THE INFLUENCE OF SERVICE QUALITY ON PASSENGER

SATISFACTION AND LOYALTY IN AIRASIA AIRLINES

Submitted as the Fulfillment of the Requirements to Get

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by:

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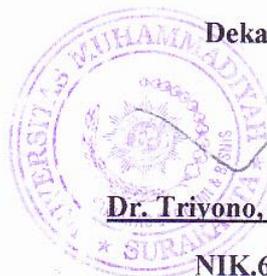
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THE INFLUENCE OF SERVICE QUALITY ON PASSANGER SATISFACTION AND LOYALTY IN AIRASIA AIRLINES

Abstrak

Tujuan dari penelitian ini adalah untuk menguji pengaruh kualitas pelayanan terhadap kepuasan dan loyalitas pelanggan dalam AirAsia Airlines Sebagai perusahaan penerbangan low cost carrier. Untuk mencapai tujuan ini, penelitian menguraikan tiga tujuan. Data dikumpulkan dengan menggunakan kuesioner. teknik pengambilan sampel yang digunakan adalah non probability sampling dengan purposive sampling dan mengambil 120 responden. Dalam penelitian ini SPSS 16.0 digunakan untuk menganalisis data. pengujian hipotesis menggunakan analisis jalur (path analysis). Hasil penelitian menunjukkan bahwa kualitas pelayanan memiliki pengaruh yang signifikan terhadap kepuasan dan loyalitas. AirAsia harus mempertimbangkan untuk menerapkan berbagai strategi untuk meningkatkan kualitas layanan, terutama hiburan dalam penerbangan dan menyediakan situs web yang lebih mudah diakses dan informatif dan juga meningkatkanSikap terhadap penumpang penerbangan yang tertunda.

Kata Kunci : AirAsia Airlines, AirAsia X, Airlines, Loyalitas pelangga, Kepuasan pelanggan , Low Cost Carrier Airline, Kualitas Pelayanan.

Abstract

The objective of this study is to examine the influence of passengers' perceived service quality on passengers'satisfaction and loyalty in the context of AirAsia Airlines as a low cost carrier airlines company. Toachieve this objective, the research elaborates three specific objectives. The data was collected using fully-structured questionnaires. Non probability sampling technique with purposive sampling technique was used to collect the data and it covered 120 respondents. The statistical package for socialsciences (SPSS 16.0) was used to analyze the data. To test the hypothesis, path analysis was performed. The result indicated that passengers perceived service quality to have a significant influence on both satisfaction and loyalty.It is recommended that AirAsia shouldconsider implementing various strategies for improving service quality, especially in-flight entertainment and a moreaccessible and informative web site and also improving the attitude towars passangers of the delayed flight.

Keywords: AirAsia Airlines, AirAsia X, Airlines, Customer loyalty, Customer satisfaction , Low Cost Carrier Airline, Service quality.

1. INTRODUCTION

By the beginning of world globalization in recent decades, human needs vary on anything that helps their daily activities such communication and transportation whichgreatly evolve. The need of the transportation can be seenfrom the growing intereston the tourism world. It is shown by the number of tourists that increased significantly at the end of the latest decades, both in domestic and international tourist destinations. World Tourism Organization (in Tourism Highlights, 2015) stated that the number of International Tourism Arrivals (ITA) in 2014 reached a total of 1,133 million after reaching 1 billion in 2012. In addition, World Tourism Organization (in Tourism Highlights, 2015) also stated that the mode of transportation 2014 showed that 54% of the total 1.133 million travelers travelled by air. While, In Indonesia, the Central Brueau of

Statistics Indonesia (BPS, 2016) recorded the number of air passengers in Indonesia 2014 reached the total of 72.6 million people, it rised up 5.6 percent from the year 2013 which were 68.5 million people.

