The Impact of Acehnese Respect to Customization, Corporate Reputation and Airline Service Quality to Switching Barriers and Customer Loyalty: A Study of Airline Customers in Indonesia

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Abstract

This study aimed to observe the impact of Acehnese Respect to Customization, Corporate Reputation and Airline Service Quality to Customer Loyalty with Switching Barriers as a mediating variable. The finding of this study would very use full to enrich the references how ethnical culture factor will also have a contribution to developing customer loyalty among airlines customers. Questionnaires distributed in the International Airport of Indonesia with Acehnese Ethnic segment as its primary target respondents. This survey was using probability sampling techniques to define its sample and respondents. Data were collected and then be analyzed using covariance Based SEM, AMOS. Hypothesis test results proved that there was a positive and significant influence among four variables examined in the study, both directly and indirectly. Although all the independent variables affect Customer Loyalty as dependence variable either directly or indirectly, but a more powerful influence given by variable of Airline Service Quality, compared to four other variables. This is shown by the coefficient numbers on the arrows leading to Customer Loyalty of 0.60 which is the highest coefficient compared to coefficients from other variables. Among the indicators that make up the Airline Service Quality, the indicator “Very friendly cabin crew service and ground staff” has the highest value with a score of 0.843. So this indicator was also played significant role to increase the Customer Loyalty of airline industry in Indonesia.

Keywords: Acehnese ethnical respect to customization, airline service quality, corporate reputation, customer loyalty and switching barriers.

Introduction

Competition in the airline’s industry is increasingly become more competitive lately because of the emergence of new airlines that offer various advantages and service features to be able to attract travelers to use their products (Park, Robertson, & Wu, 2004). Another factor is the higher level of awareness of the traveler to get better
service, making the competition among the airlines is also getting tighter (Zhu, 2017)

Not only are airlines competing to open new routes to get closer to their customers, but also introducing promotional incentives such as mileage awards, frequent flyer memberships programs and soon (Tsaur, Chang, & Yen, 2002). This phenomenon also occurs in Indonesia including Aceh. In the past 10 years, more than 10 airline companies have tried their luck in this service, although some have failed, but not the least have succeeded and beat the airline companies which present earlier.

One key factor to the success of an airline service is the customer loyalty; to what extent an airline company can convert its customers into loyal customers. The more loyal the customers the greater chance company has to increase the share of wallet from each individual customer (Yim, Tse, & Chan, 2008). Of course, this is not an easy job to do and it's not an easy thing to achieve the expected results. It takes a serious effort and more focus to pay attention to any variables that give the biggest impact for airlines customers to be loyal (Etemad-Sajadi & Way, 2016).

There are two options for increasing loyalty (Chang & Chen, 2007). The first is through customer satisfaction and the second is through increased switching barriers. Switching barriers have recently become the variables often used by online companies to prevent their customers from switching to competitors (Chang & Chen, 2007). The higher the successful barriers are built the less likely it is for the customer to switch to competitors. Switching barriers in principle are creating many factors that make it difficult for customers to switch to competitors (Julander & Söderlund, 2003). Creating switching barriers have the intention to increase the cost substantially when they move to a competitor. The higher the switching barriers have been built, the less likely for customers to switch to competitors (Jones, Mothersbaugh, & Beatty, 2000). Examples of switching barriers programs often run by airlines are frequent flyer programs (Patterson & Smith, 2003). The successful of switching barriers program lies in the ability of airlines to design lucrative programs for both Airlines and its customers.

Furthermore, Patterson & Smith (2003) studied the impact of switching barriers on Customer's propensity to stay with service providers. Six Barriers were identified: search costs, loss of special Treatment benefits, setup costs, risk perceptions, the attractiveness of alternatives and loss of social bonds.

Many studies in the past discussed what were the roles of switching barriers in improving customer loyalty (Julander & Söderlund, 2003). But the issues associated with how to increase the switching barriers themselves were not so clear, because of the different opinions of one to another researcher (Chang & Chen, 2007).

