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Customer satisfaction using low cost carriers

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ABSTRACT

Low cost carriers (LCCs) have a competitive advantage over full service carriers (FSCs) in several nations due to their lower fares and similar levels of service quality. Not all customers' needs are alike, and the market characteristics found in the LCCs industry may influence customers' attitudes. Thus, this study examines the relative importance of perceived service quality and the relationship between perceived service quality, customer satisfaction and behavioral intention using multidimensional methods. The results from this study indicate that the significant dimensions of customer satisfaction are tangibles and responsiveness. In addition, the study confirms the significant consequences of customer satisfaction including word-of-mouth communication, purchase intentions, and complaining behavior. Based on these results, carriers should develop tangibles and responsiveness for the enhancement of customer satisfaction and behavioral intentions.

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1. Introduction

The Korean domestic airline market is extremely competitive due to the emergence of low cost carriers (LCCs). The rate of passenger seating provided by LCCs (Hansung Airlines, Jeju Air, Yeongnam Air, Jin Air, and Air Busan) continues to increase despite the global economic crisis (2005, 0.1%; 2006, 2.2%; 2007, 6.5%; 2008, 9.8%; Korea Airports Corporation, 2009). Jou, Lam, Hensher, Chen, and Kuo (2008) reported that passengers consider service quality and price when choosing airlines. LCCs continue to develop due to passengers' needs for low cost air travel. However, according to Holtbrugge, Wilson, and Berg (2006), many airlines aim to provide a high level of service quality to enhance customer satisfaction and to increase the efficiency of airline brands to replace the generic reputation of LCCs as low fare's benefit. Moreover, Balcombe, Fraser, and Harris (2009) show that not only price but also service quality triggers the passengers' behaviors as well. In fact, airlines are making an effort to maximize their profit by adjusting price to be comparable with competitors' fares. To accomplish this, these airlines may lower their prices continuously until their goal is reached (Jou et al., 2008). Assaf (2009) stated that more airlines could lower their fares to attract a greater number of passengers. Therefore, price may not be a prominent factor in choosing an airline, even among LCCs.

Researchers indicate the importance of the relative effect of quality instead of the overall judgment of service quality. For instance, the importance of check-in and check-out speeds varied depending on the reason for travel, such as business or leisure (Pizam & Milman, 1993). Anderson, Fornell, and Rust (1997) state that the importance of each dimension of service quality which has an influence on customer satisfaction varies with the situation. Thus, the relative impact of service quality on customer satisfaction in the airline industry is unique among industries. Furrer, Liu, and Sudharshan (2000) also support the idea that the relative importance of the service quality dimensions can provide beneficial insights into how companies should manage resources for different customers. These studies indicate the importance of the relative effect of each service quality dimension instead of the overall judgment of service quality. Thus, we can assume that perceived service quality varies with an LCC passenger's needs.

Customer satisfaction is a compelling issue because in the service industry customer retention is more important than is attracting new customers (Kim, Ng, & Kim, 2009; Lee, Lee, & Yoou, 2000; Namkung & Jang, 2007; Park, Robertson, & Wu, 2004). Reichheld and Sasser (1990) show that retaining customers has a stronger impact on company profit than does attracting new customers. They determined that to maximize profits companies should strive for zero defection through customer satisfaction. For instance, a 5% improvement in the customer retention rate resulted in a 25–85% increase in the company's profit. Gupta, Lehmann, and Stuart (2004) state that a 1% increase in the customer retention rate had a 5% influence on the company's profit. Hence, understanding passenger satisfaction is critical for passenger retention in the South Korean LCC market.

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The behavioral intentions affected by customer satisfaction are the most important behavioral determinant according to the Theory of Reasoned Action (TRA), the Theory of Planned Behavior (TPB), and Behavioral Reasoning Theory (BRT) (Ajzen, 1985; Baker & Crompton, 2000; Fishbein & Ajzen, 1975; Westaby, 2005). However, customers' behavioral intentions are not yet fully understood. Many studies in the airline industry examine customers' behavioral intentions as a one-dimensional construct. Zeithaml, Berry, and Parasuraman (1996) found the full range of potential behaviors affected by service quality and hypothesized two dimensions of behavioral intentions: favorable behavioral dimensions (word-of-mouth communication, purchase intentions, and price sensitivity) and unfavorable behavioral dimensions (complaining behavior). Reportedly, LCCs emerged in the South Korean domestic market by providing low fares and levels of service quality similar to those of the full service carriers (FSCs). However, to the best of the authors' knowledge, there is little research regarding perceived service quality and proficiency of the new South Korean LCC entrants. Previous studies examined the overall associations among perceived service quality, satisfaction, and behavioral intentions. Thus, the aim of the present study was to determine passengers' assessments of the relative importance of perceived service quality and to explore the relationship between customer satisfaction and specific types of behavioral intentions in the South Korean LCC market.