The increasing number of tourists showed that it has a great potential in travel businesses, especially for the airline companies. Withwide business opportunities in the field of air transport offered, the number of airline companies that offer low-cost carrier also increase. This changes the perception about traveling by plane that it was a luxurious way of travel in the last century but it has become one of the common form to travel today. Air travelers also have more choices in the travel providers than were previously available. Some of the low cost carrier airline providers also offer different kinds of good facilities to attract their costumers.

In a competitive market, airlines should understand costumer loyalty in order to keep their customers. To maintain the costumer loyalty, airline providers need to encourage their service strategy to meet the costumer satisfaction. Costumer satisfaction is a major consideration as customers decide whether to stay loyal to their provider or turn to other providers (Reichheld,2006). Costumers select their service providers based on how well the travel providers meet their service expectations (Parasuraman, et al., 1996).

This study is focused on the service quality perceived by the passenger of airline industry particulary in AirAsia, whether it meets their satisfaction which will be expanded to their loyalty or vice versa. As one of the largest aviation services provider in Asia, which is expected to handle 10 million passengers a year according to it's low cost carrier idea founder, Tony Fernandes. With their vision "Now Everyone Can Fly" and their mission is to provide 'Affordable Airfares', it is important to AirAsia Company to ensure it's passengers are satisfied with the services they perceived from the service provider.

Based on the problems description above, the purpose of this study is to analyze the influence of service quality toward customer satisfaction and loyalty in AirAsia Airlines. And it will be arranged as follows : [1] To analyze the influence of service quality on cutomer satisfaction in AirAsia Airlines,[2] To analyze the influence of the customer satisfaction on cutomer loyalty in AirAsia Airlines, [3] To analyze the influence of service quality on customer loyalty in AirAsia Airlines.

2. LITERATURE REVIEW AND HYPOTHESES

Service has become a crucial part in business due to the globalization era. Many companies try and compete to provide the better service quality than their competitors do. Here, the researcher will discuss widely about the effect of perceived service quality toward customer

satisfaction and customer loyalty. The discussion bellow will be derived from the previous studies from the related international journals.

2.1 Service Quality

Service quality is a concept that considerably attracts interest and debate in the research literature because the difficulties to properlydefine it. Kotler (2013) explains that the quality should start from the needs of customers and ends at the customer's perception. Lewis (2010) defines service quality as the extent to which a service meets customers' needs or expectations. Service quality can be defined as a consumer's overall impression of the relative efficiency of the organization and its services.The five dimensions of servqual in Parasuraman, et. al. (1988) research is the reference of this study those are tangibles, reliability, responsiveness, assurance and empathy.

2.2 Customer Satisfaction

Companies need to produce a very good product and provide good quality of service that yield highly satisfied customers to be competitive and survive in business (Fecikova, 2004). In other words, to gain the customer satisfaction, the company need to provide a good perceived value of the product or services. According to Kotler (2012) satisfaction is: "a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.

In order to keep their customers, airlines must become increasingly sophisticated about understanding their customers' expectations as an effort to maintain the quality of service their passengers want. The observation is examine whether the customer satisfaction will become a key intermediary objective in service operations due to be a benefit of the company.

2.3 Customer Loyalty

Loyalty is more aimed at non-random behavior shown by the purchase routine. According to Giddens in Farid Yuniar Nugroho(2011, p.16), loyalty is a consumer's choice to buy a particular brand compared to other brands in the product category. The characteristics of loyal customers are: (1) undertake regular repurchase, (2) buy outside the line of products / services available, (3) recommend the products / services to others, (4) Show no effect on the attraction power of the competitors, (5) recommend it to others. It is in line with Kotler (2012), customer loyalty is a commitment to repurchase or repatronize a preferred product or service.

The match between the quality of service delivery and service value is expected to increase customer loyalty. Dharmmesta (2006) says that loyalty is a behavioral response of purchase which can be expressed constantly by decision makers to consider one or more numbers of brand alternative from the sam kind of product and its function. Loyalty is different with re-purchase

behavior, the aspects of customers loyalty include the feelings, and not affective aspects in it. Benefits for companies to have loyal customers are: (1) reducing marketing costs, (2) reducing transaction costs, (3) reducing the cost of replacing the consumer, (4) increasing sales, (5) information from positive mouth to mouth, and (6) reducing the cost of failure.