Of the many opinions that highlight the problem of customer loyalty in the airline industry, there is no single researcher that includes characteristic of ethnics in variables used to improve switching barriers. Whereas customization services created for a particular ethnic group can provide a large trigger in increasing customer loyalty through the switching barriers. Here we try to see how the customization of ethnic (Chang & Chen, 2007; Patterson & Smith, 2003; Tsaur et al., 2002) in this case Acehnese culture, conducted by airlines give positive responses in the form of respect to the airline's industry. Acehnese culture represents by Acehnese people, one out of more than 1,340 ethnic groups in Indonesia (https://wwwKITABANGGA.com/berapa-sih-jumlah-suku-di-indonesia/).

Two of the most prominent characters of the Acehnese are militancy and loyalty. This can be read through the lyrics of do da idi. Humming for the baby to teach and
invite the baby so that after becoming an adult, he/she will not be afraid to fight and to defend the nation. In addition to the militancy stance, loyalty to the Acehnese is a value with a high price. To make the Acehnese loyal, the marketer must be able to demonstrate his honest, trustworthy and unworthy attitude when given his trust (http://www.acehtourism.info/id/mengenal-karakter-masyarakat-aceh/).

In this context, the author tries to explore the existing phenomena how airlines should design the strategy of customization in order to accommodate the ethnic factors inherent in these Acehnese people in the effort of airlines to win the hearts of Acehnese customers together with others variables develop for this research.

**Objectives**
This paper aims to look at how Acehnese ethnical culture and other variables affect customer loyalty through switching barriers. The finding of this study would very use full to enrich the references how ethnical culture factor will also have a contribution to developing customer loyalty among airlines customers. Due to Aceh’s growing market segment, a good understanding in treating Acehnese by airlines is believed to increase the loyalty of the Aceh segment significantly to the airlines. With the same approach, this study can also be applied to other ethnic-based culture segments such as Java, Minang, Bugis and other tribes in Indonesia.

**Literature Review**

**Acehnese Respect to Customization**
As one of the ethnic groups in Indonesia, Aceh has long been known as a unique ethnic that has colored the establishment of a unitary state of the republic of Indonesian, with various contributions made. Aceh is known to be very militant in the war. At the time of the colonial occupation, Aceh Territory was the only one who could not be conquered, because of their expertise and violent determination not to be submissive and colonized by other nations. But behind the hard and militant attitude it has, Aceh also has the aspect of gentleness, and respect to others, when treated well (http://www.acehtourism.info/id/mengenal-community-aceh/). In the context of airlines business a service, the uniqueness of Acehnese is interesting to be learned so marketers know exactly what to do to win the hearts of the Acehnese by using customization approach.

In order to win the heart of Acehnese customers and other ethnic groups, the company should able to customize and design their product to fulfill customer specific needs (Du, Jiao, & Tseng, 2006). Product customization has been recognized as an effective means to improve the bonding between the customer and the company (Du et al., 2006). The customizability issue of design is also related to additional cost. Hence it is worth to evaluate the cost-effectiveness of a design to be customized in order to meet individual customer needs (Du et al., 2006)

**Corporate Reputation**
Corporate Reputation can help consumers to establish their choice of buying something from the provider. Many customers are hesitant to transact on unknown and companies that have no reputation. In other words, a good reputation can add the reason for customers to choose products offered than other companies that have not been known (Caruana & Ewing, 2010).

A number of operational definitions of corporate reputation have centered on the object-specific components on which this overall evaluation is based, considering how well known a firm is; good or bad, reliable, trustworthy, believable and reputable (Abimbola, Trueman, & Iglesias, 2012). Corporate reputation has been related to a number of beneficial consequences for the firm including the intention to purchase tangibles and intangibles (Dowling, 2006) There appears to be little doubt
that consumers generally consider the reputation of the firm before undertaking a purchase decision (Fombrun, 2001).

