FERCEIVED VALUE OF MALAYSIAN LOW COST AIRLINES: THE VIEWS OF THE EXISTING DOMESTIC CUSTOMERS

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ABSTRACT

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This paper aims to explore the meaning of perceived value of Malaysian low cost airlines from the perspectives of their existing domestic customers. The Malaysian low cost airlines have been competing aggressively for passenger load. Frequent price promotional campaigns are launched by the Malaysian low cost airlines to induce forward booking of air tickets to lock-in customers for future sales. Literature indicated that as a market matures, perceived value supersedes price in inducing favourable repeat purchase intention. The qualitative research methodology was adopted for this study to explore the multiple meanings of perceived value of Malaysian low cost airlines. A notable finding of this research is that the existing domestic customers of the Malaysian low cost airlines evaluated the perceived value from the uni-dimensional and multidimensional perspectives. Findings of this research revealed that perceived functional value in terms of lower price, perceived relative value and perceived "social connectedness" value are crucial in prompting favourable repeat purchase intention of low cost air travel. Another interesting finding of this research is lower airfare is viewed as a perceived benefit and not perceived monetary cost.

INTRODUCTION

The air transport industry in Malaysia was largely dominated by the full service, state-owned Malaysia Airlines (MAS) until late year 2001. The first Malaysian low cost airline, Transmile, commences operation in year 1993. But, low cost airline has only become a known and pronounced phenomenon in Malaysia in recent years. For the past decade, Malaysia has seen the emergence and growth of home grown low cost airlines. To-date, there are four Malaysian low cost airlines, namely, AirAsia, AirAsia X, Firefly and MASwings. The pioneering home grown low cost airline, Transmile, has since restructured itself from carrying passengers to carrying cargo.

The Malaysian low cost airlines have been competing aggressively for passenger load. Frequent price promotional campaigns are launched by the Malaysian low cost airlines to induce forward booking of air tickets to lock-in customers for future sales. Thus, price is used as a competitive tool to induce favourable repeat purchase intention. However, Hooper (2005) and Kim and Lee (2010) purport that customers of low cost airlines may not decide to repeatedly purchase air travel based on the lower airfare if the market matured with many low cost airlines competing using price. Prior studies demonstrated that perceived value is crucial to land and air transport service providers to retain and to generate repeat purchases among the existing passengers (Bieger et al, 2007; Jen and Hu, 2003). Although perceived value is found to be an important aspect of airline choice, there is a lack of discussion on value in customer's evaluation of airlines services (Hall *et al.*, 2001) particularly for Malaysian low cost airlines where price is found to be the sole factor in influencing customers' decision making (Anniah, 2002; Lee, 2008).

Research on perceived value can provide an insight into the Malaysian low cost airline companies on what constitutes value based on the perception of customers and if they are creating value to customers. It is vital to probe, describe and interpret perceived value from the customers' perspective as marketing is about offering what customers value in a product or service (Graf and Maas, 2008) and providing better valued products or services than competitors to generate favourable repeat purchase intention (Sanchez-Fernandez and Iniesta-Bonillo, 2007) among existing and potential customers. This paper aims to explore the meaning of perceived value of Malaysian low cost airlines from the perspectives of their existing domestic customers.

Although the literature includes some very useful discussions of perceived value, there seems to be insufficient attention given to understand how customers describe and interpret their meanings within the context of low cost airlines. This study is significant as it contributes to the existing body of knowledge on the meaning of perceived value of low cost air travel to the segment of customers created by the Malaysian low cost airlines.

LITERATURE REVIEW

Value is the outcome of an evaluation of product or service performed by customers before they make a purchase (Sanchez-Fernandez and Iniesta-Bonillo, 2007). Value is defined as customer's evaluation of products and services that meet his or her needs and his or her perceived preference resulting from their evaluation (Woodruff, 1997).

Previous studies have indicated that there are various definitions of perceived value (Broekhuizen, 2006; Graf and Maas, 2008; Iglesias and Guillen, 2004; Kuo *et al.*, 2009; Patterson and Spreng, 1997; Petrick, 2004; Sheth *et al.*, 1991; Woodall, 2003; Williams and Soutar, 2000; Woodruff, 1997; Zeithaml, 1988). The plethora definitions of perceived value can be broadly categorised into (1) the uni-dimensional or compensatory perspective and (2) the multidimensional perspective.