2.4 Research Hypothesis

Based on the explanation of literature review and recent studies, the hypotheses will be formulated to investigate the research problems and to fulfill its goals. The hypothesis arranged base on the research framework are listed below :

2.4.1   Effect of service quality on passenger satisfaction

Understanding the effect of service quality on passenger satisfaction is important for any company. In this competitive era, it is essential for airlines to provide their key customers, the passengers with high quality of service in order to yield satisfaction (Khraim, 2013).According to previous studies, it observed is that the customer satisfaction has become a key intermediary objective in service operations due to the benefits for organizations. Badara, et. al. (2013) indicates the significant effect of the customer satisfaction on customer loyalty. Chen, et. al. (2006) believed customer satisfaction makes direct and positive effects on customer loyalty.Therefore, for the purpose of this study, the first research hypotesis is :

H1 : Passengers' perceived service quality has a positive and significant effect on passenger satisfaction.

### 2.4.2   Effect of passenger satisfaction on passenger loyalty

Butcher, Sparks & Callahan have shown that the service quality affects the repurchase tendency as a result of increased satisfaction that create loyalty. Companies should monitor whether the passengers were satisfied with their service or not because maintaining customer satisfaction could keep the customers loyal to certain products or services provided by the company. Customer satisfaction is an important tool to maintain loyal customer (Schoenbachler, et. al., 2004). Mohsan, et. al., (2011), their studies demonstrated that customer satisfaction correlated positively with customer satisfaction. Badara, et. al. (2013) states the importance of customer satisfaction as it is a significat predictor to customer loyalty. In the airlines area, airline companies have recently realized the importance of customer satisfaction to find themselves in this competitive world. Furthermore airlines companies have initiated many projects in service quality and customer satisfaction measurement by improving the service quality.Therefore, the second hypotesis of this study is :

H2 : Passenger satisfaction has positive and significant effect on loyalty.

However, ServQual is very important to satisfy the potential customers who tend to be loyal. Loyalty is the attitudes and feelings of the customers towards the service provided by a service organization and which form the perceprion of service quality. When the all airline companies have comparable fares and matching frequent flyer programs, the company with better service quality will draw passengers from another airlines. According to the pervious studies, the quality of service has indirect impact on customer loyalty. Wong & Sohal (2003), identified a positive relationship between service quality and customer loyalty. Sara, et. al. (2013) work resulted service quality influenced customer loyalty through customer satisfaction as the mediating variable between the independent and dependent variable. Chen, et. al. (2006) believed customer satisfaction makes direct and positive effects on customer loyalty, and service quality making indirect and positive effects on customer loyalty via customer satisfaction.

2.5 Theoritical Framework

This research is focusing on service quality, customer satisfaction and customer loyalty .The theoritical framework of this study is drawn from the review of literature related to the study. It gives a clearer picture of the variables influencing passenger satisfaction and loyalty in the airline industry based on the five dimensions of SERVQUAL.

Service Quality	→	Customer Satisfaction	→	Customer Loyalty
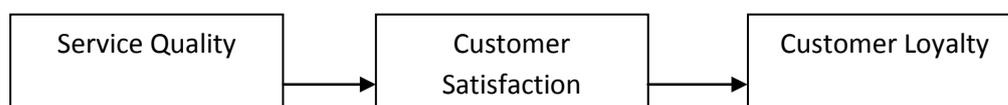
Figure 1

Theoritical Framework

Parasuraman, Zheithaml & Berry defined each dimension as follow :

a. <u>Tangibles</u>: Tangibles are the physical aspects of service delivery; physical facilities, equipment, appearance of personnel, and communication materials.

b. <u>Reliability</u>: Reliability is the service provider's ability to perform the promised service dependably and accurately. Customers expect reliable service delivery and that the service is delivered on time, in the same manner, and without errors every time.

c. <u>Responsiveness</u>: Responsiveness is provider's willingness to help customers and provide prompt service. For example, keeping customers waiting may create unnecessary negative perceptions of quality. The ability to recover quickly can still leave customers with positive perceptions of service quality.

d. <u>Assurance</u>: Assurance is the knowledge and courtesy of employees and their ability to inspire trust and confidence.

e. <u>Emphathy</u>: Empathy is caring, individualized attention the firm provides its customers. This includes the approachability and sensitivity of service employees.

