

CUSTOMER LOYALTY AS THE IMPLICATIONS OF PRICE FAIRNESS DETERMINED BY RELATIONSHIP MARKETING AND SERVICE QUALITY OF AIRLINE SERVICES

Sandriana Marina,
Dwi Kartini,
Diana Sari,
Septiadi Padmasasmita

ABSTRACT

This study aims to find alternative solution models through excavation and analysis of data and information about the structural impact between relationship marketing, service quality, price fairness, and customer loyalty. The methods used are descriptive and verification with data analysis applying Structural Equation Modeling. Primary data were collected through a survey of 200 domestic-scheduled-airline passengers at the airport hub of the Java Island region. The results show that customer loyalty formed by relationship marketing through the price fairness is more dominant than the effects of service quality on customer loyalty through price fairness. This study has limitations. Customer loyalty is not only influenced by relationship marketing, service quality and price fairness, but also affected by other factors that need further research. The results also suggest expanding the unit-analysis study so as to contribute more in studying the customer loyalty.

Keywords: Relationship Marketing, Service Quality, Price Fairness, Customer Loyalty

Introduction

Competition in aviation services industry causing customers are increasingly savvy, price conscious and aware of the benefits gained. Advances in communications technology play roles in increasing the competition intensity. Customers get access to more information on various products offered. The condition causes the customers have more choices in spending their money. For consumers, the costs spent to meet the needs and desires should be as expected; thus, causing satisfaction (Kotler, 2007; Malhotra, 2009). Companies realize that customer satisfaction is the main thing should be achieved by the company to gain the customers' loyalty. According to Ozlen, et.al, (2012), loyalty is essential for business continuity. The research of Wan-Ping Pi and Hsieh-Hong Huang (2011), which measures the indicators of repeat purchase and the purchase of other products or services, refuse services of a competitor and recommendation to others. To achieve customer loyalty, the company must create customer satisfaction. Some ways to gain customers loyalty is through acceptable price and the company's image. Consuegra et.al. (2007) stated that to define the relationship between price and customer loyalty is first necessary to discuss the concepts of price fairness and price acceptance. Virvilaite et al. (2009) agreed that there is a close relationship between the price fairness and customer loyalty. Consuegra et al. (2007) found that there is a relationship between the price fairness to satisfaction and loyalty in service companies. Bei and Chiao (2001) also found similar results. This research is the development of previous studies that customer loyalty is the implication of the price fairness established by relationship-marketing and service quality.

LITERATURE REVIEW

Perceptions of Relationship Marketing

The concept of relationship-marketing gives more attention to the on-going transaction and uses it as a basic to build sustainable marketing relations in the future, so that the process of marketing does not end as the transaction done; different to the concept of transactional-marketing which assumes that the process of marketing is done when the transaction completed and the product moved from the seller to the buyer (Gummesson, 2012).

Customer commitment is basically a longstanding desire within the customer. The goal is to maintain the valuable relationships or relationships that provide benefits. Customers will have a strong commitment if the relations made are considered important; and communication is a process used by both consumers and companies to share information in order to achieve mutual understanding (Morgan and Hunt, 1994). Trust is seen as fundamental and important in the business world. Singh and Sirdeshmukh (2002), Donney and Cannon (1997) stated, trust is the basis for building and maintaining long-term relationships. Trust in marketing theory is a basic policy to develop and maintain long-term relationships, create a mutually beneficial relationship with customers, and to increase the competitiveness (Barney & Hansen, 1994). A research on relationship-marketing conducted by Ndubisi (2007) was carried out in the banking sector in Malaysia with the selection of dimensions covering commitment, communication, conflict resolution and confidence.

A company must always try to offer new opportunities to create personal relationship between seller and the customers (Bejou and Palmer, 1998). The marketers' role does not only bring the products out to the market, but also take the customers into the

company; to learn more and know earlier about their desires and needs. If the company has no interest to their buyers, then, they will have no customers (Hunt, 2011).

Relationship-Marketing has been the focus of numerous studies on service industry, especially in flight service industry. The relationship-marketing is measured by the dimensions of trust, commitment, communication and conflict management (Ndubisi, 2007; Gedefaw, 2014; Limo K, 2014); commitment, relationship, and trust (Kanagal, 2009); trust, commitment, empathy and responsiveness (Nwakanma, et al., 2007); satisfaction, trust and commitment (Wan-Ping Pi & Hsieh-Hong Huang, 2011); relationship quality, commitment, trust and conflict (Taleghani, et al. 2014).

Based on those studies on relationship-marketing, the researchers produce a variety of definitions, although basically they convey the same meaning: companies that are able to retain customers longer have a better performance than companies relying on new customers. (Gummesson, 1997; Gronroos, 2000; Sheth & Parvatiyar, 2000; Palmatier, 2008).

Perceptions of Service Quality

As pioneers on the concept of Service Quality, Parasuraman, Zeithaml and Berry (1988) stated that the overall perception of quality is customer expectations disconfirmation and service evaluation, or in other words the service quality is a comparison between expectations and perceptions. The concept of service quality by Parasuraman is Servqual. Gronroos (1984), suggested that the service quality is a function of what the customer actually received (technical quality), and how the service is delivered (functional quality). Lovelock and Wright (2007) stated that the service quality is a long-term cognitive evaluations of customers towards the service delivery of a company.

