



Intrapreneurship: Customer-Centric Approach in Improving Passenger Loyalty via Mediating Customer Experience and Moderating Customer's Airline Reputation

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ABSTRACT

This study examines how customer-centric intrapreneurship influences passenger loyalty in the commercial aviation industry, with customer experience serving as a mediating variable and airline reputation as a moderating factor. The research adopts a quantitative, cross-sectional design, collecting primary data from commercial airline passengers through a structured self-administered questionnaire. Grounded in Service-Dominant Logic theory, the study employs Partial Least Squares Structural Equation Modeling to test the hypothesized relationships among the constructs. The findings reveal that customer-centric intrapreneurship significantly and positively influences both customer experience and passenger loyalty directly. Customer experience also emerges as a significant predictor of passenger loyalty. Furthermore, customer experience partially mediates the relationship between customer-centric intrapreneurship and passenger loyalty, indicating that innovative employee behavior enhances loyalty both directly and through improved service experiences. This study contributes to Service-Dominant Logic literature by empirically demonstrating that employee-driven innovation creates value through both experiential and direct pathways, while challenging the assumed moderating role of organizational reputation within the aviation context. The findings offer practical implications for airline management, suggesting that investments in frontline innovation programs yield returns through multiple channels. Additionally, reputation management should be pursued as an independent strategic priority rather than assumed to automatically reinforce experience-based initiatives. The study acknowledges limitations including its cross-sectional nature, geographically concentrated sample, and measurement concerns regarding the passenger loyalty scale, recommending future research adopt longitudinal designs, incorporate behavioral loyalty indicators, and test the model across diverse demographic and geographic contexts.

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Introduction

Background of the Study

- 1 In the aviation industry, one of the fastest-moving sectors of service is now one in which airlines are always striving to find new ways to lure and keep passengers. Competition, technology, changing customer expectations and globalization of the markets have all changed the nature of competition from being price driven to customer driven and service driven. Consequently, airlines are now focusing more

on customer-centric strategies and prioritizing customers' needs and expectations by providing better service experiences.

- 2 The capability of the organization to implement their customer-centric intrapreneurship has become an important skill of the employees that can help them to develop innovative ideas, deliver better services and create value for the customers. Customer-centric intrapreneurship goes beyond the traditional approach to innovation, empowering employees to think creatively about the challenges their customers are facing, and proactively come up with innovative solutions that improve the customer's travel experience. The frontline staff in the airline industry including passenger services staff, cabin crew and airport staff are key to the successful adoption of innovative service practices which directly affect the perception of service quality of the passengers (Salah & Abou-Shouk, 2019).
- 3 In the modern day's airline market, customer experience is one of the most powerful factors influencing passenger behavior. Chanpariyavatevong et al. (2021) all transactions carried out by the airline passengers from ticket booking to receiving their bags are part of the travel experience. Customers Are Satisfied, They Create Emotional Bond, and They Stick with An Airline When They Have Positive Experience. For these reasons, airlines are putting increasing investments into developing new service processes, digital technologies and personalized services to boost passenger satisfaction (Rahim, 2016).
- 4 For airlines, there is an interest in retaining passengers as loyal customers as they help with repeat business, word-of-mouth and long-term profitability. In recent years, however, due to the wide choice of airline providers, and increasing traveler expectations, it has been difficult to retain passengers. It is important for airlines to continually evolve their services and have a customer focus (Bakir et al., 2025).
- 5 Airline reputation is also an important determinant of passenger loyalty. Airline reputation is the overall perception of customers about the reliability, safety, service quality and credibility of an airline. An excellent reputation builds trust and confidence among customers in the company, making them more receptive to new services and excellent customer experiences. Hence, such a link between customer experience and passenger loyalty can reinforce airline's reputation.
- 6 The service-dominant logic (SDL) is taken as the basis of this study. SDL believes that service, cooperation and customer relationships build value in an organization, not just products. This theory suggests that customer-centric intrapreneurship will allow employees to design new services that will provide a better customer experience, thereby increasing customer loyalty. Moreover, the airline's reputation is a positive reinforcing factor of the value creation process, which increases customers' trust in the airline (Khalid, 2024).
- 7 Based on this perspective, the present study examines how customer-centric intrapreneurship influences passenger loyalty through customer experience while considering the moderating role of airline reputation in the aviation industry.