3 RESEARCH METHODOLOGY

This reasearch examined the relationship measurement between independent variable toward dependent variable. The descriptive analysis method was used to explain the results of this study.The population of this study is all passengers of AirAsia X not only in Indonesia but also from other countries, so that the population size was not identified or it was not known with certainty. Sampling technique is the process of selecting items from the population so that the sample characteristics can be generalized to the population (Sekaran, 2013). Purposive sampling is a non-probability sampling design in which the required information is gathered from special or specific targets or groups of people on some rational basis (Sekaran, 2013). Since there was unknown numbers of population, the author decided to take 120 samples who has fly with AirAsia at least twice.

Primary data was collected by distributing questionnaires. Primary data is data obtained directly from the object to be studied. Primary data from this study came from questionnaires filled out by the respondent. The primary data source was the data collected first-hand from the source of the data obtained directly from respondents by the researcher (Sekaran, 2013). The sample was a subset of the population, made up of some members of the population. The questionnaires provide a list of questions and the alternative answers to be chosen by the respondents. All questions of the questionnaire are close ended question, that the alternative answer of the question was provided and respondents have no opportunity to give another answers . The questionnaires consist of two parts of questions. The first part was designed to collect respondents' demographic information such as gender, age, national or international passenger, income level, purpose of travel and travel frequencies within a year. The second part was to examine the customers' perception of service quality, customer satisfaction and customer loyalty. Likert was used in this study. Likert scale according Sugiyono (2009) is a Likert scale used to measure attitudes , opinions and perceptions person or a group of social phenomenon. The methods of data collection in this study are personally administered questionnaire and mail questionnaire. The researcher gives the questionnaire directly to the respondents and sends a link of the online questionnaire through social media to be filled out.

After collecting the data, a statistical package for social sciences (SPSS) version 16.0 was used for analysisng the data. First, the descriptive statistics were used to analyzed for the

demographic profile of the passengers, their perception toward service quality of the AirAsia Airlines, their level of satisfaction and their loyalty to AirAsia Airlines. Second, validity test is used to measure whether the questionnaires are valid or invalid (Ghozali, 2012). Validity measurement used the **Confirmatory factor analysis (CFA).** Confirmatory factor analysis is a multivariate statistical procedure that is used to test how well the measured variables represent the number of constructs or variables. The reliability of data will be tested by using Cronbach's alpha statistical test (α). Cronbach alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran, 2013). A questionnaire is reliable if the value of Cronbach's Alpha is greater (>) than 0.70 (Ghozali,2012).

This study used **path analysis** to figure out how big the structural relationships between latent variables. Latent variables are variables that are not directly observed but are rather inferred (through a mathematical model) from other variables that are observed (directly measured). Its aim is to provide estimates of the magnitude and significance of hypothesised causal connections between sets of variables. Moreover, the feasibility test model uses in this study is F test, T-test, and the value of the determination coefficient(R^2) measure the value statistically. The calculation referred to in a significant way in the test value F and T-test is in critical areas (regions where Ho is rejected). Statistical F test and T-test are basically used to find out whether the regression model can be used to predict the dependent variable or not. If significant probability value > 0.05, the H0 is accepted and H1 is rejected. If significant probability value < 0.05, H0 is rejected and H1 is accepted. Comparing between F value and F table, If F value > F table, H0 is accepted and H1 is rejected. If F value < F table, H0 is rejected and H1 is accepted. Determination coefficient test (R^2) is carried to measure how far the ability of framework model for explains about variation by dependent variable. Value of determinant coefficient is between 0-1.

