

## Oneworld Alliance Perceived Value, Travellers' Satisfaction and Loyalty

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### Abstract

The airline industry is facing stiff challenges. Most airline companies have allied and worked together to remain competitive and sustainable. Currently, three main airline 2alliances available, namely the Star Alliance, SkyTeam Alliance and Oneworld Alliance. This study examined the relationship between perceived value, travellers' satisfaction, and loyalty, focusing on Oneworld Alliance, which Skytrax has been awarded Leading Airline Alliance from 2003 to 2019. Four hundred sixty-three questionnaires have been distributed to Oneworld Alliance passengers on flights boarding to/ from Kuala Lumpur, London, and Paris. The questionnaires were analyzed using SmartPLS. The findings of this study showed that the overall dimensions of Oneworld's perceived value (which include perceived frequent flyer program, perceived price competitive, perceived psycho-social benefits, and perceived general attitude) had a positive and significant relationship with travellers' satisfaction and loyalty. Apart from contributing to the existing literature regarding travellers' satisfaction and loyalty toward airline alliances, this study also provides insights to the airline operators on travellers' satisfaction towards alliance partners by identifying the strengths and weaknesses of the alliance to enhance their business strategies.

**Keywords:** Perceived Value, Travellers' Satisfaction, Loyalty, Oneworld Alliance

### Introduction

The services sector, which includes the airline industry, plays a vital role in the global economy, the growth, and the development of countries through the creation of possibilities for increased income, productivity, employment, investments, and trade (UNCTAD, 2020). The importance of air transportation to global economic progress cannot be overstated. Both are integral for directing linkages between cities – allowing the movement of products, people, capital, technology, and ideas – and, by lowering air transportation costs, can support this broader economic advantage, especially in the tourism sector (IATA Economics, 2020). Since the early 2000s, the number of flights operated by the airline sector has continuously grown, reaching 38.9 million in 2019 (Mazareanu, 2021). Despite the drop due to the coronavirus pandemic, the estimated number of scheduled passengers boarded by the global airline industry in 2021 amounted to over 2.2 billion people (Salas, 2022).

According to International Air Transport Association (2021), there are 260 airlines across 115 nations in the world. The latest announcement made by IATA, the results of its 2022 Global Passenger Survey (GPS), shows that travellers top concerns for travel in the post-COVID crisis period are focused on simplification and convenience (IATA, 2022). Back in 2013, a survey conducted by Deloitte Proprietary Survey Research revealed that airline loyalty has become the main concern for airline businesses. The report also highlighted that loyalty programs, which have been implemented by the airlines, were found ineffective in preserving travellers' loyalty. Besides that, the majority of the travellers (regardless of business or leisure travellers) are willing to switch to another airline loyalty program. This scenario may provide some indications that the loyalty program practiced by the airline industries fail to capture the objectives of the program and could affect their revenue. Thus, to strengthen the revenue, Tugores-Garcia (2012) suggests that airline companies – especially those offering the premium services – affiliate themselves with one of the more strategic alliances available. Currently, there are three large and well-established airline alliances – Oneworld, SkyTeam and Star Alliance (Janawade, 2013; Kleymann & Seristo, 2004).

Researchers have enlightened on the factors important to strategic alliances' operations are those linked with human resources management (Janawade, 2012; Lajara et al., 2022). However, with regards to the marketing strategies of an airline alliance, to date, researchers have not addressed an extensive view on the passengers' perceptions of value by using the services offered by multidimensional airline alliances. On top of that, studies on the airline alliances only focus on certain attributes, such as, benefits of the loyalty program from the travellers' perspectives (Goh & Uncles, 2003), service recovery, the travellers' perception of the airline services performance from the travellers' perspective (Weber, 2005), the performance level based on the convergence quality of the airline alliance (Tsantoulis & Palmer, 2008), and perceived value plus service aspect that influenced the travellers' judgments – especially of those involved with the international network services (Janawade, 2013). Despite the numerous studies available on airline alliances, studies examining the effect of perceived value towards travellers' satisfaction and loyalty are still scarce (Weber, 2003). Therefore, this study was undertaken to fill the void. Knowing how perceived value affect travellers' satisfaction and loyalty could give the airline operators better strategies to improve their services or offerings, which this in turn helps to improve travellers' satisfaction, experience, and loyalty. For this study, the Oneworld Alliance was chosen, given that the alliance has been awarded by the Skytrax Airline Quality Ratings Agency as the World's Best Airline Alliance for the third year running in 2015 (SkyTrax, 2015b). Additionally, Malaysia Airlines, which is the focus of this study falls under this alliance.

## **Literature Review**

### **Airline Industry and Airline Alliance**

The worldwide airline industry comprises more than 2,000 airlines harboring a total of more than 23,000 aircrafts, supporting more than 3,700 airports (IATA Economics, 2020). The upwards development of world air travel has arrived at the midpoint of around 5 percent every year over the course of the recent years, with significant yearly varieties due to both the changing monetary conditions and the contrasts in financial development in different areas of the world. Strategic alliance has been one of the reasons where firms are able to conquer a majority of the difficulties and keep the alliance in business (Ohmae, 1989). Doz

and Hamel (1998); Dussauge et al (2000) confirmed this perspective by expressing that strategic alliances have turned into a need instead of an option in today's turbulent business environment. Delios et al (2009) also supported that there are many advantages in new business opportunities ranging from licensing, internal growth, joint ventures, mergers, and acquisition found to be controlling interests in other firms.

