The Impact Of Price Perception On Customer Loyalty In The Airline Context

Jirawat Anuwichanont, Ph.D., Suan Dusit Rajabhat University, Thailand

ABSTRACT

It is a generally acknowledged in marketing literature that pricing is a critical strategy that influences product/service demand and company profitability. Consequently, price plays an important role in influencing customers' decisions in choosing and developing loyalty with a particular product or service. Moreover, consumers are becoming more value conscious, focusing on price and value as the primary reason when purchasing product and service. Thus, the influence of the multi-dimensions of perceived value on customer loyalty in the airline context was examined. In addition, the moderating effect of consumers' price perception was also investigated in explaining service loyalty. The empirical findings strongly supported the significant impact of quality/emotional response/reputation, behavioral price on brand affect and brand trust. But no support was found for the hypothesized relationships between monetary price and brand affect and brand trust. Moreover, brand trust was found to significantly predict both attitudinal loyalty and behavioral loyalty, as hypothesized. Contrary to expectations, brand affect exerted no impact on both loyalty constructs. The moderating effect of price perception was significantly apparent solely on the relationship between brand affect and loyalty constructs.

Keywords: Perceived Value; Brand Affect; Brand Trust; Loyalty; Price Perception

INTRODUCTION

Nowadays, consumers are becoming more value conscious, focusing on price and value as the primary reason for product and service (Cronin, Brady and Hult, 2000; McGowan and Sternquist, 1998). In general, price is considered as unquestionably one of the most important marketplace cues due to its presence in all purchase situations. Higher prices negatively affect purchase probabilities (Sternquist and Jin, 2004). In the existing literature, perceived price is what a consumer gives up or sacrifices in order to obtain a product (Athanassopoulos 2000; Zeithaml 1988). Consequently, price plays an important role in influencing customers' decisions in choosing and developing loyalty with a particular product or service. As many countries, namely Thailand, decided to reduce protection in their commercial airline industries, therefore many low-cost airlines have emerged in competition with the larger ones. These low-cost airlines have pursued simplicity, efficiency, productivity and high utilization of assets to offer low fares. As a result, low cost airlines have intensified market competition, especially price competition. The airline industry has been under increasing price pressure as price cutting is a normal marketing tool to fill up vacant seats. Consequently, this price war forces the whole industry to re-evaluate their service offering and customer loyalty programs.

Notwithstanding that the uni-dimensional conceptualization of perceived value is extensively examined in empirical researches in explaining loyalty (e.g. Petrick and Backman, 2002), only a few studies examine perceived value in the multi-dimensional perspective. Most empirical studies examine only the uni-dimensional conceptualization of perceived value by comparing the benefits a consumer receives and the sacrifice for the attainment of a product or service (Zeithaml, 1988). The uni-dimensional assessment of perceived value has been argued of lacking validity (Woodruff and Gardial, 1996). Moreover, it fails to give specific direction on how to improve customers' perceived value (Petrick, 2002). There is, however, little understanding of how the multi-dimensions of perceived value influence customer loyalty in the airline context. Empirically, the meaning of perceived value used in the marketing literature is more complex than its traditional conceptualization and should be extended to include five dimensions: quality, emotional response, monetary price, behavioral price and reputation

(Petrick, 2002, 2004). This study extends the knowledge of previous research by assessing the extent to which each dimension of perceived value influences brand affect and brand trust. Moreover, the impacts of brand affect and brand trust on loyalty are also investigated in the airline context. It is noteworthy that price cue can either be positive or negative in purchase decision-making (Jin and Sternquist, 2005; Lichtenstein, Ridgway and Netemeyer, 1993). Customer loyalty is argued to be stronger under the condition of low price perception and vice versa (Peng and Wang, 2006). Thus, the moderating effect of consumers' price perception is also examined on the association between brand affect, brand trust and loyalty. The finding will provide airline marketing executives more perspectives in boosting customer loyalty through the effect of the multi-dimensions of perceived value and price perception.

RESEARCH OBJECTIVES

The objectives of this research are as follows:

- to examine the relative effects of perceived value dimensions on brand affect and brand trust
- to examine the impact of brand affect and brand trust on loyalty
- to investigate the moderating effects of price perception on the relationships between brand affect, brand trust and loyalty.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Perceived value

It has been long acknowledged that creating and delivering superior customers' perceived value is regarded as a strategic weapon in attracting and retaining customers and has become one of the most significant factors in the success of both manufacturing businesses and service providers (Wang et al., 2004). The construct of perceived value has been identified as one of the most important ingredients for gaining competitive edge (Spiteri and Dion, 2004; Mizik and Jacobson, 2003; Baker, Parasuraman, Grewal and Voss, 2002) and repurchase intentions (Parasuraman and Grewal, 2000). In general, perceived value is the result or benefits customers receive in relation to total costs (Woodruff, 1997). Consistently, Sirdeshmukh et al. (2002) and Hellier et al. (2003) defined value in the service context as the consumer's perception of the benefits minus the costs of maintaining an ongoing relationship with a service provider. Thus, customers are more likely to stay in a relationship when they perceive the sum of benefits (e.g. satisfaction with core service attributes, supplementary services and relationship benefits) exceeds the cost. Traditionally, perceived value is most commonly conceptualized as a unidimensional measure (Gale, 1994). However, research scholars argued that this unidimensional measure lacks validity (Woodruff and Gardial. 1996) and fails to give specific direction on how to improve value (Petrick, 2002).

Besides the unidimensional conceptualization, perceived value was further conceptualized as a multi-dimensional construct, including five dimensions: (1) quality, (2) emotional response, (3) monetary price, (4) behavioral price, and (5) reputation (Parasuraman and Grewal 2000; Petrick, 2002). Quality was defined as consumers' judgments about a service's overall excellence (Zeithaml, 1988). Emotional response was defined as a descriptive judgment regarding the pleasure that a product or service gives the purchaser (Parasuraman and Grewal, 2000; Sweeney et al., 1998). The definition utilized for monetary price was the price of a service as encoded by the consumer (Jacoby & Olson, 1977) while behavioral price was defined as the price (non-monetary) of obtaining a service including the time and effort, used to search for the service (Zeithaml, 1988). Finally, reputation was defined as the prestige or status of a product or service, as perceived by the purchaser, based on the image of the supplier (Dodds et al., 1991).

