

# FACTORS AFFECTING CUSTOMER REPURCHASE INTENTION OF THE LOWCOST AIRLINES IN THAILAND

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## ABSTRACT

This research is to address the deficiencies in predicting customer repurchase intention. With regard to determinants of customer repurchase intention that have found a very strong relationship between customer satisfactions and repurchase intention as the most important factor leading to repurchase intent. It is in this context that switching barrier was proposed as a moderating variable, which may have effects in between the two constructs. Switching barrier is defined as any factor that makes it difficult or costly for customers to change providers on the satisfaction and repurchase intentions relationship. The characteristic of Low Fare service which possibly presents ample opportunities for customers to easily switch their purchase intention to others. Therefore, it is important for the service provider to learn how to retain or to prevent their existing customers from switching their purchase to other service providers in the highly competitive area. Survey data were collected: six hundred sets of completed questionnaire were collected by means of random face-to-face interview with passengers waiting for their flights at two major airports of Thailand. A confirmatory factor analysis was conducted with two independent constructs, satisfaction and switching barriers, showed that two constructs fitted well with the empirical data. And, a structural equation model utilizing the data as observed variables and the constructs as latent variables produced a model that showed the impact of switching barriers on the relationship between customer satisfaction and repurchase intention. The major hypothesis, customer satisfaction was found to have a strong influence on repurchase intentions. Respondents who report high levels of satisfaction with the airlines were likely to have high repurchase intentions. The major hypothesis, customer satisfaction was found to have a strong influence on repurchase intentions. In other words, when satisfaction levels are high, three types of switching barriers (interpersonal relationships, attractiveness of alternatives, and service recovery) have practically no influence on repurchase intentions. However, when satisfaction levels are low, one of the switching barriers “switching costs have a positive influence on repurchase intentions.

**Keywords:** Repurchase Intention, Low Cost Airline

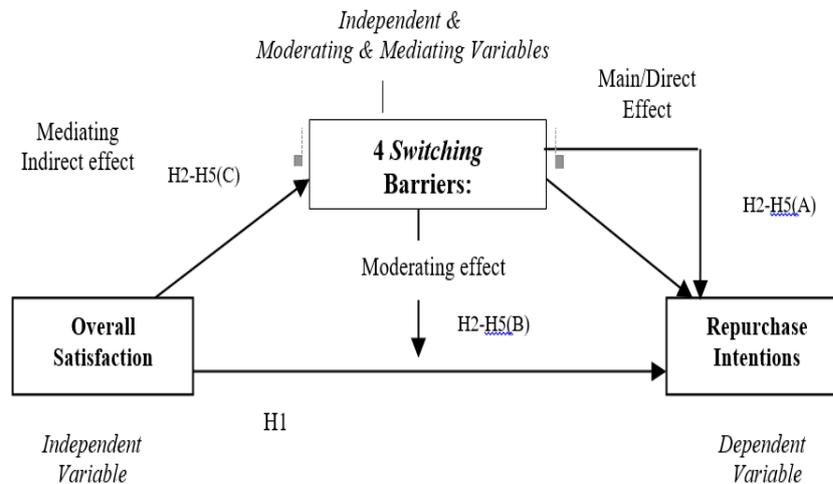
## INTRODUCTION

This study should be useful for low cost airline operators to use as a guide to understand more about their Thai customers, and factors influencing consumers in repeating purchase service. This will also help managers to develop/shape strategies to prevent their customers from switching to other service providers, as well as implications for the new operators who wish to enter the market in the airline industry.

As competition and costs of attracting new customers increase, companies are focusing on defensive strategies [1]. This area of study will be focused in this research proposal, with the objective to investigate customer satisfaction and the switching barriers as main, moderating and mediating. Determinant/variables which may have an effect on of customer repurchase intention. As defined by [2]. Switching barrier is any factor that makes it difficult or costly for customers to change providers. Though several researchers have emphasized that the role of switching barriers is important, because they prevent customers from defecting to another service providers [3]

According to [4]. A ‘moderator variable’ is one that influences the strength of a relationship between two other variables, and a ‘mediator variable, also called an intervening or process variable, is one that explains the relationship between the two other variables.

