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Customer Loyalty in Low-Cost Carriers: the Role of Service Quality, Price Fairness, and Brand Image (Insights from Indonesia)

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ABSTRACT

This study aims to analyze the effect of service quality, price fairness, customer satisfaction, and trust on customer loyalty, with brand image as a moderating variable, in low-cost carrier (LCC) airlines in Indonesia. The LCC industry faces tough challenges, with fluctuations in demand and the need to keep prices affordable without sacrificing service quality. This study uses a quantitative approach with descriptive and causal designs, and employs a structured survey of LCC airline customers. Data were analyzed using *PLS-SEM* (Partial Least Squares Structural Equation Modeling), which includes service quality dimensions (reliability, tangibles, assurance, empathy), price fairness, customer satisfaction, trust, and their effects on customer loyalty. The results showed that service quality has a positive effect on price fairness and customer satisfaction, but not directly on customer loyalty. Price fairness proves to be important in encouraging customer satisfaction and customer loyalty, while customer satisfaction acts as a mediator in the relationship and has a direct effect on trust and customer loyalty. Trust contributes significantly to building customer loyalty. However, brand image does not moderate the relationship between service quality and price fairness, suggesting that LCC customers' decisions are based more on functional evaluation. This study provides novel evidence on how brand image interacts with service quality and price fairness in shaping loyalty in Indonesia's LCC sector, revealing that functional attributes outweigh symbolic brand values in this market segment. The findings make theoretical and practical contributions to improving service quality and creating satisfying customer experiences.

KEYWORDS *Service Quality, Price Fairness, Brand Image, Customer Satisfaction, Trust, Customer Loyalty, Low-Cost Carrier, PLS-SEM, Marketing Strategy, Aviation Industry*

INTRODUCTION

The airline industry is faced with various hurdles such as cost reduction, managing demand fluctuations, and meeting quality standards (Zhang et al., 2019; Li et al., 2021). Currently, intense competition makes customer perceptions of service quality increasingly important (Koc & Bozkurt, 2020; Irawan et al., 2022). In the January-December 2022 period, the Indonesian Central Bureau of Statistics (BPS) recorded 52.6 million domestic flight passengers and 7.1 million international passengers, an increase of 74.81% compared to the 2021 period. In the January-November 2023 period, domestic flight passengers totaled 57 million people, an increase of 20.66%. This growth in passenger numbers reflects the significant recovery in the domestic aviation industry after the impact of the pandemic, which also shows the growing need for quality aviation services (Setiawan & Nugroho, 2021).

In the past decade, Indonesia's aviation industry has experienced significant fluctuations in the number of air passengers (Wicaksono et al., 2020; Santoso & Prasetyo, 2021). In 2013, there were 86.73 million passengers, and this number continued to increase consistently until it peaked in 2018 with a total of 138.29 million passengers, reflecting the strong growth phase of the aviation industry (Irawan et al., 2018; Oktaviani & Fadillah, 2019). However, since 2019, the trend started to show a decline, especially with the significant impact of the COVID-19 pandemic, which resulted in a drastic drop to only 42.59 million passengers in 2020 (Setiawan & Nugroho, 2021; Li et al., 2021). Although in 2022 the number of passengers increased again to 69.01 million, it has yet to surpass the number of passengers in the years before the pandemic (Rahman et al., 2022). This trend shows that the Indonesian aviation industry is in the maturity phase, where growth is no longer as fast as in previous years (Sari & Hidayat, 2020). The condition of the aviation industry, which is in the maturity phase with a high level of competition, requires the industry to continue to innovate and maintain relationships with customers. In this context, maintaining service quality and implementing innovative strategies based on customer experience are very important. The aviation industry needs to be adaptive to survive and compete in an increasingly competitive market (Kusuma & Yulianto, 2022).

The Indonesian aviation industry demonstrates characteristics typical of mature markets, where growth rates have stabilized and competition intensifies (Chan, 2017). Market maturity creates pressure for airlines to differentiate through service quality and pricing strategies rather than relying solely on market expansion. According to *INACA* (2024), the market share of domestic airlines in the LCC segment is dominated by Lion Air Group (Lion Air, Batik Air, Wings Air, Super Air Jet) with 62%, followed by Citilink with 27%, while other airlines account for 11%. Civil Aircraft (2023) records the number of fleets owned by each

airline, namely Lion Air Group with 298 fleets, Citilink with 62 fleets, and Pelita Air with 27 fleets. Airlines operating with LCC business models that emphasize cost efficiency and lower ticket prices in conditions of intense competition cause expectations of service quality to increase and challenge LCCs to remain competitive amid the maturity phase of the aviation industry.

According to Kotler & Keller (2016), the maturity phase in the Product Life Cycle is when the product or service is at a high level of market adoption, but the market is saturated because most potential customers have been served. In the maturity stage, companies need to carry out strategies such as innovating new features, attracting new customers, and implementing the right pricing strategy (Solomon et al., 2017). Intense competition in airlines also characterizes market conditions that are in the maturity stage. As the number of passengers increases and competition becomes increasingly fierce, airlines must focus on aspects that affect the overall customer experience. One aspect that has been identified in various studies is service quality, which is a factor that can build customer satisfaction and customer loyalty.