Earlier empirical evidence indicated that perceived value on repurchase intention was completely mediated via customer satisfaction (Patterson and Spreng, 1997). Based on equity theory (Oliver and DeSarbo, 1988), customers are inclined to feel equitably treated if they perceive that the ratio of their outcome to inputs is comparable to the ratio of outcome of inputs experience by the company. As a consequence, they are more likely to develop affect and satisfaction with the service (Bolton and Drew, 1991). In addition, Morgan and Hunt (1994) indicated that the benefits of the relationship are precursors of trust. The perceived value of a service can be

considered part of the benefits of the relationship (Sanchez-Garcia, 2007; Singh and Sirdeshmukh, 2000). When customers perceive the benefits (monetary, functional, emotional, prestige, and effort) received higher than the costs of obtaining such benefits, customers are more inclined to put more trust in the service provider and maintain relationship. In light of the preceding discussion and findings, we propose that:

H1a,b,c,d,e: There are positive relationships between perceived value: (a)quality, (b)emotional response, (c)monetary price, (d)behavioral price and (e)reputation and brand affect.

H2a,b,c,d,e: There are positive relationships between perceived value: (a)quality, (b)emotional response, (c)monetary price, (d)behavioral price and (e)reputation and brand trust.

Brand Affect

It has been acknowledged that affect plays a crucial role in developing customer loyalty (Gremler and Brown 1998). The empirical research extensively indicated positive affect as the determinant of customer loyalty in both academic and managerial perspective (e.g., Chaudhuri and Holbrook, 2001; Garbarino and Johnson, 1999). Brand affect was defined as a brand's potential to elicit a positive emotional response in the average consumer as a result of its use (Chaudhuri and Holbrook, 2001). Brand-loyal consumers are willingly to pay more and repurchase because of the perception of a unique value in the brand (Reichheld 1996) or positive emotional mood or affect (Dick and Basu, 1994). Thus, in order for developing brand loyalty, positive attitude of affect elicited by the brand was necessarily required (Urban and Sultan, 2000). Consistently, Baldinger and Rubinson (1996) indicated that the attitude component was a significant predictor of a consumer staying with a brand in the long term or brand loyalty. Moreover, brand loyalty requires both a favourable attitude towards the brand with an array of cognitive and affective elements as well as repeat patronage (Dick and Basu, 1994).

With regard to developing brand loyalty, it has been acknowledged that brand affect was regarded as the major determinant of purchase loyalty and attitudinal loyalty (Ringberg and Gupta, 2003; Chaudhuri and Holbrook, 2001). Moreover, Mutzler et al. (2008) indicates that brand trust and brand effect are positively related to repurchase and attitudinal loyalty. In addition, Crosby and Johnson (2005) assert that strong emotion towards a product/service are integrated to customer loyalty and can build a high barrier for competitors to overcome. Based on the above discussion, the hypotheses are developed as follows:

H3a: Brand affect will positively influence attitudinal loyalty.

H3b: Brand affect will positively influence behavioral loyalty.

Brand Trust

Brand trust was defined as the willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri and Holbrook, 2002), as the confident expectations of the brand's reliability and intentions (Delgado, Munuera et al., 2003) and as the confidence a consumer develops in the brand's reliability and integrity (Chatterjee and Chaudhuri, 2005). In consonance with previous studies, brand trust was further conceptualized to feature two dimensions: brand reliability and brand intentions (Delgado-Ballester , 2004; Delgado-Ballester and Munuera-Alemán , 2005). Brand reliability has a competence or technical nature and is based on the consumer's belief that the brand accomplishes its value promise. This reflects a sense of predictability that the brand satisfies the individual's needs in consistently positive ways. Brand intentions are based on the consumer's belief that the brand would hold the consumer's interest when unexpected problems with the consumption of the product arise. Therefore, it describes the consumer's belief that the brand's behaviour is guided or motivated by favorable and positive intentions towards the consumer's welfare and interests.

Recent studies have suggested a positive association between loyalty and trust, defined as containing elements such as honesty, competence, benevolence, reliability, and customer orientation (Chow and Holden, 1997; Doney and Cannon, 1997; Morgan and Hunt, 1994; Moorman, Zaltman and Deshpande, 1992). In general, trust is viewed as the determinant of relationship commitment and future purchase intentions in the context of buyer-seller

relationships and business-to-business relationships (Morgan and Hunt, 1994; Moorman et al., 1992; Crosby et al., 1990). In addition, trust has been found to be predictive of both purchase and attitudinal loyalty in the consumer market context (Chaudhuri and Holbrook, 2001). Consistently, Urban, Sultan et al. (2000) proposed customer trust as an essential element in building strong customer relationships and sustainable market share. Reichheld and Scheffer (2000) also inform that " to gain the loyalty of customers, you must first gain their trust". With regard to developing brand loyalty, it has been suggested that brand trust is necessary to create brand loyalty, apart from brand affect (Ringberg and Gupta, 2003; Urban and Sultan, 2000). Based on the above discussion, we hypothesize that

H4a: Brand trust will positively influence attitudinal loyalty.

H4b: Brand trust will positively influence behavioral loyalty.

The Moderating Variable of Price Perception

Previous empirical findings indicated that customer's choice of their service provider was strongly influenced by price, perceived costs of switching and reputation of the company (Waterson 2003). In addition, across 45 service industries, 30% of the respondents switched because of pricing issues e.g. high price or unfair/deceptive pricing practices (Keaveney, 1995). In similar, Lichtenstein et al. (1993) suggested that perceptions of price positively correlated with price seeking. Consequently, price plays an important role in influencing customers' decisions in choosing and developing loyalty with a particular product or service.

Traditionally, prior marketing studies have considered price as a uni-dimensional construct and a significant quality indicator (Sternquist and Jin, 2004; Lichtenstein et al., 1993). Empirically, the negative role of price perception is conceptualized to include four dimensions including price consciousness, value consciousness, sale proneness and coupon proneness (Sternquist and Jin, 2004; Lichtenstein et al., 1993). But this study will focus on examining only two dimensions of (1) price consciousness and (2) sale proneness which are quite relevant to the nature of airline industry (Peng and Wang, 2006; Alford and Biswas, 2002). Price consciousness refers to the degree to which the consumer focuses exclusively on paying low prices whereas sale proneness refers to an increased sensitivity to price in its negative role, which is related to the price being in sale form or discounts from their regular selling price (Peng and Wang, 2006).