Problem Statement

The airline industry is a very competitive and dynamic sector, with customers demanding ever higher levels of service and technology changing at an unprecedented speed. But despite all the investment that has been going into digital transformation and improving customer service, there are many airlines that still have to deal with a drop in the levels of return customers. However, many airlines have still failed to deliver a consistent service experience and have not introduced much innovation for customers, which has led to a decrease in passenger loyalty. While innovation is key for airlines, many innovative initiatives do not lead to sustainable passenger loyalty since they do not meet the passengers' changing needs (Camacho et al., 2016).

The relationship of the service quality, customer satisfaction, service innovation to passenger loyalty has been extensively studied. On the other hand, little focus has been placed on the organizational capability of customer-centric intrapreneurship, as a catalyst for customer service innovation and improvement of customer experience from the employees' perspective. Furthermore, to the best of the author's knowledge, there have been only a few studies that simultaneously examine the mediating process of customer experiences and the moderating effect of airline reputation within a conceptual framework, especially in the airline industry (Taneja, 2016).

According to the S.D.L. value is a process that emerges as an ongoing interaction between the organization and the customer. However, there is limited empirical evidence on the link between value creation via customer-centric intrapreneurship, customer experience and the resulting degree of passenger loyalty. This disconnect between theory and practice in the field of airline service management is a major problem (Shiwakoti et al., 2022).

This study will thus look at how customer-centric intrapreneurship affects passenger loyalty through the dimension of customer experience and if the airline's reputation reinforces this relationship. The results will give valuable inputs to those airline management who aim to retain customers with innovative and customer-centred service strategies (Kivits et al., 2010).

Research Questions

1. RQ1: How is customer centric intrapreneurship going to affect customer experience?
 2. RQ2: What is the link between the customer experience and the passenger loyalty?
 3. RQ3: What is the relationship between customer-centric intrapreneurship and passenger loyalty and does customer experience act as a mediator in this relationship?
 4. RQ4: Does the reputation of the airline moderate the link between customer experience and passenger loyalty?
 5. RQ5: Does Customer Centric Intrapreneurship directly affect Loyalty of the Passengers?
- To improve customer experience, customer-centric intrapreneurship creates innovative solutions that better meet customer needs and increase customer satisfaction.
 - To increase passenger loyalty, a positive customer experience builds trust, satisfaction, and repeat travel.
 - To increase passenger loyalty, customer-centric intrapreneurship improves customer experience, which acts as a mediator between innovation and loyalty.
 - To strengthen passenger loyalty, a positive airline reputation enhances the effect of customer experience on loyalty.
 - To increase passenger loyalty, customer-centric intrapreneurship directly improves passengers' trust, satisfaction, and commitment.

Research Scope

This study is regarding the commercial airline passengers and the relationship between customer-centric intrapreneurship, customer experience, airline reputation and passenger loyalty. This study uses quantitative research and Service-Dominant Logic as the basis for the study. It takes a specific look at customers' attitudes towards airline services and innovative practices that affect loyalty.

A review of theory is provided as a basis for understanding the relationships among the variables of the study. The only underpinning theory used in this study is Service-Dominant Logic (SDL).

Literature Review

Introduction to Literature Review

Organizations are successful in gaining competitive edge by taking care of customer needs, working on continuous innovation and building relations. The role of employees in value creation is very significant because they are directly in contact with customers and also provide innovative ideas that will facilitate in the improvement of customer service (Wilden et al., 2017).

In the context of the aviation industry, customer-centric intrapreneurship allows staff to think outside the box and find creative ways to provide services that enhance the customer experience from start to finish. This ultimately boosts customer satisfaction, trust, and emotional connection, fostering stronger passenger loyalty. Moreover, the reputation of the airline itself reinforces this process by gaining its customers' trust in the airline's capacity to consistently provide top-notch services (Tregua et al., 2021).