**Airline Service Quality**

Service quality is a collection of many service attributes, not only tangible attributes but also intangibles such as safety, comport which are harder to measure accurately. Service quality can be defined as a consumer's overall impression of the relative efficiency of the organization and its services (Park et al., 2004).

Various services that occur when traveling using airline services include ticket reservation, purchase, airport ground service, onboard service and the service at the destination. Airline service also consists of assistance with disruptions such as lost-baggage handling and service for delayed passengers (Jiang & Zhang, 2016). Various features of services provided because there are those that are tangible and intangible, then the measurement is done through the dimension TERRA stand for Tangible, Empathy, Reliability, Responsiveness and Assurance, so that customer perceptions about the services provided airlines can be dogged deeper (Naik & Gantasala, 2010).

Many studies have been done why customers always stay on the company if they feel satisfied. In other words, customer satisfaction is the key to keeping customers from switching to competitors (Wirtz, Brah, & Yanamandram, 2006). But not many studies that reveal why customers stay even though he was not satisfied. One of them is Colgate and Lang's (2001) who examine the causes of dissatisfied customers do not switch to the competitors. Switching barriers represent anything that makes it more difficult or costly for customers to change providers (Liu, Guo, & Lee, 2011).

The study of customers staying with a firm as a result of dissatisfaction is valuable, especially in the light of increasing academic and business attention being given to long-term marketing relationships rather than transactions (Yim et al., 2008). Hence, if firms want to promote longer-term customer relationships, and reduce customer exit as a result of dissatisfaction, it follows that an understanding of the phenomenon of “why customers stay” is essential (Moore, Rodger, & Taplin, 2015). Further, this study may be important for those firms who have many prospective switchers because it is important to understand why these customers stay, and to what extent such firms can discourage such customers from leaving in both Positive and negative ways (Patterson & Smith, 2003).

All Varieties of switching costs can be simplified as three types: procedural, financial and relational switching costs. Procedural switching costs mainly include economic risk costs, evaluation costs, setup costs, and learning costs; financial switching costs involve benefit loss costs and monetary loss costs; relational switching costs contain personal relationship loss costs and brand relationship loss costs (Deng, Lu, Wei, & Zhang, 2010).

**Customer Loyalty**

Loyalty refers to the extent to which customers feel committed to suppliers and do not actively seek out replacement suppliers (Yim et al., 2008). Customer satisfaction and loyalty are positively related to marketer profitability and market share (Jiang & Zhang, 2016). It has become a relatively common rule of thumb that acquiring new customers costs marketers between five to ten times more than it does to retain current customers (Narver, J.C., Slater, 2000).

Consumers feel loyal can save marketing costs that must be issued by the company, rather than having to find new customers whose costs are much more expensive
(Moore et al., 2015). Many of the benefits gained by companies that have the loyal customer (Vesel & Zabkar, 2009). He always buys at a higher price, recommends to others, not interested in a competitor's offer and will always come back to continue buying from the same company (Jiang & Zhang, 2016). With so much benefit gained by a loyal customer company, it is proper that the company with all its strength and great resource allocation change regular customers to loyal customers (Yim et al., 2008).

**The Relationships among Variables**

In the online shopping environment, personalization is done either by developers or by the user. If Personalization is done by the system being used, Developers set up the system to identify users and deliver to them the content, experience, or functionality that matches their role (Grabner-Kräuter & Faullant, 2008). Personalization can be done down at the individual level (e.g., Amazon.com suggestions based on past browsing and purchase history), or at the group or audience level e.g., an intranet displaying information specific to those in a certain location or a certain role, such as a job function (Basu & Muylle, 1999). While Customization is done by the user, a system may enable users to customize or make changes to the experience to meet their specific needs by configuring layout, content, or system functionality. Customization may involve moving items around an interface to reflect the users’ priorities, selecting topics of interest, or altering colors or other factors related to the visual design of an interface, for example (Johnson & Ettlie, 2001).