Experts in the academic field have agreed that service quality is an important factor for businesses in creating excellence and differentiation in achieving customer satisfaction and customer loyalty (Martinelli and Balboni, 2012). The relationship between service quality and airline customer satisfaction has been widely studied with significant results (Steven et al., 2012; Ellinger et al., 1999; Chen, 2008). According to Shipton et al. (2017) and Slack and Singh (2019), service quality has a significant impact on customer satisfaction and loyalty. Previous research found that the dimensions of SQ (service quality), namely Responsiveness, Assurance, Tangibility, Empathy, and Reliability are significant determinants of customer satisfaction (Jou et al., 2023). Hossain and Dwivedi (2015) stated that service quality has a direct positive impact on customer satisfaction. Airlines also allocate large resources to improve service quality, along with high customer expectations. These expectations not only affect purchasing decisions but also the propensity to complain, so improving service quality and customer satisfaction is a top priority for airlines and regulators (Chow & Fung, 2019).

The implications of this research extend beyond academic understanding to policy considerations, including pricing regulation frameworks, customer protection mechanisms in LCC operations, and competitive policy that ensures fair market dynamics while protecting consumer interests in Indonesia's rapidly evolving aviation sector. Although service quality has a significant role in influencing customer satisfaction, in the case of Low-Cost Carrier airlines where consumers have sensitivity to price, it is important to involve price fairness analysis in this study. Price fairness has also received great attention in the consumer

behavior literature because of its influence on customer satisfaction. Price fairness has successfully gained attention in the consumer behavior literature, and empirical research reports the role of price fairness on customer satisfaction (Severt et al., 2020). Price fairness is the consumer's assessment of whether or not the difference between the seller's price and the competitor's price is considered reasonable and acceptable (Xia et al., 2004). In addition, prices that are considered fair play an important role in customer satisfaction (Heo and Lee, 2011). Customers' positive perceptions of price fairness can increase customer satisfaction and loyalty (Bassey, 2014), while customers' negative perceptions of price unfairness can result in non-purchase behavior and increase dissatisfaction (Liu and Jang, 2009).

In addition to price fairness, brand image also plays an important role in shaping customer perceptions of a brand. Brand image not only influences customer expectations regarding service quality but also helps determine whether the price offered is considered reasonable and in accordance with the value received by customers. Brand Image is described as a customer's subjective perception of a brand based on product features and benefits such as quality and price (Lien et al., 2015). These perceptions determine whether brand image commitments related to quality and price have been fulfilled (Jalilvand & Samiei, 2012). Brand image drives customer expectations of the quality of service provided and a pleasant experience to be able to feel price fairness (Anselmsson et al., 2014) and positively and significantly strengthens the relationship between service quality and perceived price fairness (Singh et al., 2021).

After good service quality, reasonable price, and appropriate brand image, the Trust factor is defined as the readiness of a party to place itself in a vulnerable position to the actions of another party, with the confidence that the party will act in accordance with expectations that are considered important by the party who gives trust, even without the ability to monitor or control these actions (Mayer et al., 1995). According to Wu et al. (2018), trust is the beliefs, feelings, expectations, and confidence that customers have and includes customer dependence on the company's ability to provide a safe and satisfying experience for goods and/or services. Trust is defined as the belief that the other party will fulfill his obligations and is motivated to achieve mutually beneficial results (Kundu and Datta, 2015). Trust plays an important role in the development and maintenance of relationships between customers and businesses (Kim, Ferrin, & Rao, 2009; Huang & Wilkinson, 2013). In previous research, it is explained that trust plays an important role in customer relationships and trust tends to increase gradually when effective services are provided in delivering customer satisfaction (Sann et al., 2024). In business relationships, trust creates a solid foundation for airlines to maintain long-term relationships with customers, especially in the highly competitive airline industry.

By integrating elements such as service quality, price fairness, and brand image, airlines can create synergies that support the creation of customer satisfaction and trust. Customer satisfaction is a strong indicator of customer loyalty (Suson et al., 2023). Service quality and price fairness have an impact on customer satisfaction, and the concept of price fairness is in line with the increasing consumer interest in Low Cost Carrier airlines. Ballester & Alemán (2001) show that positive experiences with brands generate trust, which has a positive impact on loyalty. Customer loyalty is very important for airlines (Chang and Hung, 2013; Yum and Yoo, 2023). Airlines are expected to meet passenger expectations of service quality components to become the airline of choice (Munoz et al., 2018). Jou, Lam, Hensher, Chen, and Kuo (2008) stated that passengers consider both service quality and price when choosing their airline. Trust is also a determining factor in retaining existing customers in various service contexts, including the airline sector (Forgas et al., 2010; Han, 2013; Mikulic & Prebezac, 2011; Santos and Basso, 2012).

Based on previous research, there are still limitations in completing the study. Theoretically, in the research of Yum & Yoo (2023), the direct effect of Service Quality components (convenience, design, security) is not significant on Customer Loyalty. In the research of Ahmed et al. (2022), it is stated that Service Quality has an insignificant direct effect on Customer Loyalty. In the technical scope of the research, Slack & Singh (2020) stated that the study has sector limitations only in the supermarket industry and in a region that is too specific for the future to complement the limitations and explore other determinants such as brand image.