2. Literature

2.1. Service quality of LCCs in South Korea

LCCs emerged in South Korea following the rapid growth of Korean tourism in 2005. A considerable amount of competition between LCCs and FSCs (The Korea Transport Institute, 2007) now exists in South Korea. The Korean FSCs and LCCs do not differ much in terms of network operations. Normally, LCCs provide basic air transport service with no frills and lower fares, and the average LCC fare is about 40–60% lower than a typical FSC fare (Lawron, 2002; Oliveira, 2008). However, South Korean LCCs provide a level of service quality comparable to that of FSCs due to conditions specific to South Korea, while offering lower fares as a strategy tool. For instance, South Korean LCCs arrive and depart from primary airports instead of secondary or regional airports, provide complementary in-flight services instead of purchased amenities, and offer seating assignments instead of non-reserved seating. LCCs are gaining substantial economies through fleet commonality, low distribution cost using the internet, point-to-point service, and non-refundable tickets. Hence, LCCs in South Korea are attempting to be prominent airlines by providing service quality equal to that of FSCs, despite the lower fares (The Korea Transport Institute, 2007).

Deregulation in 1978 caused the boundary's breakup of the airline service quality. LCCs are a by-product of this deregulation. South Korean LCCs also emerged after deregulation and liberalization in South Korea, using the strategies of low fares and service quality. In addition, regression of domestic air service by South Korean FSCs, directly caused by the launch of high-speed bullet train service in 2004, was another factor accelerating the emergence of LCCs. Finally, active participation and competitive investment by the South Korean regional government was a major driving force for the establishment of numerous LCCs. Without question, the low fares of LCCs may be one of the major determinants for a passenger's decision (Jou et al., 2008). Hidalgo, Manzur, Olavarrieta, and Farias (2008) offered a lower price to satisfy customers and to encourage them to buy from the same airline again. However, the quality of an LCC is a more vital factor than is a low fare, since quality is the key attractant of passengers. For instance, the attraction of LCCs may disappear if FSCs fares were lowered. According to Chang and Yeh (2002), an airline's competitive advantage is the perceived service quality of the passenger, although a low fare is the primary competitive weapon. Although the U.S. carrier, Southwest Airlines is an LCC, passengers perceive that Southwest Airlines' service quality is higher than that of other U.S. FSCs (Gursoy et al. 2005). Zeithaml (1988) stated that perceived service quality is a more beneficial attribute than is price, which is often ignored. Hence, improving service quality is considered an essential strategy for a company's success in a competitive market. Many airlines attempt to enhance organizational effectiveness and productivity by managing service quality. Therefore, perceived service quality is an important factor affecting airlines in a highly competitive market (Gilbert & Wong, 2003).

On the other hand, service quality as defined in SERVQUAL model determines the gap between customers' expectations and perceptions. Five dimensions of perceived service quality in airline industry are characterized as follows:

(1) Tangibles are defined as the physical facilities of the aircraft: seating comfort, seat space and legroom, in-flight entertainment service (books, newspapers, movies, games, and magazines), appearance of the employees, and meal service (freshness, quantity, and appearance).
(2) Reliability can be described as the ability to perform service dependably and accurately, such as punctuality, efficiency of the check-in process, and convenience and accuracy of reservations and ticketing.
(3) Responsiveness is related to the willingness to help passengers solve service problems (flight cancellation and baggage loss), response to emergency situations, as well as prompt and accurate baggage delivery.
(4) Assurance is associated with the ability to inspire trust and confidence in (knowledge to answer questions and ensure safe performance), as well as show courtesy toward passengers.
(5) Empathy is the service dimension that focuses on individualized attention or care, such as providing the seat a passenger prefers or meals through a pre-order system or having a Frequent Flyer Program (Bloemer, Ruyter, & Wetzels, 1999; Cunning, Young, & Lee, 2004; Park et al., 2004).

2.2. Perceived service quality and customer satisfaction

Three models of the relationship between perceived service quality and customer satisfaction focus on the mediator of customer satisfaction: the perceived service quality-to-customer satisfaction model, the customer satisfaction-to-perceived service quality model, and the independent-effects model (Dabholkar, Shepherd, & Dayle, 2000). The perceived service quality-to-customer satisfaction model is widely accepted. Baker and Crompton (2000) recognized that specific emotions related to service experience might emerge and intervene as a mediator between the two constructs. Moreover, the perception of service quality is a casual antecedent to satisfaction according to numerous studies, and customer satisfaction develops behavioral intentions (Otto & Ritchie, 1995). For instance, Park et al. (2004) showed that perceived quality of the airline industry has a positive effect on passenger satisfaction with the airline image and service value, although the relative importance of service quality was not investigated. In fact, perceived service quality and customer satisfaction are contiguous concepts, although perceived service quality is a more specific concept than is customer satisfaction. Namely, perceived service quality refers to the customer's subjective

response to the discrepancy between prior expectations and actual perceptions of the service delivered. Customer satisfaction, which is a holistic concept, represents the resulting overall affective response after consumption and can range from "dissatisfied" to "satisfied" (Chen, 2008; Zeithaml, 1988). In addition, Parasuraman, Zeithaml, and Berry (1988) demonstrated the difference between the two constructs. According to their study, customers perceived service quality as a long-run overall judgment of service delivery and customer satisfaction as a transaction-specific judgment.