In general, good services provided by a company will generate high satisfaction and repeat-purchase. However, later study showed Servqual model does not correspond to the actual model of the service industries studied (Cronin and Taylor, 1992). Therefore, it is assumed that the actual service quality measuring devices cannot be generalized. Research conducted by Cronin and Taylor (1994) showed that higher impact is resulted by measuring the service quality based on performance; that is Servperf measure service quality as perceived by the consumer or performance. Gilbert and Wong (2003) found there is significant difference in service expectations among the different-ethnic (nationality) passengers in different travel-destinations. But there is no significant difference in service-expectations between the decision-makers and not the decision-makers in choosing a flight. Based on the definitions of service quality of some experts above, it can be concluded that service quality is the customers' perception of the services offered by the service-owners to the service users that can meet the services users' expectations and can affect the level of service users' satisfaction.

Perceptions of Price Fairness

Basically, consumers tend to consider the relations between prices and their expectations on the performance of the purchased products. Therefore, the selling price may be compared to a previous buyer experience (Hermann et al, 2007). Consequently, if the buyer feels that the benefits offered by the product are perceived high, they will count the price as more than fair; it is referred to as Price Fairness (Monroe, 1985).

According to Matzler (2007) Price Fairness is the consumers' perception where the difference between the prices received is decent compared to others, may be considered that the price is acceptable. Meanwhile, the price fairness has been described as an outcome or a process to reach an acceptable or fair viable outcome (Consuegra et al, 2007). Therefore Ruiz et al, (2008) argued there are three basic references of prices for consumers in assessing the price fairness, those are: 1) The price in the past; 2) The price applied by competitors; 3) The price charged by the company.

Based on the definitions of the experts, it can be concluded that the price fairness is a situation where consumers feel the difference between the benefits received well worth the sacrifice given; and the offered price is accepted to the price procedures associated with standard, the reference or norm.

Perceptions of Customer Loyalty

Loyalty is literally translated as faithfulness, one's fidelity against an object. A customer is one used to buy a product. Habits are formed through the purchase and frequent interaction over a given period. Without strong-relationships stock record and repeat purchase, ones are not the customers (Griffin, 2003). Kotler et al. (2006) found that customer loyalty has an important role in a company; maintaining those means improving financial performance and keeping the viability of the company. This is the main reason for a company to attract and retain them. Loyalty is associated with the repetitive-purchase behaviors or recommendation to others. Oliver (1997) defined loyalty as a commitment for repeat purchasing preferred products or services consistently in the future; despite situational influences and marketing efforts have the potential to carry out the changes. Griffin (2005) stated that the concept of loyalty is more directed to the behavior compared to the attitude; and a loyal customer shows purchasing behavior can be defined as a pattern of regular purchases in a long period of time, conducted by the units of decision-makers. According to Wan-Ping Pi and Hsieh-Hong Huang (2011), customer loyalty is when the customer has a desire to buy a product or service from a company, re-purchase, recommend to others and refuse services of a competitor.

Based on some definitions of consumer loyalty above, it can be concluded that consumer loyalty is the loyalty of the customers that is presented in a consistent purchase of the products or services in a period of time; and there is a good attitude to recommend other people to buy the products. Loyalty indications require a measurement of attitude combined with measurements of the behavior.

HYPOTHESIS FORMULIZATION

Relationship-marketing has a strategic role in aviation industry. The relationship-marketing implementation on Airline Company is to build and maintain committed customers who give profit to the company and at the same time minimize the time and effort spent on less profitable customers (Zeithaml and Bitner, 2003). Gummesson (1999) noted relationship-marketing as relationship, networking and interaction. From the perspective of practitioners, it is considered as a strategy to improve existing relationships by expanding the depth of relationship (by investing more money on products and company's services) and to concentrate the business on the most profitable customers. Kotler and Armstrong (2012) stated that in forming a stronger bond with customers, relationship-marketing can be done through three approaches; the financial approach through cost saving benefits by offering discounts and promotional pricing, social benefits by providing personal services and structural bonding through the award or administration of any information needed by the customer. This approach would lead to customers' confidence and acceptance; that the sacrifice issued is in accordance with what they receive, so that consumers feel the price offered is fair. This is consistent with the research results of Consuegra et al (2007).

According to him, the concept of price fairness is when consumers assess the fairness of the price compared to the quality; their perception of the price will be favorable and reasonable. Evaluation is done by measuring using five indicators: 1) fair price; 2) reference price level which is a comparison between price with similar products; 3) price discrimination, that is the passenger feels natural if there are differences in prices paid in certain situations; 4) the pricing policy; 5) ethics in which a set price is an ethic of communication, where the customer is always informed if there are changes in prices.

Service Quality is defined as an attitude or judgment relating to the overall excellence or service superiority. It is also expressed as the difference between customer expectations and perceptions on service performance (Parasuraman, et.al, 1985). Likewise, according to a study by Gronroos (2000), service quality is a comparison between the customers' expectations and the service they receive. In other words, the service quality is considered as a construct to measure the gap between customer expectations and perceptions. In order to build long-term profitable relationships with customers, the company must create customer satisfaction and loyalty that can be achieved through the creation of a fair price and good service quality (Srikanjanarak Omar and Ramayah, 2009). This becomes the basis of the proposed hypothesis development, namely:

H1 : Relationship-marketing and service quality affect the price fairness of domestic-scheduled-flight services company at the airport hubs in Java either simultaneously or partially.