RESEARCH METHOD

This research design uses a conclusive method consisting of descriptive and causal research. Quantitative descriptive research aims to describe market characteristics and certain phenomena, while causal research aims to obtain evidence regarding cause-and-effect relationships. The variables analyzed in this study are customer satisfaction, trust, and customer loyalty, which are influenced by service quality, price fairness, and brand image.

Ethics approval was obtained from the institutional review board, and informed consent was secured from all participants before data collection. To minimize sampling bias, particularly the dominance of *Jabodetabek* respondents (66%), stratified sampling was employed across different Indonesian regions, though urban bias remains a limitation. *PLS-SEM* was selected as the most suitable analytical approach due to its capability to handle complex models with multiple constructs, small-to-medium sample sizes, and non-normal data distributions typical in behavioral research.

This research uses a survey to analyze the influence between variables. Some of the research models used in this study are adapted from previous studies, such as those conducted by Slack & Singh (2020), who examined the effect of service quality on customer loyalty and customer satisfaction in the retail industry, and Yum & Yoo (2023), who examined the impact of service quality on customer satisfaction and customer loyalty in the social media industry. In addition, the adapted model also includes research by Ahmed et al. (2022) on the effect of price fairness in the food and beverage industry. The adapted research model also considers the results of Sann et al. (2024), which shows the relationship between customer satisfaction, trust, and customer loyalty in the logistics industry, and Singh et al. (2021), who added brand image as a moderating variable in the relationship between service quality and price fairness.

RESULTS AND DISCUSSION

Pretest Questionnaire Analysis

Pretest was conducted on 33 respondents to test the validity and reliability of the questionnaire. The validity test results show that all variables in the study meet the requirements, with KMO, MSA, and Component Matrix values greater than 0.5 and Bartlett's Test showing a sig value <0.05. Thus, all variables are considered valid, including service quality, price fairness, brand image, trust, customer satisfaction, and customer loyalty. In addition, the reliability test results using Cronbach's Alpha showed values above 0.6 for all variables, indicating that the questionnaire instruments are reliable. The highest Cronbach's Alpha value was recorded in the trust variable (0.951), while the lowest was in customer loyalty (0.751), which still meets the specified reliability standards. Thus, the questionnaire used in this study can be considered valid and reliable to continue further research.

Respondent Profile Analysis

This study involved 365 respondents who had gone through a screening process in accordance with the criteria for respondents in the study. Respondents consisted of individuals who used Low-Cost Carrier (LCC) airlines in the past year who were domiciled in Indonesia. The data collection process was conducted through an online questionnaire with respondent profile data including gender, age, domicile, latest education, occupation, average income and expenditure per month, marital status, flight frequency and habits and purpose of using LCC airlines. In addition, respondents were also asked to share the LCC airline they use most frequently with the following results:

Table 1. Respondent Profile

Category	Total	Percentage
Gender		
a. Male	151	41,4%
b. Woman	214	58,6%
Age		

a. 18 - 28 Year	186	51,0%
b. 29 - 44 Year	153	41,9%
c. 45 - 60 Year	26	7,1%
d. > 60 Year	0	0,0%
Domicile		
a. Jabodetabek	241	66,0%
b. Outside Jabodetabek (Indonesia)	124	34,0%
Last Education		
a. SMA / SMK	75	20,5%
b. D3	41	11,2%
c. S1	218	59,7%
d. S2	24	6,6%
e. S3	7	1,9%
Jobs		
a. Civil Servant/TNI/POLRI	51	14,0%
b. Private Employee	67	18,4%
c. State-owned Enterprise Employee	89	24,4%
d. Self-employed	64	17,5%
e. Professional (including Part Time Job)	34	9,3%
f. Housewife	16	4,4%
g. Students	38	10,4%
h. Others	6	1,6%
Average Monthly Income		
a. < Rp 5.000.000	64	17,5%
b. Rp 5.000.000 - 15.000.000	187	51,2%
c. Rp 15.000.000 - 25.000.000	88	24,1%
d. > Rp 25.000.000	26	7,1%
Average Total Expenses per Month in the Last Year		
a. < Rp 5.000.000	79	21,6%
b. Rp 5.000.000 - 15.000.000	218	59,7%
c. Rp 15.000.000 - 25.000.000	56	15,3%
d. > Rp 25.000.000	12	3,3%
Marital Status		
a. Unmarried	159	43,6%
b. Married	185	50,7%
c. Ever Married	21	5,8%
Average Flight Frequency per Year for the Last 3 Years		
a. < 2 kali	41	11,2%
b. 2-3 kali	158	43,3%
c. > 3 kali	166	45,5%
Your purpose for using Low Cost Carrier transportation services		
a. Personal Business	86	23,6%
b. Office Duty	123	33,7%
c. Holiday	156	42,7%
d. Others	0	0,0%
The most frequently used Low Cost Carriers		
a. Lion Group (Lion Air, Super Air Jet, Wings Air, Batik Air)	153	41,9%
b. Citilink	165	45,2%

c. Indonesia Air Asia	37	10,1%
d. TransNusa	10	2,7%

Source: Author's Data Processing (2025)

Based on the data from 365 respondents, the demographic profile shows a majority of female participants (58.6%), with the largest age group being 18-28 years old (51%). Most respondents reside in Jabodetabek (66%) and hold a bachelor's degree (59.7%). In terms of occupation, the largest groups are state-owned enterprise employees (24.4%), private employees (18.4%), and the self-employed (17.5%). Financially, over half of the respondents (51.2%) reported a monthly income in the range of Rp 5,000,000-15,000,000, which aligns closely with the majority's reported monthly expenditure in the same range (59.7%).