Meanwhile, the diversity of customers' needs determines the degree of perceived service quality; prior researchers have mainly investigated the effect of the industry and culture on service quality. Yi and La (2003) recognized that each quality factor influenced customer satisfaction differently, and a company's output was reached by evaluating the relative perceived service quality on customer satisfaction. With regard to industry, Namkung and Jang (2007) stated that, of all of the dimensions, two (presentation and taste) are the most significant contributors to customer satisfaction and behavioral intention in the food industry. Lee et al. (2000) showed that the relative importance of all service quality dimensions on customer satisfaction varied according to industry. For example, tangibles, such as an entertainment park, are the most important dimension in facility and equipment-based industries, while responsiveness is a more important dimension in people-based industries, such as an aerobics school or an investment-consulting firm. Wakefield and Blodgett (1996) compared the relative importance of perceived service quality between the casino industry and the sports industry. Perceived service quality of facility cleanliness is the most important factor in the casino industry but is only a modest factor in the sports industry since a customer may spend more time in a casino than in a sports stadium. Specifically, the service industry will consider tangibles of service quality to be more important than will other industries (Parasuraman et al., 1988). Reimann, Lunemann, and Chase (2008) showed that the major difference in the service quality perception of a gas company depends on the customer's nationality. Previous studies also interpret cultural influences. Tsang and Ap (2007) investigated cultural influence on the perception of service quality. Western tourists prefer higher intangible aspects, whereas Asian tourists prefer more basic, practical services.

Hence, these considerations suggest the following hypotheses concerning perceived service quality and satisfaction.

H1. Perceived service quality has a positive effect on customer satisfaction.
H1a. Tangible dimension of perceived service quality has a positive effect on customer satisfaction.
H1b. Reliability dimension of perceived service quality has a positive effect on customer satisfaction.
H1c. Responsiveness dimension of perceived service quality has a positive effect on customer satisfaction.
H1d. Assurance dimension of perceived service quality has a positive effect on customer satisfaction.
H1e. Empathy dimension of perceived service quality has a positive effect on customer satisfaction.

2.3. Customer satisfaction and behavioral intentions

Behavioral intentions are important indicators of customers' future behaviors, based on TRA, TPB, and BRT. TPB (Ajzen, 1985) is the extension model of the TRA (Fishbein & Ajzen, 1975), and BRT (Westaby, 2005) is an advanced model of TRA and TPB, including the reason construct. According to these models, attitudes toward behavior, the subjective norm, and perceived control predict

customers' behavioral intentions, and those behavioral intentions trigger future behaviors (Ajzen, 1985; O'Fallon, Gursoy, & Swanger, 2007; Westaby, 2005). Zeithaml et al. (1996) viewed behavioral intentions as signals that show whether a customer will continue to utilize a company's services or switch to a different company. Thus, researchers designated behavioral intention as a surrogate indicator of actual behavior.

However, some researchers characterize customer behavior in a one-dimensional manner despite its multidimensional nature. According to Yi and La (2004), not all satisfied customers have a positive impact on a company's outcome. For example, behavioral intention is likely to be unfavorable when a passenger perceives a provider's service quality to be low. When a passenger's assessment of service quality is high, a passenger's behavioral intentions are apt to be favorable (Zeithaml et al., 1996). In fact, attitudes, which are generally positive or negative feelings regarding products, individuals, or issues, are regarded as the sum of satisfactions with products or services and can range from "unfavorable" to "favorable", depending on past evaluated experiences (Roest & Pieters, 1997). Zeithaml et al. (1996) identified two dimensions of behavioral intention: favorable behavioral dimensions (word-of-mouth communications, purchase intentions, and price sensitivity) and unfavorable behavioral dimensions (complaining behavior). In addition, several studies focused on the relationship between perceived service quality and the more specific behavioral intention. For instance, Baker and Crompton (2000) studied the links between customer satisfaction and behavioral intention, which included loyalty to a festival and the willingness to pay more. According to Hutchinson, Lai, and Wang (2009), the satisfaction of golf tourists influenced two dimensions of behavioral intention significantly (intention to revisit and word-of-mouth) but did not have a significant influence on another dimension of intention (search for alternative).

2.3.1. Favorable behavioral dimensions

When a customer perceives service quality to be high, the customer's behavioral intentions are favorable (Zeithaml et al., 1996). Three favorable behavioral dimensions are word-of-mouth communications, purchase intentions, and price sensitivity. Word-of-mouth communications refers to people sharing experiences regarding the service; people utilize this type of communication to relate their experiences to friends and relatives (Kim et al., 2009). When a customer is satisfied with the services or products of a given company, the tendency to be loyal to that company is usually high because of positive reinforcement, and other potential customers are encouraged to do business with the company (Fisher, Garrett, Arnold, & Ferris, 1999; Liu, Furrer, & Sudharshan, 2001). Thus, word-of-mouth communication is a primary indicator of a company's future success. Purchase intention, heavily influenced by customer satisfaction, refers to a willingness to purchase more in the future. Hence, service quality leads to higher customer satisfaction and higher current and future sales revenues (Sim, Koh, & Shetty, 2006). Continuous investment in service quality, which is not cost-related, may result in improvements in service quality and increase the company's profits through a competitive advantage (Reichheld & Sasser, 1990). In addition, price sensitivity refers to a willingness to pay more for services or products. Customer satisfaction is less sensitive to changes in costs and is significantly related to price loyalty (Yoo & Park, 2007). Reichheld and Sasser (1990) stated that many people prefer to pay more to stay in a hotel they trust than to switch to a less expensive competitor. According to Mason and Alamdari (2007), however, when prices change, LCC passengers are more sensitive to changes because price was a major driving force of the passengers' demands. According to O'Connell and Williams (2005), LCC passengers would switch to FSCs if FSCs