The application of relationship-marketing concepts is the success key of Airline Company in running the business. Unlike the transactional-marketing, relationship-marketing is more emphasizing on developing and maintaining long-term relationships between companies and customers (Sheth & Parvatiyar, 1995). Flight service characteristics offer many opportunities to practice relationship-marketing approach. For example, a relatively small part of the customer accounted for most of the profits for the airline. Relationship-marketing needs to be done in the best interest for airlines to establish a long-term relationship with their customers, to re-ensure patronage (Shaw, 2004). Despite the success of the relationship marketing scheme is not easily achieved to reach the passengers' loyalty due to the resources and efforts to maintain the loyalty affect the level of profitability and effectiveness (Gilbert, 1996), the efforts of successful relationship-marketing are proven to increase customer loyalty and corporate performance through strong relations. (De Wulf, Odekerken-Schröder, and Iacobucci, 2001; Sirdeshmukh, Singh, and Sabol, 2002).

Competitive environment in the airline industry has demanded every airline to maintain or gain new customers. One of which is through improving service quality. The airlines that are able to provide the best service will be the first choice of the customers of aviation services, and vice versa, service dissatisfaction will make the customers easily move to other airline flights. Zeithaml and Bitner (1996) explained that customer satisfaction is influenced by the service quality. Customers always make an assessment of the services received and compared with what is expected or desired (Parasuraman et al., 1988). Services can be defined as the behavior of service providers (airline) to meet the customers' needs and desire to achieve the service users satisfaction. High perceived service will generate high satisfaction and are expected to create loyal customers who will make repeat purchases continuously. This becomes the basis of the hypothesis development, namely:

H2 : Relationship-marketing and service quality affect customer loyalty of domestic-scheduled-flight services company at airport hubs in Java either simultaneously or partially.

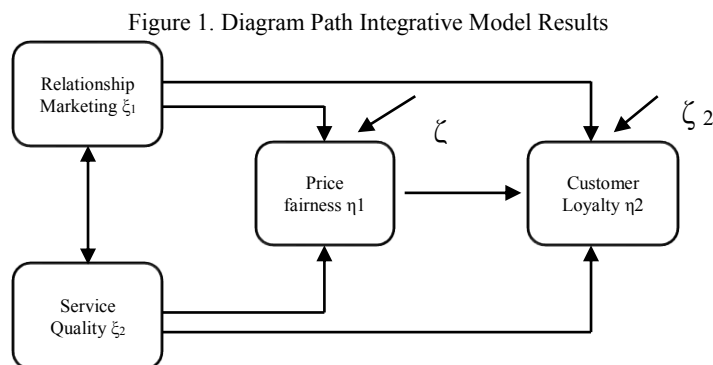
Competition on commercial aviation business leads the airlines reach their customers through fares offered. Affordable ticket prices offered on one hand greatly benefit the service users, but on the other hand be a question for services provided.

Conceptually, price fairness is defined as consumers' assessment of whether the price could reasonably be justified or reasonable (Xia et al., 2004). The Fairness is a subjective assessment rather than objective because that is what consumers really feel regardless of whether the perception is true or not. Thus, perceptions of price fairness may be less important until consumers feel the price is not fair (Xia et al, 2004). The findings of empirical studies have provided evidence that the perception of consumers' price fairness is influenced by various factors. Overall, consumers tend to rely on some previous reference points such as previous price, competitors' price, and the cost of goods sold, when they conclude the price fairness to make comparisons (Bolton et al., 2003). In addition, the buyer-seller relationship serves as a buffer to reduce the negative impact of the price difference on the perception of the price fairness (Xia et al., 2004). Martin et al. (2009) in his research said that although loyal customers see a small increase in price as something reasonable, but not for the non-loyal customers; fairness perception according to loyal customers is not more profitable than non-loyal customers when the price increases higher. This becomes the basis of the hypothesis development, namely:

H3 : Price fairness affects customers' loyalty of domestic-scheduled-flight services company at airport hubs in Java.

- H4 : Relationship-marketing, service quality and price fairness affect customer loyalty of domestic-scheduled-flight services company at airport hubs in Java simultaneously.
 H5 : Relationship-marketing affects customer loyalty through price fairness.
 H6 : Service quality affects customer loyalty through price fairness.

The proposed relationship between the four variables mentioned which are relationship-marketing, service quality, price fairness, and customer loyalty are summarized in Figure 1.



RESEARCH METHOD

This study analyzes deeper the research variables that is customer loyalty as an implication of price fairness determined by relationship-marketing and service quality. Thus the study will be verification-description.

Population

The population is a set of all elements or individuals that are a source of information in a study. In this study, the target population is the entire domestic-scheduled airline passengers at the Airport Hubs area of Java, namely Soekarno-Hatta and Juanda Surabaya Airport

Sample

The sampling method used is the probability sampling method using proportionate stratified random sampling, which is a sampling technique that provides equal opportunity for each element or member of the population to be selected into the sample or random taking; and the populations have members or elements that are not homogeneous and stratified proportionally. In this study, airline passengers have been stratified by location of (site) airports, namely Soekarno-Hatta, Jakarta and Juanda Airport, Surabaya.