Regarding travel behavior, more than half of the respondents were married (50.7%), and a significant portion were frequent flyers, with 45.5% flying more than three times per year. The primary reason for using low-cost carriers was for vacation (42.7%), followed by office duties (33.7%) and personal business (23.6%). Among the airlines, Citilink was the most frequently used (45.2%), followed by the Lion Group (41.9%), indicating a strong market preference for these two carriers.

Descriptive Analysis (Main Test)

Descriptive analysis of the questionnaire using a Likert scale of 1-6 aims to provide an overview of respondents' perceptions of the variables studied. The analysis results show the average value (mean), standard deviation (SD), as well as the minimum and maximum values of each variable indicator. Service Quality received an average value of 4.85, with the TAN4 indicator (cabin crew courtesy) having the highest mean value (5.10) and TAN5 (flight entertainment) the lowest (4.64), which indicates the need to improve the quality of in-flight entertainment. Price Fairness obtained a mean value of 4.84, with indicator PF1 (fair price) achieving the highest value (4.88) and PF2 (price in line with benefits) slightly lower (4.80), indicating room to improve price transparency. Brand Image also has a high average (4.84), with BI2 (pleasant brand) as the best indicator (4.99), while BI1 (attractive brand) is slightly lower (4.75), indicating an opportunity to improve brand appeal.

Customer Satisfaction obtained an average score of 4.86, with CS4 (enjoying the flying experience) as the highest scoring indicator (4.91) and CS2 (dream service) the lowest (4.77), indicating opportunities to tailor services to customer expectations. Trust received an average score of 4.88, with indicator TR1 (confidence in airline) achieving the highest score (4.90), while TR4 (trust in airline) was lower (4.86), indicating the need for increased transparency and credibility. Customer Loyalty recorded an average score of 4.84, with CL3 (willingness to fly again) having the highest score (4.94), while CL2 (willingness

to pay more) was lowest (4.71), indicating the need to consider the balance of price and benefits. Overall, the results show that respondents have positive perceptions of service quality, price, brand image, satisfaction, trust and loyalty towards the airline. Outer Model Analysis. Outer model analysis is carried out to measure and test the validity and reliability of the measurement indicators used in the model in this study. The following are the results of validity and reliability testing for all variables using Smart PLS software with PLS-SEM modeling.

Reliability Test

The following are the results of construct reliability testing using the composite reliability and Cronbach's alpha methods:

Table 2. Reliability Testing Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Brand Image	0.893	0.893	0.934
Customer Loyalty	0.868	0.874	0.920
Customer Satisfaction	0.911	0.912	0.937
Price Fairness	0.889	0.890	0.931
Service Quality	0.979	0.980	0.981
Trust	0.923	0.923	0.945

Source: Processed Author's Data (2025)

Based on the test results listed in table 2, it shows that the composite reliability value on all variables has a value> 0.70 and it can be concluded that all variables in the study are reliable or reliable to be able to calculate the variable constructs. The value on Cronbach Alpha shows the value on all variables, namely> 0.60, which means that all variables in the study are reliable and reliable.

Convergent Validity Test

The validity test is carried out by assessing convergent validity and discriminant validity. The following is the outer loading value of all variables based on calculations on the SMART PLS software:

Table 3. Results of Convergent Validity Testing Outer Loading

	Brand Image	*Customer Loyalty*	*Customer Satisfaction*	*Price Fairness*	*Service Quality*	*Trust*
ASS1					0.877	
ASS2					0.858	
ASS3					0.882	
BI1	0.933					
BI2	0.876					
BI3	0.915					
CL1		0.928				
CL2		0.813				
CL3		0.926				
CS1			0.922			
CS2			0.852			

	Brand Image	*Customer Loyalty*	*Customer Satisfaction*	*Price Fairness*	*Service Quality*	*Trust*
CS3			0.893			
CS4			0.885			
EMP1					0.903	
EMP2					0.853	
EMP3					0.888	
EMP4					0.880	
PF1				0.922		
PF2				0.864		
PF3				0.926		
REL1					0.871	
REL2					0.872	
REL3					0.888	
TAN1					0.903	
TAN2					0.859	
TAN3					0.862	
TAN4					0.861	
TAN5					0.880	
TAN6					0.767	
TAN7					0.819	
TR1						0.921
TR2						0.884
TR3						0.888
TR4						0.909

Source: Processed Author's Data (2025)

Based on table 3, it is found that all indicators in each variable have an outer model value> 0.70 which indicates that the indicators in one construct are highly correlated with each other and can be declared convergently valid.