Empirically, the research findings suggested that individuals high in price consciousness will focus exclusively on paying low prices while individuals high in sale proneness will be sensitive to price discounts or sale form (Jin and Sternquist, 2003) and have bargain seeking behavior (Lichtenstein et al., 1993). Thus, airline travelers high in price consciousness and sale proneness are argued to be more price-sensitive and switch among brands in search of lower prices. Thus, the impact of price on customer loyalty requires further empirical justification by examining the moderating effect of price perception on the association between brand affect, brand trust and loyalty. These associations are argued to be stronger under the condition of low price perception and vice versa (Peng and Wang, 2006). Based on the above discussion, the hypotheses are formulated as follows:

H5a,b: The relationship between brand affect and (a) attitudinal loyalty (b) behavioral loyalty will be stronger under conditions of low price perception, than under the alternate condition (high price perception).

H6a,b: The relationship between brand trust and (a) attitudinal loyalty (b) behavioral loyalty will be stronger under conditions of low price perception, than under the alternate condition (high price perception).

RESEARCH METHODOLOGY

Target populations are Thai travelers who have ever traveled with Thai Airways International, Nok Air and Air Asia. In conducting structural equation modeling, several researchers have suggested that sample sizes should range from 150 to 250 to avoid the problems of misspecification. In general, a sample size of 200 is recommended as the critical sample size (Anderson and Gerbing 1988).   Derived from indefinite population formula for determining sample size, the calculated sample size for this study is 400. The additional 100 samples were recruited as a buffer against invalid questionnaire. Consequently, the total sample included 500 respondents, exceeding the

critical sample size. The purposive sampling method is employed to collect data from Thai travelers in Bangkok. The first draft of the questionnaire was subjected to pretesting with total respondents of 40.

Measures

To measure perceived value which comprises five dimensions (quality, emotional response, monetary price, behavioral price and reputation), we applied the 25-item scale from Petrick (2002). The composite reliability score of perceived value was 0.75 exceeding the acceptable threshold of 0.7 (Petrick, 2002). Brand affect and brand trust was assessed using a seven-item scale adapted from previous studies by Chuadhuri and Holbrook (2001). The scale items of brand affect and brand trust show good internal reliability with high alpha coefficients at 0.92 and 0.81 respectively. Regarding loyalty, this study focuses on attitudinal and behavioral loyalty. With regards to attitudinal and behavioral loyalty, the eleven-item scale developed by Pritchard *et al*. (1999) were employed in this study. The loyalty scale demonstrated substantial internal consistency with reliability estimates of 0.91 in the previous study of Pritchard *et al*. (1999). Lastly, the measure of price perception was adapted from the study of Lichtenstein, Ridgway and Netemeyer (1993) with the reliability of 0.80-0.87. A 7-point Likert rating scale ranging from strongly disagree (1) to strongly agree (7) was attached to each statement.

RESULTS

Respondent Profile

Total number of questionnaires distributed was 500, but only 474 questionnaires obtained were valid. It can be indicated that there is almost equal split in the gender of respondent (46% are male; 54% are female). 32% of them are 25-34 years old. Half of them are married. The majority of them achieves bachelor degree and come from administrative/ managerial level. The majority's monthly household income level is between 1,626 -2,000US$.

Measurement Model

Exploratory Factor Analysis

A 2 phase analysis was conducted for the measurement model. In the first phase, exploratory factor analysis (EFA) using principal component analysis with varimax rotation was employed to purify the scales. Items with loadings less than .55 and/or cross loading greater than .35 were discarded. For the second phase, the scales were subjected to a confirmatory factor analysis (CFA) using AMOS with the maximum likelihood estimation to assess the construct validity and convergent validity. The findings revealed that the measurement scales of perceived value, brand affect, brand trust, attitudinal loyalty, behavioral loyalty and price perception had acceptable internal consistency, which was evidenced by high Cronbach's alpha ranging from 0.89 - 0.93 which exceeded the threshold value of 0.70 (Nunnally, 1978). Regarding EFA, the findings revealed that a unidimensional factor structure was found for all constructs with only one factor extracted, except perceived value. Contrary to our expectation, a three factor structure of perceived value were extracted instead of five factors which was not consistent with the earlier study of Petrick (2002). The three factor structure of perceived value comprised quality/emotional response/reputation, monetary price and behavioral price respectively. The extracted factors explained approximately 69-85 percent of the total variance. Based on the findings, all constructs satisfied the criteria of unidimensionality and reliability, besides the multi-dimensions of perceived value.

Confirmatory Factor Analysis

The second phase of confirmatory factor analysis was undertaken for scale purification and assessing the psychometric properties of measures in terms of convergent validity and reliability properties. The confirmatory factor analysis analyzes only the items with significant t-value and high factor loadings. The items with low factor loadings were subjected to be excluded. The analysis was rerun until the factor loading values of all items were above 0.60. Regarding the convergent validity, the findings revealed that all factor loadings were greater than the recommended threshold of 0.5, ranging from 0.68 to 0.92 for exogenous construct measurement model (quality/emotional response/reputation, monetary price and behavioral price), 0.69 to 0.91 for endogenous construct

measurement model (brand affect, brand trust attitudinal loyalty and behavioral loyalty) and 0.68 to 0.93 for the moderating variable of price perception. The magnitude of all factor loadings greater than 0.5 provided strong support for convergent validity and adequate item reliability (Bagozzi and Yi, 1988).

In sum, as evidence of convergent validity, all items loaded significantly on their prespecified latent constructs and all factor loadings were relatively high exceeding the critical value of 0.5 (Bagozzi and Yi, 1988). Moreover, associated t-values of the factor loadings were all statistically significant (t-value > 1.65, p<.05) ranging from 15.40 to 30.29 for exogenous constructs, 16.45 to 27.41 for endogenous constructs, and 15.51 to 23.60 for moderating construct, providing strong support for convergent validity (Anderson and Gerbing, 1988; Bollen, 1989). In addition, all measures of overall model fit for these three measurement models were within the acceptable levels, indicating a sound fit of the data to the model. Results of factor loadings along with associated t-value are shown in Table 1.