had cheaper fares. Hence, the relationship between customer satisfaction and price sensitivity in the airline industry may be different from it in other industries.

2.3.2. Unfavorable behavioral dimensions

As the perceived service quality of a delivered service diminishes, the customer's behavioral intentions become more unfavorable (Zeithaml et al., 1996). Customers express unfavorable behavioral intentions through complaints, as determined by previous studies. Complaining behavior can emerge as an adjustment of the input/output relationship as a means of intervention to achieve a desired outcome following the customer's evaluation of the input and output of the service experience (Susskind, 2005). For instance, passengers may want to remedy a service experience if their expectation of the service experience was not met. Since dissatisfaction with service delivery is the primary reason for complaining, many companies have implemented advanced complaint systems, which are useful for handling individual complaints and for elevating customer satisfaction (McAlister & Erffmeyer, 2003). In fact, the repurchase intention of unhappy customers who complain is higher than the repurchase intention of unhappy customers who do not complain (Zeithaml & Bitner, 2000).

Therefore, these results led to the following hypotheses regarding the relationship between customer satisfaction and behavioral intention.

H2. Customer satisfaction has a positive effect on behavioral intention.
H2a. Customer satisfaction has a positive effect on word-of-mouth communication.
H2b. customer satisfaction has a positive effect on purchase intentions.
H2c. Customer satisfaction has a positive effect on price sensitivity.
H2d. Customer satisfaction has a positive effect on complaining behavior.

Fig. 1 shows the models of these hypotheses.

3. Methodology

3.1. Sample and procedures

Participants of this study included 244 passengers at three major domestic South Korean airports (Kimpo, Kimhae, & Cheju Airport) in the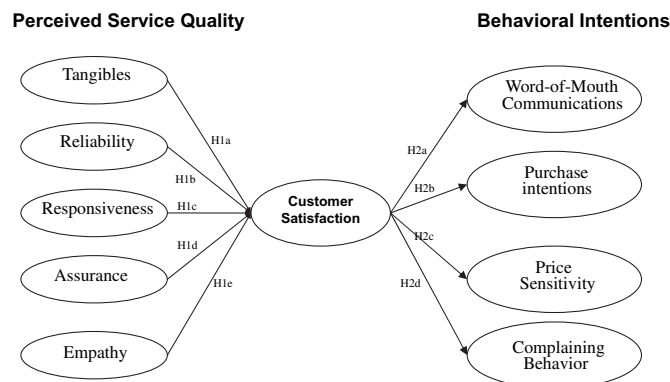 fall of 2008. The survey was distributed to passengers waiting at the boarding gates and departure and arrival lounges in each airport. All participants were passengers having previous experience with LCCs or FSCs whose responses were based on the importance of the defensive effects of the customer. Participation was voluntary and the response rate was 69.3%. The data for this study were collected with the assistance of five trained interviewers. Out of 400 questionnaires distributed, 277 were returned. Due to missing data or incomplete responses, 33 questionnaires were excluded. Consequently, the data from 244 surveys were retained for analysis.

3.2. Measures

The survey included items that addressed the constructs included in the proposed model, including perceived service quality, customer satisfaction, and behavioral intention. Since the survey was conducted in South Korea, the measurement that was originally written in English was translated into Korean.

3.2.1. Perceived service quality

Perceived service quality was determined using 22 items from SERVQUAL scale. Although there is much debate regarding the measurement of perceived service quality, SERVQUAL of Parasuraman et al. (1988) is appropriate to examine perceived service quality in the airline industry and is used in many studies in spite of its limitations of validity and reliability (Aksoy, Atilgan, & Akinci, 2003; Park et al., 2004; Sultan & Simpson, 2000). In this study, SERVQUAL measurement was composed of 22 service perception items representing five dimensions of service quality: tangibles (four items), reliability (five items), responsiveness (four items), assurance (four items), and empathy (five items).

3.2.2. Customer satisfaction

Customer satisfaction was customers' post-purchase evaluations and overall affective responses to their service experiences of LCCs. Consistent with previous research and literature, customer satisfaction was measured by two-item measures from Oliver's (1997) study.

Table 1
Description of the respondents (N = 244).

