Customer Retention in Airline Companies: Case of North Cyprus

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ABSTRACT

This thesis empirically investigate the factors that affect customer retention in the airline industry in North Cyprus; the factors that will be investigated are service quality attribute, perceived safety, customer satisfaction, loyalty reward program, relationship commitment and customer loyalty. The study also investigates about four different groups of purpose of travel (business, education, vacation and family visit) on the empirical model. SPSS and PLS programs are conducted for analyzing the data with 331 students respondents from different nationalities. The results suggest that there is a positive relationship between customer retention and the related factors, however not all of these relation are significant. The results also show that the different purposes of travel have different influence on the variables regarding the positive and the significant relation between them, noting that some independent variables have a negative effect on the dependent variables.

Keywords: Customer Retention, Customer Satisfaction, Service Quality Attributes, Airline Industry, North Cyprus

ÖZ

Günümüz işletmelerinin hedefleri arasında ve rekabet unsuru olarak müşterilerin elde tutulması çok önemli bir yer oluşturmaktadır. Dünya ekonomisinin küreselleşmesinden sonra, ürünlerin ve hizmetlerin biçimi değişmiş ve dolayısı ile de işletmeler arası rekabet artmıştır. İşletmelerin müşteri kaybetmeye başlaması ve yeni müşteri çekebilmek için harcamaları artmış ve bunun sonucu olarak da müşterilerin elde tutulması, kaybedilmemesi üzerinde çalışmalara odaklanılmıştır.

Bu çalışmanın amacı havayolları sektöründe hizmet kalitesi etkenlerini incelemek, algılanan güvenlik, müşteri tatmini, ödül programlarına sadakatın, ilişkilerdeki vaat ve müşteri sadakatının müşterinin elde edilmesi üzerine etkilerini incelemektir. Bu çalışma ayrıca dört farklı seyahat etme (iş, eğitim, tatil ve aile ziyareti) amaçlarına göre de oluşturulan kavramsal modeli test etmektedir. Çalışmamızda toplanan verileri analiz etmek amacı ile SPSS ve PLS programları kullanılmıştır. Analiz sonuçları bize müşterinin elde tutulması ile ilgili faktörler arasında bir ilişki olduğunu gösternektedir. Dört farklı seyahat etme amaçlarına göre, modeldeki değişkenlerin etkilerinin farklı yönde olduğunu göstermektedir.

Anahtar Kelimeler: Müşteri El tutuluması, Müşteri Tatmini, Hizmet kalitesini etkkileyen, Havayolları, Kuzey Kıbrıs

To my lovely Husband, Father, Mother, Two brothers

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My deep gratitude goes to GOD who helps and facilitates the way to fulfill my dream. Special thanks to my father LOUIS and mother INTISAR for their patience, pain, effort, support, and prayers were the success of my life I own to them. Exceptional thanks go to my husband GHASSAN for his continuous love, encouragement, support, who stands with me in this dream. I also thank all the support and help from my family and friends.

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LIST OF ABBREVIATIONS

ANOVA   Analysis of variance

AffCom   Affective Commitment

Ass_Exp   Assurance Expected

Ass_Per   Assurance Perceived

AVE   Average Variance Extracted

CalcCom   Calculative Commitment

CL   Customer Loyalty

Comm   Relationship Commitment

CR   Customer Retention

CS   Customer Satisfaction

Emp_Exp   Empathy Expected

Emp_Per   Empathy Perceived

LVP   Latent Variable Path

Perc_Saf   Perceived Safety

PLS   Partial Least Squares

Rel_Eep   Reliability Expected

Rel_Per   Reliability Perceived

Res_Exp   Responsiveness Expected

Res_Per   Responsiveness Perceived

RM   Relationship Marketing

SEM	Structural Equation Modeling
SPC	Service Profit Chain
SPSS	Statistical Package for the Social Sciences
Tan_Exp	Tangible Expected
Tan_Per	Tangible Perceived

Chapter 1

INTRODUCTION AND BACKGROUND

An introduction has been given in this chapter and background about the customer retention (CR). A description will be presented about the importance of airline industry. Also, the research problem will be presented which leads to the aim and limitation of the study. Finally the thesis outline will be presented.

1.1 Introduction

A very famous contribution had been done by Peter Drucker (1973) to the marketing literature that was about creating customers. Yet, customer retaining turns to be equally important, since Dawkins & Reichheld (1990) stated that a growth in CR will result in increasing the net present value for customer in wide sort environments of business. Results produced vast amount of attention and movement in business and academic groups, as investigators and specialists tried to examine and prove these claims. Recently, increasing the competition results in increasing the necessity for CR and customer loyalty (CL). Furthermore, a large majority of companies are losing their existing customers at a significant rate. Thus, CR is important for firms in service industry.

One significant part of marketing knowledge is Relationship Marketing (RM) interested in creating, building, and maintaining effective relationships between the organizations

and customers for long-term profit. According to Buttle (1996) to manage long-term relation with customers, it is important for businesses to determine and support the satisfactory variables, mutual benefit and constant relationship with consumers. To attain this goal, businesses should emphasize their marketing mechanisms to improve the attraction and retention of customers. CR is a significant area in RM field, which is mainly interested in keeping the customers in the long-term. CR is necessary in the present day for all businesses in service sector since customers are treated as a real asset to the organizations, and the majority of losses are facing the consumer base (Swanson & Hsu, 2009). The researchers believed that customers are just like products, have a life cycle that firms can try to accomplish. Customer life cycle begins with the acquisition, retention and over time it can grown-up in value. They climb stairs value from suspect, first time customer, to mainly customer and finally to partner (Gordon, 1998).

Fundamental study focused and consecrated to clarify the customers importance behavior for the industry. Still, there is slightly evidence on the existence of other studies in this area that connects the retention, loyalty, satisfaction and service quality attributes. However, these studies did not include other independent factors affecting satisfaction and loyalty and did not include a comparison between four different groups regarding the purpose of travel; moreover, the empirical study did not include a case about the airline industry.

1.2 Background of the Study

This research purpose was to suggest a model that describes the connection between satisfaction, loyalty and retention depending on service quality attributes in the airline

industry. Previous airlines studies focused on CS, CL, providing value and service quality in broad concept (Degirmenci et al., 2012; Christian et al., 2011; Adams et al., 2011; Ozlem & Melike, 2009; Gilbert & Wong 2003). However they did not link all these factors together in one model to examine their effect on CR in the airline industry.

There has been a large and significant argument regarding the influence of consumer behavior on the performance of the business in marketing literature (Nelson et al., 1992; Heskett et al., 1994). Reichheld & Sasser (1990) suggest a "Service Profit Chain" (SPC) model that connects service quality, profitability and customer behavior. The model of SPC discusses that the service quality affects CS, which in contrast affect CL and CR. Accordingly, profitability is motivated by loyalty and retention. The conception quality of service has been well set-up in the literature of marketing (Parasuraman et al., 1988). Earlier research on service quality realizes a strong positive correlation among attributes of service quality and CS (Rust & Oliver, 1994; Fornell et al., 1996), and also a small agreement between researchers has been found about the relationship between service quality and CS and about the explanation for both of them.

Finding the important characteristics for better service quality that achieve CS leads the companies to look for comprehensive strategies to achieve long-term competitive advantage (Matzler et al., 2004). Furthermore, CS was considered an intermediate position between service quality attributes and customer behaviors (loyalty and retention).

Some of the current experiential studies seem to have a shortage for the necessary analytical and theoretical accuracy, and this is shown as a persistent condition for the customers' behavior analysis in the future (Matzler & Sauerwein, 2002).

1.3 Why Airline Industry?

The airline industry found itself in a hard position in the last decade that result in a total damage of 49.1 billion dollars (International Association of Air Transport, 2009). Passenger numbers have been declining in 2009 as comparing to the previous years by (-3.5%), and 2009 has been the worst time the industry experienced (International Association of Air Transport, 2010). Although that the industry has recovered lately, commercial airlines are facing a problem which they cannot adjust to their capability for fluctuating demand in the short-term. Hence, they seek to fill the seats that have been empty by decreasing the price of tickets, that lead to low profit margin (International Association of Air Transport, 2009), though the market race is growing. Accordingly, airline companies continually pursuit for many ways to protect their share in the market and also to retain the customers.

Previous researches made a very important contribution to this subject and recently there has been some research on the airline industry. Christian et al. (2011) had investigated about CS of passengers in airline service and they introduced perceived safety and the purpose of travel as a satisfaction driver. Other studies have linked between CS and service quality in the airline industry (Degirmenci et al., 2012; Adams et al., 2011). On the other hand, Ozlem & Melike (2009) did a research about customer value and its effect on loyalty. But in these studies CR is not considered as a very important factor for

continuity of the industry, furthermore they did not collect service quality attributes, perceived safety, purpose of travel, CS, loyalty reward program, relationship commitment, CL and CR together in one model to examine their effect on the airline industry. Also, the main reason for choosing the airline field in this study was due to the importance of Cyprus as a tourist island that need for easier and faster means of transport, and the airline transportation is the most extensively used ways to reach North Cyprus, in addition the questionnaire were collected from students who consider airline services and their prices very important to them.

1.4 Research Problem

Many researchers found that in the business, the most valuable customers are the repeated one. Getting new clients raises the cost of the company and makes relationship with new customers not profitable because the cost will go to the new customers, which may not continue with the company and remain in the first stage of the transactions. The customers are retained in the company only after the first stage of the transaction, consequently the cost of the service will start to fall, the customers will not be so sensitive to the price and they will tend to buy more from the organization (Srini, Rolph & Kishore, 2002).

This research will study the influence of service quality and CS on consumer behavior (loyalty and retention) in the airline industry. The importance of airline sector in the world this time was encouraging to choose it as a case study for this research. Furthermore, depending on a recent research about retention in travel industry conducted by Collinson Latitude in 2011, he found that the airline companies are unsuccessful in

retaining the customers, and many businesses are totally failing to employ the full range of options presented to maximize customer acquirement and retention. If they continue to ignore this problem then; resources will need to be increased to handle the cascading problems and they may loss the customers which could result in losing the revenue.

1.5 Aim of the Thesis

CR most important contribution is its importance and strong relation in the continuity of the business and its growth in the future. This thesis general purpose is to investigate about the factors that affect CR by scrutinizing the relationship between companies' service providers and their customers. This study model has been designed depending on these factors and the hypotheses were developed regarding the relationship among them. This research contributes to the knowledge of:

1.   The difference between perceived and expected service level (customer gap).

2.   The role of service quality attribute toward CS and dissatisfaction.

3.   The role of perceived safety on CS.

4.   The role of loyalty reward programs and relationship commitment on CL.

5.   Investigate the interrelationship between service quality, CS, CL and CR.

6.   Comparing the influence between four different groups for the purpose of travel on the conceptual model.

1.6 Limitations of the Research

This research has some limitation that can be overcome in future researches these limitations can be mentioned as the follow:

1. The limited time for distributing the questionnaire between December 2012 and February 2013.

2. The limited size of sample 331 international students from Eastern Mediterranean University in North Cyprus.

3. The limited place for distributing the questionnaire just in the campus.

1.7 Thesis Structure

This thesis covers five chapters that contain introduction, literature review, methodology, data analysis and as a final point, conclusion chapter (Figure 1.1).
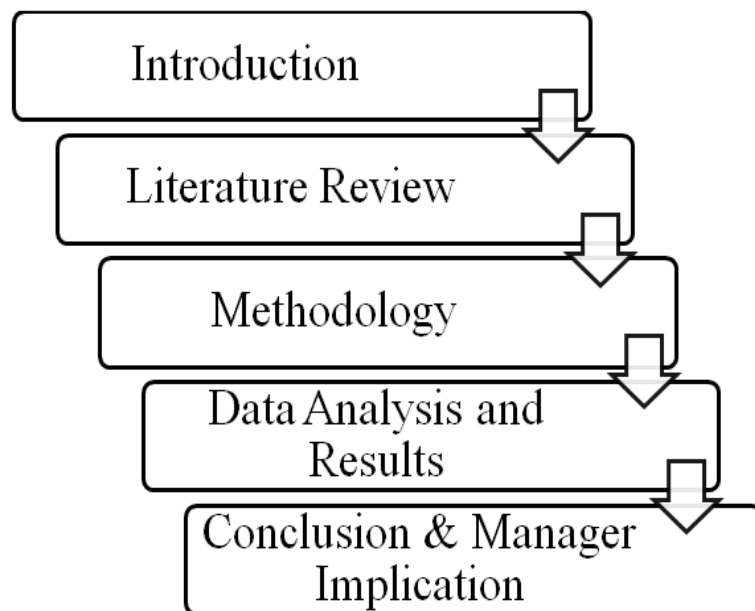
Figure 1.1: Thesis Structure

The first chapter, introduction, previously presented begins with an introduction of the study, general background about CR and the airline industry. The background then led to the research problem, the aim of the thesis, which lastly led to the research limitation. In chapter two, literature review, will present the related literature on the subject of

customer retention. First, theories about the factors affecting CR are presented followed by the advantages and disadvantages of customer retention. This is followed by presenting the different factors influencing retention with theoretical explanation for each one of them. Finally our model is presented depending on these factors. The third chapter, methodology presents the method followed to conduct this study. The fourth chapter, data analysis and results present the programs used to conduct this thesis and the results of the data collected. The last chapter is discussing the conclusion that lead to the implication for managers and future studies.

Chapter 2

LITERATURE REVIEW

This chapter will present the theoretical part for the thesis, with an explanation for each part that can influence CR, and then a model will be developed depending on these factors.

2.1 Customer Retention

CR is considered as a very important goal and a competitive component in any business environment for the present days (Oliver, 1999). After the globalization that happened to the world economy the products and services changed and the competition between the firms start to increase to be more complicated, the firms start to lose their customers and they were spending a lot of money for attracting new customers, thus the interests in CR have started to increase since that time (Goyles & Gokey, 2005). Hence, the model of competition transformed from obtaining new clients to retaining existing ones, in addition attracting clients apart from competitors.

The studies that have been carried out in this area showed that a firm's most important asset is its existing customer base. Therefore, it is essential for companies to keep current clients and to make sure those customers do not go to competitors. From the financial view, there are two assumptions for appreciate CR. First, obtaining new customers require new expenses for promotion and advertising, thus new clients costing

more   than keeping or retaining existing ones (Reichheld & Sasser, 1990). Second, current customers most probably will create extra profit to companies. Rose (1990) study on retention exposes that retaining the relation between the customers and the company for 10 years as minimum is extra profitable by three more times than a customer spends 5 consecutive years on average.

There was an overall agreement from researchers that CR indicates long-term relationships. Oliver (1999) determined CR definition as an extreme commitment to re-buy a favorite service or product continuously in future. Also, Buchanan & Gillies (1990) defined the rate of CR as the percentage of remaining customers in the end of a year comparing to the beginning. In this study CR is present as the possibility of switching or planning to switch between service providers.