4 FINDING AND DATA ANALYSIS

4.1 Descriptive Analysis

4.1.1 Demographic Analysis

Based on the data collected, the origin country of the respondents 90.8% are Indonesians and 9.2% are Malaysians. The gender distribution of the respondents was 51.7% were female and 48.3% were male. Most of respondents were between the age group 21-35 and 36-50 years old. The precentage of respondents in particular occupation categories were full-time employees 34%, entrepreneur 28.3%, student 32.5%, and housewife were 5%. Based on marital status, 58% repondents were single, 37.5% who has married, and 4.2% were divorced. Afterwards, 52.5% of respondents have monthly income under Rp.5.000.000, 42.5% between Rp.5.000.000 to Rp.10.000.000, and only 5% of have monthly income above Rp.10.000.000. Most of respondents

do an annual travel twice of less, and the most respondents were taking international flight. Most of respondents indicated the purpose of their current trip as being in work and holiday.

4.1.2 Respondents Answers

In general, respondents were satisfied with the service quality. However, there are view attributes (i.e. handling passangers of the delayed flight, attitude toward the delayed passangers) that they are neither disagree nor agree. Futhermore, respondents were least satisfied with several attributes.

Respondents were most satisfied with the employees' neat and tidy appearance, and employees' willingness to help, language skills of the employees, and the kindness and politesness of the employees. Among those five dimensions of service quality, the respondents were most satisfied with the responsiveness and empathy was rated the least satisfactory. (See Table 1)

Table 1
Mean Rating of The Variables

No.	Variables	Mean	Standard Deviation
	Service Quality		
1.	Tangible	3.91	0.60
2.	Reliability	3.65	0.73
3.	Responsiveness	3.57	0.91
4.	Assurance	3.81	0.68
5.	Empathy	3.66	0.73
6.	**Satisfaction**	**3.96**	**0.60**
7.	**Loyalty**	**3.79**	**0.70**

4.2 Validity and Reliability Test Result

The following table shows the result of validity and reliability test ;

Table 2

Result of Validity Test

Rotated Component Matrix

Variable	Code	1	2	3	4	5	6	7	Conclusion	Cronbach	Alpha
Tangible	Tan1			.575					Valid	.819	
	Tan2			.683					Valid		
	Tan3			.801					Valid		
	Tan4			.713					Valid		
	Tan5			.687					Valid		
Reliability	Rel1	.667							Valid	.874	
	Rel2	.778							Valid		
	Rel3	.733							Valid		
	Rel4	.831							Valid		
	Rel5	.620							Valid		
Responsiveness	Res1							.355	Valid	.847	
	Res2							.570	Valid		
	Res3							.423	Valid		
	Res4							.669	Valid		
	Res5							.462	Valid		
Assurance	Ass1		.648						Valid	.834	
	Ass2		.783						Valid		
	Ass3		.672						Valid		

Empathy	Emp1		.909	Valid	.825
	Emp2		.856	Valid	
	Emp3		.553	Valid	
	Emp4		.477	Valid	
Satisfaction	Sat1		.605	Valid	.779
	Sat2		.722	Valid	
	Sat3		.677	Valid	
	Sat4		.854	Valid	
Loyalty	Loyal1	.573		Valid	.764
	Loyal2	.691		Valid	
	Loyal3	.750		Valid	

Sources : Primary data, 2017.

Table 2 shows the result of validity test that have been extracted and has loading factors value greater than 0.30 which means all variables are declared free of invalid. Reliability testing results in each of the studied variable has Cronbach Alpha value greater than 0.60 which means the entire instruments in this study was reliable.

