,000 Bath	69	17.30%
	35,001-45,000 Bath	36	9.00%
	45,001-55,000 Bath	19	4.80%
	More than 55,000 Bath	30	7.50%
Low cost Airline	Nok Air	139	34.80%
	Thai AirAsia	261	65.30%

\* TR denotes total respondents.

### Hypothesis testing

Research will study on a correlation analysis, which they will explain to study the relation between two or more variables. And they also used a simple regression analysis to examine the hypothesis and study on the relationship between the variables as follow:

- REP – Corporate Reputation
- IMG – Corporate Image
- LOY – Loyalty
- INT – Purchase Intention

**Table 3**  
Correlation Analysis between Independent Variable

	REP	IMG	INT	LOY
<b>MEAN</b>	3.88	3.98	3.91	3.93
<b>S.D.</b>	0.605	0.611	0.719	0.706
<b>REP</b>	1			
<b>IMG</b>	0.873**	1		
<b>INT</b>	0.722**	0.779**	1	
<b>LOY</b>	0.711**	0.774**	0.843**	1

\*\* Correlation is significant at the 0.01 level

In table 3, the relationship between the independent variables correlation coefficients ( $r$ ) are exceed 0.800 [9], which they will describe the relationship between the variables that must be less than 0.800. Otherwise, it may cause by a Multicollinearity. This research presents the relationship between the independent variables with the highest value of 0.873, which was exceed 0.800, accordingly the test for collinearity statistics of tolerance and VIF should be performed. The tolerance value was more than 0.200, but VIF value was less than 10, which a multicollinearity problem was not found. Therefore, it can be tested by using a simple regression analysis or we also known as a linear model, which they will investigate the influence of the corporate reputation and corporate image on purchase intentions and loyalty.

The research results from hypotheses testing on the influence of Corporate Reputation and Corporate Image Influence Customer Purchase Intentions and Loyalty of Low-cost Airlines were presented in Table 4.

**Table 4**  
Research Results from Hypotheses Testing

Model	Unstandardized Coefficients		Standardized Coefficients	R square	t	Sig.
	$\beta$	Std. Error	$\beta$			
H <sub>1</sub> : REP→INT	0.608	0.029	0.722	0.522	20.832	0.000***
H <sub>2</sub> : IMG→INT	0.662	0.027	0.779	0.607	24.769	0.000***
H <sub>3</sub> : REP→LOY	0.609	0.030	0.711	0.506	20.172	0.000***
H <sub>4</sub> : IMG→LOY	0.670	0.027	0.774	0.599	24.401	0.000***

\*\*\* Correlation is significant at the 0.000 level

## CONCLUSIONS

The hypothesis testing result found that the corporate reputation influenced on the purchase intention of low-cost airline customers in 52.20% (R-square 0.522). The corporate reputation had a positive direct influence on the purchase intention with ( $\beta$ ) 0.722 value. Hypothesis 2 found that the corporate image had 60.70% (R-square 0.607) influences on the purchase intention of low-cost airline customers. The corporate image had a positive direct influence on the purchase intention with ( $\beta$ ) 0.779 value. Hypothesis 3 found that the corporate reputation influenced the loyalty of low-cost airline customers in 50.60% (R-square 0.506) where corporate reputation had a positive direct influence on loyalty with ( $\beta$ ) 0.711 value. Hypothesis 4 found that the corporate image influenced the loyalty of low-cost airlines customers in 59.90% (R-square 0.599) and the corporate image had a positive direct influence on loyalty with ( $\beta$ ) 0.774 value.

In conclusion, when customers perceive the good corporate image, they will have more loyalty to the airline. The better corporate image the airlines have, the more loyalty the customers will have to the airline. Moreover, when the customers receive news about the corporate reputation, it will bring the purchase intention to the customers to buy and use the airline service even more.

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