Many researchers tried to distinguish the factors affecting CR and they concluded that there is a connection between CS and CR (Mittal & Kamakura, 2001; Bansal et al., 2004). In another study for Yu (2007) studied the effect of satisfaction on customer revenue, costs and profitability. Results showed that some of the satisfactions dimensions are positively related to customers' re-purchase intention. On Gremler et al. (2001) study about satisfaction and retention, their results indicated that satisfaction may possibly have an influence on post-purchase behavior and retention behavior with the company. In addition, CR is affected by CL and they have a strong connection between each other. Rauyruen & Miller (2007) explained that customers who show high attitude and behavior of loyalty tend to have more retaining attitude. Therefore, this thesis will explore the effect of CS and CL on CR.

2.2 Advantages and Disadvantages of Customer Retention Program

This section will present an extensive explanation about the advantage of CR for firms and customers, followed by a disadvantage of the CR.

2.2.1 Advantages

CR affects both the firms and the consumers, and both sides can take benefits from the CR program, so it is necessary to spotlight on the main benefits of it. The next two paragraphs will explain those benefits depending on the previous researches.

A. Advantage of Customer Retention to the Clients

CR affects the consumer as long as there is a relationship between a firm and a consumer, so it is evident that the customers will receive a benefit from this program just like the firms. According to Buttle (2004) these advantages included personalization, recognition, risk reduction, status, affiliation and power. A definition for each one of these advantages is follows below:

- Personalization: the firm can customize their products and services for its retained clients, because the firm is aware of these clients through several meetings.
- Recognition: retained customers feel additional valued once they are recognized and addressed by name by firm workers.
- Risk reduction: retained customers may feel that the risk of getting, keeping or creating use of a specific service or product is diminished due to their relationship with the supplier firm.
- Status: retained customers might receive the advantage of increased status levels as a result of their relation with a specific firm.

- **Affiliation:** A permanent relationship with a firm might guarantee feelings of affiliation for clients.

- **Power:** when there is a retained relation between the firm and the customer, the clients will feel that they have a power in demanding a special product or services.

B. Advantage of Customer Retention to the Firms

CR program is a good strategy that the firms can follow to lead them to many benefits. The first advantage of CR is the relative cost efficiency; Hurley (2004) mention in his research that keeping existing customer is more cost efficient than accumulate new ones, Karakostas & Papathanassiou (2005) indicate in their research that acquiring a new customers cost 5 times more than retaining existing clients. The second advantage of CR is the reduction in the marketing cost; increasing CR rates will increase the client base and a bigger client base ensures greater monetary performance for firms (Buttle, 2004). According to Kotler (2000) the other advantages for the firms are providing a positive word-of-mouth from the retained customers, retained customers are less price sensitive from other regular customers therefore these customers will pay any price the company determines for the products or services, also long-term clients tend to purchase more from the firm and take less time of the firm and CR is powerful tool to reach the success in the business.

2.2.2 Disadvantages

Just like a CR program has advantages, it also has some disadvantages. Gassner (2004) gave one of these disadvantages, which is the long term cost for the program, and for this reason the firm has to compare the expected income and the costs generated by CR program periodically throughout its implementation to avoid useless investments.

Retaining the wrong customers is another disadvantage that the firms may do. In other words, they retain the unprofitable consumers so they will not receive the benefits of retaining and focusing on the profitable ones. The consumers may face high switching costs; therefore there may be a negative word-of-mouth communication.

Loyal customers may demand for too many discounts. The reason for this demand is because the retained customers are feeling they deserve or the firm owes them for their loyalty. Usually giving too many discounts will make the firms to earn less from the retained customers despite that they are providing the same quality of service or product to new customers. The retained customers are likely to be more familiar with the firm, as this can be an advantage it may be a disadvantage too. It can be disadvantage in a way that the old customers are more related to the company and this strong relation tends to make the customers to stop seeing things from outside. Old customers may tend to decrease the probability of the creation and innovation in the company because they don't want to change (Call Center Beat, 2012).

2.3 Customer Loyalty

In general CL was defined from a lot of researchers, but unfortunately there is no definition agreed on. In common the meaning of loyalty is faithful, so the customers consider loyal when they are faithful and have a deep obligation to re-buy the services or the products again and again from the same brand, regardless of any situation or promotion efforts that could have the possibility to effect switch behavior (Beh Yin & Faziharudean, 2010). More ever Andreassen & Lindestad (1998) defined CL as:

"An intended behavior caused by the service and operationalized loyalty as a

repurchase intention and willingness to provide positive word-of-mouth".

Loyalty has been outlined in marketing literatures in two different ways; First definition, loyalty is a perspective that specifies a person's overall engagement with a brand of service or product. Second definition, loyalty is a behavior that is assessed in a variety of re-buy, word-of-mouth and developing the dimensions and the possibility of the relation (Jacoby & Kyner, 1973).

CL contains attitudinal and behavioral dimensions, these dimensions consist of: intention to purchase (Boulding et al., 1993), customer commitment (Moorman et al., 1992) and word-of-mouth (Gremler et al., 2001). Intention to purchase was outlined as a future tendency to buy a service or product for certain purpose. Customer commitment point out to the strength of relative bonds and the need to keep up a relationship. Word-of-mouth is outlined as a non-profitable communication from individual-to-individual about a specific brand.

Moreover, it is very essential to indicate that CL not the same as CR. When customers are loyal to a specific brand, mean that they have a positive emotion or special interest toward this brand, whereas CR is an indication of customers to switch behavior or their intention to switch. May be the customers will continue to buy from a particular brand just because this product or service convenience them. During this case, the customers retained in the company but not essentially keep loyal to the service or product. CL in

this thesis is introduced as the intention to re-buy and readiness to deliver a positive word-of-mouth from existing customers.

Many researchers have searched for the factors affecting CL; Jones & Sasser (1995) concluded that CS is an essential component in guarantee CL. Fornell et al. (1996) found that total CS incorporates a sturdy positive influence on CL including a broad range of services and products categories. Zhaohua, Yaobin, Kwok K. & Jinlong (2010) found that CS has the greatest impact among a number of factors affecting CL. Mittal, Ross, & Baldasare (1998) conclude that as CS is in higher level then it may have a positive effect on CL. Houlihan & Harvey (2012) wrote an essay about seven sub-factors that may have a major role in increasing CL like personal relationships, rewards, community outreach, customer service, expectations, reputation, and convenience**.**

In this thesis the influence of CS on CL will be investigated, and because this case study is about airline services, the investigation will include two other sub-factors that may contribute to CL; loyalty reward program and relationship commitment.

2.3.1 Loyalty Reward Program

Customers want some benefits for continuing to do business with the same company especially when they have other choices. So offering bonuses, discounts and other forms of special attention can not only retain them from going away, but it may be the reason for a positive word-of-mouth (Houlihan & Harvey, 2012). Recently, reward programs became more common instrument for managers to reach CL. Furthermore, when firms want to maximize CR they may try to use a marketing instrument like reward program.

The aim of loyalty reward program is to reward clients for continual purchases so the firms can build CR (Yi & Jeon, 2003).

Loyalty reward program had been defined as the effort of suppliers to provide the customers with such a reward to increase loyalty incentives, for example discounts to raise customers' behavioral and attitudinal commitment or points repayable for prizes (Sharp & Sharp, 1997). Loyalty program was defined by Liu (2007) as an approach that lets the clients to collect free rewards after making frequent purchases from the company. Customers recognize this program as a controlled marketing action which presents the clients further benefits (De Wulf et al., 2003).

Dowling & Uncles (1997) classified two types of reward programs direct and indirect rewards. Direct rewards such as gifts and discounts that support the value suggested of the product or service. Indirect rewards such as additional kinds of rewards that have no relation with the product or the service.

2.3.2 Relationship Commitment

Relationship commitment has been distinguished by Bendapudi & Berry (1997) and Morgan & Hunt (1994) as additional potential driver of loyalty. Commitment have variously defined by marketing scholars as a commitment to constancy between the parties (Dwyer, Schurr & Oh, 1987), a desire to keep up relations (Morgan & Hunt, 1994), and also Anderson & Weitz (1992) defined relationship commitment as the sacrifice or potential to sacrifice if the relationship ends. These numerous sources create

or produce a stickiness that keeps the clients loyal to a brand or a firm even when satisfaction could be low.

The relationship marketing researchers distinguished two types of commitment: affective and calculative (Johnson et al., 2001; Hansen, Sandvik & Selnes, 2003). Affective commitment considered as an emotional influence that can change through the point of reciprocity or personal contribution between customer and the firm, and this relation results in a greater level of commitment and trust (Morgan & Hunt, 1994). Calculative commitment is further rational and fiscal based depending on service or product benefits due to an absence of viable alternatives or switching costs (Dwyer, Schurr & Oh, 1987; Anderson & Weitz, 1992). Commitment is one of the elements that facilitates the maintenance of long term relationship and increases the loyalty level.

2.4 Customer Satisfaction

In general, total satisfaction is a total assessment that depends on consumption experience and total purchase of goods or services through the time (Anderson et al., 1994). CS has been defined as direct assessment after purchase (Oliver, 1999). Kottler (2000) has defined CS as a person's sensing of liking or disliking that result from comparing the outcome of service or product perceived performance in relation to customer expectations. So it can be said that the satisfaction function is about performance vs. expectation. The firms must aim for higher CS since customers find it easy to switch when they are only satisfied if there is better deal (ibid). Higher satisfaction generates a strong connection with the company not just a rational predilection for the service or product. The expectation development is built on previous

purchasing experience, competitors, information, marketers, associates, word-of-mouth, advice and promises (Parasuraman et al., 1985). The variance between customer expectations and perception will result in a gap that describes dissatisfaction; companies must aim to fill this gap (ibid).

The necessity to enhance CS was recognized, however which kind of methods to use and how much development is required is a different problem. Furthermore CS can results from three part system Ross (1995): first company operations or processes, second company employee who distribute products or services, and finally services related to customers' expectations (Figure 2.1). The success of those three parts can be a function of in what way these three factors are joined. The figure shows that the level of reaching CS will be achieved depending on the efficacy of employees, process and identify the elements that creates it.
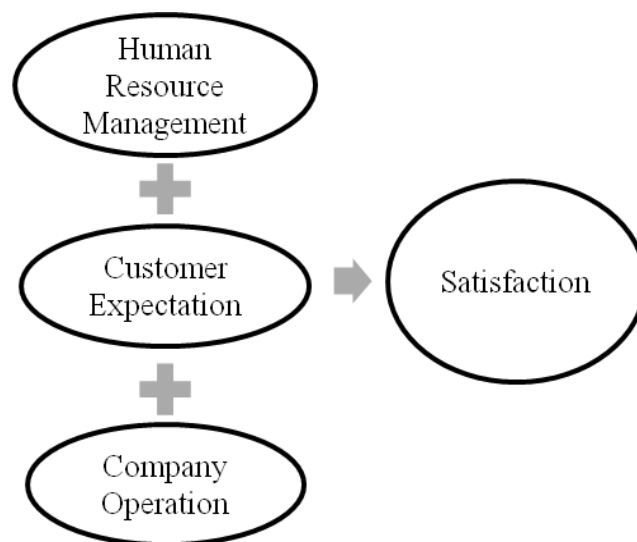
Figure 2.1: Customer Satisfaction Three Part System

As mentioned before, the problem in building CS is how to obtain satisfied customers, when you get them, and how to retain them. Clearly the better way to define the service that can make the consumers satisfied is simply to ask them. The key to CR as Kottler (2000) described is CS, the reason for that is highly satisfied customers are willing to:

- Remain loyal as long as possible.

- Purchas more when the company announces for new services or products.

- Talk about the company and its services or products in a positive way.

- Pay less interest to competitive brands and they are less sensitive to the price.

- Suggest service or product ideas to the firm.

In service management literatures, CS is the consequence of a customer's perception or opinion about the service quality (Heskett et al., 1994). Furthermore, earlier studies concluded that a positive and strong correlation was between service quality and CS (Rust & Oliver, 1994; Fornell et al., 1996). Also, Looy et al. (2003) described CS as the customer's emotions concerning the gap between the expected and the perceived service performance of the firm. In Emerson and Grimm (1998) model described that CS may affect CL positively. Also CS can raise the CR and increase customers purchasing. Figure 2.2 present a classic model of customer behavior:

Service Quality Attributes → Customer Satisfaction → Customer Retention → Customer Loyalty

Figure 2.2: Customer Behavior Model

In this thesis the effect of service quality on CS, then the effect of CS on CL and CR will be investigated. Also, because this case study is in airline services, the investigation will include another sub-factor that may contribute to the CS which is the perceived safety.

2.4.1 Perceived Safety

Perceived safety discusses the level of users' security. Also, it refers to the situation of being safe and free from risk, injury, or danger. On the other hand, perceived risk has been defined by some researchers as the expectation of losing and creating the feelings of worry, uncertainty and inconvenience (Sweeney, Soutar & Johnson, 1999).

Buying an airplane ticket and travelling on an airplane involve different risks, such as psychological risk, financial risk and social risk (Cunningham & Young, 2002). The previous risks can be implied in any other services, but the airline service is different from most of the other services because it also exposure the passengers to some physical risk. This industry claim that safety is in their first priority, also the accident rate have decreased in the previous 20 years. However, the rate of accidents cannot be removed totally and the passengers know this fact. In addition, the media can contribute to awareness of people by covering the airline disasters. Hence, perceived risk plays a significant role in studying consumer behavior in air travel (International Air Transport Association, 2010).

Airline companies attempt to reduce risks related to air traveling by different security and safety methods. Although passengers are percipient of the big attempts to create safe air travel, they are almost not able to evaluate the real safety levels. For this reason they

resort to alternative procedures of safety, for example the airline service quality, drawing a conclusion about the flight safety depending on their opinions of the airplane condition or the amount of the airport security (Rhoades & Waguespack, 2000). Accordingly, these events strongly compose passengers' perceptions of safety. This thesis will focus on in-flight safety.

2.5 Service Quality Attributes

Service quality has been identified as a significant aspect for the success of organizations; service quality can build their competitive benefit and increase their effectiveness. Parasuraman et al. (1985) presented ten determinants of service quality (responsiveness, courtesy, credibility, competence, security, reliability, access, customer understanding, tangibles and communication) that result from their studies with customers and providers. These determinants resulted in the development of SERVQUAL instrument where these ten attributes distilled into five dimensions with 22 attributes; these dimensions are:

1.   Reliability: capability to attain the promised service accurately and dependably.

2.   Responsiveness: readiness to support the customers and deliver quick service.

3.   Tangibles: physical facility, employees, equipment and appearance of workers.

4.   Assurance: understanding and kindness behavior of the employees and their ability to deliver confidence and trust.

5.   Empathy: kindness, customized attention to customers.

Service quality has a multidimensional concept; it has different meaning to different people. Grönroos (1984) defined service quality as a set of recognized judgments results from the estimation process when the customer compares his/her expectations to the perceived service. Parasuraman et al. (1985) defined service quality as the function of difference between customer expectation and perception over the dimensions of quality.