In examining the internal consistency of measurement scale, the assessment of composite reliability and average variance extracted of each construct was conducted. Theoretically, composite reliability represents the shared variance among a set of observed variables that measure an underlying construct while variance extracted measures reflects the overall amount of variance in the indicators accounted for by the latent construct (Fornell and Larcker, 1981). The findings showed that all composite reliability of constructs exceeded the threshold level of 0.7 ranging from 0.87 to 0.95, indicating high internal consistency of the measurement scales (Fornell and Larcker, 1981; Bagozzi and Yi, 1988; Hair *et al*., 1998). Finally, average variance extracted score for all constructs exceeded the recommended level of 0.5 ranging from 0.61 to 0.78, indicating that the variance captured by each construct is greater than the error due to the measurement error (Fornell and Larcker, 1981; Hair *et al*., 1998). Table 1 displays the composite reliability and average variance extracted of each construct, along with Model Goodness-of-fit statistics.

Table 1: Summary of Measurement Model Results

Construct	No. of items	Factor loading (t-value)	Composite reliability coefficient	Average variance extracted
Exogenous Construct Measurement Model				
Quality/Emotional response/Reputation	13	0.69 - 0.85 (17.15-27.33)	0.95	0.61
Monetary price	4	0.68 – 0.92 (17.59-30.29)	0.89	0.68
Behavioral price	4	0.73 – 0.84 (15.40-17.44)	0.87	0.62
Model Goodness-of-fit statistics: Chi-square = 496.87, Degrees of freedom = 169, χ^2/ df = 2.94, p value = 0.000, GFI = 0.909, AGFI = 0.875, RMSR = 0.128, TLI = 0.955, CFI = 0.964, NFI = 0.946 and RMSEA = 0.063				
Endogenous Construct Measurement Model				
Brand affect	3	0.87 – 0.88 (26.84-27.41)	0.91	0.78
Brand trust	4	0.83 – 0.88 (24.35-27.41)	0.91	0.63
Attitudinal loyalty	3	0.85 – 0.91 (25.43-26.92)	0.91	0.72
Behavioral loyalty	6	0.69 – 0.85 (16.45-22.47)	0.91	0.77
Model Goodness-of-fit statistics: Chi-square = 287.512, Degrees of freedom = 94, χ^2/ df = 3.059, p value = 0.000, GFI = 0.931, AGFI = 0.900, RMSR = 0.045, TLI = 0.967, CFI = 0.974, NFI = 0.963 and RMSEA = 0.065				
Moderating Construct Measurement Model				
Price perception	8	0.68 – 0.93 (15.51-23.60)	0.93	0.64
Model Goodness-of-fit statistics: Chi-square = 47.11, Degrees of freedom = 15, χ^2/ df = 3.14, p value = 0.000, GFI = 0.976, AGFI = 0.942, RMSR = 0.052, TLI = 0.974, CFI = 0.986, NFI = 0.980 and RMSEA = 0.066				

Empirical Testing of Hypothesized Structural Model

The hypotheses were analyzed with the use of structural equation modeling utilizing AMOS with the maximum likelihood estimation to assess the data-model fit and validate the hypothesized relationships between theoretical constructs. The findings suggested that the hypothesized model was a good fit for the data and achieved an overall good fit. The chi-square/degrees of freedom ratio was within the recommended level of 2.00 to 3.00 (χ^2 / df = 2.19), indicating an acceptable fit. Though the chi square goodness of fit was significant (χ^2 = 1286.39, df = 587, p < 0.000), all measures of fit for the structural model indicate sound fit statistics with all goodness-of-fit indices in the desirable ranges: goodness-of-fit index (GFI) = 0.876, adjusted goodness-of-fit index (AGFI) = 0.851, root mean square residual (RMSR) = 0.118, Tucker-Lewis index (TLI) = 0.955, comparative fit index (CFI) = 0.960, normed fit index (NFI) = 0.929, and root mean square error of approximation (RMSEA) = 0.049). Even though GFI values should be considered greater than 0.9 (0 equals to a poor fit and 1 equal to a perfect fit) (Joreskog and Sorbom, 1996). In this study the values of GFI was around 0.9 but still at a marginal acceptance level and relatively close to the preferred values. Zikmund (2003) argued that values of GFI less than 0.9, do not necessarily mean that the model has a poor fit. The AGFI (0.851) exceeds the threshold level of 0.8, indicating acceptable fit. The TLI, CFI and NFI exceed the recommended level of 0.9. The RMSR (0.118) slightly exceeds the recommended cut-off value of 0.8 while RMSEA (0.049) is within the acceptable level of 0.8, suggesting reasonable fit (Hair *et al.*, 1998). The structural model output displayed in Table 2 shows that the model explained a substantial portion of the variance in all the endogenous variables; brand affect 70%, brand trust 75%, attitudinal loyalty 67% and behavioral loyalty 57%.

The hypothesis testing was accomplished by examining the completely standardized parameter estimates and their associated t-values. Results revealed that estimates were consistent with expectation because six of ten hypothesized relationships were significant (p < 0.001, p < 0.01 and p < 0.05) and in the expected direction. Hypotheses 1 proposed that three dimensions of perceived value positively influenced brand affect. The findings supported two significant relationships between quality /emotional response/reputation (coefficient = 0.80, t = 16.77), behavioral price (coefficient = 0.09, t = 2.19) and brand affect, except monetary price. Thus, this finding was partly supportive of H_{1abe} and H_{1d}.

Hypotheses 2 predicted the positive relationships between three dimensions of perceived value and brand trust. It appeared that only quality /emotional response/reputation (coefficient = 0.83, t = 16.60) and behavioral price (coefficient = 0.10, t = 2.70) had significant, positive impacts on brand trust. No support was found for the hypothesized relationship between monetary price and brand trust. As a result, H_{2abe} and H_{2d} was supported.

Hypotheses 3 stated that brand affect positively influenced attitudinal loyalty and behavioral loyalty. Contrary to our expectation, brand affect was found to exert no impact on both attitudinal loyalty and behavioral loyalty. Thus, H_{3a} and H_{3b} were not supported.