The sample size is determined by taking into account the analytical techniques used in the hypothesis testing applying structural equation modeling. Kelloway (1998), said that the sample size for structural equation modeling (SEM) is at least 200. Hair, Anderson, Tatham and Black (1995), suggested that within the structural equation model, the sample size plays an important role in estimating and interpreting the results. Consider that there are no correct sample size; it is recommended that the sample size ranges between 100 to 200.

Determination of the sample number in this study refers to Hair, et al. (1995), the total sample of 200 domestic-scheduled airline passengers at Soekarno-Hatta, Jakarta and Juanda Airport, Surabaya. The total sample of 200 are spread proportionately as many as 150 at Soekarno-Hatta, Jakarta and 50 at Juanda Airport, Surabaya.

Measurement

Measure the research variables, those are the exogenous variables (relationship-marketing and service quality), the intervening variables (price fairness), and endogenous variables (customer loyalty) by distributing questionnaires. The respondents' attitude to the questions posed by using the five-scale measurement with ordinal data types.

Techniques of Data Collection

To obtain the required primary or secondary data, data collection techniques are then performed as follows:

Secondary Data

A Data collection technique that is done manually or by on-line. Manual data is done by finding and collecting data related to the phenomena that consist of: Transportation Statistics of the Ministry of Transportation of the Republic of Indonesia, the Central Statistics Agency (BPS), PT Angkasa Pura I and PT Angkasa Pura II, Indonesian National Air Carriers Association (INACA). Law No. 1 Year 2009 on Aviation, Transport Minister Regulation No. 69 of 2013 regarding National Airport and the Order of the Minister of Transportation Regulation No. 49 of 2012 regarding Standard Services Economy Class passengers Scheduled Commercial Air Transport Affairs. All these data serve as the basis for the phenomena that occurs in air transport.

Questionnaire

The primary data obtained directly from the study site in July 2016 through the deployment of a questionnaire designed enclosed by giving statements and written questions to the domestic-scheduled airline passengers at Soekarno Hatta, Jakarta and Juanda Airport, Surabaya. Distributing questionnaires is done by giving a set of questions or written statements to the respondents directly at the boarding lounge at the Soekarno-Hatta and Juanda Airport, the questionnaires conducted in front of the researchers / surveyors. The planned number of surveyors amounted to three people at each airport. Each response filed for each question is arranged in an answer-format in a form of assessment based on the ordinal scale with five levels of assessment or a Likert scale; the scale used to measure attitudes, opinions, and perceptions of a person or group of people on the research variables.

Validity and Reliability

Validity testing of the measurement models are performed to determine the relationship between indicators with the construct. Whether the indicators can form their constructs or not, the answer can be seen through the standardized factor loading value (standard load factor). Validity test is done by using confirmatory factor analysis (hereafter CFA) aiming to confirm the most dominant factors in a group of variables.

Validity testing of the measurement model in this study refers to the loading factor value of first-order measurement model obtained from standardized regression weight which is compared with the limit value (cut of value). The instrument is said to be valid if the loading factor value is > 0.5 (Igbaria, et al., 1997).

CFA calculation shows that the factor loading values of all indicators – relationship-marketing variable, service quality variable, price fairness and customer loyalty variables are greater than 0.5 so that it can be concluded that all the indicators are valid to reflect the latent variables

Reliability testing of SEM measurement model is done by calculating the value of construct reliability (CR) and variance extracted (VE) from the values of standardized loading factors and error variances. The measurement results of relationship-marketing variables on CR is 0.94 and VE is 0.51, the CR of service quality is 0.97 and VE of 0.54, the price fairness of CR by 0.84 and VE by 0.52 and customer loyalty for CR at 0.82 and VE 0.54. These results indicate that the values of Construct Reliability (CR) ≥ 0.70 and the values of Variance Extracted (VE) ≥ 0.50 . This shows that all variables in this study are reliable.

RESEARCH RESULTS

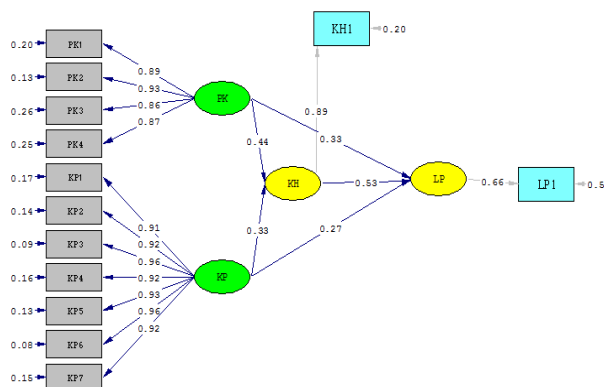
This section provides the results of the analysis on the mentioned variables above. In addition to descriptive statistics, multivariate analysis technique is used in the data with the aim of verifying the results related to hypothesis testing.