In recent years, airline alliances have received a lot of devotion through the hub-and-spoke network. Airline alliances are clearly achieving the objective if the alliance members can cooperate and merge in certain cases. All members of the alliance must consent to the agreement being signed. Alliances can be integrated in flight schedules, loyalty programs, and code sharing. With a code sharing collaboration, airlines are allowed to sell flight seats given that they have the same designator codes (Payan-Sanchez et al., 2019). Airline alliances provide a network of connectivity and advantages for international passengers. It also provides convenient marketing and branding to speed up the process of inter-airline code-sharing connections between countries. At the same time, alliances allow the airlines to enlarge their networks and increase the numbers of accessible destinations.

Weber (2003) suggested that the passengers' perceptions of the benefits offered by global airline alliances remain undetermined and often neglected. Some scholars have examined the passengers' perceptions of the airline alliances' benefits and loyalty programs (Goh & Uncles, 2003). Weber (2005) looked at the passengers' perceptions of airline alliances' service performance, failures, and recovery issues. In other studies, Tsantoulis and Palmer (2008) defined airline alliances as convergence of quality and performance levels while Janawade (2013) investigated the attributes of consumer perceived value of airline alliances and the services that influence consumers. Airline alliances have revolutionized the airline industry and is largely seen as a group of cherry-picked, culturally diverse international airlines with an aim to reduce the operating costs and increase market shares in the regions where they are unable to operate freely (Janawade, 2013).

### **Oneworld Alliance**

The Oneworld Alliance, founded in 1999, has 15 airlines with Sri Lankan Airlines being the latest member as of 1 May 2014. The founders of this alliance were British Airways, Cathay Pacific, and Qantas in 1999. It serves 673 airports in 150 countries with 1,000 destinations and carries 328 million passengers annually (International Air Transport Association, 2015). Table 1 depicts the details of the Oneworld Alliance members.

Table 1

*Members of Oneworld Alliance*

|    | <b>Oneworld Alliance Members</b> | <b>Hub</b>           | <b>Year join</b> |
|----|----------------------------------|----------------------|------------------|
| 1  | British Airways                  | United Kingdom       | Founder, 1999    |
| 2  | Cathay Pacific                   | Hong Kong            | Founder, 1999    |
| 3  | Qantas                           | Australia            | Founder, 1999    |
| 4  | American Airlines                | United State America | Founder, 1999    |
| 5  | Finnair                          | Finland              | 1999             |
| 6  | Iberia                           | Latin America        | 1999             |
| 7  | Japan Airlines                   | Japan                | 2007             |
| 8  | Royal Jordanian                  | Kingdom of Jordan    | 2007             |
| 9  | S7 Airlines                      | Moscow               | 2010             |
| 10 | Malaysia Airlines                | Malaysia             | 2013             |
| 11 | Qatar Airways                    | Doha                 | 2013             |
| 12 | Sri Lankan Airlines              | Sri Lanka            | 2014             |
| 13 | Royal Air Maroc                  | United State America | 2020             |
| 14 | Alaska Airlines                  | United State America | 2021             |

Source : (Oneworld, 2021)

Oneworld Alliance's vision is to be a first-choice airline alliance for frequent international travellers (Oneworld, 2021). In conjunction with Oneworld Alliance's vision, airlines need to be more sensitive towards the needs and demands of their passengers, stakeholders, and employees. Airlines under the Oneworld Alliance group need to work together to achieve the alliance's vision by a) making worldwide travels smoother, less demanding, of higher esteem, and more compensating, b) offering travel arrangements past the scope of any airline, c) providing typical responsibility towards exclusive requirements of value, management, and security, d) portraying its airlines with better economical and advantages more prominent than other airlines.

Oneworld Alliance, SkyTeam, and Star Alliance offer similar benefits, however, the benefits offered by Oneworld Alliance include greater network access, seamless travels, transferable priority statuses, extended lounge access, and enhanced frequent-flyer program (FFP) benefits (Oneworld, 2021).

### **Airlines Alliance's Perceived Value**

Perceived value is defined as a consumer's overall assessment of the utility of a product [or service] based on perceptions of what is received and what is given (Zeithaml, 1988). In other words, perceived value represents the discrepancies between perceived benefit and perceived cost (Lai & Chen, 2011; Lee & Cunningham, 2001). The perceived value is likely to be high if the perceived benefit is higher than the perceived cost and vice versa (Lai & Chen, 2011). Janawade et al. (2015) proposed five determinants to measure the perceived value of an alliance, namely: i) Network Extension, ii) Frequent Flyer Program, iii) Price Competitiveness, iv) Psycho-socio Benefits, and v) General Attitude towards alliances. The author added that service is not only co-created by the service provider and the customer, but also by numerous interlinked activities which mobilize the resources of other providers. Network Extension depends on the reliability of the service, ensuring that it be delivered without any error or time delays by a competent, courteous, and responsive staff throughout

the network. As the travellers of this study were on a direct flight from KLIA to London and Paris, therefore the researchers decided to drop this determinant. The next paragraph further elaborates the determinants included in this study based on Janawade et al (2015).