Understanding what customers expect is the best critical move in determining and providing service with high quality (Zeithaml, Parasuraman & Berry, 1990). The quality in airline service is hard to measure because of its features like inseparability, intangibility and heterogeneity (Chang & Yeh, 2002). Service quality can only be well-defined by the consumers in the airline industry. There are a number of researches that discussed the service quality for airline industry. These contain one by Gilbert & Wong (2003), they settled on 26 item integrated in the questionnaire that include measuring of employees, reliability, assurance, responsiveness, flight patterns, facilities, dimensions and customization; then they compared the passengers' expectations to the perceived service quality in airline industry. Also, Chen & Chang (2005) classified the processes of the airline service in two groups; ground services and in-flight services, and then they compared the gap between customers' expectations and management's perceptions by implementing SERVQUAL to the study. Pakdil & Aydin (2007) introduced 35 items in their questionnaire established on SERVQUAL to investigate and measure the service quality in airline business. In this study the five dimensions attributes presented by Parasuraman et al. (1988) is applied to test the effect of service quality on CS and find the gap between the expected and the perceived service.

2.6 Purpose of Travel

Among many factors that may influence the relationship moderately, in this thesis the different purpose of travel is expected to have a different influence on the previous variables. This difference in the purpose of travel is expected to influence in the context of perceived safety and mainly in the context of satisfaction (Christian et al., 2011). For example business and sometimes education travelers fly more frequently than vacation or family visit travelers (Aksoy, Atilgan & Akinci, 2003), the first group is more familiar with the routine of flying than the second group and they may be able to evaluate the low possibility of an accident more accurately (Siomkos, 2000). Correspondingly, the cognition has a positive effect on satisfaction and will make it to increase, whereas when customer experience cumulated over the time the influence will decreases (Homburg, Koschate & Hoyer, 2006). Therefore, when business and education travelers assess the general experience of air travel, safety perception is less influential because they often do not have any other choice than to fly. In this thesis the effect of the four different groups of travel purpose on the conceptual model will be tested separately. All the previous studies divided the purpose of travel into two groups business and education travelers. In this thesis the purpose of travel was divided into four groups; business, vacation, education and family visit travelers.

2.7 Research Model

The aim of this thesis was to reach the basic variables that may affect CR in the Airline Industry, so the model was developed based on the prior literature review (Figure 2.3). The model started with the service quality attributes that control the CS. On the other

hand, CS can be affected by customers' perceived safety from the airline company. The model center is about CS as it is considered as the initial construct that affect consumer behavior. Consequently, CS can lead to either CR or CL or both. In addition, CL is affected by two other factors, loyalty reward program and relationship commitment. Finally, from the previous researches it was concluded that CL to a specific brand will lead eventually to increase the repurchase intention. However, there is no strong theory behind the relationship between CR and other variables and for this reason the related theory will be investigated to test this relation.
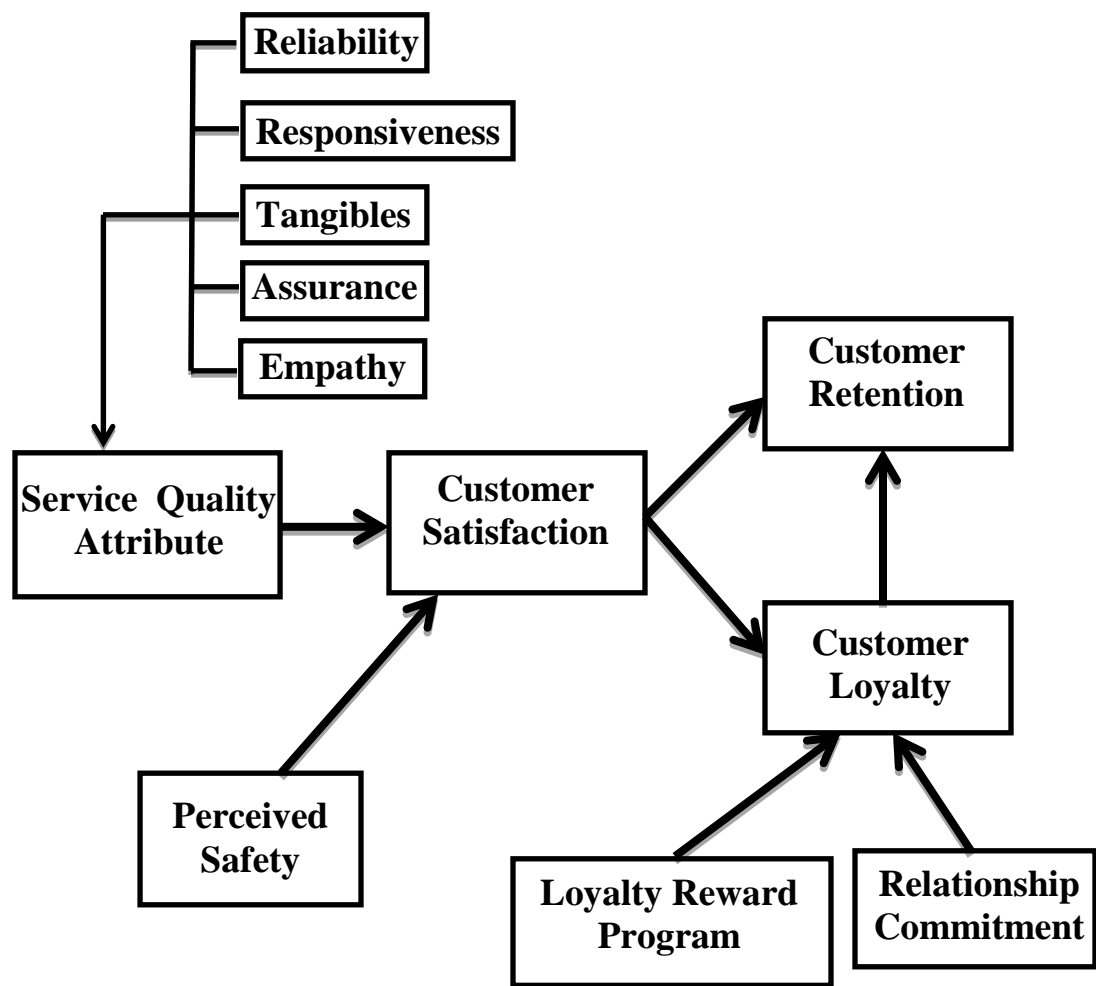
Figure 2.3: Empirical Model

Chapter 3

METHODOLOGY

This chapter will present the methodology followed in this thesis to solve the research problem. The chapter discuss the research purpose, approach, strategy followed by data collection method, target sample, questionnaire design, pilot study, reliability and validity measure, gap analysis and research hypotheses.

3.1 Research Purpose

Researches are often classified into three different kinds according to their purpose: explorative, descriptive and explanative (Robson, 2002; Zikmund, 2000).

Exploratory research is a mean of searching for what is happening to hunt new visions, raise questions and evaluate events in an exceedingly new sight (Robson, 2002). The objective of this research is to understand, clarify and outline the character of a problem. The investigator needs to be open to new ideas and insights which can send the exploration in an exceedingly new direction.

Descriptive research is a process of correct profiles of individuals, events or situations (Robson, 2002). The objective of this research is to answer the questions of what, who, how and where, but it doesn't provide the answers to why questions, in alternative words, it doesn't provide reason or explanation for findings. However, when trying to

solve business issue is usually enough with the knowledge obtained from descriptive data, it is not needed to understand why things are the manner they are (Zikmund, 2000). This research relies on already existing theories and hypotheses.

Explanatory research is about gaining a description of a selected scenario or problem, typically layout to investigate if one event can cause another event, and explaining what cause will produce what effects (Robson, 2002). For conducting an explanatory research the researcher should have a knowledge, experience and expectations about the topic to be investigated.

When the purpose of this thesis is looking the key determinants of CR, then measure and support the projected model depending on some hypotheses and previous theories, then the descriptive research was chosen to conduct this research.

3.2 Research Approach

Saunders et al. (2007) dedicated that the methods to conducting a research are through induction and deduction. The inductive approach is chosen when information is initially collected and after analyzing the information a theory is developed consequently. The deductive approach is chosen when a hypothesis or theory is initially developed; then a research policy is considered to check the theory (ibid). Depending on the purpose of this thesis that is about testing some hypotheses, so a deductive approach of the analysis is preferred during this research.

In addition the approach to collect the data was selected. A research may be either of quantitative or qualitative nature. Quantitative research usually involves formal objective data, with mathematical quantification; it can be used to describe and test relationships, also to look at cause and effect relationships. Qualitative research usually lays more on words instead of numbers and dealing with phenomena that are difficult or impossible to quantify mathematically. The research approach of this thesis is depending on questionnaire survey, thus a quantitative approach is taken for collecting the data.

3.3 Research Strategy

Five primary research strategies were defined by Yin (2003) include: histories, experiments, case studies, surveys and archival analysis. Each of these strategies has its own use. Histories defined as the process of creating general facts and principles through attention to the timetable and to the evolution or historical development of what is being studied. Experiments defined as the comparison of two or more states that are similar in each possible manner however they may differ in few factors. When the researchers' intention is to test current event and they do not have control over the activity events and cannot manipulate or affect the procedure this called a case study strategy. The survey is a technique for collecting information from a large number of customers. Archival analysis uses information from the archives, which are data sets that typically have been collected by someone. The hypotheses were developed in this thesis to test the effect of some variable on CR and the information were collected from a large number of customers, so in this research the survey strategy had been chosen.

3.4 Data Collection Method

The survey strategy offer various ways for collecting the data. The most widely used ways are direct observations, interviews and questionnaire.

In this thesis the questionnaire survey technique is chosen as the only method for gathering the data to help finding the contribution of these factors to CR in airline sector. The questionnaire advantage is the ability to find out these contributions in a numeric way, also it is easier for comparing the results.

3.5 Target Sample

Determining the target sample and sample size is considered from the main elements in designing the research methodology in any study. The sample is described by Blumberg et al. (2005) as a part of the target population that has been selected carefully to represent that population.

The target sample for the study was from the international students studying at Eastern Mediterranean University in North Cyprus. The survey mechanism was developed using the literature for this study and the questionnaire was developed to match the research need for the airline companies. The total number of respondents was 350 and after editing the answers the sample size was 331.

3.6 Questionnaire Design

In this study a questionnaire was developed to measure the effect of service quality dimensions, CS, perceived safety, CL, loyalty reward programs and relationship

commitment on CR in airline industry. The questions were in the type of closed-end questions. Bryman & Bell (2003) stated some benefits for closed-end questions: first, it is simple and easy to analyze the responses; second, the answers are able to be compared; third, it is easier to demonstrate the relationship between variables. Respondents for the survey were asked to determine their expectations and perceptions about the service quality dimensions in five point likert scales used for this purpose from 1 "Strongly Disagree" to 5 "Strongly Agree". And also five point likert scales was used for determine their satisfaction from 1 "Not satisfied at all" to 5 "Completely Satisfied". The questionnaire was divided into six parts of overall 48 questions which cover the independent and dependent variables of the study:

• The first part was about the Service Quality which is one of the independent variables. This part share of 22 questions designed to identify five dimensions of service quality (Responsiveness, Tangible, Assurance, Empathy and Reliability).

• The second part was about CL which is one of the dependent variables. This part includes 5 questions.

• The third part was about one question for the Reward Program and 6 questions for the Relationship Commitment in the industry and they are independent variables.

• The fourth part was about CS which is dependent variable that includes 5 questions.

• The fifth part was about the CR that is a dependent variable. This part includes 2 questions.

• The last part was about 7 demographic questions that the respondents have to answer. These questions were about sex, age, nationality, marital status, expenditure per

month, frequency of travel and purpose of travel. Some items on each concept are settled in Table 3.1.

Questionnaires are run in several ways: telephone, face to face, e-mail, postal, and written questionnaire. During this thesis the written questionnaires method was chosen and distributed to the sample selected for this survey.

Table 3.1: Questionnaire Items and References

Constructs	Items	Referred to
Service Quality	1. Reliability (fulfills promises, handling problems, perform the service correctly, time schedule, error-free data). 2. Responsiveness (timely information, providing services quickly, helpful employees, Flight attendants' are helpful). 3. Tangibles (modern, up to date technology, in-flight entertainment, employees have professional appearance, good food and drinks). 4. Assurance (confidence, brand name is trustworthy, polite employees, knowledgeable cabin crew). 5. Empathy (understandable language, giving special attention, appropriate flight and travel agency hours, understands the passengers' specific needs, provide best interest from the heart).	Mengi, (2009); Caruana, (2002).
Customer Loyalty	1. I intend to continue using the services from this company for a long time. 2. If another company has a lower price I will continue using the services of this company. 3. I will tell people positive things about the quality of service in this company. 4. I will encourage friends and relatives to use the services offered by this company. 5. To me, this operator clearly is able to provide the best service.	Aydin & Özer, (2005); Morgan & Hunt, (1994).
Reward Program	1. The airline has other travel related partners, e.g. car rentals, hotels and travel insurance.	Sunmee Choi & Sooyeon Kim (2012).

Relationship Commitment	1. I take pleasure in being a customer of the company. 2. The company is the operator that takes the best care of their customers. 3. I have feelings of trust toward the company. 4. It pays off economically to be a customer of this company. 5. I would suffer economically if the relationship is broken. 6. The company has location advantages versus other companies.	Johnson et al., (2001).
Customer Satisfaction	1. Are you satisfied with the overall service quality offered by this operator? 2. Are you satisfied with the professional competence of this operator? 3. Are you satisfied with the performance of the Frontline employees of this operator? 4. Are you comfortable about the relationship with this operator? 5. Did the company fulfill your expectations about the trip?	Oliver, (1999).
Customer Retention	1. Have you switched between the airline companies before? 2. Are you planning to switch to another airline company?	Eggert & Ulaga (2002).

3.7 Pilot Study

At this stage the initial data and the study instrument were tested. Gill & Johnson (1991) identified pilot study as an effort that is taken to test the design of the research with a small number of respondents who have similar features to those known within the main study sample. The importance of the piloting stage that it is not easy to expect how the target sample will respond and react to the survey questions, so the pilot can provide a chance to identify and correct any potential issues within the format of the research questions. Generally, pilot study is recommended so the respondents can provide feedback and notes on the clarity of some questions that helped in modify and evaluate the language, misunderstandings and some words in the questionnaire's statements.

For this study 11 samples have been collected for the pilot study and the feedback was benefit as follow: first, the words and meaning for some questions were adjusted regarding to the respondents' feedback which mentioned that some statements were not clear. Second, three questions were moved from one construct to another. After modifying the questions depending on the results of the pilot study, the questionnaire in its final draft was ready to be distributed.

3.8 Measuring Validity and Reliability in This Study

Before testing the model hypotheses, the adequacy of each item had to be checked. Zikmund (2000) suggested the two-step approach for each multi-item scale, and it is evaluated by testing internal reliability, convergent validity and discriminant validity.

