

Service quality and price perception of service: Influence on word-of-mouth and revisit intention



Chih-Hsing Sam Liu ^a, Tingko Lee ^{b, *}

^a Ming Chuan University, Department of Leisure & Recreation Administration, 5 De Ming Rd., Gui Shan District, Taoyuan County 333, Taiwan

^b National Defense University, The Institute Resource Management and Decision Science, College of Management, Rm. 1, 4F, No.70, Sec. 2, Zhongyang N. Rd., Beitou Dist., Taipei City 112, Taiwan

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ABSTRACT

Drawing on an overarching framework of marketing theory, this study develops and tests an integrated model of service quality that explicates the affective mechanisms through which service quality is associated with price perception of service (e.g., monetary price and behaviour price), word of mouth (WOM) and revisit intention. In a sample of 484 low-cost airline passengers, we found service quality to be related to increased price perception of service as a result of increasing passengers' WOM, which also creates success in this regard by increasing their revisit intention. Moreover, it is not surprising that there was a positive relationship between service quality and WOM mediated by perceived value of monetary price. The theoretical and empirical implications of these results are discussed.

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1. Introduction

The fast growth of the tourism industry in the Asia Pacific region not only has brought significant economic development in the region but also has led it to become the world's second largest tourist-receiving region (Horng et al., 2012; Lee and Chien, 2008). Given this global trend, the need for and evaluation of transportation are becoming hot issues in the tourism literature. One of the most active areas in this stream of research focuses on a particular type of experience: low-cost airline services (Han, 2013; Mason, 2001). This research suggests that experience of a low-cost airline service influences travellers' behaviour and future consumption intention, including word-of-mouth (WOM) communication (Saha and Theingi, 2009) and purchase intention (Escobar-Rodríguez and Carvajal-Trujillo, 2014). Given the high density and competition among worldwide low-cost airlines, assessing travellers' quality perception of individuals or organizations is becoming increasingly important because these perceptions represent a collective judgement and value evaluation that determines customers' future behaviour (Bruwer, 2014). For instance, Akamavi et al. (2015) note that low-cost airline (LCA) firm performance is influenced not only

by executives' marketing promotion decisions and resource allocations but also by numerous traveller behaviours that are beyond a firm's control, such as loyalty, price perception, service recovery, trust and satisfaction. Because of the importance of travelers' consumer experiences and the perceived value of product attributes, quality, and value, a person's intention to revisit a destination may be an important means of connection to positive memories; further investigation is needed into the validity, reliability and relationships among these constructs in predicting low-cost airlines travelers' intentions to revisit a destination (Petrick and Backman, 2002).

Service quality research tends to focus on the service perception of one focal actor and how it affects consequence behaviour important to this actor. For instance, research has examined the link between service quality and behaviour, including price perception (Cho, 2014; Ye et al., 2014; Zeng et al., 2011), satisfaction (Bansal and Taylor, 2015; Dubé, 2015), and loyalty (Bloemer et al., 1999; Orel and Kara, 2014), among other factors. Similarly, research has examined the benefits of service quality for tourism firms, including increased market opportunities (Jones and Haven, 2005; O'Neill and Charters, 2000) and increased firm performance (Williams and Buswell, 2003). In contrast, service quality and value evaluation are highly connected (Liljander and Strandvik, 1993) and involve the quality received for the price paid because of value perceived (Petrick, 2004). Furthermore, service quality and

* Corresponding author.

E-mail addresses: phd20110909@gmail.com (C.-H.S. Liu), d96741001@ntu.edu.tw (T. Lee).

perceived value are cognitive responses to a consumer experience, with “service quality” referring to improving the quality of airline services to meet the needs and expectations of customers (Seo et al., 2015). “Perceived value” refers to the quality of service the consumers receive and the price they pay (Ye et al., 2014). Although the relationship between service quality and perceived value has been discussed in service-related studies, the influence of perceived value price on post-purchase perceptions in the context of low-cost airline service remains largely unknown until now.

While this single experience and value approach has helped us begin to understand the effects of service quality across a wide variety of service settings and behaviours, it does not consider the fact that in many settings, there are multiple perceptions of service quality that may affect a given behaviour. O’Connell and Williams (2005) suggested that the US and Europe first introduced airline service; however, following the fast growth of the Asian market, the increase in Asian low-cost carriers has exceeded that of the full service carriers, and they are becoming a potentially great world market. Recently, because of improved service quality and increased value perception of the low-cost airline by third parties, low-cost airlines are not limited only to the domestic traveler, but they also appeal to business travelers (Mason, 2001). Given the numerous outcomes that service quality affects, it is important to consider how the service quality that travellers or visitors perceived that might have priority or simultaneously jointly influence their behaviour. Um et al. (2006) suggested that service quality, customer value, and attractiveness should be considered together to consistently and theoretically explain a repeat visit to a destination. However, few attempts have been made in tourism academic studies to discuss how the service quality experienced by travelers may impact a given situation and revisit intention. One notable exception is a recent study by Jo et al. (2014) in which they find that service quality (staff and facility) resulted in influencing perceived value (emotional and functional) and satisfaction.

Our study makes a number of theoretical contributions to the service and tourism literature. First, we develop an integrated theoretical framework about the content and importance of service quality that guides our hypotheses, examining the direct and indirect direction and magnitude of travellers’ behaviour in a given context. Specifically, we argue that the attribute upon which service quality is built and travellers’ value expectations determine that service quality influences behavioural intention. This integrated theoretical framework allows us to make predictions regarding how the market accounts for the service quality of multiple influences on travellers’ price perception within a given context. Prior tourism or service research has generally failed to recognize and capture different directions of service quality within a single context. Thus, despite extensive service quality research, our findings suggest there is still much theorizing and testing that needs to occur to understand how service quality affects travellers’ perceived value and sequence of behavioural intention.

Second, based upon our theoretical framework, we demonstrate that the impact of price perception is influenced by word-of-mouth (WOM). WOM is the sharing of information and the consumer experience of service with others, which may significantly affect the consumers’ purchase decision-making process of Low Cost Carriers (LCC) service (Lerrthaitrakul and Panjakajornsak, 2014). Specifically, we predict that of the two types of price perception that will have mediating effects, analyst price perception (e.g., monetary price and behavioural price) will

have a dominating effect on travelers’ intention to revisit. Compared with travelers on full service carriers (FSCs), low-cost airline travelers have a lower utility of time but a primary focus on price perception (Barbot, 2006). Practically, the low-cost airline offers an attractive alternative method of travel for price-sensitive customers (Franke, 2004). In this study, we defined price-sensitive as high correlative with customers’ monetary price perception, which effectively connects the relationship between service quality and WOM. This finding is noteworthy because it suggests the need for additional theorizing regarding when and how a given price perception may matter more or less when creating an effective marketing strategy to attract customers. Third, the present study extended the existing knowledge of the traveler’s decision-making process to revisit a destination; the way in which service quality and price awareness differentially influence the intention to revisit has been grounded in a somewhat narrow conceptual lens that has not been examined intensively or directly in previous service and tourism literature. Specifically, existing explanations of service quality focus on measurement development that could otherwise be invested in tourism activities (Chang, 2009; Ryan and Cliff, 1997). As Chang (2009) argues, however, a more thorough investigation of mechanisms and the decision-making process that explain quality effects is necessary to advance the theory and management of service quality. Following this suggestion, we propose an explanation of service quality effects combining the marketing strategy grounded in an altogether theoretical perspective. Fig. 1 presents the research framework and the proposed hypotheses of this study.