The earlier uni-dimensional definition of perceived value is derived from the utilitarian theory of Jeremy Bentham and John Stuart Mills (Lovelock, 1996). The utilitarian theory states that price is perceived cost and emphasises on obtaining maximum benefits from the price paid for a product or service (Boksberger and Melsen, 2011). This definition is inclined towards "consumer surplus" in economics (Lovelock, 1996). The uni-dimensional definition of perceived value was later extended as the trade-off between customers' assessment of the benefits receive and the costs including monetary and non monetary costs (or sacrifices) incur in obtaining and using a product or service (Boksberger and Melsen, 2011). Customers' evaluation of the perceived total costs incurred in acquiring the perceived benefits of a service demonstrates that perceived value is a cognitive construct (Kuo *et al.*, 2009; Lovelock, 2001; Petrick, 2004; Woodall, 2003; Woodruff, 1997; Zeithaml, 1988). Hence, perceived value is an outcome of customers' conscious and rational evaluation of perceived monetary costs, perceived non monetary costs and perceived benefits (Kuo *et al.*, 2009; Zeithaml, 1988; Zeithaml and Bitner, 2000).

On the other hand, it is argued that the evaluation of attributes and performances of service are undoubtedly crucial in leisure travelling to achieve favourable behavioural intention, however the socio-psychological aspect cannot be neglected (Holbrook, 1994; Lee *et al.*, 2007; Sanchez *et al.*, 2006; Sheth *et al.*, 1991; Sweeney and Soutar, 2001; Williams and Soutar, 2000). Sanchez-Fernandez and Iniesta-Bonillo (2007:441) assert that the unidimensional definition of perceived value is too narrow as it does not take into consideration the "*intangible, intrinsic and emotional factors that form part of the construct*". Graf and Maas (2008) state that perceived value consists of multiple value components due to its complexity and subjectivity. This has led to the need to define perceived value more comprehensively from a multidimensional perspective (Boksberger and Melsen, 2011). The multidimensional perspective of perceived value includes the utilitarian, emotional and pleasurable value derived from the purchase and consumption of a product or service (Holbrook, 1994; Lee *et al.*, 2007; Sanchez *et al.*, 2006; Sheth *et al.*, 1991; Sweeney and Soutar, 2001; Williams and Soutar, 2000). The multidimensional perspective of perceived value includes the utilitarian enditional perspective and melsen, 2001; Williams and Soutar, 2000). The multidimensional perspective of perceived value is a cognitive-affective construct as customers process information rationally and emotionally according to their experience with the product or service in their mind to measure and determine the value of the product or service (Boksberger and Melsen, 2011).

The uni-dimensional perspective of perceived value roots in the equity theory and cognitive psychology (Boksberger and Melsen, 2011; Sanchez-Fernandez and Iniesta-Bonillo, 2007). The utilitarian and economic conceptions of perceived value (Al-Sabbahy *et al.*, 2004; Graf and Maas, 2008; Iglesias and Guillen, 2004; Kuo *et al.*, 2009; Lovelock, 2001; Patterson and Spreng, 1997; Petrick, 2004; Woodall, 2003; Woodruff, 1997; Zeithaml, 1988) demonstrates it as an outcome of customers' evaluation of perceived monetary costs, perceived benefits such as performance, quality, brand name, social status and self image conveyed from the purchase and consumption (Kuo *et al.*, 2009; Zeithaml, 1988; Zeithaml and Bitner, 2000). It is a cognitive approach (Sanchez-Fernandez and Iniesta-Bonillo, 2007). Customers consciously and rationally weigh sacrifices in terms of perceived monetary and non monetary costs against perceived benefits of a product or service prior to their purchase until the post-consumption. Customers compare product or service attributes, price and non monetary costs against competing services and brands before acquisition (Gale, 1994).