### **Frequent Flyer Program**

According to Brien and Jones (1995), airline industries has offered the loyalty programs earlier than other industries. However, their loyalty programs were unable to produce profit and create loyal passengers as they expected, possibly due to the loyalty programs are regularly misconstrued and twisted. Loyalty programs have two main goals: (a) to increase sales revenues by increasing purchase levels and (b) to maintain the current customer base by strengthening the bond between the customer and the brand (Mark et al., 2003). Airline companies transparently talk about every advantage of frequent flyer programs, though in reality, their choice to dispatch a program is regularly spurred by reasons of aggressive equality. (Dowling & Uncles, 1997). The objective of frequency programs is to build emotional brand attachments, while the goal of loyalty programs is to fabricate passionate brand connections (Shoemaker et al., 2007). It is this enthusiastic bond that does the most to influence visitor impression of faithfulness programs (Mattila, 2006). Thus, the following hypothesis is proposed.

*H1: Perceived Frequent Flyer Program positively affects Travellers' Satisfaction.*

### **Price Competitiveness**

Oum and Park (1997) demonstrated that code-sharing agreement brought lower air fares and increased the passenger load for all alliance partners. Brueckner, Lee, and Singer (2011) found that interline airfares on international sector alliance partners were 25 percent lower than those provided by non-alliance airlines. Brueckner (2003) inferred that code-sharing understandings would decrease interline charges by 8–17 percent on global courses, antitrust safety would lessen interline admissions by 13–21 percent, and the consolidated impacts would reduce fares by 17–30 percent. Airline fares are subject to services, which are bundled together by assimilating the airport ground services, reservations, the in-flight services, and the airport services at the destinations (Gillen & Morrison, 2003). Therefore, it was postulated that the price of the product or service price will be affected due to the alliance.

*H2: Perceived Price Competitiveness positively affects Travellers' Satisfaction.*

### **Psycho-socio Benefits**

Psycho-socio benefits are comprised of a sense of belonging, recognition, feeling of familiarity (Czepiel, 1990), friendship, and social support (Price & Arnould, 1999). This is related to passengers' social statuses which play an important role in the lifestyles of the passengers, which then leads to their airline selections. Social benefits focus on the customer-brand relationship itself rather than on the outcome (or result) of the service encounters (Hennig-Thurau et al., 2002). Reynolds and Beatty (1999) found that customers were more satisfied with the salesperson when he/she witnessed high social and functional benefits happen in person. Based on the literature, the following hypothesis was developed.

*H3: Perceived Psycho-socio Benefits positively affects Travellers' Satisfaction.*

**General Attitude**

General attitude is similar with the empathy that portrays concern and care towards customers' "personal matters; a real, sincere attitude and attention in solving their problems. This dimension consists of all the characteristics such as thorough understanding, dedication, sincerity, sensitivity, attentiveness towards customers wants and needs" (Parasuraman et al., 1988). Empathy helps firms understand their customers better as well as improves overall service quality to assist customers in the future. In any context, showing empathy can bring people closer and close the gaps in the relationships between them.

In other words, the alliance itself must create their own personality and attitude towards their passengers. Alliances provide wider recognition with smoother transfers between members' airline choices and better facilities compared to normal flyers. This is important for them to create their brand image and 'extra value'. In the context of airline alliances, how the passengers are treated by the airlines, or the alliance will influence their behavior. However, Park, Robertson, and Wu (2004) found that in the transport context, corporate image tends to be ignored. Therefore, alliances need to collaborate with one another to create an outstanding corporate image to gain trust from their passengers. Studies by Janawade (2012); Judith (2010); Suh and Youjiae (2006) stated that corporate attitude plays an important role as a perceived value towards customer satisfaction, brand loyalty, and intension behavior. Thus, the following hypothesis was proposed.

*H4: Perceived General Attitude positively affects Travellers' Satisfaction.*

**Travellers' Satisfaction**

Satisfaction is a key part in the service business and most particularly in the travel and hospitality industry (Chang & Chang, 2010; Choi et al., 2004). As service has advanced over the years, analysts have made integral steps to characterize and comprehend satisfaction from the travellers' point of view. According to Oliver (1997), customer satisfaction is defined as a 'pleasurable fulfilment': a passenger's sense that consumption has fulfilled some of their needs, desire, goal, or so forth. Additionally, Tse and Wilton (1988) defined customer satisfaction as consumer response to the evaluation of the perceived difference between expectations and the final result after consumption.

Traveller satisfaction has an important role to measure the service or product quality that Oneworld Alliance will or has delivered to their passengers. Satisfied travellers will provide numerous benefits to the airlines. The benefits include developing loyal patronage, fulfilling more requirements from the firm's portfolio, positive word-of-mouth communication, increased travellers' loyalty, greater offer acceptance, customers engagement in premium pricing, reduction of price elasticity, an enhanced reputation for the firm, and increased customer-life value (Boulding et al., 1993; Calderon, 1989; Cronin & Taylor, 1992; Fornell, 1992; Pickard et al., 1996; Running et al., 1999; Yuksel & Rimmington, 1998). This study tapped on the travellers' satisfaction pertaining to the services and products offered by Oneworld Alliance that could influence their loyalty.