2. Literature review and hypotheses development

2.1. Service quality and price perception

Recent tourism and service research regarding customers’ behaviour towards services has focused on the relationships between perceived service quality and emotional behaviour (Su et al., 2015). Perceived service quality is defined as the customer’s evaluation of the overall excellence or superiority of the service (Zeithaml, 1988). Meshack and Datta (2015) consider that a customer’s evaluation of the level of service quality and their satisfaction depends on the gap between their expectations and experience of actual performance levels. In the low-cost airline traveller context, perceived service quality is a measure of how well the service meets travellers’ expectations and understood their requirements. Other authors proposed that expectations should be influenced by personal needs, responsiveness, and empathy (Saha and Theingi, 2009). If perceived service quality is analogous to the concept of customer’s evaluation, then, according to Ye et al. (2014), service quality should be considered to involve a tradeoff of concepts between a customer’s valuation of the benefits of using a service and its price. A customer’s value perception depends on sacrifice (i.e., the monetary and nonmonetary prices associated with experiencing the service) and the customer’s frame of reference (Xia and Suri, 2014). Thus, it should be expected that customers’ assessments of service quality will influence and determine their price perception of the monetary price and non-monetary price (e.g., behaviour, attitudes, time, search costs, convenience and values evaluation) because price perception reflects customers’ actual experience with respect to a specific transaction and their overall evaluation of a service (Kashyap and Bojanic, 2000).

Hypothesis 1. *Service quality will be positively associated with monetary price.*

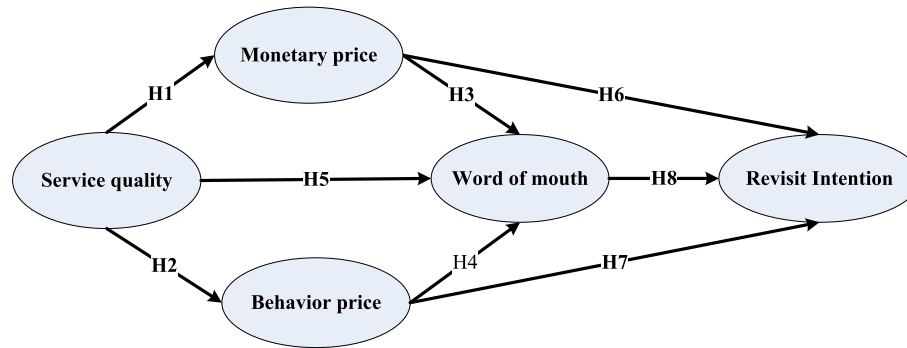


Fig. 1. Theoretical model of the relationships among service quality, monetary price, behavioural price, word of mouth (WOM) and revisit intention.

Hypothesis 2. Service quality will be positively associated with behavioural price.

2.2. Service quality, price perception and word of mouth

The concept of perceived value has been investigated in various fields, particularly in service and tourism studies (Petrick, 2002; Petrick and Backman, 2002). Ye et al. (2014) identify several attributes of perceived value: (a) monetary price, (b) the service quality they receive, and (c) what the consumer gets from the price they pay. In the low-cost airline industry, specifically, the passengers of low-cost airlines are more price sensitive and perceptive than those of traditional airlines. Petrick (2004) asserts that price perception refers to monetary price (e.g., the price of a service as encoded by the consumer) and behavioural price (e.g., time and effort used to search for the service). These studies provide a vital source of accurate content of customers' feelings; when applied to low-cost airline travellers, it expresses their emotions, describes their real experiences, and offers recommendations to others as an enhancement of seller-provided price information about products and services. They also provide important information about passengers' post-purchase perceptions. Studies show that low-cost airline passengers may exhibit the post-purchase behaviour of WOM communication and with it price perception (Evangelho et al., 2005; Mason, 2001).

The rapidly increasing market for low-cost airlines provides a good opportunity for researchers to investigate the relationship between service quality and post-behaviour context. Usually, travellers' post behaviour combines their perceptions of both service quality and value evaluation. Alexandris et al. (2002), Hutchinson et al. (2009), and Oh (1999) all show that perceived service quality has both direct and indirect effects on post behaviour of word-of-mouth communication. It can therefore be assumed that travellers will increase word-of-mouth communication and recommendations to others when they have positive perceptions of service quality and value. Based on the above analysis, hypotheses are proposed as follows:

Hypothesis 3. Monetary price will be positively associated with word of mouth.

Hypothesis 4. Behavioural price will be positively associated with word of mouth.

Hypothesis 5. Service quality will be positively associated with word of mouth.

2.3. Price perception, word of mouth and revisit intention

As stated above, price perception refers to the degree to which the consumer experiences a service and the amount paid. In practical terms, an increased positive perception of price as a response to a purchase intention offer on the evaluation form in which the price is presented positively affects purchase assessments (Alford and Biswas, 2002). Petrick (2002) proposes that monetary and nonmonetary perceptions of price in its critical role are likely to influence consumers' purchase intention of tourism products. Further, Petrick (2004) also finds that price and value perception influence the probability of revisiting the same destination or repurchasing similar products. The study suggested that the effects of price perceived on travellers' revisit intentions also vary across the different dimensions of price perception with the degree of low-cost airline service.

The investigated importance of word-of-mouth (WOM) for service and tourism firms has been well recognized (Litvin et al., 2008). Word-of-mouth has been suggested to have a direct effect on revisit intention. Thus, when customers are satisfied with service experiences, they should be expected to recommend the service to their friends and be willing to revisit the same hotel (Cantallops and Salvi, 2014). In a study of low-cost airline passengers, Kim and Lee (2011) reports that high word-of-mouth increased revisit intention. Kim et al. (2009) empirically demonstrate that the customers' word-of-mouth communication was recognized as an important antecedent for future behavioural intentions to revisit. For example, a tourist who is highly satisfied with a service will be more willing to recommend the destination-specific attributes to others and to revisit the destination in the future. Thus, WOM praise should be positively related to revisit intention.

Hypothesis 6. Monetary price will be positively associated with revisit intention.

Hypothesis 7. Behavioural price will be positively associated with revisit intention.

Hypothesis 8. Word of mouth will be positively associated with revisit intention.