On the other hand, the origin of multidimensional perspective of perceived value is consumer behaviour psychology (Boksberger and Melsen, 2011; Sanchez-Fernandez and Iniesta-Bonillo, 2007). The multidimensional perspective is based on the behavioural perspective which includes customers assessment of functional value, emotional value, social value, epistemic value and conditional value (Sheth *et al.*, 1991) and functional, emotional and overall value (Lee *et al.*, 2007). Research results of the multidimensional perspective of perceived value revealed that customers evaluate, assess and compare costs and functional benefits of the product or service at the pre-purchase stage (Sanchez *et al.*, 2006), reflected the socio-psychological benefits derived at the post purchase and consumption stage. The multidimensional perspective clearly indicates that perceived value is a cognitive-affective construct (Sanchez-Fernandez and Iniesta-Bonillo, 2007). Customers process information rationally and emotionally about their experience with a product or service in their mind to evaluate and determine the value of a product or service before and after their purchase.

The uni-dimensional perspective provides knowledge on how value is evaluated, explicitly by examining the features that constitute perceived benefits against the elements of perceived costs (Sanchez-Fernandez and Iniesta-Bonillo, 2007). On the other hand, the multi-dimensional perspective provides specific direction on how to improve value with an understanding of the various types of value derived from the purchase and consumption of a product or service (Sanchez-Fernandez and Iniesta-Bonillo, 2007). The multidimensional perspective of perceived value is rich and complex as it delves into the emotional and hedonic elements. Thus, the uni-dimensional perspective of perceived value is seen as simpler in comparison to the multidimensional perspective.

However, there is a lack of agreement regarding the antecedents as some perspectives stress on perceived monetary cost while others emphasise on perceived monetary and non monetary costs (Kuo *et al.*, 2009; Sanchez-Fernandez and Iniesta-Bonillo, 2007; Zeithaml, 1988; Zeithaml and Bitner, 2000). Conversely, there is a lack of agreement regarding the components of value for the multi-dimensional perspective. There is also confusion about

the relationship among the antecedents in the uni-dimensional perspective of perceived value; specifically, there is a disagreement of if price is perceived as sacrifice or an indicator of quality (Graf and Maas, 2008). On the other hand, there' is confusion about the relationship among the components of value for the multi-dimensional perspective of perceived value (Sanchez-Fernandez and Iniesta-Bonillo, 2007). For instance, the identification of relationship between functional value and emotional value, which otherwise the two value can be seen as mutually exclusive.

The uni-dimensional perspective of perceived value is a direct observation of perceived benefits, monetary and non monetary costs (Sanchez-Fernandez and Iniesta-Bonillo, 2007). On the account of its straightforwardness, this perspective is widely embraced in literature. Whilst, the multidimensional perspective of perceived value observes value through its components (Sanchez-Fernandez and Iniesta-Bonillo, 2007). Due to the complexity and lack of agreement concerning the components of value, the multidimensional perspective is hardly embraced in literature.

This study does not draw a boundary in studying perceived value from either the uni-dimensional or the multidimensional definition, but explores the definitions of perceived value of Malaysian low cost airlines overtly as described by the domestic customers to gain a deeper understanding of the meaning of value.

Table I: A comparison between uni-dimensional and multidimensional perspective of perceived value

Multidimensional
Roots in consumer behaviour psychology
Behavioural conception
Cognitive-affective approach
Richness and complexity
Specific direction on how to improve value
Lack of agreement regarding the components of value
Confusion about the relationship among the components
Observation of value through its components
Hardly embraced in the literature

Source: Adapted from Sanchez-Fernandez and Iniesta-Bonillo (2007:442)

RESEARCH METHODOLOGY

This study had adopted the qualitative research methodology. This was because the objective of this study was to explore the meaning of perceived value of Malaysian low cost airlines as described and interpreted by the existing domestic customers. Qualitative data collection techniques are necessary to measure perceived value in the context of service consumption (Woodruff and Gardial, 1996). Similarly, Sweeney *et al.* (1997) assert that qualitative research allows the exploration of ideas and opinions from different individuals about perceived value. Each individual customer perceives value differently from the purchase of similar service with the same amount of price paid (Lovelock, 2001). The responses derived may be different from different cases depending on the social world they are in and their life experiences. Saunders *et al.* (2007) support that qualitative research is appropriate to study consumer behaviour as each individual is unique, their behaviour and views are based on the environment and situations that they are in. Qualitative research provides detailed description to the question of how customers evaluate perceived value that leads them to repurchase (Jen and Hu, 2003). Likewise, Kashyap and Bojanic (2000) concur that qualitative research is required to examine the construct of perceived value in travel setting. This qualitative research allows the discovery of new knowledge on the meanings of perceived value that induce favourable repurchase intention of air travel on Malaysian low cost airlines.