*H5: Travellers' Satisfaction positively influences Travellers' Loyalty.*

**Methodology****Research Design, Population and Sample**

This study was descriptive in nature with self-administered questionnaires being used as the means of data gathering. Data was collected cross sectionally, and the unit of analysis was individual.

The population was all travellers using airlines the means of transportation, however travellers boarding Malaysia Airlines for international flights were chosen as the sample or respondents. The sample criteria were Malaysia Airlines passengers (local or international) above 20 years old with travel experience boarding at least one Oneworld Airlines plane internationally. Travellers on the Airbus 380 fleet of Malaysia Airlines were chosen, and permission was granted from the airline to proceed the study with mindfulness for security and confidentiality. Convenience sampling was used as the travellers are convenience to reach and voluntarily participate in the study.

According to a survey conducted by Malaysia Airport Holding Berhad (2019), the average number of international travellers using KLIA was 44,933,611 in the year 2019. The sample size was obtained through G\* power calculator analysis. By considering the usage of the default setting or the pre-existing value within the configurable statistical software ( $\alpha = 0.05$ ,  $\beta = 0.80$  and  $f^2 = 0.15$ ) in G\*Power version 3.1.9.2, a total of 98 responses were deemed as the minimum sample size for this research. With a response rate of 50%, the minimum sample size of 98 increases to 196.

**Measurement Design**

For this study, the questionnaire was divided into four sections as illustrated in Table 2. The questionnaire was phrased in the form of a five-point Likert scale, ranking from 1 being “strongly disagree” to 5 being “strongly agree”.

**Data Collection and Analysis**

Questionnaires were distributed to travellers departing from Kuala Lumpur (MH 2 and MH 4 to London and MH 20 to Paris) and those who were flight-bound for Kuala Lumpur (MH 3 and MH1 from London and MH 21 from Paris). There were three aircraft A380 flights departing from Kuala Lumpur and 3 more departing to Kuala Lumpur in a day. The questionnaires were distributed to all passengers approximately 2 hours after departure and collected after the passengers left the aircraft. The passengers were briefly informed about the instruction and purpose of the study and reminded that their participation is on voluntary basis, reassured about confidentiality and the information will be used for academic purpose only. To facilitate the data collection, help from in-flight supervisors was provided. All the questionnaires were placed in a self-enveloped packet.

Table 2

*Instrumentation and Measurement*

| Section           | Variable  | Dimension | Items | Type of Scale   |
|-------------------|---|-----------|-------|---|
| <b>Section A:</b> | Oneworld Perceived Value<br>1. Perceived Frequent Flyer Program<br>2. Perceived Price Competitiveness<br>3. Perceived Psycho-Socio Benefits<br>4. Perceived General Attitude towards alliance | 4         | 17    | 5-point Likert-scale from (1) “strongly disagree” to (5) “strongly agree”   |
| <b>Section B:</b> | Travellers’ Satisfaction  | 1         | 8     | 5-point Likert-scale from (1) “strongly disagree” to (5) “strongly agree”   |
| <b>Section C:</b> | Travellers’ Loyalty   | 1         | 4     | 5-point Likert-scale from (1) “strongly disagree” to (5) “strongly agree”   |
| <b>Section D:</b> | Demographic and profile   | 1         | 13    | Gender; Age; Profession; Annual Income; Nationality; Income; Frequent travelling; Holding Frequent Flyers Card, Destination |

In total, 463 questionnaires have been collected. Data input and cleaning were done using the SPSS software version 22. A preliminary analysis was conducted to test the normality and the common method variances. The results from the preliminary analysis showed that the data is qualified to be analysed using the SmartPLS (version 3.1) with a bootstrapping procedure.

## Analysis and Results

### Profile of the Respondents

The respondents’ profiles include gender, age, profession, annual income, nationality, status of One world frequent flyer membership, and travel frequency throughout the past 12 months. The respondents’ profiles are illustrated in Table 3. Majority of the respondents were male (62.6 percent, n=290) and the highest percentage age group was 21 to 30 years old (45.1 percent, n=209), while the lowest percentage age group was 41 to 50 years old of 8.2 percent



(n=38). It shows that the people within the age group of 21 to 30 years old are prone to travel more compared to other age groups. People with business profession are regular travellers (34.6 percent, n=160) and majority of the respondents earned USD 29,999 and below (51.0 percent, n=236). The highest percentage of respondents were from France, with 20.1 percent (n=93). This was followed by Britain with 18.8 percent (n=87), Australia with 16.2 percent (n=75), while the lowest were from Argentina, Belgium, Lithuania, Serbia, and The Czech Republic, with 0.4 percent. Almost 32 percent of the respondents have travelled approximately three to 5 times in the past 12 months.