	Number	%
Gender		
Male	119	48.8
Female	125	51.2
Age		
24 years or younger	47	19.2
25–34	100	41.0
35–44	58	23.8
45 years or older	39	16.0
Education		
Completed high school	77	31.5
Some college/university	66	27.0
Completed university degree	86	35.3
Completed postgraduate degree	15	6.2
Previous experience		
1–5 flights	123	50.4
6–10 flights	45	18.4
11–15 flights	37	15.2
16–20 flights	20	8.2
21 flights more	19	7.8
Reason		
Tour	136	55.7
Business	38	15.6
Others	70	28.7

Fig. 1. Theoretical model.

3.2.3. Behavioral intention

The concept of a behavioral intention structure and its measurement was taken from Zeithaml et al. (1996) and Bloemer et al. (1999). Behavioral intention was determined on a 13-item scale for each of the four behavioral intention dimensions (word-of-mouth communications, purchase intentions, price sensitivity, and complaining behavior).

Respondents reported on a five-point scale, ranging from "5 = strongly agree" to "1 = strongly disagree."

3.3. Analysis

The statistical program packages SPSS 15.0 and AMOS 7.0 were used to perform the data analysis. The analysis process consisted of five stages. First, the frequency distribution of the variables was used in order to identify the respondents' profiles and to compute the means and standard deviations for each perceived service quality's dimension. Second, confirmatory factor analysis was performed to support the issues of dimensionality, convergence, and discriminant validity (Gerbing & Anderson, 1988). Third, the Pearson's correlation coefficients among the constructs were calculated. Fourth, structural equation models (SEM), which were suitable for explaining the serial pattern of inter-related dependence relationships occurring

between a set of latent constructs at the same times as an exploratory research tool, were utilized to test the validity of the proposed model and the hypotheses. Finally, a stepwise multiple regression analysis was performed to examine the relative effect of perceived service quality on customer satisfaction and the effect of customer satisfaction on each division of behavioral intention.

4. Results

4.1. Demographic profile of respondents

Table 1 shows the demographic information of the subjects. The collected sample had fairly equal distributions of gender (48.8% male) and education level (completed high school, 31.5%; some college/university, 27.0%; completed university degree, 35.3%, and completed postgraduate degree 6.2%). Passengers that did not utilize LCC services were not included in this study because the study's objective was to investigate the retention effect of passengers based on previous research. The largest group, according to previous experience, had traveled between one to five times (50.4%) and the majority of respondents (55.7%) chose tourism as their reason for utilizing LCCs services.

Table 2
Confirmatory factor analysis of constructs ($N = 244$).

Construct	Factors (internal consistency)	Standardized factor loading	Composite reliability	Average variance extracted
Perceived service quality	Factor 1: Tangibles		0.75	0.60
	3. XYZ's employees are neat-appearing.	0.83		
	4. XYZ's materials associated with the service are visually appealing.	0.60		
	Factor 2: Reliability		0.81	0.51
	6. When you have a problem, XYZ shows a sincere interest in solving it.	0.59		
	7. XYZ performs the service right the first time.	0.61		
	8. XYZ provides its services at the time it promises to do so.	0.65		
	9. XYZ insists on error-free records.	0.60		
	Factor 3: Responsiveness		0.83	0.55
	10. XYZ's employees tell you exactly when services will be performed.	0.78		
	11. XYZ's employees give you prompt service.	0.54		
	12. XYZ's employees are always willing to help you.	0.71		
	13. XYZ's employees are never too busy to respond to your requests.	0.64		
	Factor 4: Assurance		0.80	0.51
	14. Behavior of XYZ's employees instills confidence in customers.	0.65		
	15. You feel safe in your transactions with XYZ.	0.57		
	16. XYZ's employees are consistently courteous with you.	0.71		
	17. XYZ's employees have the knowledge to answer your questions.	0.55		
	Factor 5: Empathy		0.76	0.52
	18. XYZ does not give you individual attention.	0.59		
	19. XYZ has operating hours convenient to all its customers.	0.61		
	22. XYZ's employees understand your specific needs.	0.62		
Customer satisfaction	Customer satisfaction		0.85	0.74
	1. I am satisfied with XYZ's service	0.76		
	2. I am pleased to have visited XYZ.	0.86		
Behavioral intentions	Factor 1: Word-of-mouth communications		0.82	0.60
	1. Say positive things about XYZ to other people	0.78		
	2. Recommend XYZ to someone who seeks your advice	0.71		
	3. Encourage friends and relatives to do business with XYZ	0.61		
	Factor 2: Purchase intentions		0.81	0.69
	1. Consider XYZ your first choice to buy	0.67		
	2. Do more business with XYZ in the next few years	0.95		
	Factor 3: Price sensitivity		0.82	0.70
	1. Take some of your business to a competitor that offers more attractive prices	0.99		
	2. Continue to do business to XYZ that offers more attractive prices.	0.54[a]		
	Factor 4: Complaining behavior		0.75	0.53
	1. Switch to a competitor if you experience a problem with XYZ's service	0.51		
	2. Complain to other consumers if you experience a problem with XYZ' service	0.99		
	3. Complain to external agencies if you experience a problem with XYZ' service	0.53		

Note: Goodness-of-fit indices: $\chi^2 = 641.999$, $df = 258$, $p < 0.001$, GFI = 0.863, CFI = 0.879, RMR = 0.051.
[a] Is reversed.