Validity testing of the measurement models is performed to determine the relations between indicators with their constructs. Whether the indicators can form the constructs or not, can be seen through the standardized factor loading values. Validity test is done by using confirmatory factor analysis (CFA) aiming to confirm the most dominant factors in a group of variables. Validity testing of the measurement model in this study refers to the loading factor values obtained from standardized regression weight compared to the limit value (cut of value). The instrument is said to be valid if the loading factor value is > 0.5 (Igbaria, et al., 1997).

Validity measurement in CFA model applies first order measurement. Standardized loading factors of observed variables (indicators) against latent variables (factors) > 0.50 means that the observed variables are valid. Overall, the results of this study state that the observed variable loading factor > 0.50 so as the factor is valid.

The measurement results of relationship-marketing variable CR is 0.94 and VE of 0.51, the service quality of CR is 0.97 and VE of 0.54, the price fairness of CR is 0.84 and VE is 0.52 and customer loyalty for CR is at 0.82 and VE at 0.54. These results indicate that the values of Construct Reliability (CR) ≥ 0.70 and the values of Variance Extracted (VE) ≥ 0.50 . This shows that all the variables in this study are reliable.

Goodness of Fit Statistics is an assessment of the overall index values that can be used as guidelines for assessing whether the model designed can be said as fit between the theoretical-based research model and empirical-based research data. SEM does not have one best statistical test to clarify the predictive power of a model, thus it takes some index criteria to judge the model suitability. The Overall indexes will be summarized in a table along with its cuts of value. The calculation result of model suitability that does not qualify the model suitability is the value of Chi-Square (X2) and Sig. Probability, other indexes have fulfilled good criteria, are: NFI = 0.94, NNFI = 0.92, CFI = 0.93, IFI = 0.93, RFI = 0.91 and PNFI = 0.91. This study takes a sample of 200 passengers so that putridity value of Chi-Square (X2) and Sig. Probability can still be considered valid since the other index criteria tested, has qualified the model suitability. Standard parameter estimation for the model is shown in Figure 2. Figure 2. Diagram Path of Integrative Result Model



H1 relationship-marketing and service quality affect positively on price fairness, either simultaneously or partial. Simultaneously F count (98.5) > F table (3.042), thus the research hypothesis is accepted and significant. This means relationship-marketing and service quality significantly influence the price fairness. R-square value of 0.50 means the relationship-marketing performance and service quality influence 50% on the price fairness and the remaining 50% by other factors outside the model. This study is in line with the theoretical study conducted in forming a research model by constellating the relationship-marketing concept of Ndubisi (2007) and the price-fairness concept of Consuegra et al. (2007). Partially, relationship-marketing affects positively to the price fairness. Estimated path coefficients and statistical tests can be seen; the path coefficient of relationship-marketing variables towards the price fairness amounted of 0.44 with a positive direction. That means the higher relationship-marketing will increase the price fairness. The first hypothesis is partially accepted, which is indicated by the value of t-statistic of 4.89 > 1.96 (5% significance level) which shows that the test result is significant. The partial testing on the effects of service quality variable towards price fairness shows 0.33 with a positive direction. That means the higher service quality, the higher the price fairness will improve. Hypothesis of H1 is partially accepted, which is indicated by the value of t-statistic of 3.72 > 1.96 (5% significance level); this shows that the test result is significant.

H2 Relationship-marketing and service quality positively affect customer loyalty either simultaneously or partial. Simultaneously, the value of F count (605.0714) > F table (3.042), the research hypothesis is accepted and significant. This means that relationship-marketing and service quality significantly affect customer loyalty. Judging from the R-square value of 0.86 means relationship-marketing performance and service quality contribute 86% effect on customer loyalty and the remaining 14% by other factors outside the model. This research is consistent with the theory of Ndubisi, (2007) in the banking services sector in Malaysia. Another theory in line with this research is the theory raised by Limo K, et al. (2014), Nadia Hanum Amiruddin (2013) and Gilbert and Wong (2003). Partially, relationship-marketing positively affects customer loyalty. Estimated Path Coefficient and Statistics-Test show the path coefficient of relationship-marketing variable to the customer loyalty amounted as 0.33 with a positive direction. That means the higher the relationship-marketing will enhance Customer Loyalty. The study hypothesis is accepted and significant, which is indicated by the value of the t-statistic at 2.40 > 1.96 (5% significance level) which means that the test result is significant. Partial testing of service quality positively affects the Customer Loyalty. Estimated Path Coefficient and Statistics-Test show the path coefficient of the service quality variable to the loyalty is 0.27 with a positive direction. That means the higher the service quality, the higher the customer loyalty will increase. The study hypothesis is accepted and significant, which is indicated by the value of the t-statistic as 2.17 > 1.96 (5% significance level) which means that the test result is significant.

H3 Price Fairness positively affects the customer loyalty. Estimated Path Coefficient and Statistics-Test show the path coefficient of Price Fairness variable to the customer loyalty reaches 0.53 with a positive direction. That means the higher the price fairness will increase the Customer Loyalty. The study hypothesis is accepted and significant, which is indicated by the value of the t-statistic by 3.63 > 1.96 (5% significance level) which means that the test result is significant. This research is consistent with the theory of Ndubisi, (2007) and Morgan and Hunt, (1994).