Customization has long been known as a variable that can increase switching barriers (Wirtz et al., 2006). Currently, the opportunity of customization is wide open with the accumulation of big data of customers with online interaction (Monsuwé & Dellaert, 2004). They are discovering that they can elevate customer loyalty and engagement and use their customer base as an engine of advocacy to potential buyers. Beyond the pure size of the opportunity, the survey shows that those customers are engaged with the company. They visited its website more frequently, stayed on the page longer and were more loyal to the brand (Monsuwé & Dellaert, 2004). Equally, customization helps companies differentiate their products from the Internet (Šerić & Rakušić, 2013). With the proliferation of social media and online publishing, styles and trends now change faster than ever. Customization helps companies gain insights from customized designs and fine-tune products to stay one step ahead of the competition. With each design choice, customers share real-time shopper preferences that go well beyond what they would say in a focus group (https://www.forbes.com/sites/baininsights/2013/11/05/having-it-their-way-the-big-opportunity-in-personalized-products/#212caa8816b9).

Switching barriers are factors that complicate or incur costs for consumers when switching to a provider of other products or services (Julander & Söderlund, 2003). Positive things that customers feel when they interact with the company, whether customized service, the quality of service received and their perception of the company's reputation will create a switching barrier (Han, Back, & Barrett, 2009).
Hypothesis

Based on the framework of research that has been described previously, it could be assigned hypothesis as follows:

1. Acehnese Respect to Customization has an effect on Customer Loyalty both directly or through Switching Barriers
2. Corporate Reputation has an effect on Customer Loyalty through Switching Barriers
3. Airline Service Quality has an effect on Customer Loyalty both directly or through Switching Barriers
4. Switching barriers has an effect on Customer Loyalty

Research Method

Sample Design and Data Collection

The target population for this study was limited to airlines passengers of Acehnese ethnic who are departed and arrive in Sultan Iskandar Muda International Airport of Banda Aceh. The survey was conducted through face-to-face interaction with respondents in the airport area. A convenience sample was drawn from the survey and a self-administered survey was used to collect data. Questionnaires were allocated more during the weekend compare to workdays. Questionnaires were distributed to the airline passenger at different times of the day, over the period of three weeks. A total of 175 questionnaires were distributed based on the sample size criteria highlighted by Peng and Lai (2012) for SEM models, which is ten times the total number of indicators in the study. Out of that 150 questioners were considerably completed by respondents.

Data Analysis

The data analysis was conducted in two stages. First, exploratory factor analyses using measurement model to test the contribution of indicators to their respective variables. The cut off value will be 0,5. If the estimated coefficient > 0,5 that indicators will be considered as valid indicators. If the coefficient value < 0,5 then the indicators are not valid so it has to be eliminated. The second stage is testing the hypothesis. For this study, the hypotheses were tested using the Structural Equation Modeling (SEM), using a statistical software package of AMOS. SEM is a method used for testing models and hypothesis developed in this study. SEM itself is a set of statistical techniques that allow the testing of a series of relatively complicated relationship simultaneously (Ferdinand, 2002).
Results and Discussion

Measurement Model

The following figure shows the relationship between unobserved variables and their respective indicators showing in the Measurement Model.

Table 1 below shows some indicators relationship with their respective variables. Loading factor coefficient is used to measure the contribution of each indicator. The higher the score the better those indicators represent their variable. From Table 1 indicator "As Acehnese, I value personal attention they give inside the aircraft" has the highest score (0.921), therefore it explained Acehnese Respect to Customization better than other indicators. A variable of Corporate Reputation, an indicator that has the highest value is "When I have a need for the ticket I will buy it from this airline" with a score of 0.789, so that this indicator has the most influence in the formation of Corporate Reputation variable. In the Airlines Service Quality variable, the indicator that has the highest value is "Very friendly cabin crew service and ground staff" with a score of 0.843. While on the construct of Switching Barriers, the indicator that have the highest values "My personal relationships with airline
employees will be lost if I switch to other airlines”, with the score 0,878. Indicator “I will not be interested when other airlines prospecting me” became the highest indicator that has the highest value among other indicators under the variable of Customer Loyalty.