4.3 Hypothesis Test Result

4.3.1   Path Analysis

Path analysis is used to describe or represent and test the model of the causal relationship between variables (Sugiyono, 2009). In this study, the author used the regression analysis to test the path analysis model which was continued by using Sobel test to draw the conclusion. Riduwan and Kuncoro (2012: 116) explain that special program menu for path analysis in SPSS regression analysis and the path coefficients areindicated by the standardized coefficient, known as beta value. The result of path analysis in this study will be presented in the following tables.

Table 3
Result of Regression Model 1

Variable Independent	Variable Dependent : Customer Satisfaction			T	Sig
	Unstandardized Coefficient		Standardized Coefficient		
	B	Std. Error			
(Constant)	5.019	1.233		4.070	.000
Tangible	.216	.072	.266	3.018	.003
Reliability	-.044	.061	-.067	-.712	.478
Responsiveness	.153	.047	.292	3.242	.002
Assurance	.173	.116	.148	1.492	.138
Empathy	.185	.070	.225	2.643	.009
R Square			.471		
Standard Error of Estimation			1.78411		
F Test			20.303		
Significant F			.000		

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Table 3 explains the findings from the first regression analysis model by using SPSS program, the equation model is as follows :

$$Customer\ Satisfaction = 0.266Tangible + -0.067Realibility + 0.292Responsiveness +$$
$$0.148Assurance + 0.225Empathy$$

The test results from data analyzing by SPSS for variable Tangible obtained t value = 3.018 with a significance level of 0.03. For variable Reliability, it is obtained t value = -0.712 with a significant level of 0.478. The results for variable responsiveness obtained t value = 3.242 with a significant level of 0.002. For variable assurance obtained t value = 1.492 with a significance level of 0.138. Afterwards, variable empathy obtained t value = 2.643 with a significance level of 0.009. By using the determined significance level of 0.05, tangible, responsiveness and also empathy has significant effect on satisfaction. On the opposite, reliability and assurance has no significant effect on satisfaction.

The result of the ANOVA Test, variable tangible, reliability, responsiveness, assurance and also empathy jointly affect the customer satisfaction. In other words , this hypothesis is accepted (Sekaran, 2003) .

From the Table 4 the findings from the second regression analysis model by using SPSS program, the equation model is as follows :

$$Customer\ Loyalty = -0.028Tangible + 0.243Relilability + -0.223Responsiveness +$$
$$0.209Assurance + 0.173Empathy + 0.185Satisfaction$$

Table 4
Result of Regression Model 2

Variable Independent	Variable Dependent : Customer Loyalty		T	Sig
	Unstandardized Coefficient B	Std. Error	Standardized Coefficient		
(Constant)	4.744	1.143		4.151	.000
Customer Satisfaction	.419	.071	.475	5.867	.000
R Square			.226		
S.Error of Est.			1.868		
F Test			34.424		
Significant F			.000		

Futhermore, Table 4 the findings from the second regression analysis model by using SPSS program, the equation model is as follows :

Customer Loyalty =*0.185Satisfaction + e*

The constant of the customer loyalty is 4.744, it means that without customer satisfaction, customer loyalty has a value of 4.744. The symbol (+) shows the positive influence from the independent variables toward dependent variable. The table shows the coefficient value of customer satisfaction is 0.419, so that the customer satisfaction can influence the loyalty about 0.419.

The regression results of both models explained the relationship of service quality, customer satisfaction and loyalty. Afterwards, the regression results will be tested by using the Sobel calculation method. The author used Sobel calculator online to calculate the z value of each variable which is will be explained in the table bellow :

Table 5

Sobel Test Results

Variables	Beta Value (Unstandardized Coefficient)	Standard Error	Z Value
Tangible	0.216	0.072	2.67428650
Reliability	-0.044	0.061	-0.71598311
Responsiveness	0.153	0.47	2.85041357
Assurance	0.173	0.116	1.44592176
Empathy	0.185	0.070	2.41202856

