

# Analysis of the Effect of Utilitarian Value and Hedonic Value on Customer Loyalty Mediated by Purchase Intention (Study at Hasanuddin International Airport, Indonesia)

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**Abstract.** This research is about airports, but in the context of non-aviation services. The purpose of the study is to examine the effect of utilitarian value and hedonic value directly on customer loyalty, and indirectly through mediator purchase intention. Quantitative research approach. The research location is at Hasanuddin International Airport, Makassar, Indonesia. The research time is only one time, namely 2023. Primary data collection techniques through surveys with closed questionnaire instruments using ordinal scales, in this case Likert Scale 1-5 (1=strongly disagree, 5=strongly agree). The population is a business class passenger or full service airline (FSA). The sample amounted to 327 participants with incidental sampling technique. Data analysis techniques using SEM-PLS. The results showed a positive and significant influence on the influence of Utilitarian on purchase intention, partial hedonic value on purchase intention, and customer loyalty, and the influence of purchase intention on customer loyalty. Only the effect of utilitarian value on customer loyalty has an insignificant effect. Purchase intention mediates the effect of utilitarian value on customer loyalty, and the effect of hedonic value on customer loyalty.

**Keywords:** Utilitarian value, hedonic value, purchase intention, customer loyalty.

## 1 Introduction

Today's airports are not only viewed from the aspect of the aviation business, but also the follow-up business. World-class airports have made the airport viable for non-aviation activities [1][9]. Therefore, airport management strives to keep this non-aviation business aspect growing, among others by creating an airport reward program, increasing *the airport loyalty program*, and improving *airport service quality* [1]. However, not a few international airports do not yet have complete facilities for non-flight activities, such as Hasanuddin Airport, in Makassar City, South Sulawesi Province, Indonesia. With respect to consumer needs, both hedonic and utilitarian needs; Bandar Hasanuddin is assumed to be still not optimal in fulfilling it.

The relative lack of Hasanuddin Airport in terms of facilities for hedonic and utilitarian needs for these consumers, causes low *Customer Intention* to come to Hasanuddin airport for non-flight purposes. Therefore, there is a problem of *purchase intention* to visit, so there is a problem of consumers deliberately coming to the airport for non-flight needs. This means that

the "time to spent" consumers to visit Hasanuddin Airport is relatively low. Similarly, efforts to visit Hasanuddin Airport are relatively low.

Based on this background, this study wants to examine whether the airport *reward* program, the airport *loyalty program* at Hasanuddin Airport is capable enough to attract consumers to come to the airport with non-flight purposes. In the research of online buying, three different types of dimensions have been used: social qualities, utilitarian attributes, and hedonic attributes. This study used two of these three attributes—utilitarian and hedonic attributes—out of the three [2]. *Utilitarian* value and *hedonic value* factors are assumed to affect passenger loyalty to come to Hasanuddin Airport for non-flight purposes, either directly or through purchase intention.

## 2 Literature Review

Utilitarian values in shopping are rational factors like cost savings, convenience, information availability, and product variety [3]. Utilitarian shopping is goal-oriented and efficient, while hedonic shopping is driven by emotional factors like experiences and social status. Purchase intention determines customer satisfaction and additional evaluations of goods and services. Strong purchase intent fosters profitable customer relationships [6].

### Conceptual Framework and Hypotheses

This research model is a path analysis. As exogenous variables are utilitarian value, and hedonic value [10]. The intermediary endogenous variable is purchase intention, and the bound endogenous variable is customer loyalty. This research model refers to the combined research of [4][5].