**Figure 1**  
General model of The Research



These four switching barriers are considered to be associated with airline industry service (Lewis, 2004)

They are: Interpersonal Relation, Attractiveness of Alternative, Switching Cost, and Service Recovery Evaluation. The proposed model and hypotheses were tested in the lowcost Airline (LCA) service Industry in Thailand, this industry is chosen for several reasons:

-Firstly, according to [5]. The airline industry is a service industry which fulfills the main criteria of heterogeneity, intangibility and perishability, thus there seems to be a high degree of interaction between the service providers and the customers.

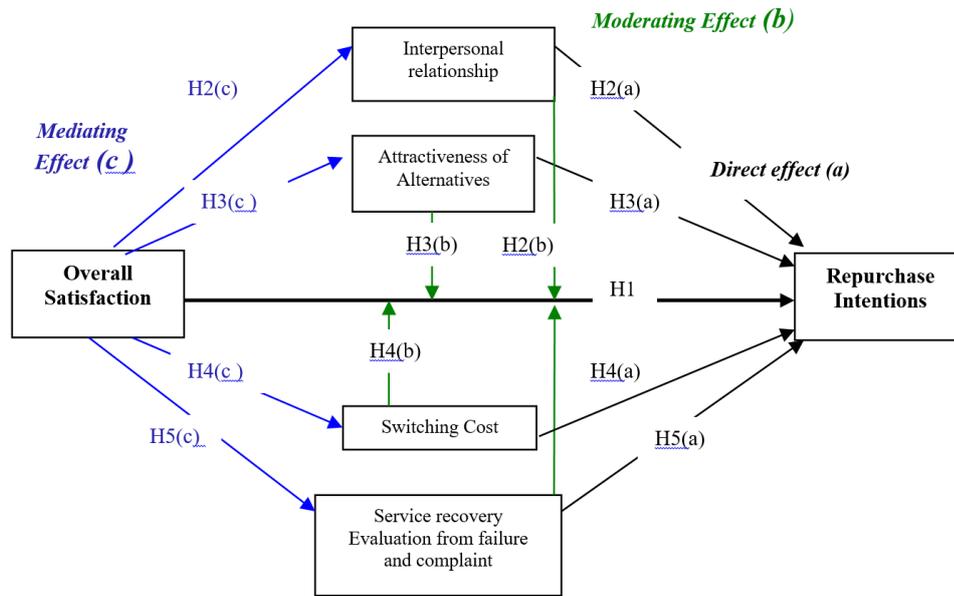
-Secondly, the lowcost airline industry is recognized as a new emerging market in Southeast Asia [6]. It is evident that network carriers are still losing their marketing share/passenger to low cost airline [7]. In Thailand. This started a new era of air industry competition and led to the emerging of a number of new airline operators, especially lowcost airlines in to the Thai sky market [8]. And, the market has become more competitive in Thailand. -Thirdly, though there is evidence that shows that the lowcost airline market share was drastically increased [9]. It appears that the nature of Low Fare characteristic service itself may be the temptation for the customers to easily switch their purchase intention to other service providers “When being the lowest cost is not enough”.

-Thirdly, though there is evidence that shows that the lowcost airline market share was drastically increased [10], it appears that the nature of Low Fare characteristic service itself may be the temptation for the customers to easily switch their purchase intention to other service providers (referred from the study of [11]).

The findings of this research shall make important contributions to help managers to develop strategies which will help prevent their current customers from switching their purchase to others in this area of high competition. And extend the body of knowledge of repurchase intention, and the concept of switching barriers, as well as, knowledge of marketing perspective of lowcost airline business. This research can be used as one of the case studies presented for Southeast Asian perspective.

As for the notion of lowcost airlines (LCA), it is found that even though studies related to low cost airlines business do exist. Thus, by combining two problems statements above, the research questions are set: as follows. RQ1: What is the effect/influence of (Low Cost airline) Customer Satisfaction on the Repurchase intention? RQ2: What is the direct effect of switching barriers on repurchase intention? And RQ3: What is the moderating of switching barriers on the relationship between Low Cost Airline customer satisfaction and repurchase intention?