Reliability refers to the consistency, credibility and stability of results that enables the results to be reproduced (Burns & Burns, 2008). Consistency has two meanings, firstly it is mean that even when the respond time is differ the respondents should mark the questionnaire in the same way, Secondly when two respondents have the similar attitude to a service or product they will be able to identically mark the survey. Reliability also refers to whether other researches would expose the same data and information if they conduct a similar research (Saunders et. al., 2007).

Validity is defined as the capability of a measuring instrument to measure what is planned to measure (Wiedersheim-Paul & Eriksson, 1991). Internal validity is about the harmony between the concepts of the model and their effective definitions. External

validity is about the results gets by the researcher when using an effective definition. The research is valid when the researcher did what they said to do.

3.9 Gap Analysis between Customer's Expectation and Perceived Service

The key to guarantee a good service quality is by meet or exceed the customer expectations from the service. Thus, the definition of service quality from the perspective of customers, illustrated as the range of variation between customers' expectations and perceptions (Zeithaml, Parasuraman, & Berry, 1990). The difference or variance between customers' expectations and perceptions is called the customer gap. Customers' expectation is what the customers expect depending on the existing resources and is affected by culture, lifestyle, demographics, personality, information available online, advertising and experience with similar products. Customer perception is based on interaction of customers with the product or service. The most important gap in the service quality gap model is the customer gap (see Figure 3.1), and in a perfect world the customer expectation for the service will be almost equal to the customer perceived service quality. The gap analysis allows the management to recognize service quality shortages, in other words, it contributes in determining the gaps between numbers of variables influencing the quality of service.

In this thesis a questionnaire was developed depending on the SERVQUAL scale to measure the customer gap between customers' expectations and perceptions in the airline industry.
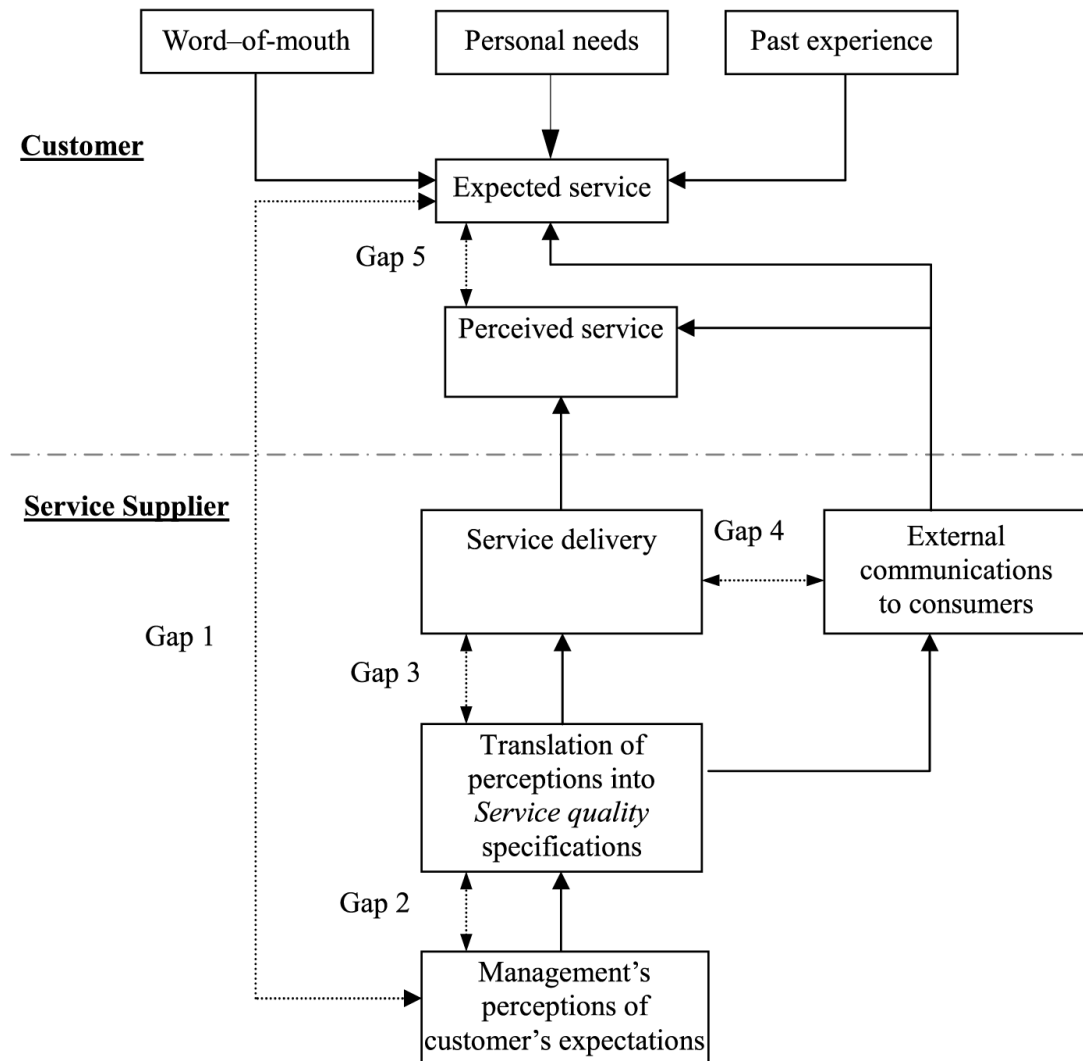
Figure 3.1: Service Quality Gap (Zeithaml, Parasuraman & Berry, 1990)

3.10 Hypotheses of the Study

In order to empirically test the conceptual model for CR, a number of hypotheses were formulated to find if the variables that discussed earlier in the literature can affect CR.

3.10.1 Service Quality and Customer Satisfaction

In the earlier study of marketing literature by Beerli et al. (2004) they conclude that there is a strong and positive relationship between service quality and CS. Several scholars noted that service quality is preceding CS, whereas others pointed to the

opposite. Jamal & Naser (2003) declared that service quality is preceding CS. Yet, they found that there is no significant correlation between tangible characteristics of service environment and CS. This conclusion is conflicted with earlier study by Blodgett and Wakefield (1999). A lot of researchers found that service quality is preceding CS (Parasuraman et al., 1988; Lee & Hwan, 2005; Kassim & Abdullah, 2010). In contrast, other researcher declared that CS is preceding service quality; they stated a likely clarification is that the satisfaction concept assumes an evaluative judgment by the customer for the received value (Bolton & Drew, 1991; Beerli et al., 2004). However, most of the researchers contrasted this finding. Therefore the hypotheses for each attribute of service quality in relation to CS are:

H1a: There is a positive correlation between responsiveness factors perceived from the professional service firm and customer satisfaction.

H1b: There is a positive correlation between reliability factors perceived from the professional service firm and customer satisfaction.

H1c: There is a positive correlation between tangibles factors perceived from the professional service firm and customer satisfaction.

H1d: There is a positive correlation between empathy factors perceived from the professional service firm and customer satisfaction.

H1e: There is a positive correlation between assurance factors perceived from the professional service firm and customer satisfaction.

3.10.2 Perceived Safety and Customer Satisfaction

Siomkos, (2000) argued that safety can influence CS and is similarly operated by personal characteristics. Mainly, safety is the most important criterion that the airline passengers are known to choose and regard (Atalik & Ozel, 2007; Gilbert & Wong, 2003). Anderson, Pearo & Widener's (2008) conducted a model for CS drivers but surprisingly safety was not considered one of the drivers.

Christian et al. (2011) argued that the effect of perceived safety on CS is different depending on the purpose of travel. They found that there is a significant relationship between perceived safety and CS for pleasure travelers, and they did not find evidence that satisfaction is influenced by perceived safety for business travelers. Therefore the hypothesis for the perceived safety in relation to CS is:

H2: There is a positive correlation between perceived safety received from the professional service firm and customer satisfaction.

3.10.3 Satisfaction and Customer Loyalty

CS for the presented service has been recognized as a fundamental determining factor for loyalty. Previous study of Anderson et al. (1994) has shown that satisfied customers are less price sensitivity, willing to provide a positive word-of-mouth that eventually will increase the customer base and the possibility of repeat business. CL is specified to

large extent by CS. Back & Parks (2003) also stated that the correlation between CS and brand loyalty was important. Therefore the hypothesis for CS in relation to CL is:

H3: There is a positive correlation between customer satisfaction received from the professional service firm and customer loyalty.

3.10.4 Reward Program and Customer Loyalty

Rothschild & Gaidis (1981) suggested that incentives derived from loyalty programs may be their result is the loyalty to the program not to the product or brand itself. Also, Dowling & Uncles (1997) agreed on the previous result and they noticed that perceived value of the reward program does not certainly turn into brand loyalty. The reason behind this is that the customers are expecting to develop advantages from the reward program rather than from the service or product itself. In Yi & Jeon (2003) research, they developed a study on loyalty by suggesting and experiencing fundamental relations between brand loyalty and program loyalty. The results displayed that the value of program loyalty can influence on brand loyalty simply out of loyalty program to the point that the loyalty program offers value to the customers. Known that the loyalty reward program is engaged to maintain or instill CL. Therefore the hypothesis for the loyalty reward program in relation to CL is:

H4: There is a positive correlation between loyalty reward program received from the professional service firm and customer loyalty.

3.10.5 Relationship Commitment and Customer Loyalty

Evanschitzky et al. (2006) recognize the effects of affective and calculative commitment on behavioral and attitudinal loyalty in the context of services. In comparison between emotional bonds with economic incentives and switching costs results proposed that emotional bonds provide a more enduring source of customers' loyalty. Thus, commitment is believed to be a significant antecedent to CL (ibid). Accordingly Davis-Sramek et al. (2008) discussed that in order, fulfilled services affect satisfaction, then commitment, loyalty and purchasing behavior in the long-term. Therefore, commitment and loyalty are correlated concepts. The hypothesis for the relationship commitment in relation to CL is:

H5: There is a positive correlation between relationship commitment received from the professional service firm and customer loyalty.

3.10.6 Satisfaction and Customer Retention

The correlation between CS and CR has received increasing interest in the relationship marketing literature, and various investigators have studied the effects of satisfaction on CR and they tried to draw a strong model that shows the link between satisfaction and retention (Gupta & Stewart, 1996; Murgulets et al., 2001; Sim et al., 2006). For instance, Sim et al. (2006) designed a model to evaluate the previous and subsequent factors that influence CS. The results presented that the concept of CR was directly dependent on the concept of CS.

Kotler (2000) stated that the key and fundamental way to CR is CS. Kotler recognized that satisfied customers will stay loyal for a long time, talk positively about the company, the customers are less sensitive to the price, they are less awareness to the competitors, they may offer service ideas to the business, and finally the cost to serve them is less comparing to new customers. In another study for Reichheld (1993), he found that satisfied customers may switch their suppliers sometimes, although dissatisfied customers do not always leave their suppliers. This result explained that CS may not have a direct and positive effect on customer retention. Therefore the hypothesis for the CS in relation to CR is:

H6: There is a positive correlation between customer satisfaction received from the professional service firm and customer retention.

3.10.7 Loyalty and Customer Retention

In general customer who feels that there is a value obtained from a service or product can improve loyalty. In Reichheld & Sasser (1990) research about customer defections, they concluded that there is a strong effect on the financial performance of an organization when the customers defect from the organization. Also, the researches propose that the longer an organization retains a customer they will become more profitable.

Rene et al. (2009), found in their research a highly significant relationship between values received and loyalty that influence on CR. Professionals should try to discover what promotes loyalty in their industry and take advantage of those elements. Loyalty in

sequence causes retention, which turns into higher profits for the organization. Therefore the hypothesis for the CL in relation to CR is:

H7: There is a positive correlation between customer loyalty received from the professional service firm and customer retention.

Chapter 4

DATA ANALYSIS AND RESULTS

This chapter will demonstrates the results of the study starting with the data analysis technique that have used for testing the conceptual model followed by general results and the model findings.

4.1 Data Analysis Technique

First-generation methods that include regression based approaches and cluster analysis belong to the statistical instruments main set that can be used for either confirming or identifying a theoretical hypothesis based on analyzing the empirical data. Regression-based approaches analyzing only one layer of relations between dependent and independent variables simultaneously, so to overcome the limitations of first-generation techniques the researchers started to use Structural Equation Modeling (SEM) as an alternative. Therefore, SEM considered as a technique for the second generation which can simultaneously model the relationship between multiple dependent and independent variables (Gefen, Straub & Boudreau, 2000).

In general, there are two methods for estimating the SEM parameters, and they are covariance based and variance based approach. The first approach, has received great importance during the last decades. The covariance-based approach for many researchers is repetitiously synonymous with the SEM (Chin, 1998). Even though there

are some different instruments that can be used to achieve this kind of analysis, like AMOS, COSAN, EQS, and SEPATH, but the LISREL program established in 1975 by Jöreskog turned into the most common one, and therefore LISREL is sometimes used as an alternative word for covariance-based SEM. Variance-based SEM contains the Partial Least Squares (PLS) analysis. The approach of PLS is developed to complement programs like EQS, COSAN and LISREL; it is well suitable for the estimation of regression models. The PLS approach is used in the estimation of the parameters of and Latent Variable Path (LVP) model. The PLS approach first builds new explanatory variables, identified as factors or components, which are linear components of variable predictor variables.

When testing the model of the study, PLS approach that was used and the result are shown in the next sections. For the rest analysis of the data another program has been used that known as Statistical Package for the Social Sciences (SPSS 20.0).

4.2 General Results

In analyzing the demographic data the SPSS statistical program was used and the results indicated that for the 331 useful samples that has been collected the respondents were 63.1% male and 36.9% female. For their age most of the respondents are between (20 – 30) years old with 56.2%. Regarding their marital status 72.2% of the students were single. One important question was about travel frequency and based on the results 39.3% of the respondents are traveling every six months followed by 22.7% who travel every three months. Based on the results most of the respondents were travelling for educational purpose exactly 52.9% of them (see Table 4.1).

Table 4.1: Descriptive Results

		Frequency	Percent
Gender	Male	209	63.1%
	Female	122	36.9%
Age	18 - 20	100	30.2%
	20 - 30	186	56.2%
	31- 40	28	8.5%
	41 - 50	11	3.3%
	51 - 60	6	1.8%
Marital Status	Married	62	18.7%
	Single	239	72.2%
	Widowed	2	0.6%
	Divorced	6	1.8%
	Engaged	17	5.1%
	Living together	5	1.5%
Travel Frequency	a few times a month	21	6.3%
	Once a month	17	5.1%
	Every three months	75	22.7%
	Every six months	130	39.3%
	Once a year	70	21.1%
	Less than once a year	18	5.4%
Purpose of Travel	Vacation	57	17.2%
	Business	44	13.3%
	Education	175	52.9%
	Family visit	51	15.4%
	Other	4	1.2%

4.3 ANOVA Analysis

Analysis of variance (ANOVA) was conducted for testing the overall significance of demographic variables on the dependent variables, except the gender which had been tested using t-test. ANOVA is a set of statistical models with two accompanying procedures for these models, where the means can be compared to various statistical communities by dividing the total variation observed among them in different parts. First method of ANOVA was developed by the statistical Ronald A. Fisher in the twenties of

the 20th century therefore, sometimes known as Fisher Analysis of Variance (Ronald A. Fisher, 1918).