Based on the problem formulation, conceptual framework, theoretical studies and previous research, seven hypotheses are compiled as follows:

- H-1: Utilitarian value positively affects Customer Loyalty
- H-2: Utilitarian value positively affects Purchase Intention
- H-3: Hedonic value positively affects Purchase Intention
- H-4: Hedonic value positively affects Customer Loyalty
- H-5: Purchase Intention has a positive effect on Customer Loyalty
- H-6: Purchase Intention mediates the effect of Utilitarian value on Customer Loyalty
- H-7: Purchase Intention mediates the effect of Hedonic value on Customer Loyalty

## 3 Research Method

This study is a quantitative research approach conducted at Hasanuddin International Airport in Makassar, Indonesia in 2023. It focuses on understanding causal relationships among variables. The target population consists of business class passengers at the airport. To determine the sample size, the researchers used a guideline suggesting 5-10 times the number of questionnaire items. With 24 items, they aimed for a minimum of 216 respondents. However, they collected data from 227 participants using incidental sampling, meaning anyone willing to participate.

The study examines four variables: Utilitarian Value, Hedonic Value, Customer Intention, and Purchase Intention. These variables were adapted from previous studies. Participants rated

these variables on a 1-5 Likert scale, with 1 indicating "strongly disagree" and 5 indicating "strongly agree." A total of 24 reliable and valid indicator items were used. The data analysis involved three stages: descriptive statistics, SEM-PLS analysis, and path analysis. The t-test was used to test direct influences, with a significance level of 0.05 and a critical t-value of 1.96. The researchers also explored the role of mediator variables using the Variance Accounted for (VAF) method [8].

## 4 Result and Discussion

### 4.1 Profile respondent

This study included 327 valid respondents who were full service airline passengers at Hasanuddin International Airport. Most respondents were male (53.8%) and over the age of 36 (71.2%). In terms of education, the majority had a diploma or lower (63.6%), followed by those with a master's degree (32.7%) and doctoral degree (3.7%). The respondents represented various occupations, with employees being the largest group (42.5%). In terms of flight frequency, about half of the respondents flew 11 times or more domestically and internationally.

### 4.2 Test Outer Model

The results of the reliability indicator test use the loading factor value  $> 0.70$  as a validity standard, so that 11 of the 24 indicators remain. The results of the internal consistency test show that the value of Composite Reliability (CR) is all  $> 0.60$  (Hair et al., 2014), so that the four latent variables are feasible to use in this study. The results of the convergent validity test showed that the AVE values for all latent variables (0.636; 0.620; 0.547; and 0.574) were  $> 0.50$ , so all latent variables were feasible to use in this study. Then the results of the discriminant validity test are shown in Table 2 which proves that the Fornell-Larcker value of each variable (0.757; 0.788; 0.740; 0.798) proved to be greater than the correlation value between variables.

### 4.3 Inner Model Test

The *evaluation of the inner model* can be seen from several indicators, which in this study used multicollinearity test, coefficient of determination ( $R^2$ ), path coefficient, assessing  $f^2$  (effect size), *Predictive Relevance ( $Q^2$ )* (Hair et al., 2014). The multicollinearity test uses a *cutoff* that to show the occurrence of multicollinearity is a tolerance value of  $\leq 0.10$  or equal to a VIF value of 0.10. The FIV value for all variable relationships is  $> 10$ , namely the VIF value in the relationship of Hedonic Value with Customer (2.136), Hedonic Value with Purchase Intention (1.882), Purchase Intention with Customer Loyalty (1.949), Utilitarian Value with Customer Loyalty (2.193), and Utilitarian Value with Purchase Intention (1.882). Thus there is no multicollinearity among the four latent variables.

Effect size or  $f^2$  test results. Among the five  $f^2$  values, only  $f^2$  in the effect of Utilitarian Value on Customer Loyalty whose value  $< 0.02$ , which is 0.01 which means that the effect is ignored or considered no influence. Meanwhile, most of the  $f^2$  values, namely for the four relationships are classified as influential with small influence variations ( $f^2$  values of 0.024, 0.109; 0.135), and moderate influences ( $f^2$  values of 0.165).