This study employed two data collection methods, that is, the complete observer observations and semi-structured interviews. The choice of data collection method is linked to research questions and research objectives. Qualitative research often uses more than one data collection method termed as triangulation to increase the credibility or internal validity and confirmability of the data collected (Creswell, 2003). With triangulation, data of the same phenomenon are collected using more than one data collected (Malterud, 2001; Williams and Soutar,

2000). Credibility of data is achieved as the limitations of one data collection method is compensated with the strengths of another method (Patton, 2002). A total of 11 complete observer observations and 22 semi-structured interviews were conducted before saturation of data was achieved.

For the complete observer observations, data were collected at different date, day, time, flight and airport to ensure dependability of data. The complete observer observations were made at a holistic context on the events unfolded at service exchange sites and not at any specific participants at the airport or flight.

Purposive and snowball samplings were employed to select rich information cases. Informants for the semistructured interviews were solicited in the airports. Informants were then asked to recommend their friends who have travelled with the Malaysian low cost airlines to be interviewed.

The researchers took turns to conduct the semi-structured interviews. Each semi-structured interview was only carried out by one researcher. The researcher began with an introduction of herself and the purpose of her research project. Then, the researcher explained to the informants on the purpose of the interview, their role, importance and contribution to the research, what was required from them, the ethical issues of confidentiality of information and anonymity to ensure that they had a complete understanding of the interview. Informed consent was sought from the informants before the interview. The researcher would ask if the informants understood the purpose of the interview and was willing to be interviewed. The researcher would also asked for their consent to allow the interview conversation to be hand-written and audio-recorded. Only when the informants told that they understood the purpose of the research and volunteered freely to be interviewed, the researcher would proceed with the interview. Each interview session lasted between 45 minutes and 90 minutes depending on the informants' responses.

During the interview process, the researcher would use verbal and non verbal expressions to foster rapport with the informants. The purpose was to help the informants to trust the researcher so that they would not hold back or filter their responses to questions asked. Thus, the informants would offer information freely and truthfully. The rapport and trust between the researcher and the informants was crucial to enable them to feel relaxed so that they could recall and express their thoughts and experiences with the Malaysian low cost airlines. The informants described their experiences with and feelings of Malaysian low cost airlines as how they viewed them. The trust and social relationship during the interviews were essential to collect credible information from the informants. The researcher also conveyed that the informants' information was valuable and crucial throughout the interview session. Thus, it facilitated the collection of a large amount and a wide variety of data when the sample size was small.

The researcher has taken the necessary steps to avoid the biasness in the data collection during the semi-structured interview sessions. To do so, the researcher only probed to seek further clarification to unclear and general responses. The researcher did not provide any opinions to answers given by the informants. The researcher was aware that she could unintentionally influence the informants' responses through her verbal feedback and non verbal expressions. Thus, when the informants told their opinions and views, positive and negative experiences on Malaysian low cost airlines, the researcher constantly reminded herself not to show subtle signs of agreement or disagreement nor to empathise. This is to ensure that the findings of this research are credible and free from bias.

The researchers organised and prepared the data for analysis by transferring the data recorded during the complete observer observations and transcribing the audio-recorded semi-structured interviews as verbatim into typed text in order to ensure the authenticity and richness of the data. Data collected were coded in vivo. After the coding process, the researchers examined the links among the coded data and reorganised the data based on the research objectives of this study. As the researchers reorganised the data, they sought for key themes and relationships in the rearranged data guided by the research objectives of this study. Data with similar meanings were categorised under the same themes and categories. The researchers identified themes and categories that emerged from the data. The researchers re-examined the data to validate that there is no data that contradict the themes and categories emerged from the earlier data analysis. Next, the researchers confirmed if the themes and categories emerged from the data were priori or emergent. The final step in data analysis was interpreting the data. In this

step, the researchers interpreted and concluded the findings. Findings of the phenomenon under studied were interpreted to reflect the meanings conveyed by the informants.