In testing the demographic influence on the dependent variables, for the first three questions the results show that, for gender, there was no difference between the male and female and the null hypothesis was accepted. The result of age and marital status indicated that there is no difference between the groups. On the other hand, Table 4.2 contains an ANOVA Analysis for the frequency of travel.

Table 4.2: ANOVA Analysis for Travel Frequency

		Sum of Squares	df	Mean Square	F	Sig.
CS	Between Groups	5.296	5	1.059	1.864	.100
	Within Groups	184.687	325	.568		
	Total	189.982	330			
CS1	Between Groups	5.298	5	1.060	.955	.445
	Within Groups	360.526	325	1.109		
	Total	365.825	330			
CS2	Between Groups	2.980	5	.596	.627	.679
	Within Groups	308.948	325	.951		
	Total	311.927	330			
CS3	Between Groups	7.395	5	1.479	1.812	.110
	Within Groups	265.233	325	.816		
	Total	272.628	330			
CS4	Between Groups	11.618	5	2.324	2.653	**.023**
	Within Groups	284.660	325	.876		
	Total	296.278	330			
CS5	Between Groups	20.453	5	4.091	3.517	**.004**
	Within Groups	378.012	325	1.163		
	Total	398.465	330			
CL	Between Groups	7.518	5	1.504	2.371	**.039**
	Within Groups	206.071	325	.634		
	Total	213.589	330			
CR	Between Groups	2.700	5	.540	3.829	**.002**
	Within Groups	45.837	325	.141		
	Total	48.538	330			

The result displays that there is a difference in CL and CR. For overall satisfaction there was no difference, but in testing the significance for each question, the result shows that in CS4 and CS5 there is a difference, the reason is that travel frequency presents the experience about the airlines and these two questions are asking about the comfort relationship with the operator and reach the expectations of respondents. Table 4.3 contains an ANOVA test for the purpose of travel and there is a difference in CL and the null hypothesis was rejected, so the average of the CL is not the same for all groups.

Table 4.3: ANOVA Analysis for Purpose of Travel

		Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	4.202	4	1.051	1.843	.120
CS	Within Groups	185.780	326	.570		
	Total	189.982	330			
	Between Groups	7.788	4	1.947	1.773	.134
CS1	Within Groups	358.036	326	1.098		
	Total	365.825	330			
	Between Groups	4.955	4	1.239	1.315	.264
CS2	Within Groups	306.973	326	.942		
	Total	311.927	330			
	Between Groups	1.718	4	.430	.517	.723
CS3	Within Groups	270.910	326	.831		
	Total	272.628	330			
	Between Groups	6.748	4	1.687	1.900	.110
CS4	Within Groups	289.530	326	.888		
	Total	296.278	330			
	Between Groups	8.082	4	2.021	1.687	.153
CS5	Within Groups	390.383	326	1.197		
	Total	398.465	330			
	Between Groups	9.053	4	2.263	3.607	**.007**
CL	Within Groups	204.536	326	.627		
	Total	213.589	330			
	Between Groups	.222	4	.056	.375	.827
CR	Within Groups	48.316	326	.148		
	Total	48.538	330			

4.4 Gap Analysis

Gap analysis is the process that compares the customer expected service level to the actual perceived service from the company. Gap analysis tries to answer the company questions about where we are, and where we want to be. The reliability test was first conducted for this purpose using SPSS. As presents in the Table 4.4 the Cronbach's alpha has been found exceeding 0.5 the cut-off point which mean that the items are reliable (Cronbach, 1951). In addition Table 4.5 presents the mean and the variance for the expected and perceived service for each question.

Table 4.4: Service Quality Attributes Reliability

Service Expected	Cronbach's alpha	Service perceived	Cronbach's alpha
Rel-Exp	0.925	Rel-per	0.827
Res-Exp	0.880	Res-per	0.756
Tan-Exp	0.895	Tan-per	0.741
Ass-Exp	0.891	Ass-per	0.725
Emp-Exp	0.928	Emp-per	0.778
Expected alpha	0.960	Perceived alpha	0.896

Table 4.5: Mean and Variance for Service Quality Attributes

	Mean Expected	Variance Expected	Mean Perceived	Variance Perceived
Reliability				
Rel 1	4,11	0,963	3,51	1,190
Rel 2	4,08	1,009	3,49	1,099
Rel 3	4,07	1,067	3,55	1,024
Rel 4	4,18	1,040	3,67	1,234
Rel 5	4,07	0,974	3,67	1,106
Responsiveness				
Res 1	4,19	0,896	3,73	1,283
Res 2	4,11	0,962	3,60	1,088
Res 3	4,14	0,910	3,56	1,150
Res 4	4,22	0,874	3,73	1,256
Tangibles				
Tan 1	4,19	0,862	3,58	1,166
Tan 2	4,09	0,917	3,44	1,047
Tan 3	4,17	0,858	3,65	0,986
Tan 4	4,14	1,049	3,56	1,381
Assurance				
Ass 1	4,05	0,992	3,55	1,036
Ass 2	4,17	0,872	3,71	0,941
Ass 3	4,23	0,834	3,75	0,964
Ass 4	4,23	0,849	3,78	1,118
Empathy				
Emp 1	4,10	1,092	3,58	1,190
Emp 2	4,13	0,978	3,67	0,950
Emp 3	4,11	1,034	3,56	0,987
Emp 4	4,13	0,984	3,55	1,085
Emp 5	4,16	0,941	3,62	1,261

Using SPSS to analyze the gap between expected and perceived service, the result shows that the total gap is 0.5254, as shown in the Table 4.6 below (the gap for each attribute is shown in the table also). The biggest gap was in tangible attributes, in other words, the customer expectation on this part was higher than the perceived service comparable to the other attributes; this is mean that the airline industry did not meet the customer expectations in providing a modern and up-to-date technology, on board shop and comfortable seats, employee and inflight appearance, and better food and drinks during

the flight. The smallest gap was in assurance attributes, in other words, the perceived service in this part was nearest to the customer expectation comparing to the other attributes; this mean that the airline industry did meet the customers' expectation in better way regarding to the employees' ability of instilling confidence, trust and safety feelings toward the company, politeness and respect from the employees, and knowledgeable cabin crew.

Table 4.6: Gap Analysis

Gap=(Expected – Perceived)	Service Gap
Reliability Gap	0.5245
Responsiveness Gap	0.5083
Tangibles Gap	0.5914
Assurance Gap	0.4713
Empathy Gap	0.5317
Total Gap	0.5254

4.5 Validity and Reliability of the Measurement Model

Evaluating the measurement model by using PLS is based on convergent and discriminant validity and reliability. For measuring the internal consistency in this research and as shown in Table 4.7 that all the values of the Composite Reliability are exceeding 0.7, which is the cutoff point (Fornell & Larcker, 1981). Moreover, reliability can be measured by Cronbach's alpha that measures the internal consistency. The Cronbach's alpha cutoff is 0.5, as displayed from Table 4.7 that all Cronbach's alpha for all constructs are above 0.5, therefore it's considered to be highly reliable. Furthermore, all Average Variance Extracted (AVE) are exceeding 0.5, which suggests an additional

aspect of reliability. In this test, it can be notice that loyalty reward program is a single item question, and for this reason the results shows 1.00 for the reliability test.

Table 4.7: Quality Criteria

	Composite Reliability	AVE	Cronbach's Alpha
Assurance	0,828254	0,547309	0,725737
Commitment	0,865705	0,519465	0,816084
Customer Loyalty	0,857419	0,548574	0,793449
Empathy	0,850841	0,533388	0,780500
Reward	1,000000	1,000000	1,000000
Perceived Safety	0,823058	0,699769	0,575079
Reliability	0,878577	0,592279	0,827758
Responsiveness	0,845629	0,578498	0,757061
Customer Retention	0,751141	0,617360	0,466994
Customer Satisfaction	0,875747	0,586368	0,821740
Tangibles	0,839037	0,565993	0,744391

For the individual item reliability factor loadings are calculated, as shown in Table 4.8 all items loads above 0.5. Fornell & Larcker (1981) suggested two standards to evaluate the convergent validity; a significant indicator loading which exceeds 0.7 and each constructs AVE should exceed 0.5. As shown from the previous Table 4.7 the AVE has exceeded the cutoff point. Table 4.8 demonstrates the indicator loadings are above 0.7, except three items have 0.64, 0.63, 0.56 loadings.

The variables correlations in the model are illustrated in Table 4.9. The correlation coefficient must not be more than 0.9 to indicate that all the variables present diverse constructs; in this study all the variables had less than 0.9 indicators except one variable

which is the perceived safety had 0.91 because its construct was close to the question of assurance 2 and 4. Furthermore, measures have adequate discriminant validity when the square roots of AVE is larger than the correlations between the constructs; the table shows that all the correlations value are less, except the correlation between assurance and perceived safety. The last measure for the adequate discriminant validity is presented in Table 4.8 when the load of each variable construct it aims to measure is greater than any other constructs; the loads present that the measures have adequate discriminant validity.

Table 4.8: Factor Analysis and Cross Loadings

	Ass	Comm.	CL	Emp	Reward	Perc-Saf	Rel	Res	CR	CS	Tan
AffCom1	0,368861	**0,771630**	0,531528	0,307216	0,455343	0,344104	0,325046	0,351113	0,283522	0,323842	0,366113
AffCom2	0,385282	**0,784295**	0,475154	0,282602	0,376878	0,399397	0,317930	0,311629	0,175348	0,368434	0,342589
AffCom3	0,403035	**0,756352**	0,450178	0,292232	0,280817	0,375822	0,306816	0,264698	0,168815	0,364773	0,308736
Ass-Per1	**0,731920**	0,368427	0,284468	0,341686	0,100526	0,496643	0,372684	0,362507	-0,011014	0,334802	0,324645
Ass-Per2	**0,801852**	0,463767	0,336624	0,314903	0,219751	0,874301	0,439394	0,444508	0,022321	0,431760	0,325016
Perc-Saf	0,801852	0,463767	0,336624	0,314903	0,219751	**0,874301**	0,439394	0,444508	0,022321	0,431760	0,325016
Ass-Per3	**0,694715**	0,285701	0,268763	0,351747	0,043188	0,472187	0,238375	0,289576	0,013251	0,298346	0,281621
Ass-Per4	**0,726591**	0,319246	0,252724	0,427875	0,148185	0,796954	0,364305	0,359280	0,052638	0,346947	0,303580
Perc-Saf	0,726591	0,319246	0,252724	0,427875	0,148185	**0,796954**	0,364305	0,359280	0,052638	0,346947	0,303580
CalcCom1	0,293695	**0,630045**	0,321603	0,234041	0,299223	0,285032	0,221214	0,230795	0,186253	0,282230	0,217857
CalcCom2	0,292672	**0,670480**	0,355009	0,281328	0,277742	0,303608	0,245556	0,232525	0,191966	0,373922	0,225475
CalcCom3	0,383918	**0,698346**	0,377204	0,285878	0,259488	0,338468	0,307579	0,283474	0,156990	0,391791	0,321362
CL1	0,270894	0,367202	**0,672404**	0,221758	0,250625	0,290833	0,334882	0,207016	0,113502	0,331425	0,287629
CL2	0,175533	0,338700	**0,636580**	0,167430	0,247184	0,191988	0,240944	0,178160	0,093641	0,234276	0,244823
CL3	0,330011	0,439407	**0,818684**	0,228580	0,159149	0,299155	0,367627	0,282959	0,116381	0,343452	0,371285
CL4	0,312968	0,515289	**0,822171**	0,246898	0,209934	0,257215	0,301763	0,241208	0,181888	0,296551	0,344847
CL5	0,321571	0,493384	**0,734372**	0,231276	0,311024	0,274214	0,300323	0,265344	0,296616	0,277038	0,400618
Emp-Per1	0,441638	0,297093	0,211160	**0,666994**	0,169728	0,466851	0,285255	0,227695	0,100556	0,258486	0,365786
Emp-Per2	0,382106	0,286948	0,218035	**0,752663**	0,208216	0,310022	0,323294	0,223176	0,084142	0,249891	0,407714
Emp-Per3	0,201150	0,219743	0,178590	**0,728636**	0,158969	0,171305	0,301917	0,211358	0,052885	0,262289	0,357259
Emp-Per4	0,323347	0,295481	0,253120	**0,750859**	0,144721	0,279749	0,359157	0,274018	0,054157	0,252745	0,425347

Emp-Per5	0,400116	0,321072	0,230302	**0,748905**	0,171467	0,356890	0,298468	0,265910	0,091476	0,276784	0,392107
Rel-Per1	0,383002	0,338680	0,355837	0,310871	0,080442	0,390284	**0,799132**	0,352944	-0,023689	0,423554	0,414815
Rel-Per2	0,386535	0,343295	0,354410	0,336762	0,208651	0,400098	**0,841634**	0,334995	0,030224	0,378591	0,391999
Rel-Per3	0,418317	0,288921	0,285929	0,337860	0,165936	0,398183	**0,762190**	0,369462	0,127289	0,313590	0,355353
Rel-Per4	0,345590	0,310178	0,318391	0,311939	0,225078	0,349977	**0,721646**	0,344475	0,111210	0,301107	0,375534
Rel-Per5	0,345370	0,262017	0,281220	0,363824	0,164481	0,319415	**0,716050**	0,394479	0,116111	0,331690	0,370242
Res-Per1	0,394008	0,269559	0,215786	0,222339	0,096447	0,378799	0,340804	**0,713969**	0,056084	0,288959	0,246756
Res-Per2	0,361858	0,341087	0,258985	0,277673	0,154451	0,357902	0,346090	**0,813631**	0,013558	0,374528	0,298585
Res-Per3	0,394258	0,285676	0,250422	0,272983	0,145945	0,381639	0,386078	**0,758862**	0,054983	0,311306	0,232896
Res-Per4	0,378215	0,291945	0,250924	0,227051	0,145850	0,362469	0,344120	**0,752580**	0,134275	0,317858	0,255798
Reward	0,183544	0,459805	0,318602	0,233629	**1,000000**	0,223692	0,212765	0,179940	0,276608	0,156014	0,313321
CS1	0,389011	0,363722	0,327222	0,265612	0,124892	0,387607	0,376810	0,298845	0,018232	**0,762367**	0,282948
CS2	0,416204	0,395175	0,343821	0,310287	0,101548	0,398598	0,383163	0,338829	0,029337	**0,834220**	0,313943
CS3	0,365997	0,329033	0,263971	0,278054	0,123756	0,351988	0,348223	0,345035	0,073501	**0,778702**	0,267297
CS4	0,343486	0,380041	0,309414	0,243217	0,070248	0,325128	0,359556	0,394652	0,053597	**0,783476**	0,325158
CS5	0,330733	0,382349	0,278626	0,269091	0,189312	0,328554	0,286135	0,253327	0,148634	**0,659166**	0,292983
Tan-Per1	0,304613	0,287542	0,370490	0,328389	0,201911	0,235394	0,380479	0,254373	0,154123	0,266161	**0,743400**
Tan-Per2	0,312229	0,303926	0,356238	0,374308	0,256668	0,315013	0,358900	0,230424	0,143608	0,311419	**0,785875**
Tan-Per3	0,322024	0,268070	0,284562	0,471738	0,138194	0,289978	0,381864	0,253037	0,178549	0,284786	**0,747511**
Tan-Per4	0,316791	0,400166	0,354099	0,428358	0,337057	0,284341	0,376832	0,291039	0,188848	0,299817	**0,731407**
plan	0,045121	0,271831	0,236457	0,093798	0,258996	0,063247	0,081744	0,062414	**0,959646**	0,092907	0,223698
switch	-0,042111	0,120974	0,080271	0,080361	0,173948	-0,041813	0,043332	0,094529	**0,560179**	-0,002091	0,089147