2.4. The mediating role of price perception on service quality and word of mouth

The current study suggests an integrated model portraying the cumulative nature of the travellers' experience with low-cost

airline service (Fig. 1). In this model, service quality directly relates to monetary and nonmonetary price perception, which, in turn, influences travellers' future revisit intentions. The mediating role of value or price perception and evaluation on the relationship between service quality and behavioural intentions has been established in several studies. He and Song (2009) conceptualize that the impact of service quality on behavioural intentions is indirectly influenced through perceived values. To better understand the mechanism of price perception, Campo and Yagüe (2008) show that the effect of WOM and satisfaction depends on the tourist's price perception of the quality of the tourism service or product provided. They propose a four-stage model of tourist price perception. It thus seems reasonable to believe that the effect of WOM on the formation of service quality perception among low-cost airline travellers is mediated by the monetary and nonmonetary perception of passengers who are willing to pay. Specifically, we expect that:

Hypothesis 9-1. *Monetary price mediates the relationship between service quality and word of mouth.*

Hypothesis 9-2. *Behavioural price mediates the relationship between service quality and word of mouth.*

3. Methods

3.1. Sample and data

The questionnaire survey used to interview the passengers was permitted by the Taiwan Taoyuan International Airport. We adapted several steps to select our target participants. First, we hired six research assistants to wait in front of check-in counters of low-cost airlines. Second, when passengers finished the check-in procedure, the research assistants asked the passengers whether they had a LCC experience. If the passengers answered "yes", the research assistants presented the research purpose and invited them to fill out the questionnaire about their LCC experience. Third, while passengers filled out the questionnaire, the research assistants stood by to provide clarification and to increase the response rate. Fourth, when passengers finished the questionnaire, research assistants checked it to make sure that all measurements were present to increase useable rates for further statistics analysis. The data-collecting period was between December 11, 2014, and January 18, 2015. To specifically explain the purpose and value of this study, more than 600 passengers were contacted for personal interviews. Finally, a total of 510 passengers responded to our questionnaire. After eliminating some incomplete questionnaires, the final sample was composed of 484 valid responses.

For collecting more comprehensive samples, this study used two versions of the questionnaire: Chinese and English. The participant chose the version they found to be more understandable, and described their experience with low-cost airlines. Further, this study used a sample of passengers at the Taiwan Taoyuan International Airport for several reasons. First, over the past decade, the tourism industry in Taiwan has increasingly expanded because the development of tourism has become a major aim of government policy (Kuo, 2005; Liu et al., 2012). Great numbers of international visitors to Taiwan come from Asia, and they were contacted at the low-cost airline counter at this airport. Second, to satisfy the needs of cost savings for customers, low-cost airlines have become mainstream in airline industry. Low-cost airlines may ensure a long-term competitive advantage because passenger

loyalty is more likely to be promoted by providing superior service quality and a low price strategy (Akamavi et al., 2015; Chang and Hung, 2013). With the popularity of international commerce and tourism, such low-cost airlines have spread across aviation markets in Asian areas. The low-cost airlines at Taiwan Taoyuan International Airport have brought advantages of cost leadership strategy; thus, profit growth may be more likely (Chen and Chiou-Wei, 2009). Therefore, based on the sample of low-cost airlines, the study of associations between service quality, monetary price, behaviour price, word of mouth, and revisit intention will be examined.

3.2. Measures

3.2.1. Independent variable

3.2.1.1. Service quality. Superior service quality has been widely acknowledged and considered as a main factor (Wu and Cheng, 2013; Zeithaml, 1988) promoting the competitive advantage of airlines. Following the article by Parasuraman et al. (1988), service quality is operationalized in five dimensions: tangibility, reliability, responsiveness, assurance and empathy. Respondents are asked to rank the indices on a seven-point Likert scale, ranging from 1 to 7. A higher score indicates stronger service quality. The overall Cronbach's alpha is .930 (see Appendix).

3.2.2. Mediating variable

3.2.2.1. Monetary price. Monetary price in this study is a mediating variable and derives from the conceptualization of perceived value (Petrick, 2002). Monetary price is the degree to which consumers are sensitive to economic spending on tourism services (Petrick, 2002). Customers' loyalty and repurchase intentions towards airline services may be likely to derive from various strategies, such as cost leadership and differentiation strategies (Narangajavana et al., 2014), thus promoting the success of companies. Low-cost airlines are more likely to conduct an aggressive pricing strategy of lower airfares (Hofer et al., 2008; Lindenmeier and Tscheulin, 2008; Marcus and Anderson, 2008). This study uses three questions to measure monetary price (Petrick, 2002). A higher score indicates higher monetary price. The Cronbach's alpha value of monetary price is .839. (see Appendix).

3.2.2.2. Behavioural price. Behavioural price has been a critical element of word of mouth and intentions of repurchase and derived from the conceptualization of perceived value (Petrick, 2002). Therefore, behavioural price is another mediating variable. This variable, defined as non-monetary price, refers to the obtainment of services or products by a sacrifice of time, brand image, search costs and convenience (Zeithaml, 1988). A 4-item scale for behavioural price has been developed and measured by the study of Petrick (2002). The higher the score, the higher is the behaviour price. The Cronbach's alpha value of this variable is .844 (see Appendix).

3.2.3. Dependent variables

3.2.3.1. Word of mouth. The dependent variable in this study is word of mouth. In the marketing literature, purchase decisions of customers stem from word of mouth. Word of mouth refers to comments about service quality, product quality, and trustworthiness, which are passed from one person to another (Charlett and Garland, 1995). This variable is measured using two questions developed by Charlett and Garland (1995) and Hutchinson et al. (2009). A higher score indicates stronger word of mouth. The Cronbach's alpha value of this variable is .769 (see Appendix).

3.2.3.2. *Revisit intention.* Revisit intention is another dependent variable in this study. The concept of revisit intention derives from behavioural intention, which can be defined as the intention to plan to perform a certain behaviour, for example, the repurchase of tourism services or revisiting a destination (Kashyap and Bojanic, 2000). Following the study by Eggert and Ulaga (2002), this variable is measured using three questions. The overall Cronbach's α is .842 (see Appendix).

3.2.4. Control variables

Airlines' reputation and interpersonal relationship might influence the WOM and revisit intention of passengers and are simultaneously controlled in our regression models. *Reputation*, which reflects customers' perception of service quality, is associated with brand name (Sengupta et al., 2015) and may influence behaviour intentions (Gounaris and Stathakopoulos, 2004). It is measured using three questions (Petrick, 2002). The Cronbach's alpha value of this variable is .843 (see Appendix Table A). *Interpersonal relationship* is further controlled in this model because prior studies suggest that the interpersonal relationship stemming from the factors of tourist motivation has been an important factor of tourism management that influences behavioural intentions (Lin and Chen, 2013; Mahika, 2011). Tourists who are traveling may recall more incidents that involve relationships (such as love and the need to belong) and self-actualization needs (Pearce, 1982). Tourists are more likely to be encouraged and have a stronger inclination to revisit a destination (Pratminingsih et al., 2014). Following the measurement of Zhang and Peng (2014), an interpersonal relationship is measured using three questions developed by Mahika (2011). The Cronbach's alpha value of this variable is .842 (see Appendix Table A).

Furthermore, this study also collects demographic information on tourists, including *gender* (0 = "male," 1 = "female"), *age* (0 = "~20," 1 = "21–30," 2 = "31–40," 3 = "41–50," 4 = "51~"), *education level* (0 = "junior high school," 1 = "senior high school," 2 = "university/college," 3 = "above the research institute") and *monthly income* (0 = " ~ US\$700," 1 = "US\$700 ~ US\$1,000," 2 = "US\$1001 ~ US\$1,400," 3 = "US\$1401 ~ US\$1,700," 4 = "US\$1701~").¹

3.3. Analytical methods

This study uses several analytical methods to test all hypotheses. First, a standard two-step process is followed, in which confirmatory factor analysis (CFA) is performed first to assess the measurement model, and the structural model is then constructed when the measurement model is upheld (Anderson and Gerbing, 1988). To estimate the factor structure of our measurement model and structural model, we utilize maximum likelihood estimation in the LISREL 8.7 scientific software in this study (Jöreskog and Sörbom, 2004). Second, to confirm the robustness of the mediating effect, ordinary least squares (OLS) hierarchical regression analysis, a comparison of alternative models and tests of indirect effects are then used to examine the possible mediating effect. Utilizing a maximum-likelihood estimation in LISREL 8.8.

