



## Customer Experience as a Predictor of Customer Loyalty Behavior Towards Airlines

Yhani Mardani

Faculty of Economics and Business, Universitas Informatika dan Bisnis  
Indonesia

**Corresponding Author:** Yhani Mardani, [yhanimardani@unibi.ac.id](mailto:yhanimardani@unibi.ac.id)

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### ABSTRACT

This study aims to examine the influence of customer experience on customer loyalty behavior, especially in low-cost carrier airlines in Indonesia. The unit of analysis in this study is a national airline company that has implemented a customer relationship management program (Frequent Flyer), which includes three airlines: Lion Air (Lion Air Passport), Citilink (Supergreen Card), and AirAsia (Big Loyalty Card). Meanwhile, the observation unit consists of passengers who have membership in more than one airline. This study uses a cross-sectional time horizon, where primary data is collected through a questionnaire involving 200 respondents with a purposive sampling method. Verification analysis is carried out using Structural Equation Modeling (SEM). The results of the study indicate that customer experience has a positive effect on customer loyalty behavior of LCC airlines in Indonesia.

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## INTRODUCTION

One of the modes of transportation that has experienced rapid growth in Indonesia is air transportation. The progress of this mode of transportation reflects the level of development of a nation. For Indonesia, an archipelagic country, air transportation has a strategic role in supporting mobility in the economic, social, cultural, political, and defense sectors. In addition, people are increasingly making air transportation their main choice because of its time efficiency and more affordable prices.

The high demand for air transportation services has driven rapid business growth in this sector. Air transportation is one of the segments that has experienced significant market growth in Indonesia, marked by the increasing number of passengers at almost all airports. This growth underscores the importance of the aviation industry in supporting economic activity in Indonesia.

In Indonesia, there are two types of airline services, namely Low-Cost Carrier and Full Service. Low-Cost Carrier (LCC) airlines offer low fares, lower than Full Services Carrier airlines that provide excellent service at a price. According to Dyahjatmayanti (2018), a full-service airline is an airline company that offers complete services by adding various value-added facilities. These services include the provision of food and beverages (catering), newspapers or magazines, in-flight entertainment, in-flight shops, exclusive frequent flyer services, and others. Meanwhile, Low-Cost Carrier (LCC) focuses on providing tickets at affordable prices and simple services. This model eliminates several services such as reducing catering services during flights and simplifying the reservation process by utilizing information technology (IT), so that services become faster and more efficient, while still prioritizing passenger safety.

Two airlines that offer full services are Garuda Indonesia and Batik Air. Garuda Indonesia is one of the largest airlines in Indonesia with its head office located at Soekarno-Hatta International Airport. Initially, the airline was known as Indonesian Airways. Currently, Garuda Indonesia serves more than 90 destinations in various parts of the world as well as several interesting and exotic locations in Indonesia. With a flight frequency of up to 600 times per day, the airline offers a superior service concept "Garuda Indonesia Experience" which emphasizes typical Indonesian hospitality. Thanks to the quality of its service, Garuda Indonesia has won various prestigious awards, such as "The World's Best Economy Class" from TripAdvisor Travelers Choice Awards, the title of "5-Star Airline" since 2014, entered the "Top 10 World's Best Airline" version of Skytrax in 2017, and was named "The World's Best Cabin Crew" for five consecutive years since 2014. Meanwhile, Batik Air is an Indonesian private airline that was established in 2012. This airline is a subsidiary of Lion Air that offers full-service flight services to its passengers. (Jendela Dunia, May 2024).

On the other hand, some facts indicate that airline service customers tend to have disloyal behavior. Customer loyalty plays an important role in increasing profitability, because loyal customers tend to use services repeatedly. Thus, the existence of loyal customers allows companies to obtain higher profit margins.