The R square ( $R^2$ ) value of the simultaneous effect of Utilitarian Value (UV) and Hedonic Value (HV) on Purchase Intention (PI) is 0.487. This means that UV and HV together can account for a PI of 0.487 or 48.7 percent; while the manifestation (51.3 percent) of PI can be explained by other variables beyond UV and HV. The R square value of UV, HV, and IP

simultaneously to Customer Loyalty (CL) is 0.309. This means that UV, HV, and PI together can account for a CL of 0.309 or 30.9 percent; while the explanation (69.1 percent) on CL can be explained by other variables beyond UV, HV and PI.

The results of the Q square predictive relevance test are: Utilitarian Value, and Hedonic Value has predictive power against Purchase Intention, because the  $Q\text{ Value}^2 (0.237169) > 0$ . Utilitarian Value, and Hedonic Value, and Purchase Intention towards Customer Loyalty have predictive power towards Customer Loyalty, because the Value of  $Q^2 (0.095481) > 0$ .

#### **4.4 Test the Hypothesis**

The hypothesis test consists of a direct contemplation hypothesis test totaling five hypotheses, and two more hypotheses are indirect hypotheses through mediator variables.

##### **H<sub>1</sub> : Utilitarian Value Has a Positive Influence on Customer Loyalty**

The value of the Utilitarian Value coefficient to Customer Loyalty is 0.045 or 4.5%. This means that Utilitarian Value has an influence on Customer Loyalty of 4.5% with a positive direction. This means, each utilitarian increase of one unit will increase Customer Loyalty by 4.5% of that unit. The significance test of the effect of utilitarian value on customer loyalty yielded a value of  $t = 0.560 > 1.96$  and a p-value of  $0.576 > 0.05$ , indicating that utilitarian value has a positive but not statistically significant effect on customer loyalty. Therefore, hypothesis 1 cannot be proved.

One of the reasons why Utilitarian Value (UV) does not have a significant effect on Customer Loyalty (CL) can be seen among others from the lowest UV indicator value *cross-loading* value against CL, namely UV1 (0.297) about reward programs at airports that are considered profitable. The meaning of this indicator is that rewards should increase customer loyalty, because the reward program is profitable. However, in this study, it appears that these indicators are not a factor that causes loyal respondents to visit Hasanuddin International Airport. This can be due to various possibilities. For example, respondents are not aware of the lucrative reward program, or the reward program does not motivate respondents to visit Hasanuddin International Airport because the benefits obtained from the reward program are still relatively small compared to the cost (money, time) to visit Hasanuddin International Airport.

##### **H<sub>2</sub>: Utilitarian Value Has a Positive Influence on Purchase Intention**

The value of the Utilitarian Value path coefficient to Purchase Intention is 0.399 or 39.9%. This means that Utilitarian Value affects Purchase Intention by 39.9% with a positive direction. This means, every increase in the Utilitarian Value of one unit will increase the Purchase Intention by 39.9% of the unit. The significance test of the effect of Utilitarian Value on Purchase Intention with a value of  $t = 6.6665 > 1.96$  and a p-value of 0.000 ( $< \alpha 0.05$ ), which means that Utilitarian Value has a positive and significant effect on Purchase Intention. This means that hypothesis 2 is proven.

One of the reasons why Utilitarian Value (UV) has a significant effect on Purchase Intention (PI) can be seen among others from the highest UV indicator value of *cross-loading* value against PI, namely UV3 (0.612) about the quality of service related to the reward system at the airport. The meaning of this indicator is that the quality of service related to the gifting system at the airport should be able to increase customer loyalty. The results of research at Hasanuddin International Airport prove that.

### **H<sub>3</sub> : Hedonic Value has a Positive Influence on Purchase Intention**

The coefficient of the Hedonic Value path to Purchase Intention is 0.361 or 36.1%. This means that Hedonic Value affects Purchase Intention by 36.1% with a positive direction. This means, every increase in the Hedonic Value of one unit will increase the Purchase Intention by 36.1% of the unit. The significance test of the effect of Hedonic Value on Purchase Intention yielded  $t = 5.140 > 1.96$  and a p-value of 0.000 (alpha 0.05), indicating that Hedonic Value has a positive and statistically significant effect on Purchase Intention. Therefore, hypothesis 3 is proved.