### Table 1. Loading factors

<table>
<thead>
<tr>
<th>1 Acehnese Respect to Customization</th>
<th>Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am highly valued by this airline</td>
<td>Eliminated</td>
</tr>
<tr>
<td>I feel respected when I interact with airline employees</td>
<td>0,563</td>
</tr>
<tr>
<td>The way this airline treats me greatly enhances my trust</td>
<td>0,811</td>
</tr>
<tr>
<td>As Acehnese I value personal attention they give inside the aircraft.</td>
<td>0,921</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2 Corporate Reputation</th>
<th>Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>This airline offers more benefits than others in its class</td>
<td>0,572</td>
</tr>
<tr>
<td>I have grown to like this airline more than that of any other competitor</td>
<td>0,685</td>
</tr>
<tr>
<td>I intend to continue booking the ticket from this airline over the next few years</td>
<td>0,675</td>
</tr>
<tr>
<td>When I have a need for ticket I will buy it from this airline</td>
<td>0,789</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>3 Airlines Service Quality</th>
<th>Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Put forward various aspects of aviation safety.</td>
<td>0,783</td>
</tr>
<tr>
<td>Good airplane departure and arrival performance</td>
<td>0,581</td>
</tr>
<tr>
<td>The passenger cabin is clean, spacious, comfortable</td>
<td>0,76</td>
</tr>
<tr>
<td>Very friendly cabin crew service and ground staff</td>
<td>0,843</td>
</tr>
<tr>
<td>Using a newer aircraft</td>
<td>0,58</td>
</tr>
<tr>
<td>The sitting room is spacious and comfortable</td>
<td>0,665</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4 Switching Barriers</th>
<th>Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>My personal relationships with airline employees will be lost if I switch to other airlines</td>
<td>0,878</td>
</tr>
<tr>
<td>The perceived risk is higher when I switch to other airlines</td>
<td>0,794</td>
</tr>
<tr>
<td>I am not sure whether other airlines would provide better products and services</td>
<td>0,644</td>
</tr>
<tr>
<td>My reward point accumulated will be lost if I switch to other airlines</td>
<td>0,768</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5 Customer Loyalty</th>
<th>Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>I say positive things about this airline to others</td>
<td>0,833</td>
</tr>
<tr>
<td>I recommend this airline to others</td>
<td>0,829</td>
</tr>
<tr>
<td>I will continue patronizing this airline</td>
<td>0,817</td>
</tr>
<tr>
<td>I will not be interested when other airlines prospecting me</td>
<td>0,887</td>
</tr>
</tbody>
</table>

**Evaluation Criteria Goodness of Fit**

The model can be tested using a variety of ways. In the analysis of SEM no single statistical test tool to measure or test hypotheses about the model. Here are some suitability indexes and the cut-off values to test whether a model can be accepted or rejected (Ferdinand, 2006).

From the calculation using the goodness of fit test of AMOS, it can be concluded that the model has met the criteria of fit, so the output that comes out of this model could be used to describe the relationship between indicators with their respective constructs. There are 6 (six) criteria's used to test the fit of the model: CMIN,
Baseline Comparison, Parsimony Adjusted Measures, RMSE, AIC, and ECVI. All of them were showing that the model built for this research was fit with the data.

**Analysis of Structural Equation Modeling**

The analysis of Structural Equation Model (SEM) in Full Model is intended to test the model and hypotheses developed in this study. Testing the model in Structural Equation Model being done with two tests, first test with the suitability of the model and second test with test significance of causality.