Discriminant Validity Test

The following are the results of the discriminant validity test using the Heterotrait-Monotrait Ratio (HTMT) method.

Table 4. HTMT Discriminant Validity Testing Results

	Brand Image	**Customer Loyalty**	**Customer Satisfaction**	**Price Fairness**	**Service Quality**	**Trust**
Brand Image						
Customer Loyalty	0.660					
Customer Satisfaction	0.659	0.772				
Price Fairness	0.626	0.658	0.642			
Service Quality	0.635	0.521	0.726	0.615		
Trust	0.755	0.556	0.633	0.619	0.614	

Source: Processed Author's Data (2025)

Based on the test results, all HTMT values are <0.85, indicating that the variables have strong discriminant validity.

Goodness of Fit Analysis Results

Table 5. Goodness of Fit Test Results

	Value	Results
SRMR	0.046	Good Fit
Estimated model	0.050	Good Fit

Source: Processed Author's Data (2025)

Based on the results of the goodness of fit test, it shows that the SRMR value of both the saturated model and the estimated model ≤ is 0.08, which means that the model has a good fit.

Structural Model Analysis (Inner Model)

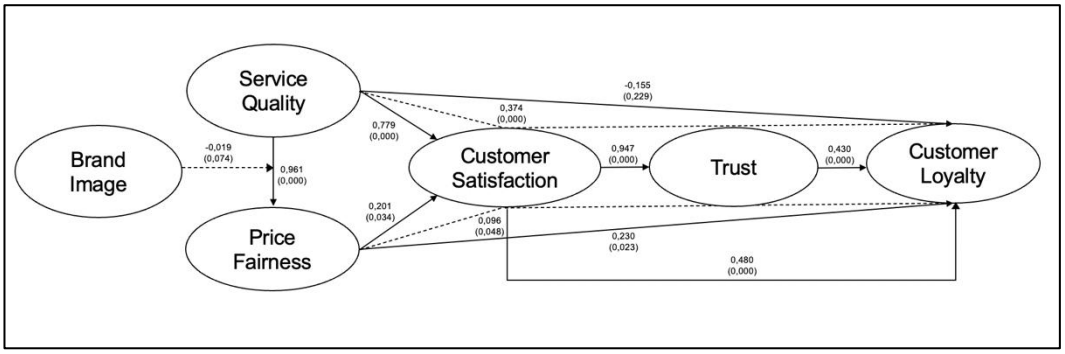

Figure 1. Structural Analysis Results (Inner Model)

Source: Processed Author's Data (2025)

Figure 1 shows the effect between variables can be seen from the path coefficient value and p value along with R Square on the intervening and dependent variables.

R Square Test (R^2)

Table 6. R Square Testing Results

	R-SQUARE	*R-SQUARE ADJUSTED*
CUSTOMER LOYALTY	0.932	0.931
CUSTOMER SATISFACTION	0.943	0.942
PRICE FAIRNESS	0.897	0.896
TRUST	0.897	0.896

Source: Processed Author's Data (2025)

Based on the results of the R Square test in the table, it can be concluded that 93.2% of the Customer Loyalty variable can be explained by the variables in the model, namely Service Quality, Price Fairness, Trust and Customer Satisfaction, as much as 6.8% is influenced by other factors outside the research model and this shows that the research model is very strong in explaining Customer Loyalty. In the test results of the Customer Satisfaction variable, 94.3% is explained by the variables in the model, namely Service Quality and Price Fairness.

The remaining 5.6% is explained by other factors outside the model so that the research model is very good at explaining customer satisfaction. Furthermore,

the Price Fairness variable shows the results of 89.7% can be explained by the variables in the model, namely Service Quality and Brand Image, the remaining 10.3% is influenced by other factors. In the test results for the Trust variable, 89.7% can be explained by the Customer Satisfaction variable, the remaining 10.3% is influenced by other factors.

Effect Size Test (f^2)

Table 7. F Square Testing Results

	Brand Image	*Customer Loyalty*	*Customer Satisfaction*	*Price Fairness*	*Service Quality*	*Trust*	*Brand Image* x *Service Quality*
Customer Loyalty							
Customer Satisfaction		0.190				0.867	
Price Fairness		0.074	0.072				
Service Quality		0.013	0.109	0.524			
Trust		0.182					
Brand Image* x *Service Quality				0.006			

Source: Processed Author's Data (2025)

According to Cohen (1998) in testing effect size, the impact of each independent variable on the dependent variable in the model is declared small if ≥ 0.02, medium if ≥ 0.15 and large if ≥ 0.35. The influence with the largest effect size value in this model is Trust on Customer Satisfaction, with an effect size value of 0.867 and conversely the relationship with the smallest effect size is the moderation of Brand Image on the effect of Service Quality on Price Fairness, with a value of 0.006 which is very small and indicates that the presence of Brand Image as a moderator variable does not have a significant effect on the effect between service quality and price fairness.