4. Results

Table 1 reports the details of the demographic profiles. The

Table 1
Demographic profile of respondents (N = 484).

Variables	Frequency	Percent
Gender		
Male	199	41.12
Female	285	58.88
Age (years)		
~20	47	9.71
21–30	235	48.55
31–40	142	29.34
41–50	43	8.88
51~	17	3.51
Education		
Junior high school	6	1.24
Senior high school	48	9.92
University	338	69.83
Research Institute	92	19.01
Monthly income (US\$)		
~700	116	23.96
700–1000	63	13.00
1001–1400	85	17.56
1401–1700	75	15.50
1701~	145	29.96

sample consists of 41% males and 58.88% females. Major passengers between the ages of 21 and 30 account for approximately 48% of all respondents. Passengers with university-level education represent more than two-thirds of respondents. Passengers with less than US\$1500 in monthly income account for approximately 54% of respondents.

Table 2 reports the means, standard deviations, and correlation coefficients of all variables in this study. In addition to the coefficient between service quality and reputation, which is .692, other coefficients among independent, mediating and control variables are rather low. Therefore, the variance inflation factor (VIF) values in all regression models are assessed by this study, and the results show that all variables are less than 10. The highest VIF for any one variable is 2.959. This result implies that no serious multicollinearity problems exist in our models (Chatterjee et al., 2000).

4.1. Assessment of model fit for measurement model

A two-step analytical approach is used to test the hypothesized model (Anderson and Gerbing, 1988). The measurement models are tested by employing a confirmatory factor analysis (CFA), and this study further tests the structural model by conducting SEM to estimate whether the hypothesized model fits the data (Benter and Wu, 1993). The measurement model consists of five latent variables in a related hypothesis model, including service quality, monetary price, behavioural price, WOM and revisit intention. The results show that the five-factor model fit the data well ($\chi^2(109) = 431.75$, RMSEA = .078, GFI = .90, CFI = .97, NFI = .96, NNFI = .96).

To further examine both convergent validity and discriminant validity, the measured items are posited to correspond with hypothesized latent constructs using CFA. First, to assess convergent validity, this study examines Cronbach's alpha, the composite reliability of the construct (CR), a t-test for the factor loadings and the average variance extracted (AVE) (Bagozzi and Yi, 1988). The results are shown in the Appendix, and all criteria have exceeded standard values. Convergent validity is thus confirmed in all measurement models. Second, discriminant validity is assessed by comparing the unconstrained model with the constrained model, in which the correlation between the two constructs is posited to be 1.0. Each pair of constructs with a significant difference has been

¹ Dummy variables includes gender, age, education level, and monthly income. For example, monthly income is measured as a set of categorical dummy variable: less US\$700 income as base category, US\$700 ~ US\$1,000, US\$1001 ~ US\$1,400, US\$1401 ~ US\$1,700, or above US\$1701 as consecutive levels of monthly income.

Table 2
Descriptive statistics and correlation coefficients of variables (N = 484).

		Mean	S.D.	1	2	3	4	5
1	Revisit Intention	5.466	1.019	1.000				
2	WOM	5.040	1.037	.523***	1.000			
3	Service quality	4.353	.892	.374***	.502***	1.000		
4	Monetary price	5.393	1.070	.486***	.514***	.408***	1.000	
5	Behavioural price	4.453	1.513	.247***	.308***	.214***	.178***	1.000

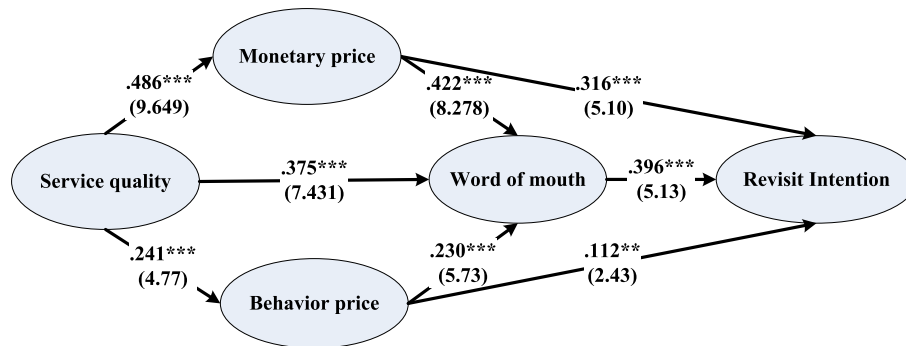
Note: *P < .1, **P < .05, ***P < .01.

Table 3
Analysis of discriminant validity (N = 484).

Construct	Revisit intention	WOM	Service quality	Monetary price	Behavioural price	Reputation
WOM	126.46*** (.562, .784)					
Service quality	649.58*** (.352, .508)	171.89*** (.562, .784)				
Monetary price	17.38*** (.502, .698)	12.74*** (.562, .758)	63.59*** (.392, .588)			
Behavioural price	986.29*** (.282, .438)	197.85*** (.342, .498)	1058.94*** (.132, .328)	80.00*** (.182, .378)		
Reputation	1033.01*** (.540, .698)	34.39*** (.751, .869)	11.45*** (.871, .888)	14.06*** (.632, .828)	354.63*** (.242, .438)	
Interpersonal relationship	201.32*** (.021, .099)	331.56*** (.002, .198)	797.26*** (.232, .428)	239.46*** (-.248, -.052)	840.30*** (.142, .338)	327.86*** (.182, .378)

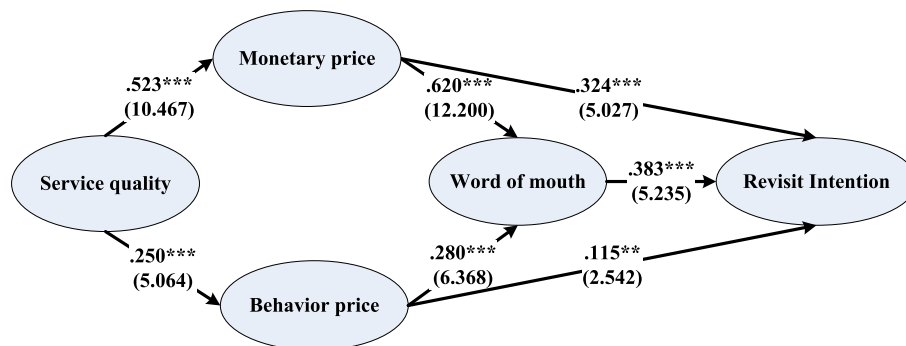
Note: The statistics compare the differences between the unconstrained model and the constrained model. The estimated confidence intervals are in parentheses. *P < .10, **P < .05, ***P < .01.

a. Hypothesized model (Partially Mediated Model)



$$\chi^2 (111) = 376.91; GFI = .92; CFI = .97; NFI = .96; RMSEA = .071$$

b. Alternative model (Fully Mediated Model)



$$\chi^2 (112) = 441.79; GFI = .92; CFI = .97; NFI = .96; RMSEA = .079$$

Fig. 2. Results of the Structure model (n = 484). Note: Path coefficients are presented, and the estimates of t-value are reported in parentheses. (a) Hypothesized model (Model 2a). (b) Alternative model (Model 2b). *P < .05, **P < .01, ***P < .001.

shown in the results in Table 3 (Anderson and Gerbing, 1988; Jöreskog and Sörbom, 2004). Then, the confidence intervals among constructs exclude 0, and the discriminant validity of inter-constructs is again confirmed. Therefore, discriminant validity is also confirmed.