Table 4.9: Latent Variable Correlations

	Ass	Comm.	CL	Empathy	Reward	Perc-Saf	Rel	Res	CR	CS	Tan
Ass	1,000000										
Comm.	0,494556	1,000000									
CL	0,388772	0,592490	1,000000								
Emp	0,479485	0,389690	0,298976	1,000000							
Reward	0,183544	0,459805	0,318602	0,233629	1,000000						
Perc-Saf	0,914241	0,475539	0,356310	0,434889	0,223692	1,000000					
Rel	0,487337	0,402928	0,417273	0,429127	0,212765	0,483353	1,000000				
Res	0,499076	0,392674	0,321410	0,329852	0,179940	0,484063	0,463938	1,000000			
CR	0,026809	0,272130	0,229348	0,105303	0,276608	0,042661	0,083887	0,082191	1,000000		
CS	0,483426	0,483047	0,399508	0,356865	0,156014	0,469104	0,460241	0,427490	0,080185	1,000000	
Tan	0,417250	0,420111	0,453552	0,533563	0,313321	0,375625	0,497008	0,341556	0,220872	0,387321	1,000000

4.6 Structural Model Test

PLS method was applied to investigate the hypotheses relationships. Chin (1998) recommended a bootstrapping technique to calculate t-statistics and path coefficients to test the model significance. Table 4.10 shows the path coefficients with t-values and R^2:

Table 4.10: Path Coefficients and T-Statistics for Structural Model

	Satisfaction	Customer Loyalty	Retention	R Square	Supported/ not supported
Responsiveness	0,163669 (2,20644)				Supported
Reliability	0,186482 (2,17599)				Supported
Tangibles	0,113741 (1,55240)				Supported
Empathy	0,047061 (0,74128)				Partly Supported
Assurance	0,149833 (1,22517)				Supported
Perceived Safety	0,099479 (1,00028)				Partly Supported
Satisfaction		0,153954 (2,05613)		0,335742	Supported
Reward		0,071454 (1,36303)			Supported
Commitment		0,485268 (8,03043)			Supported
Customer Loyalty			0,229348 (4,32688)	0,371788	Supported
Retention				0,052600	Supported

Notes: n=331, p<0.10

The path coefficient shows the relations strength between the independent and dependent variables, R^2 is for measuring the predictive power for the dependent

variables in the model. The results show that R^2 values for the dependent variables are (34%, 37%, and 5%) for CS, CL and CR in sequence. The path coefficient between the attributes of service quality and CS is positively significant except for empathy dimension that was positive but not significant, so the hypotheses (H1a, H1b, H1c and H1e) are accepted and H1d was partly supported. Perceived safety has a positive but not significant influence on CS, this finding partly supports H2. In testing H3, the result shows that there is a positive and significant relation between CS and CL and H3 is supported. Loyalty reward program and relationship commitment have a positive and significant influence on CL so H4 and H5 are supported. In testing the relationship between CS and CR, the results shows that there was no significance relation, consequently H6 was rejected. For the last hypothesis between CL and CR, the results indicate a positive and significant relation so H7 was supported. Figure 4.1 displays the model path coefficient and R^2 in details. Figure 4.2 displays the t-values for the model.
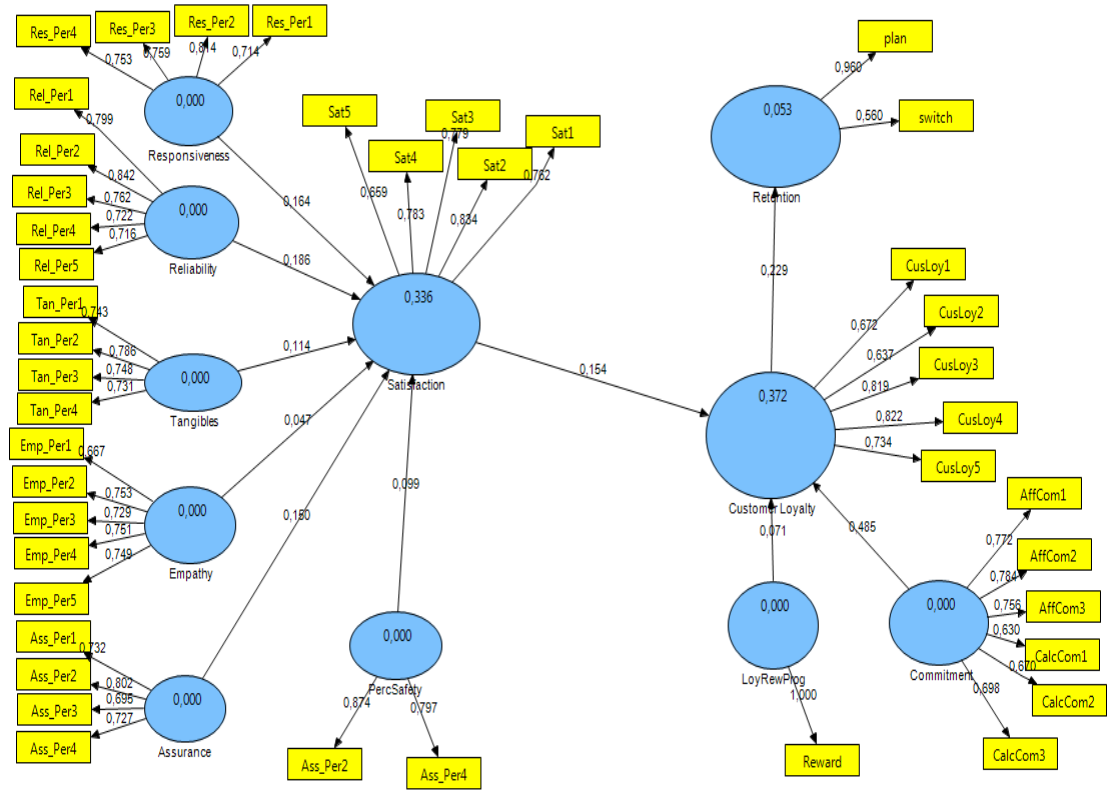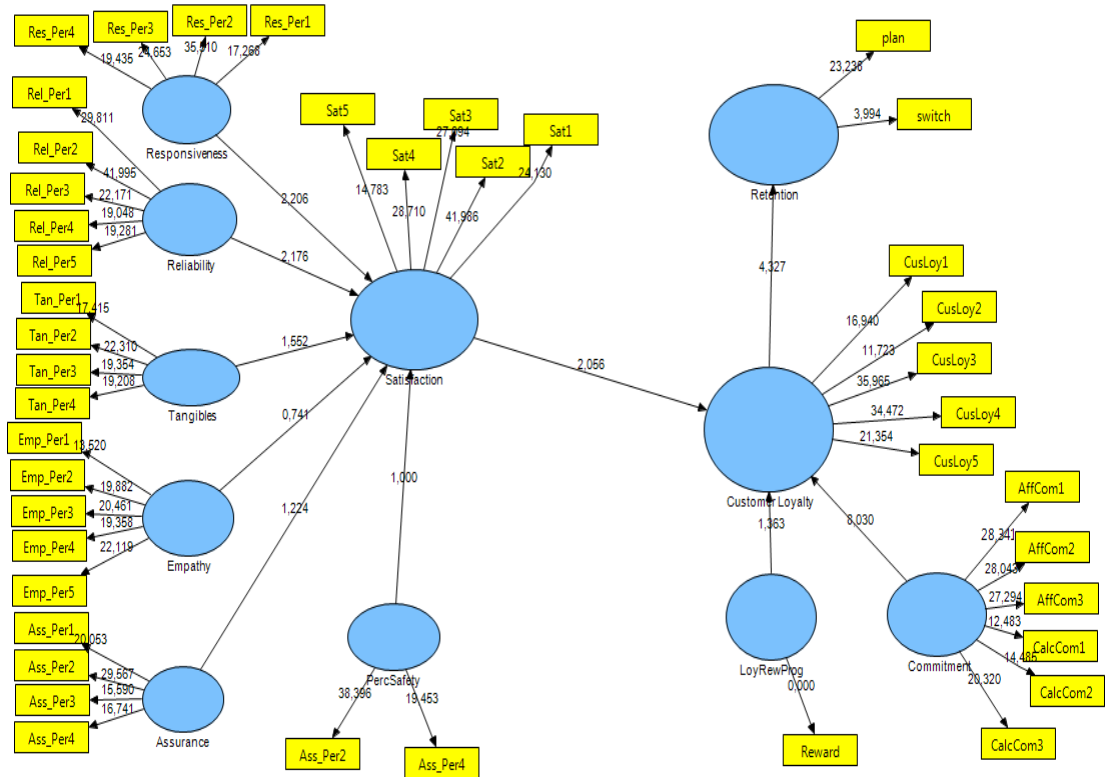
Figure 4.1: Model Path Coefficient

Figure 4.2: Model t-values

4.7 Analyzing the Purpose of Travel

The data was collected from four different purposes of traveling; these groups were tested separately to compare their influence on the conceptual model.

A. Business Travelers

Total respondents who were traveling for business purpose were 44 respondents. PLS method was applied to investigate the relationships between the variables using bootstrapping technique. Table 4.11 shows the path coefficients, t-values and R^2:

Table 4.11: Path Coefficients and T-Statistics for Business Travelers

	Satisfaction	Customer Loyalty	Retention	R Square
Responsiveness	0,070275 (0,43403)			
Reliability	0,301566 (1,74461)			
Tangibles	0,003954 (0,03374)			
Empathy	0,427457 (3,55264)			
Assurance	0,399288 (1,58982)			
Perceived Safety	-0,212974 (1,01488)			
Satisfaction		0,423739 (4,16675)		0,558814
Reward		0,354515 (3,25757)		
Commitment		0,169172 (1,18047)		
Customer Loyalty			0,336297 (3,23053)	0,575003
Retention				0,113095

Notes: n=331, p<0.10

The results show that R^2 values for the dependent variables are (56%, 58% and 11%) for CS, CL and CR in sequence. The path coefficient between service attributes and CS explain positive and significant relation for reliability, empathy and assurance dimension. The path coefficient explains positive but not significant relation for responsiveness and tangibles attribute. Perceived safety has a negative and not significant influence on CS. The results shows that there is a positive and significant relation between CS and CL. Loyalty reward program and relationship commitment have a positive and significant influence on CL. Also, the results indicate a positive and significant relation between CL and CR. Figure 4.3 displays the path coefficient and R^2 in details, and Figure 4.4 displays the t-values for the business travelers.
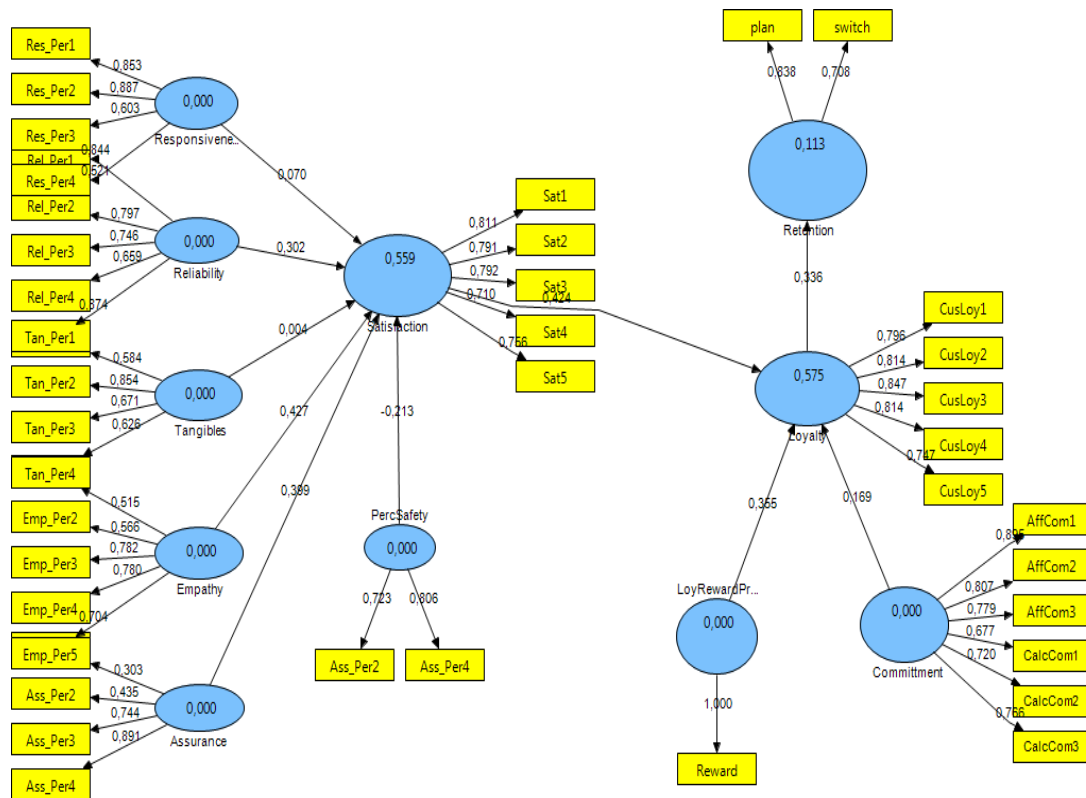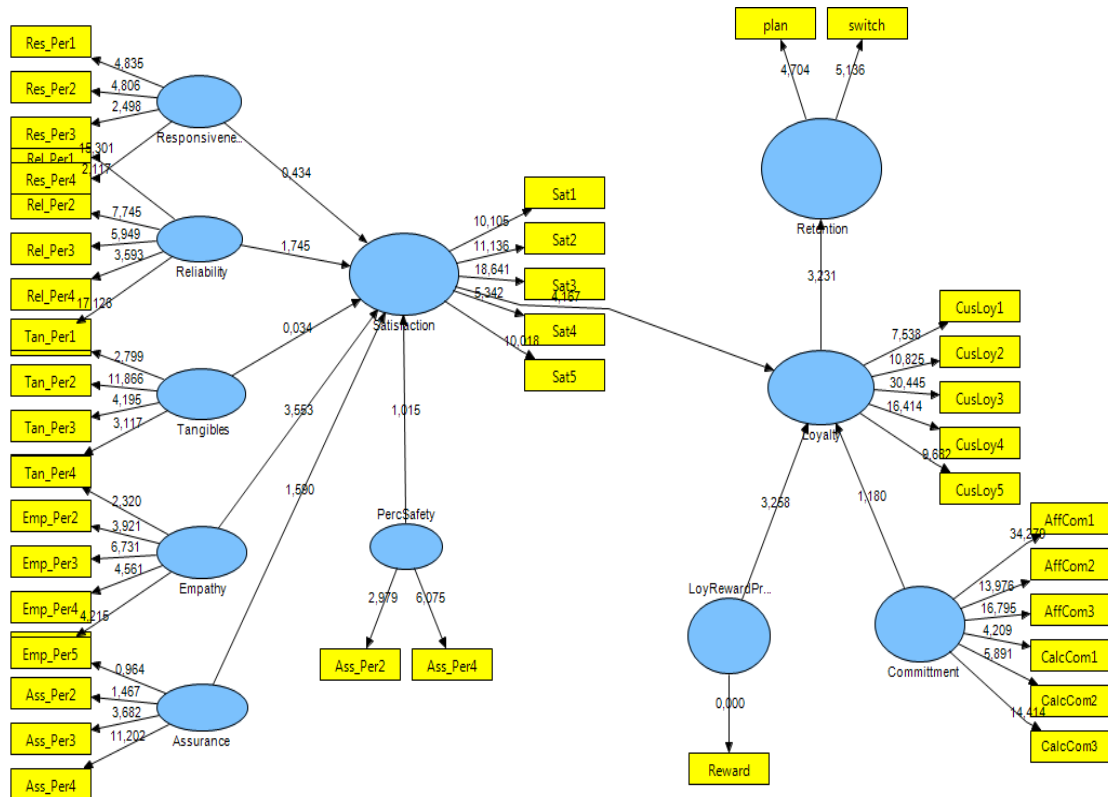

Figure 4.3: Business Travelers Path Coefficient

Figure 4.4: Business Travelers t-values

B. Education Travelers

Total respondents who were traveling for education purpose were 175 respondents. PLS method was applied to investigate the relationships between the variables, and for this purpose the t-statistics and path coefficients were calculated to test the model significance. Table 4.12 shows the path coefficients along with t-values and R^2.