Table 3
Mean, standard deviations, and intercorrelations among study variables.

Variable	1	2	3	4	5	6	7	8	9	10
1. Tangibles	1.00									
2. Reliability	0.43**	1.00								
3. Responsiveness	0.34**	0.44**	1.00							
4. Assurance	0.34**	0.34**	0.45**	1.00						
5. Empathy	0.32**	0.35**	0.37**	0.44**	1.00					
6. Customer satisfaction	0.37**	0.20**	0.49**	0.32**	0.31**	1.00				
7.Word-of-mouth communications	0.21**	0.15*	0.05	0.26**	0.16*	0.21**	1.00			
8. Purchase intentions	0.43**	0.26**	0.189**	0.34**	0.11	0.37**	0.42**	1.00		
9. Price sensitivity	0.07	0.05	0.17**	0.06	−0.10	−0.02	0.30**	0.35**	1.00	
10. Complaining behavior	−0.06	−0.04	−0.12	−0.30**	−0.16*	−0.20**	−0.26**	−0.22**	0.03	1.00
AVE	0.60	0.51	0.55	0.51	0.52	0.74	0.60	0.69	0.70	0.53
Mean	3.3	3.2	3.3	3.4	3.0	3.2	3.2	3.2	3.2	3.1
Sd	0.74	0.60	0.61	0.57	0.64	0.72	0.65	0.89	0.77	0.76

Note: *$p < 0.05$. **$p < 0.01$.

4.2. Confirmatory factor analysis of constructs

In structural equation modeling (SEM), continuous scale data and normal distribution are critical requirements and maximum likelihood (ML), generalized least square (GLS), unweighted least square (ULS), scale free least square, and asymptomatically distribution free (ADF) are used for estimation routines. Among them, ML is the most widely used method because it is consistent and asymptomatically efficient in large scale samples (Bollen, 1989). In this study, the multivariate normality assumption of the data was confirmed by normality test (c.r. = 4.13), thus the maximum likelihood estimation was adapted. In the next step, a confirmatory factor analysis (CFA) was performed, as shown in Table 2. The level of internal consistency in each construct was acceptable, ranging from 0.75 to 0.85. We determined whether observable indicators loaded significantly onto their intended factors and checked for cross-loading. Based on this analysis, seven items (two tangibles items, two empathy items, one purchase intention item, one price sensitivity item, and one complaining behavior item) were discarded from the original item pool. All of the indicator loadings to their constructs were significant at 0.001 levels, suggesting convergent validity of the constructs. Additionally, establishing discriminant validity required an appropriate AVE (average variance extracted) analysis. AVE from all of the constructs was greater than 0.51. Next, we utilized AVE (Bagozzi, Yi, & Philips, 1991) to assess the discriminant validity, which determines the extent to which two constructs are empirically distinct. The square roots of AVE values for each construct were greater than the correlations between that construct and other constructs (Table 3). Table 2 summarizes the results from the CFA of the constructs and indicates a good fit to the data ($\chi^2 = 641.999$, $df = 258$, $p < 0.001$, GFI = 0.863, CFI = 0.879, RMR = 0.051). Thus, all constructs in this study were unique.

4.3. SEM results

To test the validity of the proposed model and the hypotheses, SEM was conducted. The goodness-of-fit statistics of the structural model showed that the model reasonably fit the data, $\chi^2 = 627.153$, $df = 274$, $p < 0.001$, GFI = 0.871, CFI = 0.889, RMR = 0.054. According to indicators from analysis, the proposed model exhibited a good fit to the data. As shown in Table 4, perceived service quality was found to be a significant factor of customer satisfaction regarding LCCs ($\beta = 0.873$, $t = 6.127$, $p < 0.001$). In addition, behavioral intention was significantly influenced by customer satisfaction in South Korean LCC markets ($\beta = 0.456$, $t = 6.285$, $p < 0.001$). Also, 38.3% of the variance for customer satisfaction and 20.7% of the variance for behavioral intentions were explained in this proposed model. Thus, hypotheses 1 and 2 were supported.

4.4. The relative effect of perceived service quality on customer satisfaction

To investigate the relative effect of perceived service quality on customer satisfaction, a stepwise multiple regression analysis was performed. All coefficients of determination R^2 were statistically significant at 0.001. As shown in Table 5, 28.0% of the customer satisfaction variable for LCCs depended on the tangibles and the responsiveness dimensions of perceived service quality. The regression result revealed that passenger satisfaction was determined by elements of physical service (tangibles, $p < 0.001$) and service provider's willingness to respond to passengers' requests, questions, and complaints (responsiveness, $p < 0.001$). With regard to the relative effect of perceived service quality on customer satisfaction, the β coefficients indicated that responsiveness of perceived service quality had the strongest effect on customer satisfaction ($\beta = 0.41$). Thus, hypotheses 1a and 1c were supported. Conversely, passenger satisfaction was not associated with the ability to deliver the promised service dependably and accurately (reliability), the ability to inspire trust

Table 4
Structural parameter estimates and fit indices.