H4 Relationship-marketing, service quality and price fairness simultaneously affect the customer loyalty. The results show the value of F count amounted to 528 606. Since F count (528.6061) > F table (2.65), then, the research hypothesis is accepted and significant. This means simultaneously relationship-marketing, service quality and price fairness affect significantly on customer loyalty. The R-square value of 0.89 means relationship-marketing performance, service quality and price fairness contribute by 89% on customer loyalty and the remaining 11% by other factors outside the model.

Mediation effect testing is conducted on the established empirical model involving intervening variables. The variables are said to be perfect mediation variables if after being added the intervening variables, the influence of exogenous variables on the endogenous changes from significant initially to be insignificant. Intervening variables are expressed as partial mediating variable if after being added the intervening variables, the influence of exogenous variables on the endogenous remains significant but the significant numbers decline and does not become zero. (Kenny, 2008; Preacher & Hayes, 2008). Here is the mediation effect testing.

H5 Relationship-marketing affects the customer loyalty through price fairness. The testing result states that the price fairness is a partial intervening of relationship-marketing towards customer loyalty; since the direct relationship direction which first significant, remains significant after the price fairness being inserted, but the significance value falls down. The direct effect of relationship-marketing to the customer loyalty amounted as 0.33, and as the price fairness being added, it falls to 0.24. The t-value > 1,96. This means that passengers will have positive loyalty as they get fair price with the support of relationship-marketing activities.

H6 Service quality affects customer loyalty through price fairness. The testing result shows that price fairness is a partial intervening of service quality with customer loyalty, for the direction of direct relationship that initially significant, after price fairness being inserted, the value remains significant but the significance numbers falls down. The direct impact of service quality on customer loyalty reaches 0.27 and after the price fairness being added, the value decreases to 0.18. The t-value > 1.96. This means that passengers will have positive loyalty if they get fair price with the support of the service quality activities.

Based on the results of the hypothesis testing, this research has answered the purpose of study that relationship-marketing and service-quality affect the price fairness and make impact on customer loyalty. Meaning, the research model which is formed from the literature review and previous studies are consistent with the results of this study; so that to increase customer loyalty, airline companies at the airport hubs in the area of Java need to improve the implementation of relationship-marketing, service quality and create the price fairness that is acceptable to the passengers well. Relationship-marketing has contributed the most in creating the price fairness. Price fairness also contributes greatly in creating customer loyalty. The greatest effect happens when customer loyalty is created by the relationship-marketing through price fairness. Meaning, there is perception that passengers prioritize price fairness formed by a fair price, price levels reference, price discrimination, price policies and ethics compared with relationship-marketing and service quality.

CONCLUSION

Simultaneously, relationship-marketing and service quality affect positively and significantly towards the price fairness. The effect of relationship-marketing is more dominant than the service quality towards price fairness. Partially, the influence of relationship-marketing on the price fairness is positive and significant, meaning that the higher relationship-marketing the higher price fairness will be.

Simultaneously, relationship-marketing and service quality affect positively and significantly on the customer loyalty. The effect of relationship-marketing is more dominant than the service quality towards customer loyalty. Partially, relationship-marketing affects positively and significantly on customer loyalty; this means the higher the relationship-marketing, the higher the customer loyalty will be.

The price fairness affects the customer loyalty positively and significantly, meaning: the higher the price fairness, the higher the customer loyalty will be. Simultaneously, relationship-marketing, service quality, price fairness affect the customer loyalty positively and significantly. The relationship-marketing, service quality and price fairness contribute by 89% on customer loyalty and the remaining 11% by other factors outside the model.

Price fairness is a partial intervening of relationship-marketing on customer loyalty. Direct relationship direction which initially is significant remains significant as the price fairness being added, but the significance number gets down. Price fairness is a partial intervening of service quality on customer loyalty. Direct relationship direction which initially is significant remains significant as the price fairness is added, but the significance number falls down.

SUGGESTIONS

This study has several limitations, thus further researches can be done to develop the research model. Those are: 1) the customer loyalty is not only influenced by relationship-marketing, service quality and price fairness, but is also affected by other factors; then further research is needed. The other factors include: product excellence, customer characteristics and customer value as an exogenous variable; 2) Expanding the study unit of analysis for international-scheduled flights throughout Indonesia; it may contribute broadly in studying the customer loyalty in aviation services in Indonesia. 3) Research on customer loyalty on the aviation services industry can be applied in other countries by taking into account the cultural aspects, technology and lifestyle of the local community.

REFERENCES

- Barney, J.B., & Hansen, M. H. (1994). Trustworthiness as a source of competitive advantage. *Journal of Strategic Management*, Vol. 15, pp. 175-190.
- Bei, L. T., and Chiao, Y.C. (2001). An integrated model for the effects of perceived product, perceived service quality, and perceived price fairness on customer satisfaction and loyalty. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*, Vol. 14, pp. 125-140.
- Bolton, L. E., Warlop, L., & Alba, J. W. (2003). Consumer perceptions of price (un) fairness. *Journal of Consumer Research*, 29(March), 474-491.
- Cronin, J.J. and Taylor, S.A. (1994), SERVPERF versus SERVQUAL: reconciling performance-based and perceptions-minus-expectations measurement of service quality. *Journal of Marketing*, Vol. 58, pp. 125-31.