FINDINGS AND DISCUSSIONS

Findings revealed that perceived functional value in terms of lower price, perceived relative value and "social connectedness" value of the Malaysian low cost airlines induced favourable repeat purchase intention of the informants. The informants told that they would log on to the website of the Malaysian low cost airlines to check out the airfare for the destination they intended to fly to. They would compare prices of the air ticket to the same destination at different booking period before they repeat purchase. Informants would repurchase their air ticket of their intended departure date to a destination either weeks or months ahead, when they thought that the price of the air ticket was relatively lower. Accordingly, informants perceived functional value in terms of lower price if they repurchased ahead of their departure date. Evidence from the informants' responses indicating perceived functional value in terms of lower price of the home grown low cost airlines induced favourable repeat purchase intention is as follows:

I will purchase one month earlier before the holidays because the price of air ticket is cheaper if I booked earlier." (Informant no.2)

"...that within that period of time, got holiday season, we just book very much earlier as long as we got the cheap fare." (Informant no.3)

"...end of this year we are going to Bali, when we booked the flights there is no promotion but of course it is so many months ahead it is still cheaper, you know." (Informant no.4)

Findings further revealed that the informants who were the existing domestic customers of Malaysian low cost airlines would search and compare prices of air ticket between the low cost airlines and the national-flag carrier, Malaysia Airlines; among the low cost airlines; between the low cost airlines and land transport. They would choose to travel on the mode of transport or airline with a relatively lower fare. If the Malaysian low cost airlines priced their airfare to similar destination about 30 to 40 percent lower than the national flag carrier, informants perceived relative value because they paid a lower amount of money for the air ticket to similar destination. Perceived relative value of low cost airlines induced the informants to repeat purchase as evidenced from the following responses:

"At that time, I made a late booking. AirAsia and Malaysia Airlines are very expensive, that is why I have chosen to fly Firefly because their airfare is the cheapest." (Informant no.12)

"Usually I will compare the airfare of all the low cost airlines. I will visit all the websites like Tiger Air, then AirAsia X and all that. Then from there, I see which one is the cheapest." (Informant no.21)

"If compare, compare to travel by car or bus, they (the parents) more prefer the low cost airline because if you booked earlier, I think one month or two months before, the price is actually cheaper than the bus, you know." (Informant no.16)

Additionally, the informants repeat purchase air travel of the Malaysian low cost airlines because they enjoy the travelling experience in the company of their family members and friends, as evidenced from such responses as "My trip to Kuching...my wife booked the low cost airline...you know...all of us wanted to go in a family." (Informant no.10) and "...I get to travel with my friends more often." (Informant no.11). The informants' responses revealed the importance of social connectedness" value to denote this finding. Although Smith and Colgate (2007) have broadly classified personal interaction, relational benefits, network benefits and reliability as perceived social-relational value, the researcher prefers to use the term "social connectedness", an emergent theme found by Kopf and Wolf (2007) in their study. This is because "social connectedness" defined as "the sense of belonging that requires interaction with others" (Kopf and Wolf, 2007: 838) accurately depicted the meaning constructed by the informants and participants on the value of low cost air travel. In each of the complete observer observation, the researcher noted that there were many small social groups comprising either family members or friends. They were happy to be in the company of their children and friends while queuing at the check-in counter, waiting at the departure hall, walking towards to board the aircraft and spending the travelling time in the aircraft. Individuals in these social groups talked loudly and excitedly. They often joked and laughed happily. Families

with young children did tend to run after their children while walking towards the aircraft during boarding time. They also liked to take photographs while walking towards the aircraft and inside the aircraft.

The perceived value of the low cost airlines comprises the constructs of perceived functional value, perceived relative value and perceived "social connectedness" value. The findings seems to suggest that perceived value of Malaysian low cost airlines connotes functional value in terms of lower price (Sanchez *et al.*, 2006; Sheth *et al.*, 1991) and relative value (Bojanic, 1996; Petrick and Backman, 2002) induce the repeat purchase intention of the informants. Perceived "social connectedness" value has emerged from the data. Accordingly, the findings demonstrated that the perceived value of low cost airlines is evaluated from the multidimensional perspectives (Holbrook, 1994; Lee *et al.*, 2007; Petrick, 2004; Sanchez *et al.*, 2006; Sheth *et al.*, 1991; Sweeney and Soutar, 2001; Williams and Soutar, 2000).