### Preliminary Analysis

Prior to conducting the analysis, preliminary assessments had been conducted to ensure that the data are free from common method bias. For the normality test, skewness and kurtosis calculator by Webpower (<https://webpower.psychstat.org/>), as suggested by Cain and Zhang (2016) was used. The result for skewness:  $\beta = 6.940$  and for kurtosis:  $\beta = 69.35$  indicates that the data retrieved is not normal. Therefore, this set of data was then analysed using SmartPLS through the employment of the bootstrapping procedure. To ensure that the data is free from the common method variance, the full collinearity estimates approach as suggested by Kock and Lynn (2012) was done. Table 4 exhibits the data which complies with the threshold values of VIF (below 3.3), proving them free from the common method variance issue. The preliminary analyses' results for normality and common method bias indicate that the data can be proceeded for further data analysis using SmartPLS.

Table 3  
*Respondent's Background Profile*

| No                   | Variables           | Frequency<br>(n=463) | Percentage<br>(%) |
|----------------------|---------------------|----------------------|-------------------|
| Gender               | Male                | 290                  | 62.6              |
|                      | Female              | 173                  | 37.4              |
| Age                  | 20 years and below  | 57                   | 12.3              |
|                      | 21-30 years         | 209                  | 45.1              |
|                      | 31-40 years         | 104                  | 22.5              |
|                      | 41-50 years         | 38                   | 8.2               |
|                      | 51 and above        | 55                   | 11.9              |
| Profession           | Business profession | 160                  | 34.6              |
|                      | Academics           | 59                   | 12.7              |
|                      | Civil servants      | 51                   | 11.0              |
|                      | Student             | 121                  | 26.1              |
|                      | Retired             | 10                   | 2.2               |
|                      | Others              | 62                   | 13.4              |
| Annual income in USD | 29 999 and below    | 236                  | 51.0              |
|                      | 30 000 to 49 999    | 85                   | 18.4              |
|                      | 50 000 to 69 999    | 67                   | 14.5              |
|                      | More than 70 000    | 75                   | 16.2              |

| No  | Variables             | Frequency<br>(n=463) | Percentage<br>(%) |
|---|-----------------------|----------------------|-------------------|
| Nationality                                   | Argentina             | 2                    | 0.4               |
|   | Australia             | 75                   | 16.2              |
|   | Belgium               | 2                    | .4                |
|   | Britain               | 87                   | 18.8              |
|   | Canada                | 2                    | 0.4               |
|   | China                 | 10                   | 2.2               |
|   | Republic of the Congo | 3                    | 0.6               |
|   | Estonia               | 3                    | 0.6               |
|   | Finland               | 11                   | 2.4               |
|   | France                | 93                   | 20.1              |
|   | Germany               | 4                    | 0.9               |
|   | India                 | 5                    | 1.1               |
|   | Indonesia             | 39                   | 8.4               |
|   | Ireland               | 21                   | 4.5               |
|   | Lithuania             | 2                    | 0.4               |
|   | Malaysia              | 62                   | 13.4              |
|   | New Zealand           | 20                   | 4.3               |
|   | Serbia                | 2                    | 0.4               |
|   | South Africa          | 4                    | 0.9               |
|   | Sweden                | 10                   | 2.2               |
| The Czech Republic                            | 2                     | 0.4                  |                   |
| The United States                             | 4                     | 0.9                  |                   |
| Oneworld<br>Flyer holder                      | Frequent-<br>Emerald  | 7                    | 1.5               |
|   | Sapphire              | 18                   | 3.9               |
|   | Ruby                  | 14                   | 3.0               |
|   | None                  | 424                  | 91.6              |
| Travel frequency during<br>the last 12 months | 1 to 2                | 184                  | 39.7              |
|   | 3 to 5                | 146                  | 31.5              |
|   | 6 to 10               | 63                   | 13.6              |
|   | More than 10          | 70                   | 15.1              |

Table 4

*Full Collinearity Estimates for the Study*

| Constructs | PFF   | PGA   | PPS   | PPC   | SAT   | LOYAL |
|------------|-------|-------|-------|-------|-------|-------|
| VIF        | 1.692 | 2.554 | 1.982 | 1.758 | 2.939 | 2.221 |

Note : PFF – Perceived Frequent Flyers Program, PGA – Perceived General Attitude, PPS – Perceived Phyco-socio, PPC - Perceived Price Competitiveness, SAT – Travellers' Satisfaction, LOYAL – Travellers' Loyalty

**Assessment of Measurement Model**

Table 5 exhibits the reliability using composite reliability (CR) and convergence validity using average variance extracted (AVE) outlined by Hair et al. (2014). Several items have been deleted due to low loading, namely Satisfaction (SAT1, SAT2). The loading value for all items is above 0.50. Moreover, the CR values for all constructs – Perceived Frequent Flyers Programme (0.895), Perceived General Attitude (0.890), Perceived Price Competitiveness (0.890), Perceived Phyco-socio (0.839), Travellers' Satisfaction (0.868), and Travellers' Loyalty (0.895) – are above 0.80.

Also, the values for AVE - Perceived Frequent Flyers Programme (0.681), Perceived General Attitude (0.619), Perceived Price Competitiveness (0.569), Perceived Phyco-socio (0.566), Travellers' Satisfaction (0.529), and Travellers' Loyalty (0.680) – are above 0.50. Hence, this data has reached the reliability and convergence validity. As such, the data is valid to be tested for discriminant validity.