Companies can create customer loyalty by providing superior customer experience. Research conducted by Wereda and Grzybowska (2016) shows a

strong relationship between customer experience and customer loyalty. Customers who have a positive experience are more likely to make repeat purchases, recommend the business to others, and are less likely to switch to competitors. In addition, according to Mashingaidze (2016), emotional experience plays a significant role in building customer loyalty to the company's brand. In addition, according to Imbug et al. (2018), designing a good customer experience will ensure that the industry performs well. Kurhayadi et al. (2022) also revealed that emotional experience plays an important role in customer loyalty to the company's brand. This was revealed in a study of VIP customers of Citylink Indonesia Airlines. Other studies also show a positive and significant influence of customer experience on customer satisfaction and customer loyalty at low-cost carrier airlines in Indonesia (Setiawan et al., 2021). Meanwhile, in a study on full-service airlines by Nugroho (2022), different results were found where brand experience did not have a significant effect on passenger loyalty.

Based on the description above, where there is inconsistency in the results regarding the influence of customer experience on customer loyalty behavior, further research is needed regarding this role, especially for low-cost carrier airlines in Indonesia.

### ***Problem Statement***

The problem statement of the research is how customer experience influences customer loyalty behavior.

### ***Research Objectives***

This study aims to test the role of customer experience on customer loyalty at Low-Cost Carrier airlines in Indonesia.

## **THEORETICAL REVIEW**

### ***Customer Experience***

According to Schmitt et al. (2015), every interaction in service delivery produces customer experience, regardless of its size and shape, and is related to psychological aspects. Customer experience combines cognitive, emotional, initial, social, and spiritual responses of customers to all interactions with the company (Bolton et al., 2014). Customer experience occurs every time a customer searches for, buys and uses a product or service and after the sale using customer touchpoints as part of the customer journey (Lemon and Verhoef, 2016). Parise et al. (2016) customer experience is a customer response to interactions with a company that are carried out through digital technology as part of the customer journey.

There are several measurements of customer experience. Schmitt et al. (2015) used the dimensions of sensory experience, affective experience, intellectual experience, physical experience, and social experience. Bolton et al. (2016) measured customer experience with detailed measurements, sensory responses, overall evaluations, and service consumption experiences. Meanwhile, based on Verhoef's opinion (2016), customer experience is an accumulation of previous experiences, pre-purchase experiences, purchases,

post-purchase experiences, and future experiences. On that basis, the measurement of customer experience in this study is arranged with three dimensions, namely service image, personal trust, and additional services.

### ***Customer Loyalty Behavior***

Griffin (2002) stated that the concept of customer loyalty focuses more on behavioral aspects than attitudes. Loyal customers are characterized by consistent purchasing patterns, namely purchases that do not occur randomly and are carried out continuously by several decision-making units. According to Abu-Alhaija et al. (2020), loyalty antecedents can be grouped into two categories. The first category includes factors that have been widely discussed in the marketing literature, such as customer satisfaction, perceived service quality, perceived switching costs, commitment, and loyalty programs. Meanwhile, the second category includes factors that have recently emerged in recent loyalty research. A recent literature review identified four main factors that play an important role in building and increasing customer loyalty, namely: satisfaction, perceived quality, perceived value, and trust. Abu-Alhaija et al. (2020) emphasized that integrating these factors into a loyalty model is essential to understanding the process of forming and increasing customer loyalty. Observed facts show that passengers tend to rarely use the same airline because they want to try other airlines. In addition, passengers tend to easily switch to other airlines, with more attractive rates.

### ***Hypothesis Development***

According to Mashingaidze (2016), emotional experience plays a significant role in building customer loyalty to a company's brand. In addition, according to Imbug et al. (2018), designing a good customer experience will ensure that the industry performs well. Kurhayadi et al. (2022) also revealed that emotional experience plays an important role in customer loyalty to a company's brand. This was revealed in a study of VIP customers of Citylink Indonesia Airlines. Other studies also show a positive and significant influence of customer experience on customer satisfaction and customer loyalty at low-cost carriers in Indonesia (Setiawan et al., 2021). Based on this, the following hypothesis is formulated:

H: Customer experience has a significant influence on customer loyalty behavior.