Hypothesized path	Standardized path coefficients	t-value	Results
Perceived service quality → customer satisfaction	0.873	6.127***	Supported
Customer satisfaction → behavioral intentions	0.456	6.285***	Supported
R^2 (customer satisfaction)	0.383		
R^2 (behavioral intentions)	0.207		

Goodness-of-fit indices: $\chi^2 = 627.153$, $df = 274$, $p < 0.001$, RMR = 0.054, GFI = 0.871, CFI = 0.889

Note: ***$p < 0.001$.

Table 5
Stepwise regression analysis results (dependent variable: customer satisfaction).

Predictors	Unstandardized coefficient B	Standard error	Standardized coefficient beta	t	Sig.
Constant	0.842	0.242		3.473	0.001
Responsiveness	0.485	0.068	0.411	7.099***	0.000
Tangibles	0.220	0.056	0.229	3.952***	0.000

Note: $F(48.260) = 0.000$**, $R^2 = 0.286$, Adjusted $R^2 = 0.280$.
***$p < 0.001$.

Table 6
Regression analysis results (independent variable: customer satisfaction).

	Unstandardized coefficient B	Standard error	Standardized coefficient beta	t	Sig.	R^2	Adjusted R^2	F
Constant	2.584	0.188		13.762	0.000			
Word-of-mouth communication	0.192	0.057	0.210	3.338***	0.001	0.044	0.040	11.143
Constant	1.750	0.241		7.266	0.000			
Purchase intentions	0.456	0.074	0.369	6.185***	0.000	0.137	0.133	38.258
Constant	3.829	0.218		17.549	0.000			
Complaining behavior	−0.213	0.067	−0.201	−3.194***	0.002	0.040	0.036	10.201

Note: ***$p < 0.001$.

and confidence (assurance), and the treatment of passengers as individuals (empathy). These findings did not support hypotheses 1b, 1d, or 1e.

4.5. The effect of customer satisfaction on each dimension of behavioral intention

Table 6 depicts the regression analysis results with favorable and unfavorable behavioral intentions as the dependent variables. All coefficients of determination R^2 were statistically significant at 0.001. However, all coefficients of determination R^2 were low (word-of-mouth communications, 4%; purchase intention, 13.3%; complaining behavior, 3.6%). Although the regression equation suggested in the analysis of this study is inappropriate to predict a passenger's behavioral intention with customer satisfaction level numerically due to relatively low R^2 values, analytical results definitely showed significant importance for customer satisfaction in the behavioral intentions of LCC passengers. The result showed that customer satisfaction is a significant antecedent factor of word-of-mouth communications ($F = 11.143$, $p < 0.001$), purchase intention ($F = 38.258$, $p < 0.001$), and complaining behavior ($F = 10.201$, $p < 0.001$) among all of the dimensions of behavioral intention. Thus, hypotheses 2a, 2b, and 2d were supported. Although passengers perceived LCCs' service quality as satisfactory, price sensitivity was not determined by customer satisfaction. This finding did not support hypothesis 2c. Table 7 shows the results of these hypotheses.

Table 7
Hypothesis verification.

Hypothesis	t-value	Results
H1: Perceived service quality → customer satisfaction		
H1a: Tangible service quality → customer satisfaction	3.952***	Supported
H1b: Reliability service quality → customer satisfaction	1.672	Not supported
H1c: Responsiveness service quality → customer satisfaction	7.099***	Supported
H1d: Assurance service quality → customer satisfaction	1.094	Not supported
H1e: Empathy service quality → customer satisfaction	1.777	Not supported
H2: Customer satisfaction → behavioral intentions		
H2a: Customer satisfaction → word-of-mouth communication	3.338***	Supported
H2b: Customer satisfaction → purchase intentions	6.185***	Supported
H2c: Customer satisfaction → price sensitivity	−0.305	Not supported
H2d: Customer satisfaction → complaining behavior	−3.194***	Supported

Note: ***$p < 0.001$.

5. Conclusion and implications

Many researchers are investigating how and if LCCs can successfully settle within the traditional network of airline structure (Gudmundsson, Oum, & Unal, 2005). Specifically, the success or failure of LCCs in South Korea is an attractive issue because the South Korean airline market is the center of stiff competition between newly emerging LCCs and existing giant FSCs. As mentioned above, customer satisfaction is crucial for newly emerging LCCs in order to be competitive and successfully established. In particular, it is more important to evaluate the defensive effects of the customer than to know the offensive effects which translate into capturing new customers in competitive environments (Reichheld & Sasser, 1990). In addition, customer retention is critical in highly competitive markets. Thus, it is important to assess the passengers' perceived service quality when using LCCs. This is a significant and practical implication for LCCs marketers because the specific assessment of service quality is a more useful method for establishing marketing strategies and service management policies than the assessment of overall service quality. Under these conceptual theories, the main goals of this study were (a) to measure the relative influence of perceived service quality by LCC passengers on customer satisfaction and (b) to examine customer satisfaction in order to explain behavioral intentions.