Table 5

*Assessment of the Measurement Model*

| Construct                           | Items | Loading | CR    | AVE   |
|-------------------------------------|-------|---------|-------|-------|
| Perceived Frequent Flyers Programme | PFF1  | 0.857   | 0.895 | 0.681 |
|                                     | PFF2  | 0.827   |       |       |
|                                     | PFF3  | 0.851   |       |       |
|                                     | PFF4  | 0.763   |       |       |
| Perceived General Attitude          | PGA1  | 0.811   | 0.890 | 0.619 |
|                                     | PGA2  | 0.843   |       |       |
|                                     | PGA3  | 0.766   |       |       |
|                                     | PGA4  | 0.783   |       |       |
|                                     | PGA5  | 0.727   |       |       |
| Perceived Price Competitiveness     | PPC1  | 0.790   | 0.841 | 0.569 |
|                                     | PPC2  | 0.751   |       |       |
|                                     | PPC3  | 0.713   |       |       |
|                                     | PPC4  | 0.762   |       |       |
| Perceived Phyco-socio               | PPS1  | 0.671   | 0.839 | 0.566 |
|                                     | PPS2  | 0.776   |       |       |
|                                     | PPS3  | 0.784   |       |       |
|                                     | PPS4  | 0.772   |       |       |
| Travellers' Satisfaction            | SAT3  | 0.498   | 0.868 | 0.529 |
|                                     | SAT4  | 0.768   |       |       |
|                                     | SAT5  | 0.823   |       |       |
|                                     | SAT6  | 0.739   |       |       |
|                                     | SAT7  | 0.693   |       |       |
| Travellers' Loyalty                 | LOY1  | 0.825   | 0.895 | 0.680 |
|                                     | LOY2  | 0.828   |       |       |
|                                     | LOY3  | 0.778   |       |       |
|                                     | LOY4  | 0.865   |       |       |

The discriminant validity was tested using the Heterotrait-Monotrait ratio (HTMT). Table 6 presents the discriminant validity value. All the values are below the HTMT0.85 ratio. Moreover, the VIF values for the constructs are 1.692 (Perceived Frequent Flyers Program), 2.554 (Perceived General Attitude), 1.982 (Perceived Phyco-socio), 1.758 (Perceived Price Competitiveness), 2.939 (Travellers' Satisfaction), and 2.221 (Travellers' Loyalty), hence making them free of multicollinearity problems. As such, the data has passed the discriminant validity and is proven to be valid for further analysis.

Table 6

*Discriminant Validity using Heterotrait-Monotrait Ratio (HTMT)*

| Constructs | LOY   | PFFF  | PGA   | PPC   | PPS   | SAT |
|------------|-------|-------|-------|-------|-------|-----|
| LOY        |       |       |       |       |       |     |
| PFF        | 0.584 |       |       |       |       |     |
| PGA        | 0.717 | 0.619 |       |       |       |     |
| PPC        | 0.549 | 0.640 | 0.802 |       |       |     |
| PPS        | 0.680 | 0.569 | 0.738 | 0.705 |       |     |
| SAT        | 0.688 | 0.678 | 0.812 | 0.817 | 0.833 |     |

**Assessment of Structural Model**

The assessment of structural model was used to analyse the hypotheses of this study. There were five hypotheses tested in this study. The results in Table 7 indicate that the Perceived Frequent-Flyers Program has positive effects on the Travellers' Satisfaction ( $\beta = 0.183$ , t-value = 4.008,  $p < 0.01$ ). Similarly, the Perceived Price Competitiveness exhibits positive effects on the Travellers' Satisfaction ( $\beta = 0.223$ , t-value = 5.143,  $p < 0.01$ ). This is followed by the Perceived Psycho-socio Benefits' positive effects on the Travellers' Satisfaction ( $\beta = 0.273$ , t-value = 6.498,  $p < 0.01$ ). Finally, the Perceived General Attitude's positive effects on Travellers' Satisfaction ( $\beta = 0.281$ , t-value = 5.810,  $p < 0.01$ ). Lastly, the Travellers' Satisfaction positively influences the Travellers' Loyalty ( $\beta = 0.582$ , t-value = 16.262,  $p < 0.01$ ).

The tested variables included in this study explain 65.2% of the variance in Oneworld Alliance Perceived Value. The  $R^2$  for travellers' satisfaction was 0.616 indicating that 62 percent of traveller's satisfaction is explained by Oneworld Perceived Value. The  $R^2$  for travellers' loyalty indicates that 34% ( $R^2 = 0.339$ ) of variance of loyalty is explained by Travellers' Satisfaction. In terms of predictive relevance, the structural models are considered to have predictive relevance when  $Q^2$  greater than zero (Hair et al., 2011).

The study found that the value of  $Q^2$  for travellers' satisfaction was at 0.317 and travellers' loyalty was at 0.217, respectively. Thus, the result supported predictive relevance.

The strength of each exogenous variable in explaining endogenous variables is measured using the  $f^2$ . According to Cohen (1988), values higher than 0.02, 0.15, and 0.35 indicate small, medium, and large  $f^2$  effect sizes.