Hypotheses 4 predicted a positive association between brand trust and attitudinal loyalty and behavioral loyalty. The hypothesized paths from brand trust to attitudinal loyalty and behavioral loyalty were supported. The findings revealed brand trust, as hypothesized, had significant and positive relationships with attitudinal loyalty (coefficient = 0.99, t = 6.40) and behavioral loyalty (coefficient = 0.89, t = 5.50), providing support for H_{4a} and H_{4b}. In sum, quality/emotional response/reputation was found to be the most powerful predictor of brand affect and brand trust, followed by behavioral price. Moreover, brand trust was found to be the most powerful prerequisite of attitudinal loyalty and behavioral loyalty. The standardized path coefficients along with its associated t-values were displayed in Table 2.

Table 2: Summary of Hypotheses Testing Results

H:	From	To	Standardized estimate	t-values	Supported
H_{1a}	Quality/Emotional response/Reputation	Brand affect	0.800	16.769	Yes***
H_{1c}	Monetary price	Brand affect	0.000	-.013	No
H_{1d}	Behavioral price	Brand affect	0.089	2.184	Yes*
H_{2a}	Quality/Emotional response/Reputation	Brand trust	0.829	16.598	Yes***
H_{2c}	Monetary price	Brand trust	0.021	.609	No
H_{2d}	Behavioral price	Brand trust	0.103	2.698	Yes**
H_{3a}	Brand affect	Attitudinal loyalty	-0.197	-1.310	No
H_{3b}	Brand affect	Behavioral loyalty	-0.155	-.983	No
H_{4a}	Brand trust	Attitudinal loyalty	0.996	6.392	Yes***
H_{4b}	Brand trust	Behavioral loyalty	0.894	5.497	Yes***
Squared multiple correlations for	Brand affect: 0.70, Brand trust: 0.75, Attitudinal loyalty: 0.67 and Behavioral loyalty: 0.57				
Model Goodness-of-fit statistics: Chi-square = 1286.39, Degrees of freedom = 587, χ^2 / df = 2.19, p value = 0.000, GFI = 0.876, AGFI = 0.851, RMSR = 0.118, TLI = 0.955, CFI = 0.960, NFI = 0.929 and RMSEA = 0.049					

Note: *p = 0.05, **p = 0.01, ***p = 0.001

Based on one-tailed t-tests: t-value > 1.65, p < 0.05: t-value > 2.33, p < 0.01, and t-values > 3.09, p < 0.001
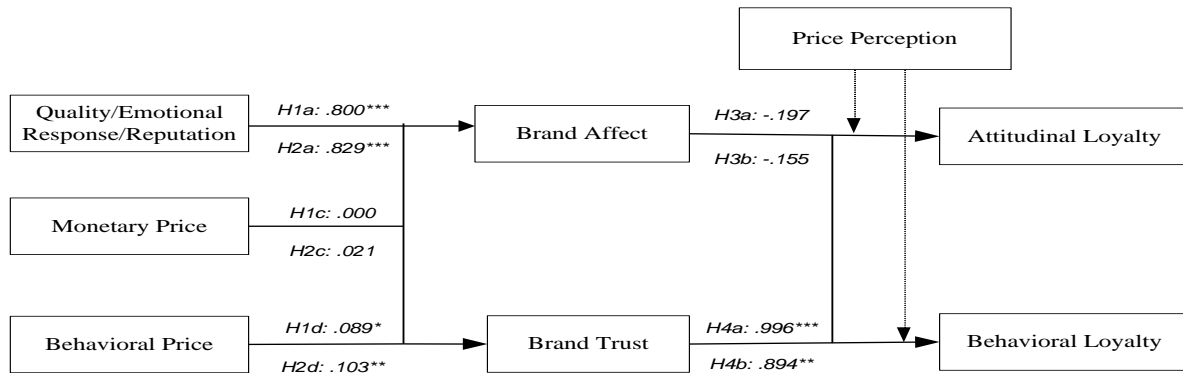

Figure 1: Conceptual Model

Moderating Tests of Price Perception

The test of the moderating effect of price perception was conducted on four hypothesized relationships between brand affect, brand trust and loyalty constructs. To test the moderating effect, a multi-group path analysis was employed (Bagozzi and Yi, 1989). The multi-group path analysis is a technique especially appropriate when the covariance matrices differ significantly across treatments (Voss *et al*., 1998). It also enables a simultaneous estimation of all hypothesized relationships across groups. This approach also allows for restricted models with systematic constraints on posited relationships. These restricted models can be evaluated for their fit to data on the basis of a chi-square statistic, non-normed fit index (NNFI) or Tucker-Lewis index (TLI), comparative fit index (CFI), and other indicators, including the root mean square error of approximation (RMSEA) (Marsh *et al*., 1996).

The moderating test was conducted to examine differences between the high and low price perception groups. These differences were tested using a split-group analysis procedure (high versus low on the moderating variable) (Osterhus, 1997). The sample of 474 individuals was divided into two groups on the basis of the degree of

price perception by using high versus low median splits on the price perception variables. The moderating effect of price perception was tested and observed the relative change in model fit (Osterhus, 1997).

To assess the commonalities and differences between low and high price perception groups, two alternative multiple sample models were estimated. First, a unconstrained model having no constraints across samples on the structural parameters was estimated. Then, a constrained model was estimated, in which the four relationships that were constrained to be equal across two samples. A significant interaction effect exists if the change in the chi-square value is significant. For the high versus low price perception groups, the unconstrained model provided a Chi Square value of 2022.63 (d.f. = 1158, p < 0.000). Note that the Chi Square value and degrees of freedom are equal to the respective sums for the structural models estimated separately for the two samples. The model with equality constrains on the four common relationships provided a chi square value of 2041.62 (d.f. = 1165, p < 0.000). Of most interest here, though, was the rejection of the hypotheses that these four relationships were invariant across the two groups ($\Delta\chi^2_7 = 18.99$, p < 0.000). According to the table of critical value of Chi-Square, critical value at the alpha of 0.05 (confidence level of 95%) and degree of freedom of 7 is 14.07 (18.99 > 14.07). Thus, the difference is statistically significant at a less than 0.05 which suggests that price perception has a moderating impact on the previously hypothesized relationships.

Results of Moderation Tests

The resulting unstandardized parameter estimates were presented in Table 3, revealing that the moderating effect of price perception was apparent in the posited relationships between the mediating variables of brand affect and brand trust and the endogenous constructs of attitudinal loyalty and behavioral loyalty at the significant level of 0.05 and 0.01. Of the four proposed relationships testing moderating effects of price perception, only two hypothesized relationship was statistically significant and in the hypothesized direction. When comparing across groups, unstandardized comparisons are recommended because indicators may have different variances, measurement error terms, and disturbance terms (Ping, 1995).