4.2. Assessment of model fit for the model structure

This study averages measured items into dimensions for tangibility, reliability, responsiveness, assurance and empathy and treats dimensions as separate indicators of their corresponding construct (service quality) in the structural model analyses. The hypotheses of this study are tested by using SEM. The results of the structural model are presented in Fig. 2a, which shows standardized parameter estimates, t-values, and significance levels for the hypothesized path. The model has a good fit to the data ($\chi^2(111) = 367.91$, RMSEA = .071, GFI = .92, CFI = .97, NFI = .96, NNFI = .97). The results support the hypothesized effect of service quality on monetary price ($\beta = .486$, $p < .001$), behavioural price ($\beta = .241$, $p < .001$) and WOM ($\beta = .375$, $p < .001$). Monetary price is positively associated with WOM ($\beta = .422$, $p < .001$), and behavioural price also shows a positive association ($\beta = .230$, $p < .001$). The hypothesized coefficients of monetary price, behavioural price and WOM on revisit intention are .316 ($p < .001$), .112 ($p < .01$) and .396 ($p < .001$), respectively. Therefore, Hypotheses 1-8 are supported.

4.3. Comparison of alternative models and test of effects

To further examine whether monetary price and behavioural price fully or partially mediate the relationship between service quality and WOM, we follow the approach of Aryee et al. (2002). An alternative model is tested by removing the direct path from service quality to WOM shown in Fig. 2b, indicating fully mediated model. Although this model also provides a good fit to the data, the difference in a chi-square value between the hypothesized model 2a (partially mediated model) and an alternative model 2b (fully mediated model) in Table 4 shows that the hypothesized model 2a still offers a better fit than model 2b, and the difference is significant. In terms of the full model, the partially mediated model is supported.

Hypotheses 9-1 and 9-2 predict that indirect effects would exist in the relationship between service quality and WOM via the monetary price and behavioural price, respectively. Following the suggestion of Walumbwa and Schaubroeck (2009), this study further examines the direct, indirect and total effects. Again, the LISREL technology is estimated for several alternative models. As shown in Fig. 3, alternative model 3b indicates that the partially mediated model provides a better fit than alternative model 3a, and the difference in the chi-square value ($\chi^2_{\text{difference}} = 61.96$, $df = 1$, $p < .001$) is significant between these two models. Similar results

also exist in the relationship between alternative models 3c and 3d ($\chi^2_{\text{difference}} = 122.44$, $df = 1$, $p < .001$). Second, service quality has an indirect effect on WOM through monetary price, but this effect is insignificant through behavioural price. The above effects are shown in Table 5. Thus, Hypothesis 9-1 based on the mediating effect is supported, but Hypothesis 9-2 is not supported by this study.

4.4. Robust tests

To confirm the mediated model, this study controls for inter-personal relationships, reputation, gender, age, education level and monthly income; results still support all Hypotheses 1 to 8. In addition, the partially mediated model in Figure A1 provides a better fit than the fully mediated model in Figure A2 because the difference in a chi-square value between these two models is significant ($\chi^2_{\text{difference}} = 11.82$, $df = 1$, $p < .001$). That is, the monetary price and behavioural price partially mediate the link between service quality and word-of-mouth. Both Hypotheses 9-1 and 9-2 are thus supported by introducing control variables. All results are shown in Figures A1 and A2 in the Appendix.

In addition, bootstrap estimation has been advocated as the superior examination of the mediating effect (Preacher and Hayes, 2004; Zhao et al., 2010). Therefore, the hypotheses 9-1 and 9-2 of the indirect effects are tested by conducting an estimation procedure with 1000 bootstrap samples and 95% confidence intervals (Cheung and Lau, 2008). The results of the bootstrap estimation show that the confidence interval excludes zero from the indirect effect of service quality on word of mouth via two mechanism: monetary price and behavioural price mechanism. Therefore, the mediated effect of Hypotheses 9-1 and 9-2 are supported.

To more rigorously assess the mediated effects of monetary price and behavioural price on the relationship between service quality and WOM, Sobel (1982), Aroian (1947) and Goodman (1960) tests are conducted to examine whether a mediator carries the influence of an independent on a dependent variable. The results indicate that such relationship is mediated by the service quality and word of mouth in Table 6, forcefully supporting Hypothesis 9a and 9b (see Table 7).

5. Conclusions and discussion

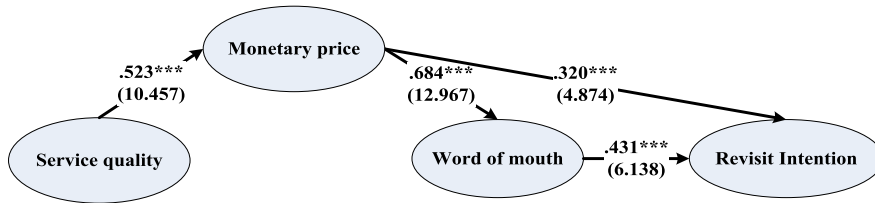
Building on prior research on the service and tourism industries, the current investigation explored mechanisms through which service quality impacts passengers' or travellers' revisit intention. Drawing on service quality theory (Oliver, 1980), we proposed that passenger will judge that quality is high if perceived value meets their expectations, and the results asserted that service quality as foundational attributes influence a traveller's willingness to pay monetary and behaviour prices. In addition, as service quality increases, WOM and the willingness to recommend that others use

Table 4
Comparison of competing models (N = 484).

Model test	χ^2	df	χ^2/df	$\Delta\chi^2$	Δdf	$\Delta\chi^2/\Delta df$	GFI	NFI	CFI	RMSEA
Hypothesized Model 2a	376.91	111	3.395				.92	.96	.97	.071
Alternative Model 2b	441.79	112	3.945	-64.88	1	-64.88	.90	.96	.97	.079
Alternative Model 2c	376.89	110	3.243	.02	1	.02	.92	.96	.97	.071
Alternative Model 2d	441.76	111	4.016	-64.85	-	-	.90	.96	.97	.079

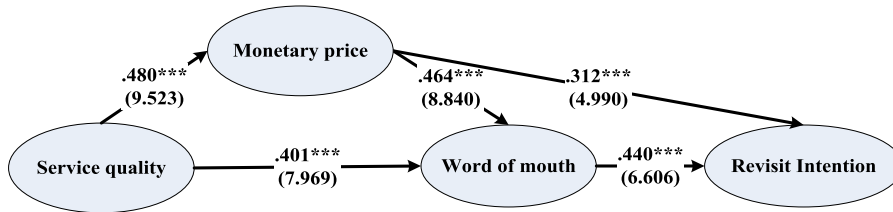
Notes: $\Delta\chi^2$ is the difference between the Hypothesized Model 2a and alternative Models. If the value ($\Delta\chi^2/\Delta df$) is smaller than 3.84, the model will not be adapted. In comparison to the hypothesized model 2a, alternative Model 2b removes path from service quality to WOM. In comparison to the hypothesized model 2a, alternative Model 2c adds path from service quality to revisit Intention. In comparison to the hypothesized model 2a, alternative Model 2d removes path from service quality to WOM and adds path from service quality to revisit Intention.