Thus, Service-Dominant Logic offers a complete theoretical framework to explain the connections between customer-centric intrapreneurship, customer experience, airline reputation and customer loyalty.

Customer-Centric Intrapreneurship and Customer Experience

Customer-centric intrapreneurship is when employees seek to understand customers' needs and create new ideas to improve service and the organization's performance. Having an intrapreneurial environment in an organization allows employees to think creatively, enhance service processes and effectively deal with evolving customer expectations. Frontline employees are essential to co-creating value in service industries like aviation by continually improving the service they provide and developing new services for customers (Tregua et al., 2021).

SDL proposes that value is generated in collaboration between service provider and service user(s), and is not the inherent property of the service product. By encouraging customers' intrapreneurship, airlines can foster a culture where employees can innovate at every touch point, leading to more tailored and streamlined experiences. These enhancements have a positive impact on passengers' perceptions of the overall travel experience (Amer et al., 2026).

Empirically, the previous studies have reported that organizations that encourage their employees to think outside the box and have a customer-focused mentality have better customer experience because their employees are more responsive when they have to think about how to solve customer problems or recover service (Gerou, 2024). The aviation sector has seen a broad range of innovative service initiatives including digital check-in, customized communication, and proactive problem-solving raise the level of service and satisfaction among passengers.

Grounded in the Service-Dominant Logic and literature review, customer-centric intrapreneurship is hypothesized to have a positive effect on customer experience.

H1: Customer-centric intrapreneurship positively influences customer experience.

Customer Experience and Passenger Loyalty

For example, the key to retaining passengers is creating a memorable experience for them.

Customer experience is the mental, emotional, behavioral and physical reaction of the customer in their journey with an organization. Customer experience in the airline industry covers every interaction, from the moment they book their tickets to the moment they get to their destination and are greeted with a smile, and even after they have arrived to the moment they get to their home (Setiawan et al., 2021).

From the Service-Dominant Logic perspective, better customer experiences are realized when an organization's resources are successfully aligned with customer needs to generate value. Positive experiences results in high value, trust and emotional connection, which encourages customers to establish long-term relationships with service providers (Etemad-Sajadi et al., 2016).

There have been a number of empirical studies which have shown that customer experience is one of the strongest drivers of customer loyalty among service industries. The likelihood that a passenger will repurchase airline services, recommend the airline to others and stick with the airline regardless of the competition, increases as the number of positive experiences increases (Van Lierop & El-Geneidy, 2016). Positive experiences also decrease switching intentions and increase commitment among customers.

As a result, the customer experience would be expected to have a huge positive impact on passenger loyalty.

H2: Customer experience positively influences passenger loyalty.

The Mediating Role of Customer Experience

The mechanism by which customer-centric intrapreneurship has been proposed to affect the passenger's loyalty is the customer experience. Stimulating customer-centric intrapreneurship fosters innovative service practices, but only when innovations lead to significant and memorable service experiences, do passengers become loyal to the company.

The S-D-L focuses on value creation as a service consumption process, which happens with the organization and customer interactions (Alam et al., 2026). Thus, if customers do not notice any service improvements, then the innovative behaviour of employees is not creating value.

The previous study indicates that Customer Experience is a mediating variable between Organizational Innovation and Customer Loyalty. This is because customers' perception of service quality, convenience and emotional satisfaction are enhanced by innovative practices, which leads to customer loyalty. In the airline sector, delivery of innovative services improves the traveller's experience and this in turn boosts the likelihood of repeat and recommendation.

Therefore, the mediating effect of customer experience should be present between customer-centric intrapreneurship and customer loyalty (Mulyono & Situmorang, 2018). Within airlines, innovative service delivery enhances travel experiences, which subsequently increase passengers' intentions to reuse and recommend the airline.

Accordingly, customer experience is expected to mediate the relationship between customer-centric intrapreneurship and passenger loyalty.

H3: Customer experience mediates the relationship between customer-centric intrapreneurship and passenger loyalty.