Q Square Test (Q^2)

Table 8. Q Square Testing Results

	Q^2*Predict*
Customer Loyalty	0.885
Customer Satisfaction	0.938
Price Fairness	0.892
Trust	0.927

Source: Processed Author's Data (2025)

Based on the Q Square value on the dependent variable, it shows that the model has strong predictive ability and means that the independent variables in the model can predict the dependent variable significantly.

Table 9. Hypothesis Testing Results

Hypothesis	Variable Influence	*Path Coefficients*	T statistics	P value	Description
H1	Service Quality has a positive effect on Price Fairness	0,961	6,056	0,000	Significance
H2	Service Quality has a positive effect on Customer Satisfaction	0,779	8,466	0,000	Significance
H3	Service Quality has a positive effect on Customer Loyalty	- 0,155	1,202	0,229	Not Significant
H4	Price Fairness has a positive effect on Customer Satisfaction	0,201	2,124	0,034	Significance
H5	Price Fairness has a positive effect on Customer Loyalty	0,230	2,280	0,023	Significance
H6	Customer Satisfaction has a positive effect on Trust	0,947	4,115	0,000	Significance
H7	Customer Satisfaction has a positive effect on Customer Loyalty	0,480	4,466	0,000	Significance
H8	Trust has a positive effect on Customer Loyalty	0,430	4,697	0,000	Significance
H9	Customer Satisfaction mediates the effect of Service Quality on Customer Loyalty	0,374	4,126	0,000	Significance
H10	Customer Satisfaction mediates the effect of Price Fairness on Customer Loyalty	0,096	1,894	0,048	Significance
H11	Brand Image strengthens the effect of Service Quality on Price Fairness	- 0,019	1,789	0,074	Not Significant

Source: Processed Author's Data (2025)

The effect of service quality on price fairness on Low Cost Carrier airlines

Based on the analysis, Hypothesis 1, which states that Service Quality has a positive effect on Price Fairness at Low Cost Carrier airlines, is accepted as evidenced by a path coefficient of 0.961, a t-statistic value of 6.056 (>1.96), and a p-value of 0.000 (<0.05). This indicates that improving service quality enhances customer perceptions of price fairness, a finding consistent with previous research in the context of fast-food restaurants (Singh et al., 2021), the recreation industry (Jin et al., 2015), and other studies which state that service quality is a key factor in assessing price fairness (Zhong & Moon, 2020; Jeaheng et al., 2020; Konuk, 2019). Thus, improving service quality not only creates a perception of fairer prices but also adds significant value for customers.

The effect of service quality on customer satisfaction on Low Cost Carrier airlines

Analysis confirms that Hypothesis 2, stating Service Quality has a positive effect on Customer Satisfaction, is accepted, as indicated by a path coefficient of 0.779, a t-statistic value of 8.466 (>1.96), and a p-value of 0.000 (<0.05). This

demonstrates that better service quality leads to higher customer satisfaction, a finding consistent with previous research which emphasizes the importance of service quality in increasing customer satisfaction (Slack & Singh, 2020; Falk et al., 2010; Lee et al., 2011; Konuk, 2019). In the specific context of the airline industry, service quality is a major factor in retaining customers (Ali et al., 2015), and providing optimal service quality contributes directly to increasing satisfaction, confirming it as an essential element in a competitive business strategy for LCC airlines (Rita et al., 2019).

The effect of service quality on customer loyalty on Low Cost Carrier airlines

The analysis results lead to the rejection of Hypothesis 3, which proposed a positive effect of Service Quality on Customer Loyalty, as evidenced by an insignificant path coefficient of -0.155, a t-statistic value of 1.202 (<1.96), and a p-value of 0.229 (>0.05). This indicates that service quality has no significant direct effect on customer loyalty, a finding consistent with previous studies by Yum & Yoo (2023) and Ahmed et al. (2022). In the price-sensitive context of Low-Cost Carrier (LCC) airlines, where customers are primarily driven by cost and have flexible service expectations, loyalty is not directly built through service quality alone. Instead, as shown in the acceptance of Hypotheses 1 and 2, service quality significantly influences Price Fairness and Customer Satisfaction first. These two factors then act as crucial intermediaries; customers need to perceive the price as fair and feel satisfied before loyalty can be established. This is particularly relevant given the profile of the respondents, where 51.2% have a monthly income of IDR 5-15 million, making them highly price-sensitive, and 33.7% travel for work, making their airline selection needs-based rather than loyalty-driven. Therefore, for LCC airlines to foster loyalty, strategies must prioritize enhancing price fairness and customer satisfaction as the primary pathways.

The effect of price fairness on customer satisfaction on Low Cost Carrier airlines

Analysis confirms that Hypothesis 4, which states that Price Fairness has a positive effect on Customer Satisfaction, is accepted, as evidenced by a path coefficient of 0.201, a t-statistic value of 2.124 (>1.96), and a p-value of 0.034 (<0.05). This indicates that a customer's perception of a fair price significantly increases their satisfaction, as they feel they receive appropriate value for their payment. This finding is strongly supported by previous research which establishes that price fairness is a key contributor to customer satisfaction (Batsakis et al., 2019; Jin et al., 2012; Bei and Chiao, 2001), a concept further reinforced by studies defining price fairness as a subjective consumer perception of pricing justice (Xia et al., 2004; Campbell, 2007). The direct positive impact of a fair price on satisfaction has been confirmed by Herrmann et al. (2007), Khare et al. (2014), and Ryu and Han (2010), while conversely, price unfairness has been shown to diminish satisfaction (El-Said, 2020; Zhang et al., 2020). Therefore, establishing a fair

pricing strategy is crucial for companies to enhance customer satisfaction and create a more positive overall experience.