a. Alternative model 3a



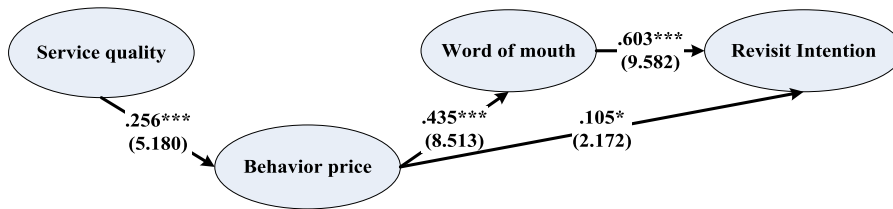
$\chi^2 (61) = 273.31$; GFI= .92; CFI= .97; NFI= .97; RMSEA= .086

b. Alternative model 3b



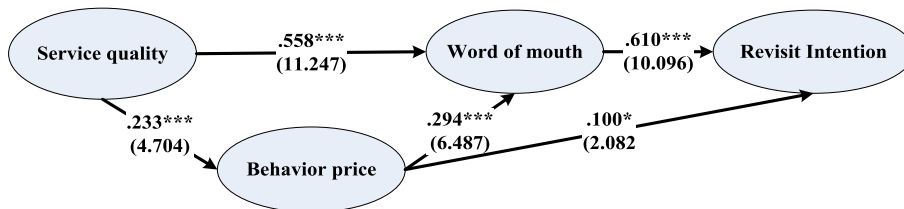
$\chi^2 (60) = 211.35$; GFI= .94; CFI= .98; NFI= .97; RMSEA= .073

c. Alternative model 3c



$\chi^2 (73) = 330.63$; GFI= .91; CFI= .96; NFI= .95; RMSEA= .086

d. Alternative model 3d



$\chi^2 (72) = 208.19$; GFI= .94; CFI= .98; NFI= .97; RMSEA= .063

Fig. 3. Results of the Structure model (n = 484). Note: Standardized factor loadings and path coefficients are presented. The estimates of t-value are reported in parentheses. (a) Fully mediated model. (b) Partially mediated model. (c) Fully mediated model. (d) Partially mediated model. *P < .05, **P < .01, ***P < .001.

Table 5
Direct, Indirect, and Total Effects of service quality on WOM (N = 484).

Independent variable	Mediated variables		Dependent variables
	Monetary price	Behavioural price	
Service quality			
Direct effect	.480***		.401***
Indirect effect			.223***
Total effect	.480***		.624***
Service quality			
Direct effect		.233***	.558***
Indirect effect			.006
Total effect		.233***	.564***

Note: *P < .10, **P < .05, ***P < .01.

Table 6
Mediated effect of Monetary Price and Behavioural Price (N = 484).

Mediated relationship	Sobel test	Aroian test	Goodman test
The influence of service quality on word of mouth is mediated by the monetary price.	6.159***	6.140***	6.178***
The influence of service quality on word of mouth is mediated by the behavioural price.	3.826***	3.794***	3.858***

Note: *P < .10, **P < .05, ***P < .01.

Table 7
Results of OLS regression model (N = 484).

Dependent variables	Monetary price		Behavioural price		WOM		Model 4		Model 5		Model 6		Model 7	
	Model 1		Model 2		Model 3									
	β	S.E.	β	S.E.	β	S.E.	β	S.E.	β	S.E.	β	S.E.	β	S.E.
Incept	1.758	.418	2.135	.720	2.240	.412	1.960	.419	1.454	.410	1.674	.412	1.265	.402
Control variables														
Gender	-.025	.079	.091	.137	-.019	.080	-.036	.080	-.029	.076	-.049	.078	-.042	.075
Age 21–30	.161	.152	.427***	.261	-.439***	.153	-.404**	.152	-.451***	.146	-.462***	.149	-.498***	.143
Age 31–40	.294	.174	.097***	.299	-.325*	.175	-.289*	.174	-.373**	.167	-.302*	.170	-.381**	.164
Age 41–50	-.207	.206	.129	.355	-.331	.208	-.329	.206	-.269	.198	-.346*	.201	-.288	.194
Age 51–	.344*	.253	.656	.435	.120	.255	.132	.253	.033	.243	.044	.248	-.042	.239
Edu (Senior high school)	.511	.370	-.055	.637	-.272	.371	-.123	.371	-.270	.357	-.115	.362	-.271	.348
Edu (University/College)	.504	.355	.062	.611	-.023	.356	.102	.356	-.043	.342	.094	.347	-.061	.334
Edu (Research Institute)	.702*	.366	.078	.631	.163	.368	.283	.367	.081	.354	.273	.358	.061	.345
Income (700–1000)	-.004	.138	-.435*	.238	.169	.140	.185	.139	.186	.133	.243*	.136	.230*	.131
Income (1001–1400)	-.111	.135	-.188	.233	.144	.136	.162	.135	.194	.130	.187	.132	.213*	.127
Income (1401–1700)	.191	.143	-.118	.246	.037*	.143	.086	.143	.031	.138	.102	.140	.047	.135
Income (1701–)	.089	.133	-.539**	.228	-.054	.134	-.024	.133	-.050	.127	.048	.130	.016	.126
Interpersonal relationship	-.206***	.032	.141**	.055	-.034***	.031	-.053	.032	.006	.032	-.072**	.031	-.011	.031
Reputation	.640***	.069	.400***	.118	.686***	.046	.533***	.069	.349***	.072	.480***	.068	.314***	.072
Independent variable														
Service Quality	.138**	.070	-.013	.120			.206***	.070	.167**	.067	.210***	.068	.170**	.066
Mediated variables														
Monetary price									.288***	.044			.267***	.044
Behavioural price											.134***	.026	.117***	.025
R ²	.409		.123		.356		.367		.419		.400		.445	
Adj-R ²	.390		.095		.336		.347		.400		.380		.425	
F value	21.580***		4.385***		18.481***		18.111***		21.090***		19.489***		21.969***	

Note: *P < .10, **P < .05, ***P < .01.

the service increase. Modelling of service quality, the mechanism of perceived quality and the marketing strategy of passengers and travellers compose individuals' expectation and value evaluation process. The mechanism of perceived quality is the cognitive response to a service price and the nonmonetary price reaction of satisfaction, which was the best predictor of revisit intention (Petrick, 2004). The marketing strategy of WOM used in tourism and service studies may be characterized as the share of

information and opinions that direct future or potential tourists from specific tourism services, brands and products when making a purchase or revisit decision (Litvin et al., 2008). Supporting these ideas, managers of a low-cost airline should increase the overall service quality in improving the perceived value and WOM of customers, which, in turn, encourage customers to increase their willingness to revisit or their repurchase intention. To illuminate the mediating mechanism behind these direct effects and to

demonstrate a more comprehensive discussion in responding to the service industry, the results show that service quality is positively related to monetary price, which in turn is positively related to WOM. These findings highlight the critical roles of different aspects of perceived value in the marketing strategy-making process. Although we have identified several facets of LCC passengers and shown how the critical attributes of service quality, value evaluation, and marketing strategy may influence their experience, we believe that the findings of this study not only contribute to the theoretical development of identifying those factors underpinning the competitive and dynamic environment, but they provide new insights for managers to identify and detect the priority of customer needs in the highly competitive tourism and service industry.