## **METHODOLOGY**

This study uses a quantitative approach, namely a systematic investigation of a phenomenon by collecting data in the form of numbers and analyzing it using statistical techniques. Data in quantitative research is obtained through sampling methods, with the results presented numerically to support predictions. Data was collected through questionnaires compiled based on the operationalization of variables in Table 1.

**Table 1. Operational Variable**

Variable	Dimension	Indicator	Scale
Customer Experience	Service image	- Services coverage - Service quality	Ordinal (Likert 1-7)
	Personal trust	- Corporate image as a big company - New aircraft	Ordinal (Likert 1-7)
	Additional services	- Surprise experience - Perfect solution	Ordinal (Likert 1-7)
Customer loyalty behavior	Repeat order	- Repurchase for business trips - Repurchase for recreation	Ordinal (Likert 1-7)
	Customer Partisanship	- Become the main choice for traveling by plane - Provide recommendations to others	Ordinal (Likert 1-7)
	Airline partner	- Passengers provide suggestions to others - Have a high commitment to remain a member	Ordinal (Likert 1-7)

In this study, LCC airlines in Indonesia act as the unit of analysis, including Lion Air, Citilink, and AirAsia. Meanwhile, the observation unit consists of passengers who have used at least two of the three airlines. The population is a collection of individuals where in this study are all airline passengers who are registered as members (frequent flyers) in one or more of the 3 national airlines, namely Lion Air (Lion Air Passport), Citylink (Supergreen Card), Air Asia (Big Loyalty Card).

The analysis technique used in the hypothesis test is the structural equation model (Structural Equation Modeling). The structural equation model (SEM) requires a sample size of at least 200 observations (Kelloway, 1998). Therefore, the target sample in this study is a minimum of 200. However, considering the fairly high response rate, the sample size for this study is 200 respondents.

## RESULTS AND DISCUSSION

### *Model Testing*

The method used to assess goodness of fit (GOF) has been explained in the previous chapter with the results shown in Table 2:

**Table 2. Testing of Goodness of Fit model**

No.	Goodness of Index	Cut-off Value	Result	Description
1	Chi Square	Expected small	757.2406	Close Fit
2	Probability Chi Square	$\geq 0.05$	0.13279	Close Fit
3	RMSEA	RMSEA $\leq 0.08$ (Good Fit) RMSEA $\leq 0.05$ (Close Fit)	0.029	Close Fit
4	Normed Fit Index (NFI)	$\geq 0.9$	0.93	Good Fit
5	Parsimonious Normal Fit Index (PNFI)	$\geq 0.9$	0.96	Good Fit
6	GFI	$\geq 0.9$	0.97	Good Fit
7	AGFI	$\geq 0.95$	0.95	Good Fit

Source: LISREL (2024)

Table 2 shows that the model used is appropriate. p-value 0.13579 > 0.05, RMSEA measurement index is in the expected value range of 0.029 < 0.05, GFI value is in the expected value of 0.97 > 0.9, AGFI value 0.96 > 0.9, so it can be concluded that the chi-square criteria are included in the good fit category or the proposed model is good. The higher the parsimony measurement, the better the level of model fit. The parsimony index or PNFI is considered adequate if its value is > 0.9, which indicates a good fit. The results of the study showed that the PNFI value indicated a suitable model.