- David Bejou and Andrian Palmer. (1998). Service failure and loyalty: an exploratory empirical study of airline customers. *Journal of Services Marketing*, Vol. 12 Iss: 1, pp.7 - 22
- De Wulf, K., Gaby Odekerken-Schröder, G., and Iacobucci, D. (2001). Investments in consumer relationships: A cross-country and cross-industry exploration. *Journal of Marketing*, 65, (4) (October), 33–50.
- Donney, Patricia M., & Joseph P. Cannon. (1997) An examination of the nature of trust in buyer-seller relationships. *Journal of Marketing*, Vol. 61, No. 2, pp. 35-51.
- Gedefaw, Adanech. (2014). Determinants of relationship marketing: the case of Ethiopian airlines. *Global Journal of Management and Business Research: E Marketing Volume 14 Issue 3 Version 1.0* .
- Gilbert, D.C. (1996). Relationship marketing and airline loyalty schemes. *Tourism Management*, vol. 17, no. f. pp. 575-582.
- Gilbert, David dan Wong, Robin K.C. (2003), Passenger expectations and airlines services: a Hong Kong bases study. *Tourism Management* 24, 519-532
- Griffin, Jill. (2003). *Customer Loyalty: Menumbuhkan dan Mempertahankan Kesetiaan Pelanggan*. (Edisi Revisi dan Terbaru). Penerbit Erlangga: Jakarta.
- Griffin, Jill. (2005). *Customer Loyalty: Menumbuhkan dan Mempertahankan Kesetiaan Pelanggan*. (Edisi Revisi dan Terbaru). Penerbit Erlangga: Jakarta.
- Gronroos, Christian. (1984). A service quality model and its marketing implications. *European Journal of Marketing*, Vol. 18, pp. 36-44.
- Gronroos, C. (2000). Creating a relationship dialogue: communication, interaction and value. *The marketing review*, 1(1), 5-14
- Gronroos, Christian. (2000). *Service Management and Marketing: A Customer Relationship Management Approach*. Chichester: John Wiley
- Gummesson, Evert. (1999). Implementation requires a relationship marketing paradigm. *Journal of the Academy of Marketing Science*, Vol. 26 No. 3, pp. 242-249.
- Gummesson, Evert. (2012). *Total relationship marketing*: Taylor & Francis.
- Hair Jr., Joseph F., Rolph E Anderson., Ronald L Tatham., & William C Black. (1995). *Multivariate Data Analysis With Readings*. (4th ed). Englewood Cliffs, New Jersey: Prentice-Hall International, Inc..
- Hermann, A., ia, L., Monroe, K. B., and Huber, F. (2007). *The influence of price fairness on customer satisfaction : an empirical test in the context of automobile purchase*. *Journal of Product & Brand Management*, Vol. 16 No. 1, pp. 49-58.
- Hunt, Shelby. D. (2011). The theory of monopolistic competition, marketing's intellectual history, and the product differentiation versus market segmentation controversy. *Journal of Macromarketing*, March, Vol. 31, no.1, pp73-84
- Igbaria, M., N. Zinatelli, P. Cragg and A.L.M. Cavaye. (1997). *Personal computing acceptable factor in small firms: A structural Equation Model*, MIS Quarterly, September, 279-299.
- Kanagal, Nagasimha. (2009). Role of relationship marketing in competitive marketing strategy. *Journal of Management and Marketing Research*. Vol. 2, July 2009 P 1-17.
- Kelloway, E.K. (1998). *Using LISREL for structural equation modelling : A resercher's guide*, California : Sage Publishing, Inc.
- Kenny, D. A. (2008). *Reflections on Mediation*. Organizational Research Methods.
- Kotler, Philip and Keller, Kevin Lane, (2006). *Marketing Management : Analysis, Planning, Implementation, and Control*, Milenium Edition, USA: Prentice Hall Inc
- Kotler, P. dan Keller, K. L. (2007). *Manajemen Pemasaran* (Bejamin Molan, Pentj). Ed 12, Jilid 1&2. Jakarta : Indeks
- Kotler, Philip dan Armstrong, Gary. (2012). *Principals of marketing*. (Global edition, 14 ed) : Pearson Education.
- Limo K, Patrick, et al. (2014). Effects of relationship marketing on customer loyalty: Evidence from petrol service stations in Uasin-Gishu County Kenya. *European Journal of Business and Management*, ISSN 2222-1905.vol.6, no.25.
- Lovelock, Christopher H. dan Lauren K. Wright. (2007). *Manajemen Pemasaran Jasa*. Cetakan II. Jakarta: PT Indeks.
- Malhotra, N.K. (2009). *Riset Pemasaran, Edisi keempat, Jilid 1*. Penerbit PT Indeks, Jakarta
- Martin-Consuegra, D., Molina, A. and Esteban, A. (2007). An integrated model of price, satisfaction, and loyalty: an empirical analysis in the service sector , *Journal of Product & Brand Management*, Vol. 16 No. 7, pp. 459-468.
- Martin-Ruiz, D., and Rondan-Cataluna, F.J. (2008). The nature and consequences of price unfairness in service: a comparison to tangible goods. *International Journal of Service Industry Management*, Vol. 19 No. 3, pp. 325-352.
- Martin, W. C., Ponder, N., & Lueg, J. E. (2009). Price fairness perceptions and customer loyalty in a retail context. *Journal of Business Research*,. 62, 588-593.
- Matzler, K., Brigit, R., and Faullant, R. (2007). Dimensions of price satisfaction : a replication and extention. *The International Journal of Bank Marketing*, Vol. 25 No. 6, pp. 394-405.
- Monroe, K. and Krishnan, R. (1985). *The effect of price on subjective product evaluations, in Jacoby, J. and Olson, J. (Eds), Perceived Quality: How Consumers View Stores and Merchandise*. Lexington Books, Lexington, MA, pp. 209-32.
- Morgan, Robert M., & Shelby D. Hunt. (1994). the commitment-trust theory of relationship marketing, *Journal of Marketing*, Vol. 58 No. 3, pp. 20-38
- Nadia Hanum Amiruddin. (2013). Price, service quality and customer loyalty : A case of Air Asia. *South East Asia Journal of Contemporary Business, Economics and Law*, vol. 2, issue 1, (June). ISSN 2289-1560.
- Nwakanma, Hudson & Jackson, Annette Singleton. (2007). Relationship Marketing: An Important Tool For Success In The Market place. *Journal of Business & Economics Research*. February. Volume 5, Number 2.
- Ndubisi, N.O. (2007). Relationship marketing and customer royalty. *Marketing Intelligence and Planning*, Vol 25, No. 1, pp. 98-106. Retrieved 2007, from ABI/INFORM (Proquest) database
- Oliver, R.L., (1997). *Customer Satisfaction. A Behavioral Perspective on the Consumer*, McGraw-Hill, New York, NY
- Ozlen, Serife dan Ugur Ergun. (2012). Internal determinants of the stock price movements on sector basis. *Journal of Finance and Economic*, ISSN 1450-2887, 111-117. Sarajevo: International Burch University.