**Figure 2**  
Conceptual Model of Satisfaction, four type Switching Barriers, and Repurchase Intention



However, this research proposal will focus on customer satisfaction as the main determinant (independent variable) to repurchase intention (dependent variable) since many researchers have found a very strong relationship between customer satisfactions and repurchase intention. Some researchers have viewed customer satisfaction as the most important factor leading to repurchase intent. They indicated that customer satisfaction is a stronger indicator and more indicative of actual customer repurchase behavior and retention than other determinants which have already been mentioned. It was stated that the higher their satisfaction, the more likely for customers to repurchase. This research can be used as one of the case studies presented for Southeast Asian perspective and the useful for low cost airline operators to use as a guide to understand more about their Thai customers, and factors influencing consumers in repeating purchase service.

### OBJECTIVE

1. To investigate the effect/influence of switching barriers on customer satisfaction and repurchase intention relationship.
2. To investigate the relationship between customer satisfaction and repurchase intention.

### METHODOLOGY

The methodology selected for this research, Quantitative study method was adopted and quantitative data was collected for this research, which consists of data collection method, survey research method /face-to-face interview, As for the data collection techniques, the questionnaire was administered by means of random face-to-face interview with the passengers who were waiting for their flight at the airport. Reliability & validity test, sample justification, survey administration, statistical methods used in analyzing data gathered. For this research, the pre-test was conducted with approximately 30 passengers. This number of 30 pre-test samples matches up with that of the study [12]. Who conducted interviews with airline industries.

#### *Reliability and Validity Test*

The **reliability & validity tests for the questionnaire** were conducted. According to [13]. Validity and reliability are usually estimated or tested by using *correlation coefficients*. Therefore, in this process, the **Cronbach Alpha Coefficient** which is a tool assessing the reliability of scale [14] was used to test the reliability and validity of the questionnaire. The acceptance level of each item should be more than 0.6 [15]. , data Analysis. In the main study, 750 set of questionnaire/samples was distributed and 600 of completed questionnaires was collected based on quota sampling. And the number of sample size for each airline would vary on proportion or percentage of actual customers from 3 low cost airlines operators in Thailand.

### Data Analysis

For this research, based on the hypothesis, there are many variables, both independent and moderating variables/ mediating variables (satisfaction and 4 types of switching barriers) to be tested with single Independent variable (repurchase intentions). , the “multiple regression analysis” will be used to test these multiple variables, in combination with Confirmatory factor analysis (CFA) and Structural equation modeling (SEM) using AMOS to test the hypotheses.

**(RQ1): What is the effect/influence of (LCA’s) customer satisfaction on the repurchase intention?**

- Regression weight from SEM will determine the effect/influence of satisfaction to repurchase intention

**(RQ2): What is the (direct) effect of switching barriers to repurchase intention?**

- Regression weight from SEM will determine the effect/influence of switching barrier to repurchase intention.

**(RQ3): What is the moderating effect/mediating effect of switching barriers on the relationship between (LCA’s) customer satisfaction and repurchase intention?** (Multiple Regression and SEM)

- Coefficient of Determination ( $R^2$ ) from **Multiple Regression analysis** (ID:switching Barriers more than one variable) will show the moderating effect of the relation between satisfaction and repurchase intention.
- Regression weight from SEM will show the mediating effect of the relation between satisfaction and repurchase intention

### RESULTS

The results have indicated that that among four switching barriers (interpersonal relationships, attractiveness of Alternatives, and service recovery), it appears that only ‘Switching Costs’ were found to have direct effect and mediating effect on satisfaction/repurchase intention relation, the service recovery did not found to have significant or did not provide impact/influence on repurchase intention. It is clear in this low fare service that the effort should be put on satisfying the customer and creating a high level of switching costs. The bivariate correlations, means, and standard deviations of the reduced set of variables can be found. From Table 1.