This study found the effect size of Perceived Frequent Flyers Program, Perceived Price Competitiveness, Perceived Psychosocial and Perceived General Attitude into Travellers' Satisfaction is medium. The effect size of Travellers Satisfaction towards Travellers loyalty is found large.

Table 7

*Hypotheses Testing for this Study*

| Hypotheses        | Relationship | Std Beta | Std Dev | t-value | p-value | BC LL 5% | BC UL 95% | R <sup>2</sup> /Q <sup>2</sup> | f <sup>2</sup> |
|-------------------|--------------|----------|---------|---------|---------|----------|-----------|--------------------------------|----------------|
| H1<br>(Supported) | PFF -> SAT   | 0.183    | 0.046   | 4.008   | 0.000   | 0.093    | 0.264     | 0.616/0.317                    | 0.183          |
| H2<br>(Supported) | PPC -> SAT   | 0.223    | 0.043   | 5.143   | 0.000   | 0.126    | 0.301     |                                | 0.223          |
| H3<br>(Supported) | PPS -> SAT   | 0.273    | 0.042   | 6.498   | 0.000   | 0.190    | 0.353     |                                | 0.273          |
| H4<br>(Supported) | PGA -> SAT   | 0.281    | 0.048   | 5.810   | 0.000   | 0.192    | 0.371     |                                | 0.281          |
| H5<br>(Supported) | SAT -> LOY   | 0.582    | 0.036   | 16.262  | 0.000   | 0.508    | 0.643     | 0.339/0.217                    | 0.582          |

**Discussion**

This study showed that Oneworld Perceived Value has a significant effect on passengers' satisfaction towards the products and services provided by Oneworld Alliances. The higher the Oneworld perceived value, the higher the level of satisfaction towards Oneworld Alliance. This result is similar to previous studies carried out in the telecommunication field (Bolton & Drew, 1991), Paratransit passengers in Jakarta (Sumaedi et al., 2012), the banking industry (Hasan et al. 2014), and the airlines industry (Janawade et al., 2015). Judith (2010), Wang (2014) and Yang and Peterson (2004) also shown that perceived value is another key driver of customer loyalty and significantly influences customer satisfaction.

*H1 : Perceived Frequent Flyer Program positively affects Travellers' Satisfaction.*

Oneworld Alliance has 3 (three) premium status levels – Emerald, Sapphire, and Ruby, all of which determine the passengers tier status in the members airline's frequent flyers program with the Emerald status being the highest level. All of the statuses are recognized by each of the member's airlines. Liu and Yang (2009) investigated the achievement of contending loyalty program in the airlines industry and found that dependability projects did not prompt useful results. The authors also found that only airlines with a high market share had appreciated increment in deals because of their loyalty programs. Dowling and Uncles (1997) stated that satisfaction is a fundamental variable to be considered when examining the impact of frequent flyer programs, as the impacts are required to differ in high satisfaction and low satisfaction. The Perceived value of loyalty programs have a positive effect on brand loyalty in the case of high involvement of product or service – all of which has been testified in Yi and Jeon (2003) study. Thus, the result of this study confirmed previous research that frequent flyer programs affect passengers' satisfaction.

*H2: Perceived Price Competitiveness positively affects Travellers' Satisfaction.*

The result of this study shows that perceived price competitiveness has a significant influence on passengers' satisfaction towards the products and services provided by Oneworld Alliances. The higher the perceived price competitiveness the higher the level of passengers' satisfaction towards Oneworld Alliance will be. This result is similar to previous studies carried out by Salim et al (2014) on airline travellers in Jordan, Dhurup et al (2014) in the paint retailing industry, and Johnny JiungYee et al (2014) in the hotel industry. When

passengers believe that an airfare pricing is fair, the purchase behaviour tends to leave them satisfied and thus repeating the purchases in the future. In contrast, if passengers feel that a certain product or services does not live up to its price, they will not pay the same product or service again. With this price competition, it can contribute to passengers selecting Oneworld Airlines as their choice, thus affecting the passengers' satisfactions. This study also corroborated Al-refaie et.al (2014) who found that the perceived value and price have significant positive effects on the passenger's satisfaction at the Jordan Airport.

*H3: Perceived Psycho-socio Benefits positively affects Travellers' Satisfaction.*

Social benefits focus on the customer-brand relationship itself rather than on the outcome (or result) of service encounters (Hennig-Thurau et al., 2002). Through this study, it can be related to how Oneworld passengers are being treated by other airlines within the same alliances in terms of their familiarity, personal recognition, friendship, rapport, and social support. This is a very subjective issue whereby passengers are comparing on how they are being treated by other airlines individually, rather than as a group of Oneworld Airlines. Undoubtedly, there will be differences in soft skills and service quality provided by the airlines especially in terms of cabin crew, ground-handling services, aircraft facilities, and food and beverages offered on board. However, Oneworld's slogan, 'An alliance of the world's leading airlines working as one', has aligned their standard of services and facilities among the alliance members.