The findings indicate that the moderating effect of price perception on the relationship between brand affect and attitudinal and behavioral loyalty was significantly apparent in low price perception group. The magnitude of parameter estimates in the low price perception group (b = 0.332 and 0.408) was greater than the high group (b = 0.219 and 0.050). This finding provided support for H_5. Contrary to our expectation, the magnitude of parameter estimates of the influence of brand trust on attitudinal and behavioral loyalty in the high price perception group (b = 0.606 and 0.647) was significantly greater than the low group (b = 0.535 and 0.028). Path estimates were not consistent with the hypothesis. Thus, H_6 was not supported.

Table 3: Summary of Hypotheses Testing Results Showing Moderating Effects of Price Perception

Hypotheses			High price perception		Low price perception	
			Unstand Est.	**t-value**	**Unstand Est.**	**t-value**
H_{5a}	Brand affect	Attitudinal loyalty	0.219	1.374	0.332	2.308
H_{5b}	Brand affect	Behavioral loyalty	0.050	0.279	0.408	2.720
H_{6a}	Brand trust	Attitudinal loyalty	0.606	3.587	0.535	3.780
H_{6b}	Brand trust	Behavioral loyalty	0.647	3.371	0.280	1.916
Model Goodness-of-fit statistics: Chi-square = 2022.63, Degrees of freedom = 1158, χ^2 / df = 1.75, p value = 0.000, GFI = 0.817, AGFI = 0.778, RMSR = 0.087, TLI = 0.943, CFI = 0.951, NFI = 0.893 and RMSEA = 0.039						

DISCUSSION AND CONCLUSION

The findings revealed that perceived value (quality/emotional response/reputation and behavioral price) was found to significantly influence brand affect and brand trust. This supports Sanchez-Garcia's (2007) contention that perceived value is an important factor in the development of brand affect and trust. As hypothesized, the finding revealed that brand trust significantly influences attitudinal and behavioral loyalty in the airline context. This finding is consistent with the earlier studies of Chaudhuri and Holbrook (2001, 2002) and Urban, Sultan et al. (2000) who stated that brand trust is regarded as the major determinant of brand loyalty. No support was found for the

hypothesized relationships between brand affect and attitudinal loyalty and behavioral loyalty which is surprisingly contrary to the previous empirical findings (Chaudhuri and Holbrook, 2001). The moderating effect of price perception on the relationships between brand affect and loyalty constructs was supported. This finding is consistent with the notion of Peng and Wang (2006) who argued that the association between brand affect and loyalty is stronger under the condition of low price perception.

Managerial Implication

The empirical findings suggest that in addition to simply satisfying consumer needs, marketing practitioners are recommended to maximize customers' perceived value in terms of quality, emotional response, reputation and behavioral price to foster brand affect and trust. Thus, marketing practitioners need to emphasize on delivering services with superior quality services, pleasing service interactions, companies' favorable image and low behavioral costs to capture target customers. In addition, marketers may consider strategies focusing on developing brand trust with reliability and integrity to enhance customer loyalty. The competitive or value pricing strategy should be taken into account in order to sustain customers' favorable perception towards airlines in terms of value for money.

ACKNOWLEDGEMENT

AUTHOR INFORMATION

Jirawat Anuwichanont received his Ph.D. in Marketing Science from Thammasat University, Thailand. He is currently a full-time lecturer of Graduate School, Suan Dusit Rajabhat University, Thailand. He has authored and co-authored academic articles in referred journals and conference proceedings. His research interests include Service Marketing, Tourism Marketing and Brand Management. Email: Jirawata@hotmail.com

REFERENCES

1. Alford, B. L. and Biswas, A. (2002). The Effects of Discount Level, Price Consciousness and Sale Proneness on Consumers' Price Perception and Behavioral Intention, *Journal of Business* 55 (9),775-783.
2. Anderson, J. C., and Gerbing, D. W. (1988), "Structural Equation Modeling in Practice : A Review and Recommended Two-Step Approach", *Psychological Bulletin* 103(3), 411-423.
3. Athanassopoulos, A.D., (2000), "Customer satisfaction cues to support market segmentation and explain switching behaviour", *Journal of Business Research*, Vol. 47, No. 3, pp. 191– 207.
4. Bagozzi, R.P., & Yi, Y. 1988, 'On the use of structural equation models in experimental designs', *Journal of Marketing Research*, vol. 26, August, pp. 271-284.
5. Baker, J., Parasuraman, A., Grewal, D., & Voss, G. B. (2002). The Influence of Multiple Store Environment Cues on Perceived Merchandise Value and Patronage Intentions. *Journal of Marketing*, 66, 120-141.
6. Baldinger, A L and J Rubinson (1996) Brand Loyalty: The link between attitude and behaviour, *Journal of Advertising Research, 36, 6, 22-34.*
7. Baldinger, A L and J Rubinson (1997) In search of the Holy Grail: A rejoinder, *Journal of Advertising Research, 37, 1, 18-20.*
8. Berry, L. L. 1996, 'Retailers with a future.' *Marketing Management, 5*(Spring), pp. 39-46.
9. Bollen, K.A. 1989, *Structural equations with latent variables*. New York: Wiley.
10. Bolton, Ruth N. and James H. Drew. 1991. "A Multistage Model of Customers' Assessments of Service Quality and Value." *Journal of Consumer Research* 17 (March): 375-384.
11. Chatterjee, S.C. and Chaudhuri, A. (2005) 'Are trusted brands important?', *Marketing Management Journal*, Vol. 15, No. 1, pp.1–16.
12. Chaudhuri, A. and M. B. Holbrook. 2001, 'The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty.' *Journal of Marketing* 65(2), pp. 81-93.