5.1. Theoretical implications

First, this study extends the extant service and tourism research by examining the role of service quality and linking it to the value evaluation of price perception (monetary price and behavioural price). Ye et al. (2014) suggested that customer' perceptions of service quality and value evaluation could predict prices and post-purchase perceptions. Our study answers this call and shows that travelers' intentions combine their perceptions of both service quality and perceived value. In other words, travelers incorporate the concepts of trade-off between quality and price into their ratings. Specifically, we differentiate individuals' value evaluation of price perception into monetary price and behavioural price and explore their differential effects on WOM, which have not been examined in tourism studies. Our study extends this line of research and delineates the mechanisms through which passengers' or visitors' service quality perceptions contribute to WOM and recommendations.

Second, following the increased demand of the tourism market and low-cost airline services, this study contributes to the Asian tourism literature by examining the relationships between passengers' service quality estimation and individual-level WOM, and it investigates how price sensitivity (i.e., monetary/behavioural price) mediates these relationships in an Asian low-cost airline context. Tourism and marketing scholars have suggested that the best strategy for marketing low-cost airlines is developed by best meeting the needs of travelers (Mason, 2001). Han (2013) proposed that the best marketing strategy in the Asian low-cost airline market is to improve the service quality and lower price to boost travelers' interest in retention and to increase word-of-mouth behaviours, thereby eventually gaining a competitive advantage and firm profits. The present study answers the call from Asian tourism researchers and demonstrates the important role played by travelers' price awareness in building a competitive advantage for low-cost airline firms operating in Taiwan.

Finally, following the increasing amount of low-cost airline services and tourism, Saha and Theingi (2009) suggested that an analysis of the relationships between service quality, perceived value and satisfaction would prove meaningful for tourism and service literature. This study empirically examines those relationships and contributes to understanding word-of-mouth activities and intentions to revisit.

5.2. Practical implications

This study provides several implications for low-cost airline firms operating in Taiwan. First, our findings reveal that service quality has a positive relationship with monetary/behavioural price and WOM recommendations. Thus, improving service quality helps low-cost airline firms to build their market reputation, branding and WOM recommendations for other travellers. With travellers' increasing sensitivity to price, managers have attached great importance to operations that are effective in reducing the price for various benefits, such as attracting purchase intention, travellers' loyalty, and increased market share. In addition to pursuing the above benefits, from a marketing strategy viewpoint, managers should initiate their own studies focused on their specific sites to assess the level of current WOM and monetary/behavioural price to increase it, with WOM part of travellers' revisit intention and overall marketing and promotional strategy.

Second, our findings on the mediating effect of monetary price on the relationship between travellers' service quality perception and WOM highlight findings on price sensitivity in previous studies on low-cost airlines (Bilotkach et al., 2015; Chou, 2015; Mason, 2001; McWhirter, 2000). The findings send an important message to managers that, in a highly competitive market, in order to build inimitable competitive advantage and WOM recommendations, managers first need to recognize the importance of service quality in encouraging positive perceptions of monetary price among travellers. An increase in customers' perceived quality and value results in a favorable WOM recommendation to others.

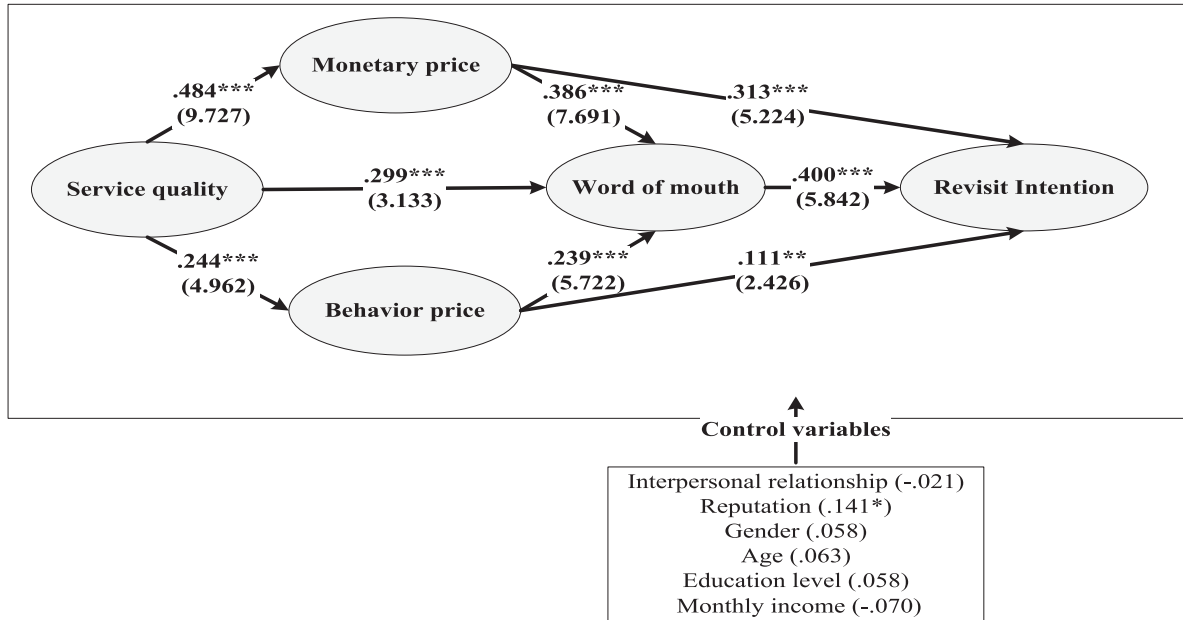
In addition, we found that an effective marketing strategy of appropriate price making and WOM may positively affect travellers' revisit intention. These results remind managers who should understand the customer's needs and utilize an emerging marketing strategy, rather than being driven by the adoption of plans by their competitors. Thus, managers could divert more time and pay attention to improving price strategy and marketing promotion tools in order to promote travellers' revisit intention.

5.3. Limitations and future research directions

The limitations of this study include the following. First, this study relies on self-reported data from passengers visiting a low-cost airline counter; thus, this may involve a common method variance (CMV) problem. Harman's single-factor test, a widely adopted post hoc remedy, is used to estimate whether a CMV problem exists in our data (Podsakoff and Organ, 1986). The results show that the first factor accounts for 26.436% of the variance among the variables, implying no serious CMV problems in this study. Second, future studies should be expanded to include additional variables that may be likely to influence the behaviours of passengers in different contexts. This study simply examines the mediating effects of perceived price on the relationship between service quality and word of mouth; thus, future scholars may further focus on other internal and external factors, including motivation and environment.