The Sobel test (Table 5) resulted the z value for the tangible($z1$) = 2.67428650, it is greater than 0.99 with significant level of 0.05. It proves that the customer satisfaction variable has an ability to mediate variable tangible. The z value for the reliability($z2$) = -0.71598311, it is smaller than 0.24 with significant level of 0.05. it proves that the customer satisfaction variable has no ability to mediate variable reliability. The z value for the responsiveness($z3$) = 2.85041357, it is greater than 0.99 with significant level of 0.05. It proves that the customer satisfaction variable has an ability to mediate variable responsiveness. The z value for the assurance ($z4$) = 1.44592176, it is greater than 0.93 with significant level of 0.05. It proves that the customer satisfaction variable has an ability to mediate variable assurance. The z value for the empathy($z5$) = 2.41202856, it is greater than 0.99 with significant level of 0.05. It provess that the customer satisfaction variable has an ability to mediate variable empathy.

These findings will be explained more by using the following figure :
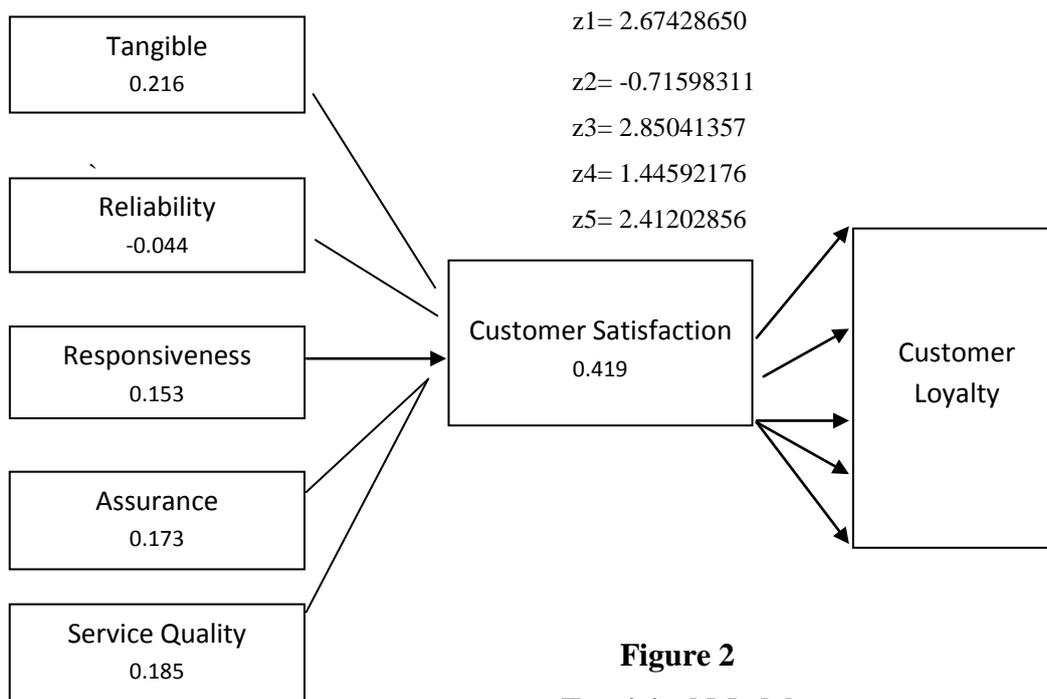
Figure 2

Empirical Model

In Table 6 the R^2 value is 0.471, it means that 47.1% customer satisfaction can be explained by the variable of the five service quality dimensions. While the rest 52.9% can be explained by another variables. The range of the R^2 value is between 0 and 1, the smaller the value of R^2, the weaker the relationship between the variables (Ghozali, 2001).

Table 6

Model Summary 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.686[a]	.471	.448	1.78411

Table 7, the R^2 value is 0.226, it means that 22.6% customer loyalty can be explained by the variable of customer satisfaction. While the rest 78.4%can be explained by another variables out of the model. The range of the R^2 value is between 0 and 1, the smaller the value of R^2, the weaker the relationship between the variables.