13. Chaudhuri, A. and M. B. Holbrook. 2002, 'Product-class effects on brand commitment and Brand outcomes: The role of brand trust and brand affect.' *Journal of Brand Management,* 10(1), pp.33-58.
14. Chow, S. and R. Holden. 1997, 'Toward an understanding of loyalty: The moderating role of trust.' *Journal of Management Issues,* 9(3), pp.275-298.
15. Cronin, J. J., Brady, M. K., and Hult, G. T. M., (2000). Assessing the Effects of Quality, Value, and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments. *Journal of Retailing*, 76 (2).
16. Crosby L.A. and Johnson S.L. 2005. Managing Experiences. *Marketing Management*, 14(1):11-12
17. Crosby, L. A., Evans, K. R. & Cowles, D. 1990. Relationship quality in services selling: an interpersonal influence perspective. *Journal of Marketing*, 54(3), 68-81.
18. Day, G.S. 1969, 'A two-dimensional concept of brand loyalty', *Journal of Advertising Research*, vol. 9.
19. Delgado, E., J. L. Munuera, et al. 2003, 'Development and validation of a brand trust scale.' *International Journal of Market Research*, 45(1), pp.35-54.
20. Delgado-Ballester, E., 2004. Applicability of a brand trust scale across product categories. *European Journal of Marketing*, 38 (5/6), 573-592.
21. Delgado-Ballester, E., Munuera-Alemán, J.L., 2005. Does brand trust matter to brand equity?. *Journal of Product and Brand Management*, 14 (3), 187-196.
22. Dick, A., & Basu, K. 1994, 'Customer loyalty: toward an integrated conceptual framework', *Journal of the Academy of Marketing Science*, vol. 22, no. 2, pp. 99-113.
23. Dodds, W.B., Monroe, K.B., & Grewal, D. 1991, 'The effect of price, brand and store information on buyers' product evaluations', *Journal of Marketing Research*, vol. 18, pp. 39-50.
24. Doney, P. M. and J. P. Cannon. 1997, 'An examination of the nature of trust in buyer-seller relationships' *Journal of Marketing,* 61(2), pp.35-51.
25. Fornell, C., & Larcker, D.F. 1981, 'Evaluating structural equation models with unobservable variables and measurement error', *Journal of Marketing Research*, vol. 18, pp. 39-50.
26. Freedman, L.L. 1964, 'Involvement, discrepancy and change', *Journal of Abnormal and Social Psychology*, 69, pp.290-295.
27. Garbarino, E., & Johnson, M.K. 1999, 'The different roles of satisfaction, trust and commitment in customer relationships, *Journal of Marketing*, vol. 63, April, pp. 70-87.
28. Gremler, Dwayne D. and Stephen W. Brown (1998), "Worth Beyond Revenue: The Full Value of a Loyal Customer" in *Pursuing Service Excellence: Practices and Insights.* E. E. Scheuing, S. W. Brown, B. Edvardsson, et al., eds. International Service Quality Association, 119-128.
29. Hair, J.F., Anderson, R.E., Tatham, R.L., & Black, W.C. 1998, *Multivariate data analysis*. 5th ed, Upper Saddle River, NJ: Prentice-Hall.
30. Hellier PH, Geursen GM, Carr RA, Rickard JA (2003). Customer repurchase intention – a general structural equation model. *Eur. J. Mark*., 37(11–12): 1762–1800.
31. Hofstede, G. 1991, *Cultures and Organizations: Software of the Mind.* New York, NY: McGraw – Hill
32. J¨oreskog, K.G. & S¨orbom, D. (1999b) LISREL 8 *User's Reference Guide*. Lincolnwood, IL: Scientific Software International.
33. Jacoby, J. and Olson, J. C. "Consumer Response to Price: an Attitudinal, Information Processing Perspective," in *Moving Ahead with Attitude Research*, Wind, Y. and Greenberg, M. (eds.), American Marketing Association, Chicago, 1977, pp.73-86.
34. Jin, B., Sternquist, B. and Koh, A. (2003), Price as Hedonic Shopping. *Family and Consumer Sciences Research Journal*, 31: 378–402
35. Keaveney, Susan M. (1995). Customer switching behavior in service industries: an exploratory study. *Journal of Marketing*, 59, 71-82.
36. Lichtenstein, Donald R., Nancy M. Ridgway, and Richard G. Netemeyer (1993), "Price Perceptions and Consumer Shopping Behavior: A Field Study," *Journal of Marketing Research*, 30 (May), 234-245.
37. Marsh, H., Balla, J., & Hau, K. 1996, 'A valuation of incremental fit Indices: a clarification of mathematical and Empirical properties'. in *Advanced Structural Modeling: Issues and Techniques.* Marcoulides, G, & Schumacker, R. (Eds.) Mahwah, NJ: Lawrence Associates, pp. 315-345.
38. McGowan, K. and B. Sternquist (1998) Dimensions of price as a marketing universal: A comparison of Japanese and U.S. consumers. *Journal of International Marketing*. 6 (4), 49-65.