The semi-structured interview findings also demonstrated that the informants weighed the perceived benefits against the perceived monetary and non monetary costs of travelling on the Malaysian low cost airlines. Thus, suggesting that perceived value of the homegrown low cost airlines is defined from the uni-dimensional perspective (Grewal *et al.*, 1998; Kuo *et al.*, 2009; Lovelock, 2001; Woodall, 2003; Zeithaml, 1988).

Informants' responses highlighted that they value the perceived benefit of monetary savings more than the perceived monetary cost including cost of in-flight food and beverage and perceived non monetary costs such as gliscomfort, physical effort, inconveniences, search cost and emotional cost. For instance, "It does not matter what...slight discomfort it does not matter to me because you can save so much of money...What is the little extra of being served by flight stewardess...nothing much...music also we can bring on our own...it is not something that we really need." (Informant no.2). Another concurred response includes, "So far my experience with low cost is that I don't think that there is anything that err that is so bad that warrant you not wanting to save that money...Because the savings will easily be into...like Hong Kong for example although the price I paid is high but still the savings is worked out to be I think RM2,000 ...why not? All these minor inconveniences I do not think it is a huge major issue." (Informant no.4)

The weighing of perceived benefit of monetary savings against the perceived monetary cost including cost of inflight food and beverage and perceived non monetary costs such as discomfort, physical effort, inconveniences, search cost and emotional cost is consistent with perceived value as a uni-dimensional construct. This seems to suggest that the perceived value refers to a uni-dimensional construct (Zeithaml, 1988). The informants' responses demonstrated that they placed a much higher emphasis on the perceived benefit of monetary savings against the longer list of perceived monetary and non monetary costs.

perspectives Multidimensional perspective of perceived value Uni-dimensional perspective of perceived value Perceived monetary cost: - Perceived functional value (lower price) Perceived benefits: - cost of in-flight food and beverage - Perceived relative value - Monetary savings - Perceived "social connectedness" Perceived non monetary costs: - discomfort - physical effort - inconveniences - search cost - emotional cost

Table II: Malaysian low cost airlines: Perceived value from the multidimensional and uni-dimensional

CONCLUSIONS

Findings of this study suggested that the perceived value of the Malaysian low cost airlines are evaluated from the uni-dimensional and multidimensional perspectives. The multidimensional perspective of perceived value includes perceived functional value in terms of price, perceived relative value and perceived "social connectedness" value which are vital to secure favourable repeat purchase intention. The uni-dimensional of

perceived value points out that perceived benefits have much emphasis in comparison to perceived monetary and non monetary costs. Contrary to prior literature, the lower amount of airfare is perceived as monetary savings, that is, a perceived benefit instead of being a perceived monetary cost. A notable findings is that perceived "social connectedness" value is crucial to prompt favourable repeat purchase intention. This finding suggests that customer repeat purchase of air travel on the low cost airlines is not solely due to price but more to fulfilling their social and personal needs.

This study has made a contribution to the understanding of the concept of perceived value. The finding of this study reveals that perceived value is evaluated from the uni-dimensional and multidimensional perspectives. Customers assess the perceived benefits against perceived costs rationally and evaluate various psychological fulfilments emotionally. Correspondingly, this study has expanded the current multidimensional perspective of perceived value of low cost air travel by adding on the emergent construct of perceived "social connectedness" value. In addition, the findings of this study has added monetary savings to the list of perceived benefits.

MANAGERIAL IMPLICATIONS

Perceived functional value in terms of price and perceived relative value imply that customers compare airfare and benefits among the competing airlines before they decide to repurchase. Thus, the Malaysian low cost airlines should be concerned about enhancing and developing the types of services deemed important by their customers.

The findings of this study also imply that the Malaysian low cost airlines have to maintain the perceived "social connectedness" value and liking to travel to compete for the portion of the limited discretionary income of the existing market segment. The Malaysian low cost airlines have to develop a continuous marketing communication campaign, adopting an emotional and fun positioning and themes to convey perceived "social connectedness" value and pleasurable travel experience.

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