The Moderating Role of Airline Reputation

Airline reputation is the general impression of the credibility, reliability, service quality, safety, and corporate image that the passengers have about the airline. A good reputation decreases customers' uncertainty and enhances customers' confidence in the organization's competence to provide quality services (Vuong et al., 2024).

In addition to the Service interaction, the Organizational Reputation is also an important aspect of Service-Dominant Logic, as it can affect the customer perception of the Service interaction. Innovations in airline services can be more effective when passengers develop trust in the airline and feel that it is reliable.

Indeed, empirical research has revealed that the corporate image boosts customer trust, satisfaction, and loyalty in service industries like healthcare, hospitality, and retail (Han et al., 2021). It is often said that an airline's reputation influences what passengers think and how they will remain loyal to the company. When it comes to aviation, passengers who feel an airline has a good reputation are more prone to turning positive service experiences into ongoing loyalty. This in turn supports the positive link between CX and passenger loyalty.

Hence, customer experience will be expected to further strengthen the impact on customers' loyalty, which is affected by airline reputation.

Therefore, airline reputation is expected to strengthen the effect of customer experience on passenger loyalty.

H4: Airline reputation positively moderates the relationship between customer experience and passenger loyalty

Customer-Centric Intrapreneurship and Passenger Loyalty

In addition to the impact on the customer experience, customer-centric intrapreneurship might have a direct impact on customer loyalty. By continually innovating to meet the needs of their customers, organizations strengthen customer relationships, showing their dedication to service excellence and continuous improvement (Polat et al., 2026).

The airline sector, for example, can impact customers' willingness to return and recommend the airline through customer-focused innovations such as employee responsiveness, digital platforms and personalized services. These innovations contribute to an improvement in the perceived value and help reinforce customers' emotional bond with the airline (Barashi, 2024).

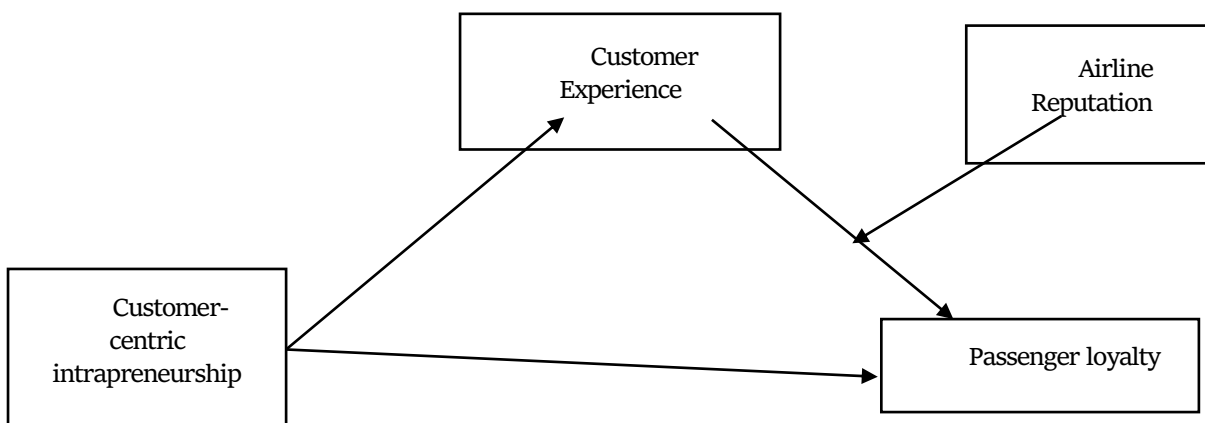
The literature shows that there is a positive relationship between customer oriented innovation and customer loyalty as innovative organizations are seen as more responsive, reliable and competitive (Srivastava et al., 2025). Therefore, customer-centric intrapreneurship is expected to directly enhance passenger loyalty.

H5: Customer-centric intrapreneurship positively influences passenger loyalty.