The following step is taken to test the research hypothesis proposed in the previous section. Hypothesis testing using CR and P value, which are the output of the statistical package of AMOS. When the relationship between the two variables have a value of CR> 1.96 and value of P <0.05, then the two variables have a significant influence. But when one of the two criteria is not met, then the hypothesis developed is rejected.
Table 2. Hypothesis testing.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Variables</th>
<th>Variables</th>
<th>C.R.</th>
<th>P</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Acehnese Respect to</td>
<td>Switching Barriers</td>
<td>4,229</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td></td>
<td>Customize</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2</td>
<td>Corporate Reputation</td>
<td>Switching Barriers</td>
<td>5,202</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3</td>
<td>Airline Service Quality</td>
<td>Switching Barriers</td>
<td>5,095</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4</td>
<td>Acehnese Respect to</td>
<td>Customer Loyalty</td>
<td>3,582</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td></td>
<td>Customize</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H5</td>
<td>Corporate Reputation</td>
<td>Customer Loyalty</td>
<td>5,57</td>
<td>***</td>
<td>Supported</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H6</td>
<td>Airline Service Quality</td>
<td>Customer Loyalty</td>
<td>3,569</td>
<td>***</td>
<td>Supported</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H7</td>
<td>Switching Barriers</td>
<td>Customer Loyalty</td>
<td>2,712</td>
<td>***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

From the table above shows, the causality relationship tested that consists of 7 hypotheses, starting from H1 to H7. All of them are supported. The next step is to look at how strong the influence of the two variables tested.

Figure 4. Regression coefficient.

Although all the independent variables affect Customer Loyalty as dependence variable either directly or indirectly, a more powerful influence given by variable of Airline Service Quality, compared to four other variables. This is shown by the coefficient numbers on the arrows leading to Customer Loyalty.

Managerial Implications

As an endogenous or dependent variable, the variable of customer loyalty influenced by variables used and developed in this study, such as the Acehnese Respect to Customization, Corporate reputation, Airlines Service Quality and Switching Barriers. This is in line with research conducted by previous researchers (Chang & Chen, 2007; Tsaur et al., 2002; Zhu, 2017), which also finds a significant influence of corporate reputation, switching barriers and service quality on customer loyalty. Testing with measurement model to look at the contribution of indicators for each of the variables that have been built through the conceptual theory, seen these indicators do have a contribution and be able to explain the variable that represented by them. The only one indicator that has no contribution, "I am highly valued by this airline", has been deleted during the data processing. However, we need to give special attention for several indicators which have the highest loading...
factor value, compared to other indicators. Because these indicators are the closest to duplicating the variable that they represent. So if the airline's management wants to intervene in specific variables, the indicator with the highest r loading factor value can be used as a lead to start improving the performance variables selected.

For example indicator "As Acehnese, I value personal attention they give inside the aircraft." has the highest score (0.921), therefore it explained Acehnese Respect to Customization better than other indicators. Since this indicator belongs to Acehnese Respect to Customization variable so the indicator plays a significant role to increase the respects of Aceh people to the customs service provided by the airlines.

Another example is indicators belong to Airlines Service Quality variable. The indicator that has the highest value is "Very friendly cabin crew service and ground staff" with a score of 0.843. Since this indicator belongs to the variable that has the greatest value (0,60) compare to other variables. So the indicator and the variable play significant role to increase the Customer Loyalty

Conclusion
1. All indicators that have the highest value in each variable should be of concern of airlines management, at least to maintain them, because these indicators explain the variables they represent.
2. Special attention has to be given to highest score indicators under Service Quality of Airlines since the Service Quality of Airline has the highest score (0,60), compared to other variables such as Corporate Reputation and Switching barriers. In another word to improve airlines customer loyalty are considered to be the most important point to improve customer loyalty in the industry.

References