One of the reasons why Hedonic Value (HV) has a significant effect on Purchase Intention (PI) can be seen among others from the highest value of the HV indicator *cross-loading* value on PI, namely HV3 (0.537) about respondents having an interest in shopping at airport kiosks. The meaning of this indicator is that kiosks at airports can make consumers interested in shopping. Tariffiness here is more hedonistic, meaning it is related to lifestyle, social class, and experience. Research at Hasanuddin International Airport proves that.

### **H<sub>4</sub> : Hedonic Value Has a Positive Influence on Customer Loyalty**

The coefficient of the Hedonic Value path to Customer Loyalty is 0.188 or 18.8%. This means that Hedonic Value affects Customer Loyalty by 18.8% with a positive direction. This means, every increase in Hedonic Value of one unit will increase Customer Loyalty by 18.8% of the unit. The significance test of the effect of Hedonic Value on Customer Loyalty yielded  $t = 2.168 > 1.96$  and a p-value of 0.031 (alpha 0.05), indicating that Hedonic Value has a positive and statistically significant effect on Customer Loyalty. This proves the fourth hypothesis.

### **H<sub>5</sub> : Purchase Intention Has a Positive Influence on Customer Loyalty**

The coefficient of the Purchase Intention path to Customer Loyalty is 0.382 or 38.2%. This means that Purchase Intention affects Customer Loyalty by 38.2% with a positive direction. This means, every increase in Purchase Intention of one unit will increase Customer Loyalty by 38.2% of the unit. The significance test of the effect of Purchase Intention on Customer Loyalty yielded  $t = 5.284 > 1.96$  and a p-value of 0.000 (alpha 0.05), indicating that Purchase Intention has a positive and statistically significant effect on Customer Loyalty. Therefore, hypothesis 5 is proved.

### **H<sub>6</sub> : Purchase Intention Mediates the Effect of Utilitarian Value on Customer Loyalty**

Based on the recapitulation in Table 7, the VAF value is 77.27% (20%-80%), which means *partial mediation*. This means that Purchase Intention (PI) plays a role in mediating the effect of Utilitarian Value (UV) on Customer Loyalty (CL). Thus Hypothesis 6 is proved. This means that PI can increase the effect of UV on CL. This means that the role of PI is positive in mediating the influence of UV on CL.

### **H<sub>7</sub>: Purchase Intention mediates the effect of Hedonic Value on Customer Loyalty**

Based on the recapitulation in Table 7, the VAF value is 42.33% (20%-80%), which means *partial mediation*. This means that Purchase Intention (PI) plays a role in mediating the influence of Hedonic Value (HV) on Customer Loyalty (CL). Thus Hypothesis 7 is proved. This means that PI can increase the effect of HV on CL. This means that the role of PI is positive in mediating the influence of HV on CL. Thus CL will occur better if consumers have PI.

## 5 Conclusions

Based on the results of the research and connected with the problem formulation, it can be concluded that: 1) Utilitarian Value has a positive but not significant effect on Customer Loyalty, so hypothesis 1 is not proven; 2) Utilitarian Value has a positive but significant effect on Customer Satisfaction, so hypothesis 2 is proven; 3) Hedonic Value has a positive but significant effect on Purchase Intention, so hypothesis 3 is proven; 4) Hedonic Value has a positive but significant effect on Customer Loyalty, so hypothesis 4 is proven; 5) Purchase Intention has a positive but significant effect on Customer Loyalty, so hypothesis 5 is proven; 6) Purchase Intention can mediate the effect of Utilitarian Value on Customer Loyalty, so hypothesis 6 is proven; and 7) Purchase Intention can mediate the effect of Hedonic Value on Customer Loyalty, so hypothesis 7 is proven.

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