In the airlines industry, a salesperson can be like the cabin crew and ground-handling agents, seeing as they can resemble salespersons on the services promised. However, Ng (2005) found that psycho-socio benefits are not a significant factor that increases customer satisfaction in the lodging industry. This aligns with the study conducted by Reynolds and Beatty (1999) on the notion that psycho-socio benefits have a positive impact on customers' satisfaction.

*H4: Perceived General Attitude positively affects Travellers' Satisfaction.*

Results indicate that the Perceived General attitude has a significant influence on passengers' satisfaction towards the products and services provided by Oneworld Alliances. The rise of perceived general attitude will directly increase the level of passengers' satisfaction towards Oneworld Alliance. There are numerous studies that focus on the general attitude of the customers towards the satisfaction and are more related to what they have experienced with the product, or the service based on their brand and image. In this context, Oneworld Alliance is the brand image of the members of alliance.

Members have their own personal brand image and reputation in the airlines industry. For example, Malaysia Airlines is known to harbour the most awarded world's best cabin crew, with the crew being portrayed as the friendliest cabin staffs. Meanwhile, Cathay Pacific was awarded several times as the world's best in airport handling. These awards would be an advantage for Oneworld and alliance members to portray a good image and brand. Passengers tend to compare the airlines under this alliance, which will, in turn, influence their satisfaction. Though customer satisfaction and loyalty have been examined in the transportation context, corporate image tends to be ignored (Park et al., 2004). Therefore,

alliances are suggested to collaborate in creating an outstanding corporate image to gain trust from their passengers. A study conducted by Janawade (2012); Judith (2010); Suh and Youjiae (2006), found that corporate attitude plays an important role in airlines as a perceived value towards customer satisfaction, brand loyalty, and intension behavioral.

*H5: Travellers' Satisfaction positively influences Travellers' Loyalty.*

Results indicate that passengers' satisfaction has a significant influence on loyalty towards the products and services provided by Oneworld Alliances. This finding is in line with the previous researches done by Janawade et al (2015); Mohsan et al (2011); Qin (2012); Shankar et al (2003), which showed the existence of significant and positive correlation between satisfaction and loyalty. The higher the passengers' satisfaction is, the higher the level of passengers' loyalty towards Oneworld Alliance. Customers choose brands they think can satisfy their needs. If passengers evaluate an airline brand as being capable of meeting the expectations they have raised prior to consumption, it is presumed that the customers are satisfied with the brand. Once satisfied, passengers will most likely choose the same airline for future travels.

In line with this argument, Beatson, Lings, and Gudergan (2008) found that customers' satisfaction decidedly impacts behavioural intension – for example, eagerness to recommend the brand to others, positive words-of-mouth, and repurchase intention, i.e. customer loyalty. Park et al (2006) discovered that customer loyalty directly impacts behavioural expectations, which were measured as the customers' willingness to prescribe the airlines to others and their repurchase intentions.

### **Conclusion and Recommendations**

Based on the findings, it can be concluded that Oneworld's perceived value significantly and positively influences the passengers' loyalty. Nevertheless, it proves to be an important factor that affects passengers' satisfaction to the extent of achieving passengers' loyalty. Airline businesses that seek to attract loyal passengers must comprehend what their passengers expect from their airlines while foreseeing the vital indicators of the customers' desires to try to fulfil it. It is believed that each customer has their own point of view regarding what makes them loyal to airlines – especially to airlines under the Oneworld Alliance.

As the attention is on individual passengers, loyalty programs can be seen as a vehicle to build single-brand loyalty, lessening cost affectability, actuate more prominent purchaser imperviousness to counter offers, or counter contentions from promoting or sales representatives), dampen the desire to consider alternative brand options, empower words-of-mouth and underwritings, pull in a bigger pool of passengers, and/or expand the measure of items purchased (Uncles et al., 2003). Nevertheless, airlines must be trained to keep improving their strategies in tackling the passengers while also improving the value for passengers, making them feel attached to the airlines, and lead them to be familiar with everything about Oneworld Alliance's facilities and benefits. The passengers will be loyal once they feel satisfied with the service and will continue the relationship with the airlines that they have chosen. Moreover, they will spread positive words to their friends or relatives if the airlines have delighted them and provided them with the high level of satisfaction during their travels.

Retaining customers is essential for the future of this industry and within this globally competitive market, as airlines industry must hunt for ways to communicate their exclusivity for their passengers and gain loyalty from them. The airlines' management and alliance's management also need to focus on their aim to succeed in this industry. A warm welcome from the cabin crew, a variety of food and beverages, high technology Inflight Entertainment (IFE), friendly booking websites, airport lounges, minimum transit time and responsive approach of the employees can turn an ordinary service into an outstanding and exceptional experience.

There are several limitations worth to mention. This study is focused on airlines under the Oneworld Alliance only. Future research could be done on other airline alliances, such as SkyTeam and Star Alliance, and to compare between all the alliances so that the differences in terms of passengers' perspectives regarding perceived value, passengers' satisfaction, and passengers' loyalty could be tapped and further enhanced. This study is also confined to the international flight perspective. Finally, the findings are hoped to be able to help airlines, as well as Oneworld Alliance members, to find the best ways to retain the passengers to help them move towards the right direction in their business and achieve their vision to be an alliance of the world's leading airlines.

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