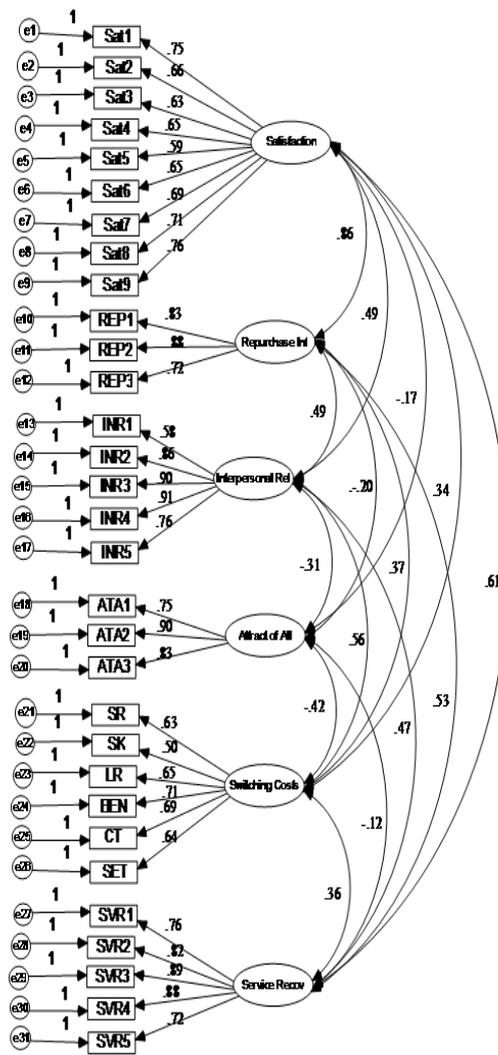
**Table 1**  
Correlations, Means, and Standard Deviations of Key Constructs

Variable	Mean	SD	Correlations*						
			REP	SAT	INR	ATA	SWC	SVR	
<b>Repurchase Intentions (REP)</b>	5.04	1.23	1.00						
<b>Satisfaction (SAT)</b>	4.66	.93	.732*	1.00					
<b>Interpersonal Relationships (INR)</b>	4.02	.97	.462*	.446*	1.00				
<b>Attractiveness of Alternatives (ATA)</b>	4.96	1.08	.200*	.159*	.313*	1.00			
<b>Switching Costs (SWC)</b>	3.71	.78	.323*	.288*	.501*	-.381**	1.00		
<b>Service recovery evaluation(SVR)</b>	4.36	1.09	.474*	.546*	.441*	-.122**	.322*	1.00	

\*All Correlations significant at ( $p < .01$ )

The last confirmatory factor analysis (CFA) for all factors analysis measurement model was constructed for the all type of constructs altogether (satisfaction, repurchase intention, and 4 type of switching barrier: interpersonal relations, attractiveness of alternatives, switching cost, and service recovery) in order to incorporate all variables in one model and the factor loading weight are shown in the following.

**Figure 3**  
Confirmatory Factor analysis for All factors



### CONCLUSION AND FUTURE WORK

Customers' repurchase intention or customer retention is referred to as a key to *Defensive Marketing strategies* and business success in general, because they prevent customers from defecting to other service providers. Moreover, many researchers have stated that switching barriers did not receive much of attention in marketing literature [16]. Conceptually, this study suggests that in this low fare service, switching barriers comprises four important types. They are: interpersonal relationships, the attractiveness of alternatives, switching costs, and service recovery, based on the theoretical foundation of Social exchange theory [17]. Investment model [18].

The research implications for future research directions in a number of areas, Firstly, this proposed framework for business-to-customer (B2C) repurchase intent is empirically supported and all posited relationships are significant. Secondly, a future study can be designed to investigate other multi-sample differences such as, by gathering a larger sample and provide more diagnostic information for effective customer retention strategies and further examine the behavioral outcomes of repurchase intention. Marketer should create retention programs or should provide marketing campaigns which attract these groups of influencers leading to repurchase [19].

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