### *Measurement Model*

**Table 3. Measurement Model**

Dimension	Indicator	Standardized Loading ( $\square$ )	t value	Error Variance (e)	Construct Reliability (CR)	Average Variance Extracted (AVE)
<b>Customer Experience</b>						
<b>Service image</b>		0.94	9.40	0.12	0.843	0.645
	Exp1	0.71	-	0.50		
	Exp2	0.74	11.08	0.45		
<b>Personal trust</b>		0.9	9.45	0.19	0.838	0.635
	Exp3	0.75	-	0.44		

Exp4	0.73	11.01	0.47		
<b>Additional services</b>	0.94	9.42	0.12	0.837	0.635
Exp5	0.72	-	0.48		
Exp6	0.71	10.68	0.50		
<b>Customer loyalty behavior</b>					
<b>Repeat order</b>	0.92	9.28	0.15	0.839	0.637
Loyal1	0.73	-	0.47		
Loyal2	0.73	10.80	0.47		
<b>Customer partisanship</b>	0.9	9.20	0.19	0.841	0.640
Loyal3	0.74	-	0.45		
Loyal4	0.75	10.99	0.44		
<b>Airline partner</b>	0.92	9.21	0.15	0.836	0.633
Loyal5	0.72	-	0.48		
Loyal6	0.73	10.72	0.47		

Based on Table 3 above, it is known that the loading factor value of each indicator and dimension in the customer experience variable shows a value of > 0.5 and t count > t table (= 1.96). This shows that all indicators are valid. The AVE value for each dimension shows a value of > 0.5, which means that customer experience can be formed from a three-dimensional construct, namely image, trust and additional services provided by the airline. The CR value shows that the value of each dimension is > 0.7, meaning that the model construct is declared reliable and can be used for further research.

The structural model for this study is:

$$\eta_2 = 0.56*\eta_1 + \zeta_3, \quad R^2 = 0.31$$

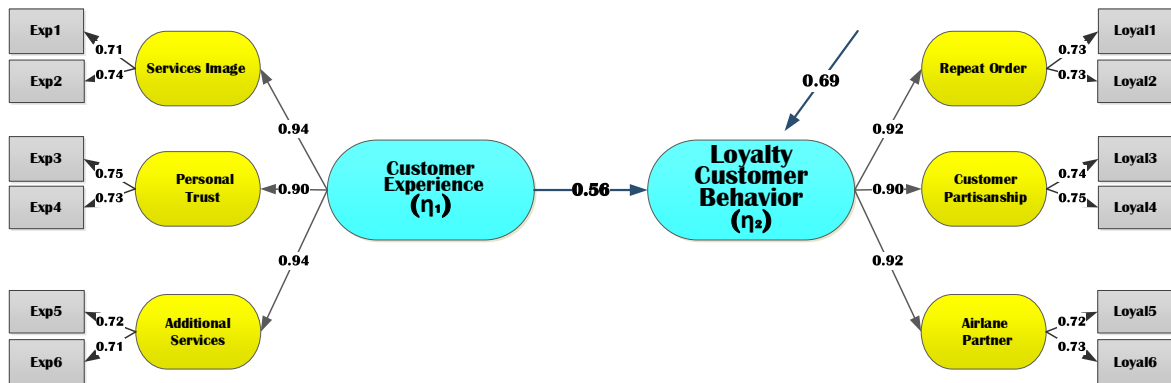
$\eta_1$  = Customer experience

$\eta_2$  = Customer loyalty behavior

$\zeta_3$  = Residue

**Hypothesis Testing**

The results of the hypothesis testing are shown in Figure 1.



**Figure 1. Path Diagram**

**Table 4. Influence of Customer Experience on Customer Loyalty Behavior**

Hypothesis	Coef.Estimate	S.E.	t value	R <sup>2</sup>
Customer experience → Customer loyalty behavior	0.56	0.13	4.17*	0.31

Source: LISREL (2024)

\*significant on  $\alpha=0.05$  (t table =1.96)

Table 4 shows a significant influence of Customer Experience on Customer Loyalty Behavior ( $R^2 = 0.31$ ).