Table 7

Model Summary 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.475[a]	.226	.219	1.86844

5 .DISCUSSION

The validity test result explains briefly that all questionnaire items were valid, so that the items can be processed and analyzed further. The reliability test result also declares that those variables were reliable.

The regression analysis in this study resulting the service quality affecting positively toward the customer loyalty even directly or indirectly through the customer satisfaction. This is in linewith prior studies (Namukasa, 2013) which found that service quality and customer satisfaction are positively related. The research by Chen, et. al. (2006) resulted customer satisfaction makes direct and positive effects on customer loyalty.Badara, et. al. (2013) indicates the significant effect of the customer satisfaction on customer loyalty.This infers that the customer satisfaction is the most suitable mediating variable between service quality and customer loyalty.

Based on the 5 dimensions of service quality, this hypothesis will be divided into 5. First, tangible has a significant effects on the customer satisfaction. According to the result of this study, tangible has a significant effect on the customer satisfaction, it means that H1a is accepted. Second, reliability has a significant effects on the customer satisfaction. According to the result of this study, reliability has no significant effect on the customer satisfaction, it means that H1b is rejected. Third, responsiveness has a significant effects on the customer satisfaction. According to the result of this study, Responsiveness has a significant effect on the customer satisfaction, it means that H1c is accepted. Forth, assurance has a significant effects on the customer satisfaction. According to the result of this study, assurance has no significant effect on the customer satisfaction, it means that H1d is rejected. The last, fifth, empathy has a significant effect on the customer satisfaction. According to the result of this study, empathy has a significant effect on the customer satisfaction, it means that H1e is accepted.

The passanger satisfaction has positive and significant effect on loyalty. According to the result of this study, passenger satisfaction has a significant effect on the customer loyalty, it means that H2 is accepted.

However, there are some differences between this study and the previous study. Several variables of the dimensions of service quality were insignificant toward satisfaction, likewise the same result found on loyalty. Those findings drive the hypothesis to be accepted or rejected. Somehow, even though some variables were insignificant, in reality people still pay attention to those indicators shown by respondents' responses were mostly agree with the indicators. It means that the indicators were important to satisfy customers, where the satisfied customers will tend to be loyal.

From the whole service quality dimensions, tangibility gained greater contribution to satisfy customers. The company should pay more attention to creatively maintain the tangibility, and to improve the others service quality dimensions. Customers who were satisfied said that they have did the right thing by choosing AirAsia Airlines to carry them. Furthermore, it will drive customers to be loyal. The loyal customers said that they will use AirAsia in their future flight. In other words, service quality positively affects customer loyalty through customer satisfaction as the mediating variable in between.

6 CONCLUSION

Conclusions based on the results of the data analysis will answer the problems that have been formulated according to the research objectives. This study concludes that the service quality positively affects the customer loyalty both directly or indirectly through the customer satisfaction. Even though several variables of the dimensions of service quality were insignificant toward satisfaction, likewise the same result found on loyalty. These findings drive the hypothesis to be accepted. Somehow, even though those variables were insignificant, in reality people still pay attention to those indicators shown by the mean of respondents' responses who mostly agree with the indicators. It means that the indicators were important to satisfy customers, where the satisfied customers will tend to be loyal.

7 LIMITATION

This study has some limitations that may require future research to address. First, this study focused on one airline due to time constraints. Therefore, the findings of the study cannot be generalized. Second, the study was done on a cross-sectional basis, it will result different finding if the study conducted on a specific section. Furthermore, most of the questionnaire were distributed online, so that the researcher can not control or sellect the respondent specificly. Additionally, passengers younger than 20 years old were excluded in this study.

8 SUGGESTION

Future studies should consider the possibility of increasing the sample size by including more customers from various airlines companies in their studies. It is important for future studies to carry out a longitudinal research in order to assess the direct and indirect effects of the independent variables on the dependent variables respectively.It is also suggested to investigate other factors that can influence customer satisfaction and customer loyalty.It is also urged to try to test the model of this study in other service companies.

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