39.   Mizik, Natalie and Robert Jacobson (2003), "Trading off between value creation and value appropriation: The financial implications of shifts in strategic emphasis," *Journal of Marketing*, 67 (1), 63-76.
40.   Moorman, Christine; Gerald Zaltman and Rohit Deshpande. 1992, 'Relationships between providers and users of market research: The dynamics of trust within and between organizations', *Journal of Marketing Research*, 29 (August), pp.314-328.
41.   Morgan, R.M., & Hunt, S.D. 1994, 'The commitment-trust theory of relationship marketing', *Journal of Marketing*, vol. 58, July, pp. 20-38.
42.   Mutzler, K., Grabner-Krauter, S. and Bidmon, S. 2008. Risk aversion and brand loyalty: the mediating role of brand trust and brand affect. *Journal of Product & Brand Management*, 17(3): 154-162.
43.   Nunnally, J.C. 1978, *Psychometric theory*. New York: McGraw-Hill.
44.   Oliver and DeSarbo (1988). R.L. Oliver and W.S. DeSarbo, Response determinants in satisfaction judgments. *Journal of Consumer Research* 144 (1988), pp. 495–508.
45.   Oliver, R.L. 1992, 'An investigation of the attribute basis of emotion and related affects in consumption: suggestions for a stage-specific satisfaction framework', in *Advance in Consumer Research*, vol. 19, Sherry, J., & Sternthal, B. (Eds.) Provo, UT: Association for Consumer Research, Fourthcoming.
46.   Oppermann, M. 1999, 'Whence consumer loyalty', *Journal of Marketing*, vol. 63, Special issue, pp. 33-44.
47.   Parasuraman, A. (1997), ``Reflections on gaining competitive advantage through customer value'', *Journal of the Academy of Marketing Science*, Vol. 25 No. 2, pp. 154-61.
48.   Parasuraman, A., & Grewal, D. 2000, 'The impact of technology on the quality-value-loyalty chain: a research agenda', *Journal of the Academy of Marketing Science*, vol. 28, no. 1, pp. 168-174.
49.   Patterson, P., & Spreng, R. 1997, 'Modeling the relationship between perceived value, satisfaction and repurchase intention in a business-to-business, service context: an empirical examinational', *International Journal of Service Industry Management*, vol. 8, no. 5, pp. 414-434.
50.   Peng, Leong Yow & Wang, Qing (2006). Impact of Relationship Marketing Tactics (RMTs) on Switchers and Stayers in a Competitive Service Industry, *Journal of Marketing Management*, V.22, pp.25-59.
51.   Petrick, F. 2004, 'First timers 'and repeaters' perceived value', *Journal of Travel Research*, vol. 43, August, pp. 29-38.
52.   Petrick, J. F and Backman, S. J. 2002, 'An examination of the determinants of golf travelers' satisfaction', *Journal of Travel Research,* vol. 40, pp. 252-258
53.   Petrick, J. F. 2002, 'Development of a multi-dimensional scale for measuring the perceived value of service', *Journal of Leisure Research*, vol.34, no. 2, pp. 119-134.
54.   Petrick, J.F., & Backman, S.J. 2001, 'An examination of golf travelers' satisfaction, perceived value, loyalty, and intentions to revisit', *Journal of Tourism Analysis*, vol. 6, no. 3/4, pp. 223-237.
55.   Ping, R.A. 1995, 'A parsimonious estimating technique for interaction and quadratic latent variables', *Journal of Marketing Research*, vol. 32, pp. 336-347
56.   Pritchard, M., Havitz, M., & Howard, D. 1999, 'Analyzing the commitment loyalty link in service contexts', *Journal of Academy of Marketing Science*, vol. 27, no. 3, pp. 333-348.
57.   Pritchard, M., Howard D.R. and Havitz M. 1992, 'Loyal measurement: A critical examination and theoretical extension', *Leisure Science*, 14, pp.155-164.
58.   Reichheld, F. 1996, *The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value*. Boston, MA: Harvard Business School Press.
59.   Reichheld, Federick and Phil Schefter. 2000, 'E-Loyalty: Your Secret Weapon on the Web', *Harvard Business Review*, 78 (July/August), pp.105-113.
60.   Ringberg, T. and S. F. Gupta. 2003, 'The importance of understanding the symbolic world of customers in asymmetric business-to-business relationships.' *The Journal of Business & Industrial Marketing,* 18(6/7), pp.607-626.
61.   Sanchez-Garcia, Miguel A., Moliner-Tena, Callarisa-Fiol, & Rodriguez-Artola, M. 2007, 'Relationship quality of an establishment and perceived value of a purchase', *The Service Industries Journal*, vol. 27, no. 2, March, pp. 151-174.
62.   Sharma, N. and P. G. Patterson. 1999, 'The impact of communication effectiveness and service quality on relationship commitment in consumer, professional services' *The Journal of Services Marketing*, 13(2), pp.151-170.
63.   Singh, Jagdip and Sirdeshmukh, Deepak (2000), "Agency and Trust Mechanisms in Relational Exchanges," *Journal of the Academy of Marketing Science*, 28 (Winter), 150-167.

64.   Sirdeshmukh D., Jagdip, S., & Barry, S. 2002, 'Consumer trust, value, and loyalty in relational exchanges', *Journal of Marketing*, vol. 66, pp. 15-37.

65.   Spiteri, Joseph M. and Paul A. Dion (2004), "Customer value, overall satisfaction, end-user loyalty, and market performance in detail intensive industries," *Industrial Marketing Management*, 33 (8), 675-687.

66.   Sternquist, B., Byun, S.-E., Jin, B. (2004). The Dimensionality of Price Perceptions: A Cross-Cultural Comparison of Asian Consumers. *The International Review of Retail, Distribution and Consumer Research*, 14(1), 83 - 100.

67.   Sweeney, J.C., Soutar, G. N., & Johnson, L.W. 1998, 'Consumer perceived value: Development of a multiple item scale', American Marketing Association Conference Proceedings, vol. 9, no. 138.

68.   Tabachnick, B.G., & Fidell, L.S. 2001, *Using multivariate statistics*. 4th ed, New York: Harper-Collins. Tourism Authority of Thailand, viewed 20 June 2005, <http://www.tat.or.th> vol. 78, July/August, pp. 105-113.

69.   Tax, S., S. Brown, et al. 1998, 'Customer evaluations of service complaint experiences: Implications for relationship marketing' *Journal of Marketing*, 60(April), pp.60-76.

70.   Urban, G. L., F. Sultan, et al. 2000, 'Placing trust at the center of your internet strategy' *Sloan Management Review,* 42(Fall), pp.39-49.

71.   Voss, G.B., Parasuraman, A., & Grewal, D. 1998, 'The roles of price, performance, and expectations in determining satisfaction in service exchanges', *Journal of Marketing*, vol. 62, October, pp. 441-476.

72.   Wang 2002, 'Attitudinal correlates of brand commitment: an empirical study'*, Journal of Relationship Marketing*, vol. 1, no. 2.

73.   Waterson, M. 2003, 'The role of consumers in competition and competition policy', *International Journal of Industrial Organisation*, Vol.21**,** No. 2, pp.129-150.

74.   Woodruff, R.B. 1997, 'Customer value: the next source for competitive advantage', *Journal of the Academy of Marketing Science*, vol. 25, no. 2, Spring, pp. 139-153.

75.   Woodruff, R.B., & Gardial, S.F. 1996, '*Know your customer: New approaches to understanding customer value and satisfaction*', Cambridge, MA:Blackwell Publishers.

76.   Zeithaml, V. A, Leonard L. Berry and A. Parasuraman. 1996, 'The behavioural consequences of service quality' *Journal of Marketing*, April, 60, pp.31-46.

77.   Zeithaml, V.A. 1988, 'Consumer perceptions of price, quality and value: a means-end model and synthesis of evidence', *Journal of Marketing*, vol. 52, July, pp. 2-22.

78.   Zeithmal, V.A., Berry, L.L., & Parasuraman A. 1996, 'Problems and strategies in services marketing', *Journal of Marketing*, vol. 60, April, pp. 31-46.

NOTES