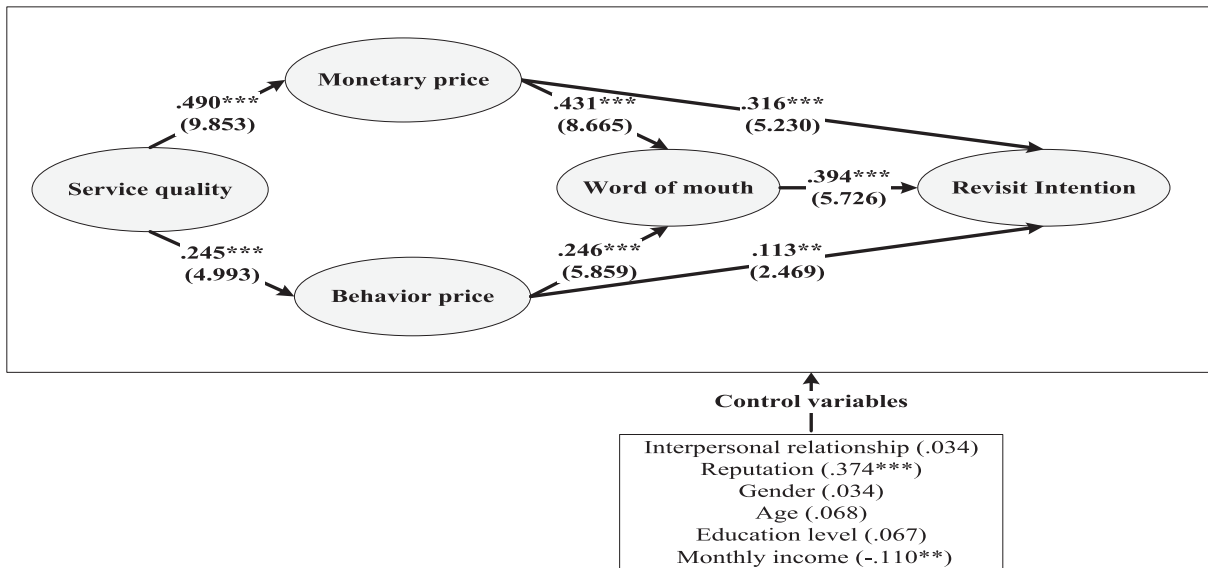
Appendix

A1. Hypothesized model (Partially Mediated Model)



χ^2 (265) = 982.19; GFI= .88; CFI= .95; NFI= .94; RMSEA= .075

A2. Alternative model (Fully Mediated Model)



χ^2 (266) = 994.01; GFI= .88; CFI= .95; NFI= .94; RMSEA= .075

Fig. A. Results of the Structure model with control variables (n = 484). Note: Path coefficients are presented, and the estimates of t-value are reported in parentheses. *P < .1, **P < .05, ***P < .01.

Appendix

Means, Standard Deviations, Factor Loading and Cronbach's alpha (N = 484).

Item	Mean	SD	Factor loading	t-value	CR(>.6)	AVE(>.5)
1. Service quality (5 dimensions) (Cronbach's alpha = .930)					.945	.534
<i>Tangibles (3 items)</i>						
◇ Low-cost airline companies will have modern-looking equipment.	4.050	1.439	.554	11.976		
◇ The physical facilities at low-cost airline companies will be visually appealing.	4.258	1.233	.754	12.716		
◇ The low-cost airline companies' various facilities and services provided are consistent.	4.324	1.185	.703	12.194		
<i>Reliability (3 items)</i>						
◇ When a customer has a problem, low-cost airline companies will show a sincere interest in solving it.	5.062	1.164	.729	17.129		
◇ Low-cost airline companies will provide the service promptly.	4.789	1.208	.683	16.072		
◇ When excellent low-cost airline companies promise to do something by a certain time, they do it.	4.725	1.197	.763	18.189		
<i>Responsiveness (2 items)</i>						
◇ Employees of low-cost airline companies will always be willing to help customers.	4.097	1.300	.795	19.316		
◇ Employees of low-cost airline companies will never be too busy to respond to customers' requests.	3.977	1.302	.705	16.721		
<i>Assurance (4 items)</i>						
◇ Employees of low-cost airline companies will have the knowledge to answer customers' questions.	4.298	1.112	.804	20.568		
◇ Employees of low-cost airline companies will be consistently courteous with customers.	4.601	1.188	.687	16.792		
◇ The behaviour of employees in low-cost airline companies will instil confidence in customers.	4.440	1.106	.838	21.891		
◇ Low-cost airline companies can solve my problem with one service.	4.320	1.363	.612	14.482		
<i>Empathy (3 items)</i>						
◇ The low-cost airline company understands what I need and strives to accommodate me.	4.409	1.268	.785	19.638		
◇ Low-cost airline companies have operating hours that are convenient to all their customers.	4.188	1.402	.756	18.648		
Low-cost airline companies have employees who give customers personal service.	4.136	1.240	.744	18.288		
2. Monetary price (3 items) (Cronbach's alpha = .839)					.877	.704
◇ The price strategy of budget airlines allow me to distinguish different airlines from traditional airlines.	5.169	1.271	.814	19.083		
◇ If I think the price is reasonable, I will have a higher willingness to buy.	5.494	1.222	.828	20.003		
◇ I will take a low-cost airline because the price is reasonable. There are very many new lines of products or services in terms of food and beverages.	5.514	1.198	.874	21.075		
3. Behaviour price (4 items) (Cronbach's alpha = .844)					.877	.648
◇ In arranging this trip, I spend a lot of time collecting airline flight and fare information.	4.713	1.432	.865	23.185		
◇ In arranging a trip, I spend a lot of time ordering a ticket.	4.479	1.471	.913	25.257		
◇ I spent a lot of time arranging this trip.	4.568	1.588	.838	22.092		
◇ In order to take this airline, I sacrificed time or other trips.	4.052	3.495	.554	12.726		
4. Word of mouth (WOM) (2 items) (Cronbach's alpha = .769)					.812	.683
◇ The establishment of the low-cost airline's positive image helps to promote its good reputation.	5.023	1.184	.818	20.066		
◇ The unique value of low-cost airlines contributes to its promotion via word of mouth.	5.058	1.117	.835	20.600		
5. Revisit Intention (3 items) (Cronbach's alpha = .842)					.872	.697
◇ If low-cost airlines provide a good quality of service, this will help to establish a close relationship with me.	5.207	1.236	.721	17.673		
◇ Taking my past experience with low-cost airline into account affects my willingness to travel with them again.	5.539	1.192	.916	24.904		
◇ When I feel my experience with low-cost airlines is not the same, this, will affect my willingness to travel again.	5.523	1.187	.855	22.428		
6. Reputation (3 items) (Cronbach's alpha = .843)						
◇ I always have great confidence in the low-cost airline's service.	4.665	1.120	.868	23.217	.901	.753
◇ I always have positive impressions of low-cost airline.	4.547	1.172	.871	23.361		
◇ I always fly this airline because its safety record is assured.	4.396	1.163	.864	23.076		
7. Interpersonal relationship (3 items) (Cronbach's alpha = .842)						
◇ Using budget airlines of self-help tourism can let me be attached to other people or to be noticed.	3.481	1.548	.841	21.901	.891	.732
◇ In the process of tourism, I have the feeling of being appreciated.	3.530	1.472	.808	20.728		
◇ Low-cost airline as the primary means of transportation in tourism can give me a good reputation.	3.165	1.418	.915	24.826		

Note: CR represents composite reliability and must be higher than 0.6; AVE represents the average variance extracted and must be higher than 0.5.

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