The results show that R^2 values for the dependent variables are (42%, 34% and 2%) for CS, CL and CR in sequence. The path coefficient between service attributes and CS is positively significant for reliability, tangibles and assurance. But, for responsiveness and empathy shows a negative and not significant influence on CS. Perceived safety has a negative and not significant effect on CS. The results shows that there is a positive not significant relation between CS and CL. Reward program has a negative and not

significant effect on CL, relationship commitment has a positive and significant influence on CL. The results indicate a positive and not significant relation between CL and CR. Figure 4.5 displays the path coefficient and R^2, and Figure 4.6 displays the t-values for the education travelers.

Table 4.12: Path Coefficients and T-Statistics for Education Travelers

	Satisfaction	Customer Loyalty	Retention	R Square
Responsiveness	-0,042063 (0,31623)			
Reliability	0,372606 (2,19763)			
Tangibles	0,235636 (1,50072)			
Empathy	-0,027902 (0,20312)			
Assurance	0,290139 (1,67201)			
Perceived Safety	-0,094339 (0,60347)			
Satisfaction		0,182245 (1,03151)		0,421282
Reward		-0,070792 (0,46739)		
Commitment		0,497979 (3,26442)		
Customer Loyalty			0,119234 (0,50211)	0,338446
Retention				0,015217

Notes: n=331, p<0.10
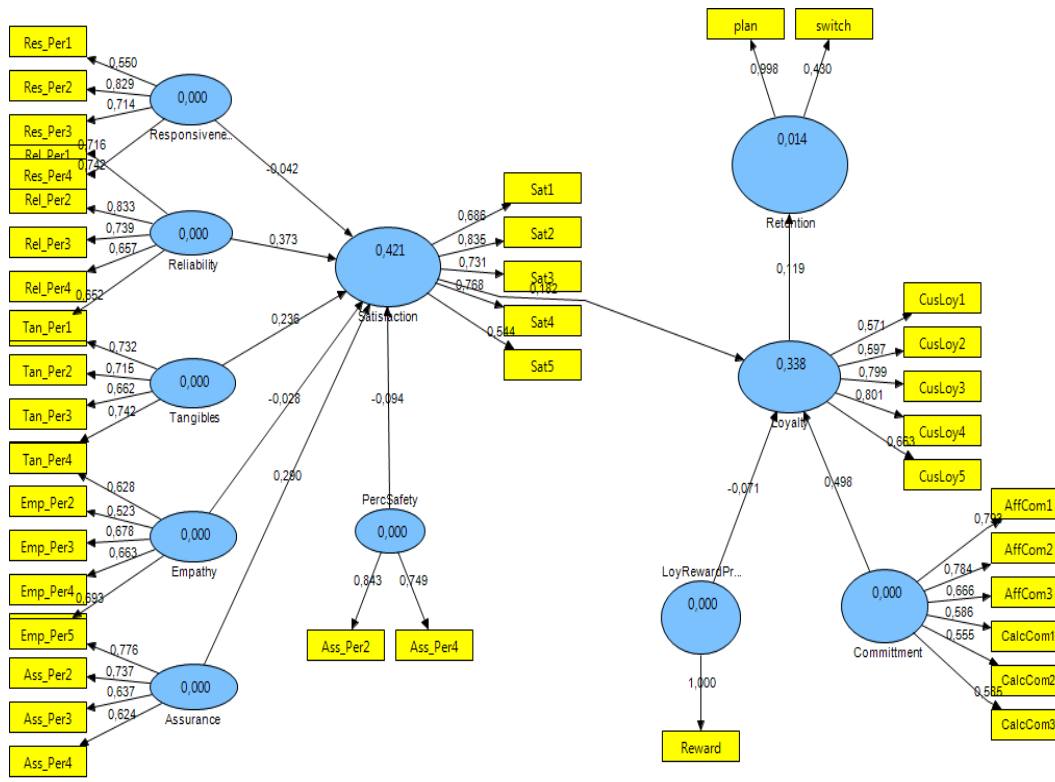
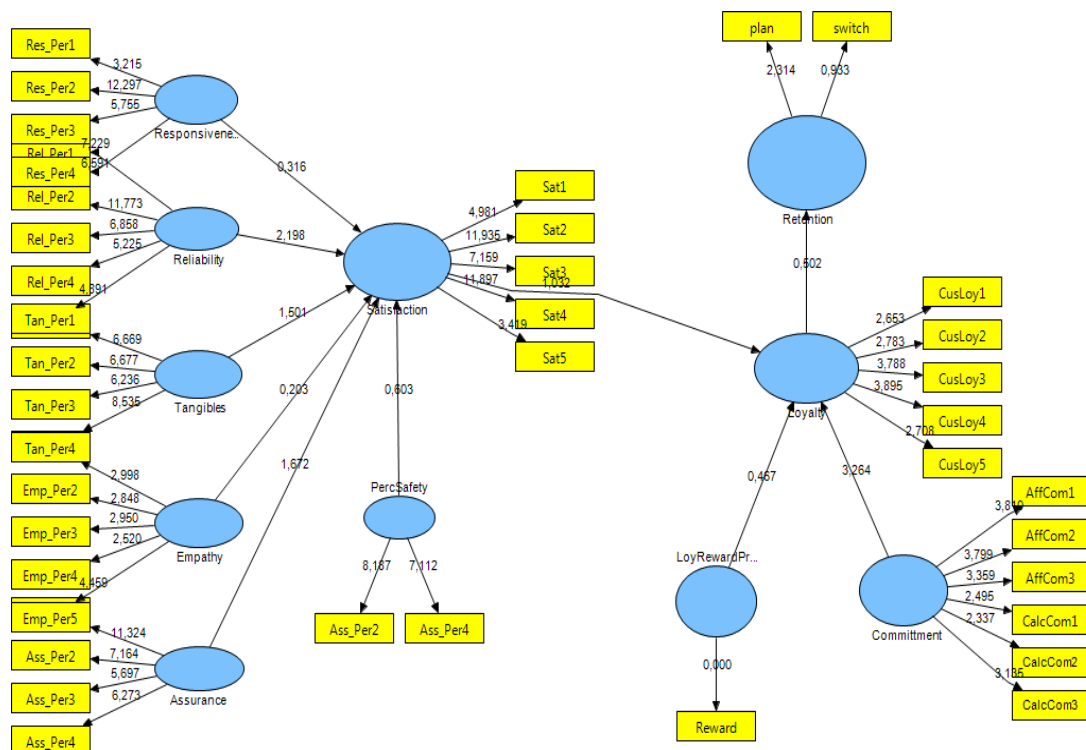Figure 4.5: Education Travelers Path Coefficient

Figure 4.6: Education Travelers t-values

C. Vacation Travelers

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Total respondents who were traveling for vacation purpose were 57 respondents. PLS method was applied to investigate the relationships between the variables, and for this purpose the t-statistics and path coefficients were calculated to test the model significance. Table 4.13 shows the path coefficients along with t-values and R^2:

Table 4.13: Path Coefficients and T-Statistics for Vacation Travelers

	Satisfaction	Customer Loyalty	Retention	R Square
Responsiveness	0,511241 (3,71523)			
Reliability	-0,151283 (0,92286)			
Tangibles	0,152029 (0,67500)			
Empathy	0,062787 (0,29593)			
Assurance	-0,123706 (0,31296)			
Perceived Safety	0,325697 (0,96162)			
Satisfaction		0,132496 (0,77076)		0,406782
Reward		0,139177 (0,81931)		
Commitment		0,593823 (3,37797)		
Customer Loyalty			0,478494 (3,25195)	0,409545
Retention				0,228957

Notes: n=331, p<0.10

The results show that R^2 values for the dependent variables are (41%, 41% and 23%) for CS, CL and CR in sequence. The path coefficient for responsiveness has a positive

and significant influence on CS. For reliability and assurance it has a negative and not significant influence on CS. tangibles and empathy show a positive but not significant relation with CS. Perceived safety has a positive, not significant influence on CS. The result shows that there is a positive but not significant relation for CS and reward program in relation to CL. The results indicate a positive and significant relation between CL and CR. Figure 4.7 displays the path coefficient and R^2 in details, and Figure 4.8 displays the t-values for the vacation travelers.
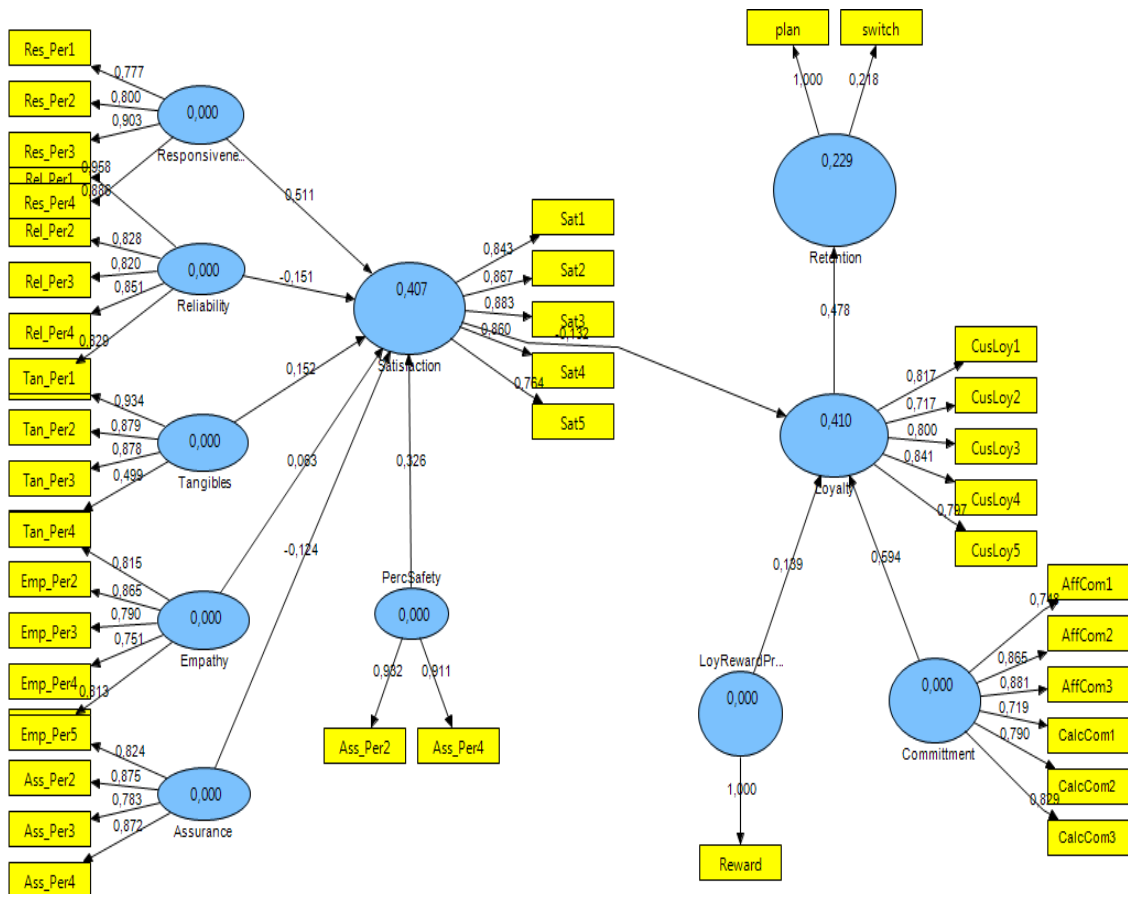

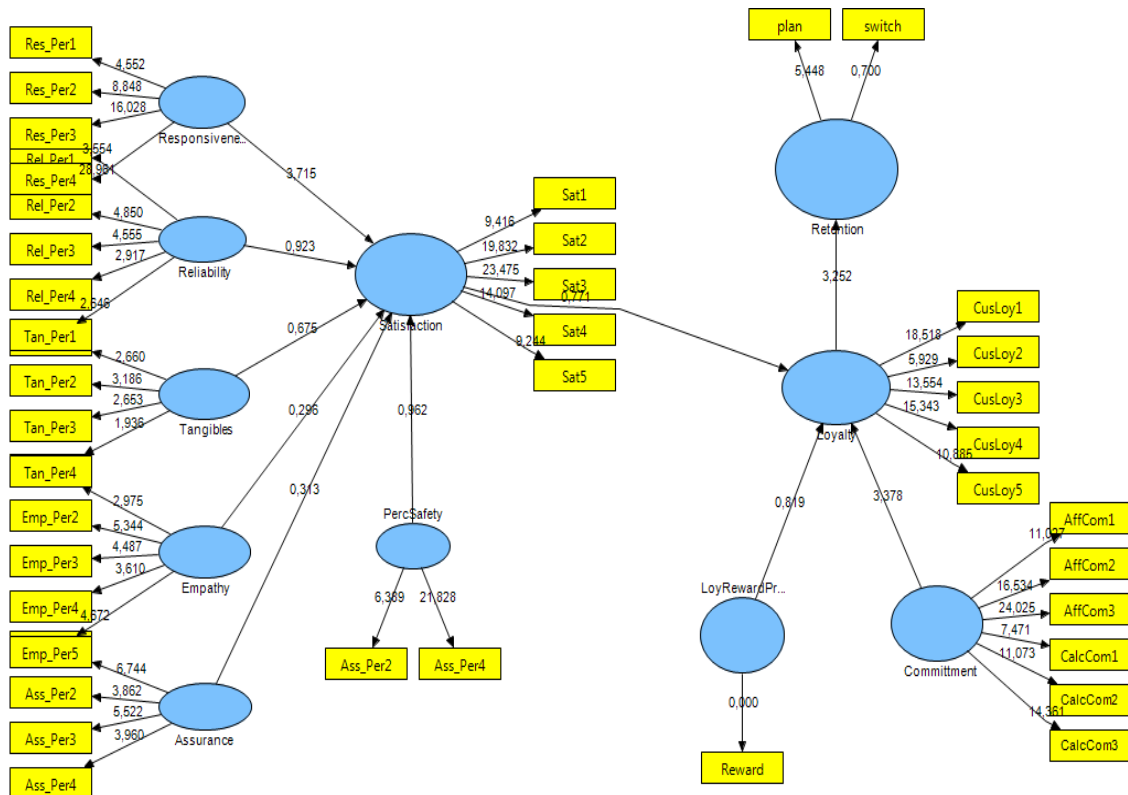Figure 4.7: Vacation Travelers Path Coefficient

Figure 4.8: Vacation Travelers t-values

D. Family Visit Travelers

Total respondents who were traveling for visiting their families' were 51 respondents. PLS method was applied to investigate the relationships between the variables, and for this purpose the t-statistics and path coefficients were calculated to test the model significance. Table 4.14 shows the path coefficients along with t-values and R^2.