The effect of price fairness on customer loyalty on Low Cost Carrier airlines

Based on the analysis, Hypothesis 5, which posits that Price Fairness has a positive effect on Customer Loyalty, is accepted, as indicated by a significant path coefficient of 0.230, a t-statistic value of 2.280 (>1.96), and a p-value of 0.023 (<0.05). This demonstrates that a higher perception of price fairness leads to a greater level of customer loyalty, a finding that supports previous research by Konuk (2019) and Hidayat et al. (2019). Ahmed et al. (2022) further emphasized that customers who perceive a price as fair are more likely to remain loyal, a notion reinforced by Uddin (2019), who states that building this perception is essential for fostering both satisfaction and loyalty. The significant influence of price fairness on consumer purchasing decisions and subsequent loyalty is also highlighted in the work of Chua et al. (2015) and Bei & Chiao (2001), while Herrmann et al. (2007), Khare et al. (2014), and Ryu & Han (2010) confirm that fair and acceptable prices lead to higher customer loyalty. Consequently, it is imperative for companies to implement effective pricing strategies to maintain and enhance customer loyalty in competitive markets.

The effect of customer satisfaction on trust in Low Cost Carrier airlines

Analysis confirms that Hypothesis 6, stating Customer Satisfaction has a positive effect on Trust, is accepted, as evidenced by a significant path coefficient of 0.947, a t-statistic value of 4.115 (>1.96), and a p-value of 0.000 (<0.05). This indicates that customer satisfaction is a fundamental factor in shaping trust among Low-Cost Carrier (LCC) airline customers, a finding consistent with previous research by Giovanis (2016), Horppu et al. (2008), Lee et al. (2015), and Paulssen et al. (2014), which establishes satisfaction as a crucial foundation for building long-term trust. These results are further reinforced by studies from Menidjel et al. (2017), Kasim and Abdullah (2020), and Khan et al. (2022), emphasizing that trust is the result of consistent positive experiences. Furthermore, Rather and Hollebeek (2019) show that trust built through satisfaction increases customer engagement, while the research also acknowledges trust's role as a mediator between satisfaction and loyalty, as highlighted by Bove and Mitzifiris (2007). In the highly competitive LCC industry, which relies on cost efficiency, ensuring high customer satisfaction is therefore a critical strategy for maintaining trust and fostering long-term customer relationships.

The effect of customer satisfaction on customer loyalty on Low Cost Carrier airlines

Analysis confirms that Hypothesis 7, which states that Customer Satisfaction has a positive effect on Customer Loyalty, is accepted, as evidenced by a significant path coefficient of 0.480, a t-statistic value of 4.466 (>1.96), and a p-value of 0.000 (<0.05). This demonstrates that customer satisfaction is a major

factor in shaping their loyalty to the airline, a finding consistent with previous research that shows a close relationship between service quality satisfaction and loyalty (Opata et al., 2019). Numerous studies confirm that higher satisfaction levels increase the likelihood of brand loyalty (Shin et al., 2013; Chang, 2018), with a significant positive influence being well-established (Singh et al., 2021; Slack & Singh, 2020; Cheng et al., 2019; Suhartanto et al., 2018). This relationship not only affects consumer behavior but also enhances company performance, as loyal customers tend to make repeat purchases and provide positive word-of-mouth recommendations (Lovelock and Wirtz, 2011; Yum and Yoo, 2023). Consequently, many companies focus their marketing strategies on increasing customer satisfaction (Awan & Rehman, 2014) with the belief that it fosters loyalty and boosts profitability (Gomez et al., 2004), making the assurance of high satisfaction a key strategy for maintaining and increasing customer loyalty in the LCC airline industry.

The effect of trust on customer loyalty on Low Cost Carrier airlines

Hypothesis 8 states that Trust has a positive effect on Customer Loyalty. The analysis results show a path coefficient of 0.430, a t-statistic value of 4.697, and a p-value of 0.000. The t-statistic value is greater than 1.96 and the p-value is smaller than 0.05, so it can be concluded that hypothesis 8 is accepted. Since the results are significant, it can be concluded that the higher the customers' trust in the airline, the higher their loyalty. This result is in line with previous research which confirms that trust is a key element in building and maintaining relationships between companies and customers (Kim et al., 2009; Huang & Wilkinson, 2013). Trust not only increases customer satisfaction, but also contributes to shaping their loyalty to a brand or service (Ratnasingham, 1998; Juwaini et al., 2022). Chiou and Pan (2009) and Berry (2000) assert that trust is a factor that precedes customer satisfaction Thus, building customer trust in the airline is an important strategy to increase Customer Satisfaction and strengthen long-term relationships with customers.