Customer experience has a close relationship with customer loyalty. This is because the experience of a brand involves subjective perception and consumer behavior (Brakus et al., 2009). This experience is formed through the image, trust, and additional services provided by the airline. A positive experience encourages customers to happily make repeat purchases of the services provided. Customer service and trust are interrelated aspects and can be seen from customer expectations.

Therefore, service companies need to continue to focus on efforts to improve customer satisfaction, especially in terms of service quality, price attractiveness, and company image. The ability to maintain customer trust has an impact on repeat purchases, making it a key element in driving company growth. Efforts to maintain customer satisfaction through consistent service quality and trust will create a positive impression of company performance.

Customer experience is the result of customer evaluation of the services provided by the airline. Each customer has a unique experience, both positive and negative. The type of airline chosen whether a full-service carrier or a low-cost carrier, reflects customer preferences and needs. Factors such as airline reputation, price attractiveness, and additional services also influence customer decisions in choosing an airline. For customers who prioritize social strata, airlines with a high image are more attractive because they offer safety, time efficiency, quality service, and superior facilities, even at higher rates.

Satisfaction with products, services, or services encourages repeat purchases. Airlines with a bad image often try to attract consumers by offering the lowest prices. In contrast, airlines with standard rates focus on maintaining the quality of service and facilities so that customers remain loyal. Meanwhile, airlines with higher prices try to maintain their image, improve services, and provide attractive facilities.

Additional services such as free baggage are also important considerations for customers. Customers tend to choose airlines that offer free baggage services according to their needs. Conversely, if additional fees are charged, this can increase the total cost of the trip. Other factors such as friendly service, helpful check-in process, and on-time flights also play a role in encouraging repeat purchases.

The results of the study indicate that customer experience has a significant effect on customer loyalty. This finding is in line with the research of Wereda and Grzybowska (2016) which states that customers with positive experiences are more likely to make repeat purchases, recommend to others, and are less likely to switch to competitors. Mashingaidze's research (2016) also confirms that customer experience management is an important strategy for increasing business competitiveness. Other literature shows that emotional experience has a major contribution to a company's brand loyalty. This is consistent with the results of Khraim's research (2013) which found that airline image and service quality have a significant effect on customer behavioral intentions.

## **CONCLUSION AND RECOMMENDATION**

Customer experience has been proven to have a positive impact on customer loyalty behavior at LCC Airlines in Indonesia. Among the various aspects of customer experience, service image and additional services have the most significant influence, followed by personal trust. Airline image, which includes product quality and company service coverage, is the main contributor to increasing customer loyalty. Additional services, especially through surprise experiences and perfect solutions for passengers, show an equal contribution to the airline's image in encouraging customer loyalty behavior.

In addition, personal trust formed from the company's image as a large entity with a new fleet of aircraft also contributes positively to customer loyalty at LCC Airlines in Indonesia. However, empirically, the perception of additional services, especially in terms of surprise experiences and perfect solutions, is still considered less than satisfactory. This is a challenge that needs to be considered to further increase overall customer loyalty.

Based on these findings, it is recommended that LCC Airlines in Indonesia prioritize enhancing the quality and consistency of their additional services, particularly in delivering surprise experiences and perfect solutions that exceed passenger expectations. Strengthening these elements will not only reinforce the airline's service image but also deepen personal trust among customers. By focusing on continuous innovation and responsiveness in service delivery, LCC Airlines can further boost customer satisfaction and loyalty in a highly competitive market.

## FURTHER STUDY

Future research could explore strategies to enhance the perceived value and effectiveness of additional services, particularly surprise experiences and perfect solutions, in shaping stronger customer loyalty. Investigating customer expectations and satisfaction levels in more depth could help identify gaps between service delivery and perceived experience. Moreover, future studies may consider comparing LCC Airlines with full-service carriers to examine how different service models influence loyalty drivers. Incorporating psychological or behavioral variables, such as emotional attachment or brand advocacy, may also provide richer insights into the loyalty-building process in the highly competitive airline industry.

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*Mardani*

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