The results show that R^2 values for the dependent variables are (0.551, 0.594 and 0.157) for CS, CL and CR in sequence. The path coefficient is positively significant for reliability and empathy, it is positive but not significant for responsiveness and tangibles attribute and it is negative and not significant for assurance attribute. Perceived safety has a positive and significant influence on CS. The results shows that there is a positive and significant relation between CS and CL. Loyalty reward program and relationship

commitment have a positive and significant influence on CL. Finally, the results indicate a positive and significant relation between CL and CR. Figure 4.9 displays the path coefficient and R^2 in details, and Figure 4.10 displays the t-values for the family visit travelers.

Table 4.14: Path Coefficients and T-Statistics for Family Visit Travelers

|	Satisfaction	Customer Loyalty	Retention	R Square
Responsiveness	0,016575 (0,09357)			
Reliability	0,312542 (1,75415)			
Tangibles	0,057720 (0,32564)			
Empathy	0,347362 (1,76569)			
Assurance	-0,768039 (0,99461)			
Perceived Safety	0,855170 (1,18537)			
Satisfaction		0,268459 (1,54735)		0,406782
Reward		0,140765 (1,60232)		
Commitment		0,499038 (3,45303)		
Customer Loyalty			0,396715 (4,85234)	0,409545
Retention				0,228957

Notes: n=331, p<0.10
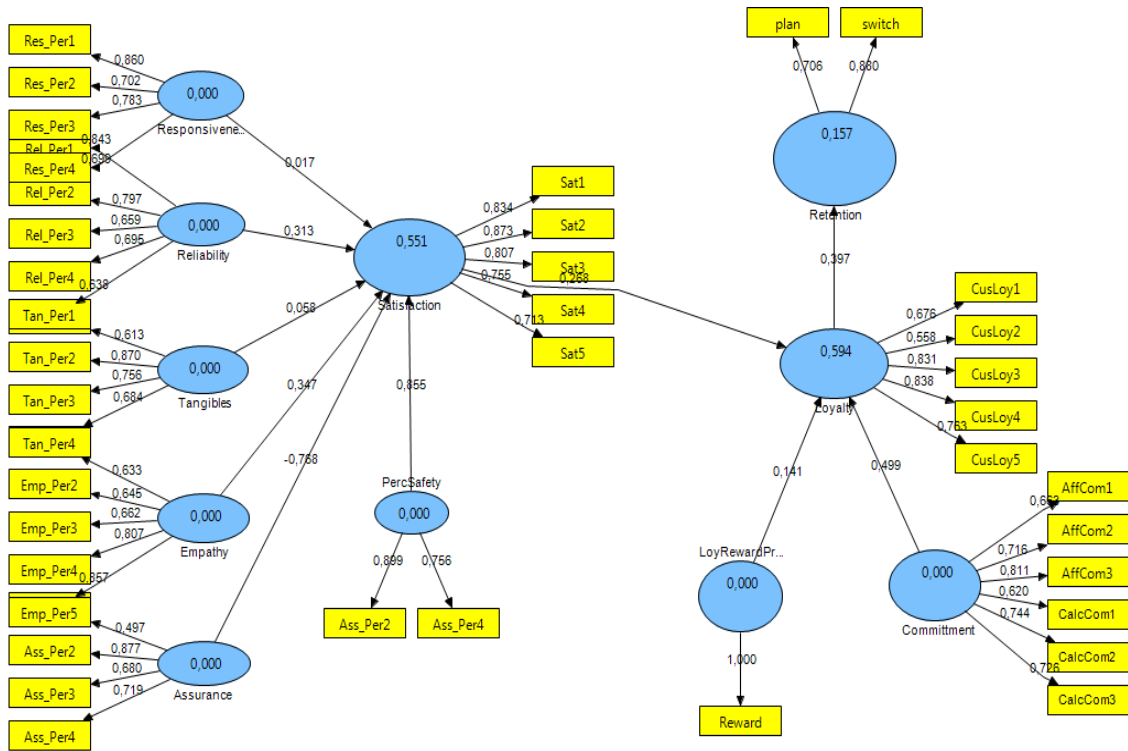
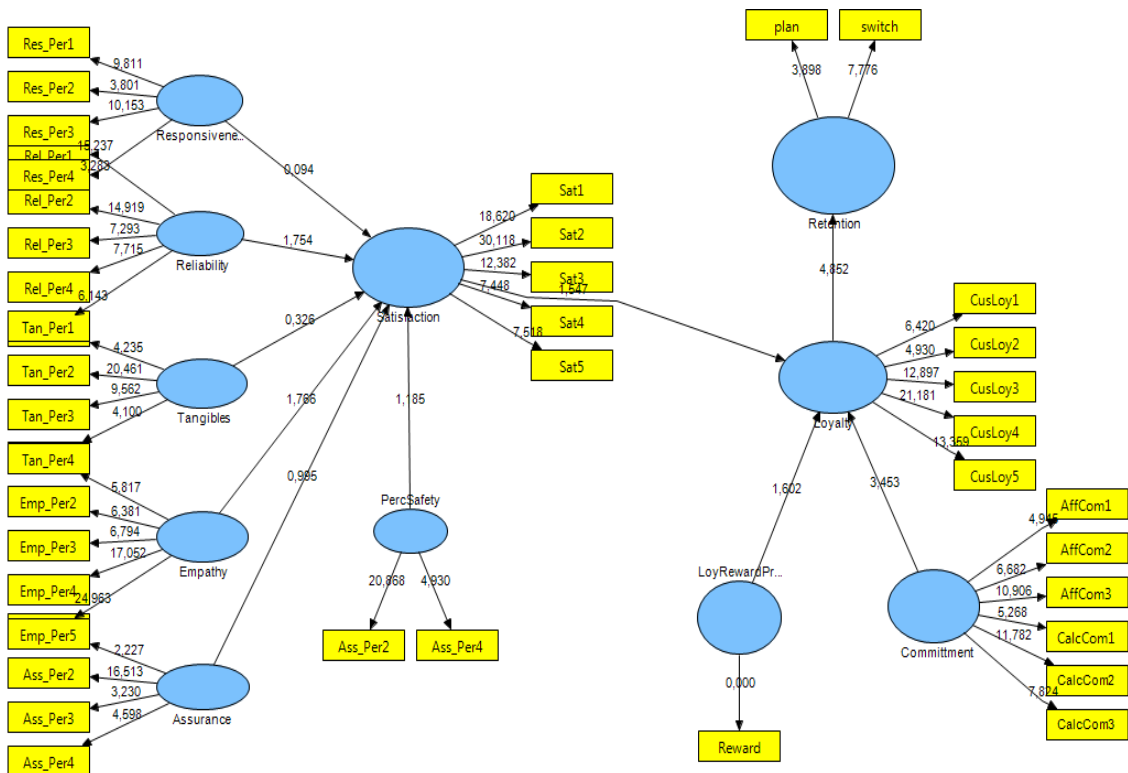Figure 4.9: Family Visit Travelers Path Coefficient

Figure 4.10: Family Visit Travelers t-values

Chapter 5

CONCLUSION AND MANAGERIAL IMPLICATIONS

This chapter will present the final conclusion about the study and demonstrate the factors affecting customer retention. Later, the managerial implications will be introduced to the management team.

5.1 Conclusions

The hypotheses in this thesis tried to connect service quality, satisfaction and loyalty along and finally reach to measure their effect on CR with other sub-factors that may affect satisfaction and loyalty.

Hypothesis 1 was included five dimensions for service quality attributes (responsiveness, empathy, tangibles, assurance and reliability) depending on Parasuraman et al. (1988). These dimensions were imposed a positive and important relation with CS. From the results, the first hypothesis that includes H1a, H1b, H1c, H1d and H1e was supported and specify that service quality affect CS positively. This finding describes that good service is affecting the CS and dissatisfaction, but in different rates and in this case the reliability had the greatest impact on satisfaction, because of its importance in the airline industry from the customer perspective. On the other hand, the empathy had the least impact on satisfaction as it does not matter for the customers and they do not expect and perceive any kind of special treatments even if

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they were an old client to the company. These results show consistently with the earlier studies (Jamal & Naser, 2003).

Hypothesis 2 "A positive correlation between perceived safety and CS" was supported and there is an important and positive relation among safety perceived from the Airline Company and CS. The finding indicates that the safety reputation and the cabin crew knowledge can increase CS. This result shows consistently with the earlier studies (Atalik & Ozel, 2007; Johnson, Garbarino & Sivadas, 2006).

Hypothesis 3 "A positive correlation between CS and CL" was supported in this thesis. The findings demonstrated that consequently satisfaction affect loyalty and when the customers are satisfied with the service they will have the intention to repurchase from the same company with readiness to provide a positive word-of-mouth. This result agreed with the earlier literatures (Anderson et al., 1994; Back & Parks, 2003).

Hypothesis 4 "There is a positive correlation between loyalty reward program and CL", this hypothesis was supported. The results indicate a positive and significant relation combines reward program and loyalty, this relation is based on that when the company offer additional services or rewards for their current and old clients, significantly the customers will be more loyal to the company. This finding is compatible with the previous researches (Rothschild & Gaidis, 1981; Yi & Jeon, 2003).

Hypothesis 5 "A positive correlation between relationship commitment and CL" was supported. This finding has a positive and highly significant effect on CL as it is divided

into affective and calculative commitment. When the customers are committed to the company because of emotions or feeling of trust and fiscally committed because of rational and limited switching cost, then the customers will have a loyal relation with the company or the provider of the service. This finding is compatible with the previous researches of Evanschitzky et al. (2006).

Hypothesis 6 "A positive correlation between CS and CR" was not supported. The results of this study did not show a positive relation between CS and CR. This means that in this study the CS not necessarily affects CR directly and even if the customers were satisfied they will continue to switch or they are planning to switch just for having the other companies experience. Therefore, the correlation between satisfaction and retention in this study was eliminated.

Hypothesis 7 "A positive correlation has been found between CL and CR" was accepted and supported. The findings indicated that for retaining the customers they have to be loyal first and this will lead them to repurchase from the same services again with reducing the probability of switching and eventually this will lead to more profit for firms. This finding is compatible with the previous researches of Rauyruen & Miller (2007).

The results for the four groups of purpose of travel show that most of the service dimensions have a positive influence on CS. Perceived safety had a negative influence on satisfaction for business and education travelers because they fly more frequently than vacation and family visit travelers, also they are more familiar with the routine of

flying, this finding is compatible with the previous researches (Christian et al., 2011; Aksoy, Atilgan & Akinci, 2003). Another interesting finding is that reward program has a negative effect on CL for education travelers and this mean that reward program do not has any effect on loyalty and do not contribute to increasing the loyalty of students. The reason for this result is that students do not have any interest in the cars or hotels that the company is offering.

5.2 Managerial Implications

The research shows that service quality, satisfaction and loyalty still play major and important role in retaining the customers, noting that the sample was taken from students. The airline managers should increase their efforts to form a tough client base in satisfaction and loyalty, but this have to be first with improving the service quality, work to meet the customers' expectations and trying to create the difference in the company services to build the CL. The airline managers can start with providing better services regarding the tangible attributes in the airplane because the results shows a bigger gap in this part, the service include using modern equipment and aircrafts with comfortable seats, serving better food and in-flight entertainment. The services need to be unique to make sure that the clients will not choose another company because the real reason for leaving the company and choosing another seller is indifference toward the service. Beside service quality airline managers can also put an effort for increasing in-flight safety and this will influence CS. If the perceived safety is very high already then the managers should put more efforts in letting the passengers know about their high standards for in-flight safety. Reward program also have positive effect on increasing CL, so airline managers should improve reward program for the frequent passengers and

may be adopt other rewards for even the new passengers. The airline companies can offer some discounts to specific places, may be with hotel discount and car renting (customers prefer rewards with cash value), but the airline managers should remember that the reward program should be planned well with the strategy and the capabilities. Relationship commitment is so important to increase CL, when the passengers are committed to the airline company financially or emotionally that will increase their loyalty. The airline managers should pay more attention to this part as it will increase CR consequently, the recommendation could be about providing more training programs to the employees and also empowering their employees so they can make the decision when they see it right, or minimize the cost of operations and by determining the break-even point the company can also minimize the price of tickets and be the low cost leader and use it as a competitive advantage. Finally by improving some services this will eventually lead to more satisfaction and loyalty from the customers and they will retain in the company as long as the services will reach or exceed their expectations.

5.3 Recommendations and Suggestions

During this thesis the influence of service quality, CS, perceived safety, reward programs, commitment and CL had been tested on CR in airline industry in North Cyprus, so it will be recommended to use another factors that may affect CR like switching barriers, ticket price and trust. Also, future studies may include service quality for ground handling in addition to in-flight services.

Future studies may overcome the limitations in this thesis for example using larger sample size and conduct the survey in airports to test another target sample. This study

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was conducted in a limited time period, so the recommendation is to specify more time and effort to collect and analyze the data to get more realistic results. Using another method for analyzing the results may be helpful to get more accurate results like regression based analysis.

The sizes of the data used for the four groups of purpose of travel were not equal, so future studies may try to overcome this limit in this thesis. Finally, test the profitability of service providers from retaining the customers.

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