With regard to the first research step, the results indicate that two dimensions (tangibles and responsiveness) of perceived service quality are significant antecedents of customer satisfaction. In particular, the responsiveness dimension has the strongest effect on customer satisfaction. In other words, it can be assumed that LCC passengers regard the 'responsiveness' factor as the most important service factor which an airline should provide. Thus, it is mandatory for a newly emerging LCC to take all measures to ensure 'responsiveness' toward its passengers. For a constructive example, establishment and maintenance of a highly efficient training system would be the fastest and the most credible strategy for providing basic 'responsiveness' service. In fact, a prompt reaction to a passenger's request is not always easy because of specific flying environments such as limited space and time. However, passengers assume that airline employees can answer all of their questions related to the flight and destination. Thus, the authors suggest that airlines should improve the training requirements for airline employees and encourage them to follow passengers' requests promptly without omission and to provide precise information. These actions would be beneficial because, in this study, employee performance may determine passenger satisfaction.

In addition, the results suggest that the tangibles dimension is a significant factor in terms of LCC customer satisfaction. Although the tangibles dimension is highly significant among service quality factors in the hospitality industry, this result is important because LCCs rarely focus on passenger tangibles (Santos, 2002). Southwest Airlines, a prominent low cost airline in the U.S., did not focus their

marketing strategy on service quality tangibles and its successful market share and brand image is not attributed to tangible factors. Even when assuming that Korean LCCs perform more or less superiorly, the passenger perception of tangibles is currently lower than other service quality dimensions. However, this can be taken as evidence that the newly developed LCCs in Korea manage to be competitive in terms of 'direct and touchable service' appeal. In addition, Korean LCCs should maintain their service management policy and their strategy to retain their passenger's perception of service quality tangibles for the present. The Korean LCCs industry is also, with regard to its product life cycle, in the introductory stage, while a majority of the U.S. counterparts are at a mature stage and do not provide tangible services. This result elicits a question regarding how the passenger's needs in a competitive and growing stage market are different from their needs in a mature stage market. For this reason, Korean LCC managers should pay attention to the changes within the airline market.

The results of the second research question indicate that three types of behavioral intention are significantly related to customer satisfaction, except for the price sensitivity dimension. In general, perceived service quality is derived from word-of-mouth communication, purchase intention, and complaining behavior regarding customer satisfaction, whereas perception of service quality does not correlate to price loyalty. Although passengers are satisfied with a purchase decision, these satisfied customers do not typically switch to other companies based on their attractive prices (Baker & Crompton, 2000; Yoo & Park, 2007). However, the results from this study imply that better prices from other airlines may affect LCC passengers. The authors explain this phenomenon with the 'Prospect Theory' of Kahneman and Tversky (1979). The framework of the prospect theory is based on the role of psychological factors affecting preference under risky conditions. Value from loss affect individuals more than value from gain when facing a choice between different prospects. Raghubir (2006) argued that people perceive loss more readily than they do gain based on the prospect theory. Bolton and Lemon (1999) state that the price would be noticeable in a customer's judgment of service based on prospect theory, which explains why a negative aspect of customer satisfaction is more significant than is a positive aspect. In addition, Parasuraman et al. (1988) reported that price is an extrinsic cue for judgments, whereas service quality is an intrinsic cue. Hence, price loyalty is not influenced by perceived quality and may be more important than perceived service quality for customer satisfaction and behaviors in LCCs.

Recently, South Korean LCCs attempted to enter the long-haul market to overcome accumulated deficit finance. According to Porter's 'Five Forces,' it is easy for LCCs to establish and sustain a cost leadership position in short-haul market than in long-haul one (Shaw, 2007). However, in South Korea, the flight time of all domestic flight is short, around 1 h, and is accordingly difficult to yield sustainable profit by operating as a short hauler only in a limited domestic market. If it is inevitable for LCCs to enter long-haul market, the results of this study will be helpful to establish a long term strategy to be competitive. As a matter of course, LCCs should sustain the cost advantage in the long-haul market because the passengers are sensitive to price. However, LCCs should not ignore the importance of service quality such as tangibles and responsiveness, as suggested in the present study. Practically, LCCs should continuously, even if gradually, invest in the long-haul market as well to fulfill LCC passengers' other important concerns, like comfortable physical facilities, such as high seat pitches, and a sufficient in-flight space and appropriate in-flight service.

Although the results of this study were meaningful, there were some limitations. First, limitations in the bias of collecting data were present. Respondents in this study were limited to LCC passengers. Behavioral intention is a useful and predictable measurement in both capturing new customers and retaining customers (Shiv & Huber, 2000). In addition, it has been argued whether the construct of perceived service quality is a post-purchase construct (Holbrook & Corfman, 1985) or both a pre- and post-purchase construct (Oliver, 1993; Taylor & Baker, 1994). However, the focus of the present study was to understand the factors of customer satisfaction that are related to passenger retention. Thus, future studies may have more impact if they include passengers that have never utilized LCCs.

Second, the generalization of the results was limited by the fact that all the respondents were from South Korea. Cultural influences can occur because respondents from a specific area in this study were excluded. According to Ueltschy, Laroche, Tamilia, and Yannopoulos (2004), not all consumers' needs are alike because some needs are related to local culture. Despite the limitations, the results of this study have a suggestive influence on the airline industry.

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