Customer satisfaction mediates the effect of service quality on customer loyalty at Low Cost Carrier airlines

Based on the analysis, Hypothesis 9, which posits that Customer Satisfaction mediates the effect of Service Quality on Customer Loyalty, is accepted, as evidenced by a significant path coefficient of 0.374, a t-statistic value of 4.126 (>1.96), and a p-value of 0.000 (<0.05). This indicates that customer satisfaction acts as a crucial intermediary that strengthens the relationship between service quality and customer loyalty, a finding consistent with previous research showing that higher service quality increases satisfaction, which in turn impacts loyalty (Izogo & Ogba, 2015; Kuo et al., 2013). The results are further supported by studies confirming that service quality has an indirect influence on loyalty through satisfaction (Su et al., 2021), and that a customer's decision to remain with a service provider is highly dependent on the quality of service received (Malik et al., 2020).

The mediating role of customer satisfaction in this relationship has been validated by Hadi et al. (2016), Sinha et al. (2021), and Ahmed et al. (2022), who demonstrated that the effect of service quality on loyalty becomes stronger when satisfaction is considered. Therefore, service quality improvement strategies should prioritize creating high customer satisfaction to ultimately strengthen customer loyalty in the LCC airline industry.

Customer satisfaction mediates the effect of price fairness on customer loyalty on Low Cost Carrier airlines

Based on the analysis, Hypothesis 10, which states that Customer Satisfaction mediates the effect of Price Fairness on Customer Loyalty, is accepted, as indicated by a path coefficient of 0.096 and a p-value of 0.048 (<0.05), despite the t-statistic value of 1.894 being slightly below the 1.96 threshold. This result confirms that customer satisfaction plays a mediating role in the relationship between price fairness and loyalty. The finding is consistent with previous research indicating that price perception is a significant predictor of customer satisfaction in the service industry (Ing et al., 2019), and that price fairness positively affects both satisfaction and perceived value (Konuk, 2019). Severt et al. (2020) emphasized that price fairness is crucial in assessing satisfaction, as price is often a primary factor in evaluating service quality, a notion supported by Malik et al. (2020), who identified a positive relationship across multiple sectors. Furthermore, reasonable and acceptable prices have been shown to positively impact satisfaction and loyalty (Erjavec et al., 2016; Han & Ryu, 2009), with pricing being a crucial factor in shaping satisfaction as it reflects the value of services received (Han et al., 2020). Research also shows that reasonable prices maintain satisfaction, which in turn increases loyalty (Han & Hyun, 2015), underscoring that a fair and transparent pricing strategy is essential for building customer satisfaction and loyalty in the LCC airline industry.

Brand Image moderates the effect of service quality on price fairness at Low Cost Carrier airlines

Based on the analysis, Hypothesis 11, which proposed that Brand Image strengthens the effect of Service Quality on Price Fairness, is rejected, as evidenced by an insignificant path coefficient of -0.019, a t-statistic value of 1.789 (<1.96), and a p-value of 0.074 (>0.05). However, the p-value suggests a marginal tendency, indicating that brand image may still play a subtle role. As established by the acceptance of Hypothesis 1, service quality directly affects price fairness without the need for brand image moderation. In the LCC industry, customers prioritize tangible factors like price and flight schedules over brand image, a behavior reflected in the respondent profile where work (33.7%) and personal business (23.6%) are primary travel purposes. This aligns with research by Xia et al. (2004), which found that price fairness perceptions are driven more by comparisons with

competitors than by internal brand factors. The insignificant moderation effect may also stem from the use of brand image indicators that are not fully relevant to the LCC context, suggesting that future research should develop and employ measures specifically tailored to the unique characteristics of low-cost carriers to better capture their influence.

CONCLUSION

Based on the results of the research analysis, it can be concluded that Service Quality has a positive effect on Price Fairness and Customer Satisfaction but has no significant effect on Customer Loyalty in Low-Cost Carrier (LCC) airlines. Good and consistent service quality increases the acceptance of the price set and customer satisfaction, but in the highly competitive LCC industry, service quality alone is not enough to create loyalty. Price Fairness is shown to have a positive effect on Customer Satisfaction and Customer Loyalty, indicating that customer perceptions of price fairness are very important in building satisfaction and loyalty. Customers tend to feel satisfied and loyal when the ticket price is comparable to the value of the service received.

The research contributes to the understanding of customer behavior in emerging market LCC sectors, demonstrating that traditional service-loyalty relationships require reconsideration in price-sensitive aviation markets. The findings suggest that LCC customer loyalty operates through economic rationality mediated by satisfaction and trust, rather than direct service quality appreciation characteristic of premium airline segments.

In addition, Customer Satisfaction has a positive effect on Trust and Customer Loyalty, as satisfied customers tend to trust the airline and become more loyal. Trust also has a positive effect on Customer Loyalty, which indicates the importance of building customer trust in the LCC industry. Furthermore, Customer Satisfaction mediates the effect of Service Quality and Price Fairness on Customer Loyalty; therefore, airlines need to focus on service quality and pricing strategies to increase satisfaction as a basis for loyalty. Finally, Brand Image does not moderate the effect of Service Quality on Price Fairness, indicating that LCC customers are more likely to judge service quality and price objectively, without being overly influenced by brand image.

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