- Parasuraman A., and Zeithaml A. Valerie & Berry L. Leonard. (1985) A conceptual model of service quality and its implications for future research, *Journal of Marketing*, 49: 41-50
- Parasuraman, A., Zeithaml, V., & Berry, L.L. (1988). *SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality*. *Journal of Retailing*. Vol. 64, Spring, pp. 12-40.
- Palmatier, Robert W. (2008). *Relationship marketing*. Cambridge: Marketing Science Institute.
- Preacher, K. J and Hayes, A. F. (2008). *SPSS and SAS Procedures for Estimating Indirect Effects in Simple Mediation Models*. Behavior Research Methods, Instruments, & Computers, 36 (4), 717-731. Psychonomic Society, Inc.
- Shaw, Stephen. (2004). *Airline marketing and management* (Fifth ed.). Burlington: Ashgate.
- Sheth, Jangdish N., & Atul, Parvatiyar. (2000). *Handbook of relationship marketing*. London: Sage Publications, Inc.
- Sheth, J. N., & Parvatiyar, A. (1995). The evolution of relationship marketing. *International Business Review*, 4, 397-418.
- Sirdeshmukh, D., Singh, J., Sabol, B. (2002). Consumer trust, value, and loyalty in relational exchanges. *Journal of Marketing*, vol. 66, no.1, pp.15-37.
- Srikanjanarak, S., Omar, A., and Ramayah, T. (2009). The conceptualisation and operational measurement of price fairness perception in mass service context. *Asian Academy of Management Journal*, 14, 79-93.
- Taleghani, Mohammad dan Tabatabaei, Syed M. R. (2014). The effects of relationship marketing on the increase customers' loyalty (Case study: Melli Bank in Rasht). *International Journal of Management Sciences and Education*, 2(1). 63-68.
- Wan-Ping Pi & Hsieh-Hong Huang. (2011). Effects of promotion on relationship quality and customer loyalty in the airline industry: The relationship marketing approach. *African Journal of Business Management*. Vol.5.
- Xia, L., Monroe, K.B. and Cox, J.L. (2004). The price is unfair! A conceptual framework of price fairness perceptions, *Journal of Marketing*, vol. 68 (October), 1-15.
- Virvilaite, Regina, Violeta Saladiene, Skindaras, Dalius, (2009). The relationship between price and loyalty in services industry. ISSN 1392 -2785. *Inzinerine Ekonomika-Engineering Economics*, vol.3.
- Zeithaml, Valerie A., and Bitner. Mary Jo., (1996). *Service marketing: Integrated marketing communications perspectives*. Singapore. McGraw-Hill.
- Zeithaml, Valerie A., and Bitner. Mary Jo., (2003). *Service marketing: Integrating customer focus across the firm*, (3rd edition). New York: Irwin McGraw-Hill.

Sandriana Marina
Doctoral Student of Management Department,
Faculty of Economics and Business,
Padjadjaran University, Bandung, Indonesia

Dwi Kartini
Professor, Management Department,
Faculty of Economics & Business,
Padjadjaran University, Bandung, Indonesia

Diana Sari
Ph.D, Department of Economy and Business,
Universitas Padjadjaran, Bandung, Indonesia

Septiadi Padmasasmita
Ph.D, Faculty of Mathematics and Natural Sciences,
University of Padjadjaran, Bandung, Indonesia