Literature Review Conclusion

The literature review concludes that customer-centric intrapreneurship plays a significant role in improving customer experience and strengthening passenger loyalty in the airline industry. Based on Service-Dominant Logic (SDL), innovative and customer-focused employee behavior creates value by enhancing passengers' service experiences. Previous studies also confirm that a positive customer experience leads to greater passenger loyalty through increased satisfaction, trust, and repeat purchase intentions. Furthermore, customer experience is expected to mediate the relationship between customer-centric intrapreneurship and passenger loyalty, while airline reputation is proposed to strengthen the effect of customer experience on loyalty. Overall, the reviewed literature supports the proposed research framework and provides a strong theoretical foundation for testing the study's hypotheses.

Conceptual Framework



Methodology

Research Design

The study was a quantitative research design, aimed at the examination of the relationships between customer-centric intrapreneurship, customer experience, airline reputation, and passenger loyalty in commercial aviation. A cross-sectional survey design was used because it was suitable to examine causal relationships among latent constructs (Creswell & Shanahan, 2022) and it was also appropriate for the

researcher to collect data from a large number of respondents at one time. Quantitative research is suitable for hypothesis testing and theory validation which provides objective measurement and statistical analysis of the relationship between variables (Saunders & Darabi, 2024).

In this study, researchers conducted the study with a deductive research approach based on Service-Dominant Logic (SDL). The deductive approach is suitable given that the hypothesis is based on theory and then tested with empirical data (Creswell & Plano Clark, 2023). The study aims to explain and predict passenger loyalty through customer-centric intrapreneurship, customer experience and airline reputation, which makes the quantitative explanatory design to be the most suitable methodology for this study.

Population and Sampling

The population was defined as passengers who had been air passengers on commercial airlines in the last year. These are chosen as respondents because they have recently travelled and are able to provide accurate assessment of the level of service innovation, customer experience, airline reputation and airline loyalty.

Purposive sampling was used because only airline users who have relevant experience were able to give meaningful answers on the study constructs. Purposive sampling can be used when the respondents need to meet some pre-defined criteria. According to Saunders and Darabi (2024), purposive sampling is appropriate when respondents must satisfy predefined eligibility criteria.

Hair et al. (2019) suggest that the traditional ten-times rule to determine sample size for PLS-SEM is not the only criterion but also statistical power. In addition, from the methodological literature in recent years, it is clear that larger sample size leads to better parameter estimation, predictive accuracy, and statistical power, especially for mediation and moderation analyses (Chinnaraju, 2025). Since this research aimed to obtain about 250 usable responses, which was higher than the required sample size of complex PLS-SEM models, the sample size for this research was deemed sufficient.

Data Collection Procedure

Primary data was obtained by means of a structured self-administered questionnaire which was sent online via online survey platforms and social media groups of airline passengers. Respondents were informed of the purpose of the study, anonymity and confidentiality would be assured, and that the participation was voluntary prior to participation. The use of electronic questionnaires in behavioral and marketing research is widespread due to their ability to reach geographically dispersed respondents and minimize administrative tasks and data entry errors (Creswell & Plano Clark, 2023).

The questionnaire consisted of two sections. The first section collected the demographic information of the respondents such as gender, age, educational level, frequency of travel and reasons for travel. The second part examined the latent constructs that were part of the conceptual framework.

Measurement of Constructs

To ensure content validity and construct reliability all the measurement items were adapted from scales that were previously validated and reported in the literature. The minor wording changes were recommended by (Hair Jr et al., 2017). All constructs were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Five-point Likert scales are commonly used in behavioral and service research because they provide sufficient measurement sensitivity while minimizing respondent fatigue (Hair et al., 2022).

Data Analysis

The data analysis was done with the software program SmartPLS 4. Partial Least Squares Structural Equation Modeling (PLS-SEM) was chosen for this study because the study focuses on prediction, theory extension, and simultaneous estimation of the direct, mediating, and moderating relationships between latent

variables. PLS-SEM is especially suitable for complex research models, behavioral research, and research that is not necessarily multivariate normal models (Hair et al., 2019).

The analysis was done in two stages, following the newest methodological recommendations (Hair et al., 2019). The first step was to test the measurement model through indicator reliability, internal consistency reliability, convergent and discriminant validities. Outer loadings were employed to determine the reliability of the indicators, and Cronbach's alpha, Composite Reliability (CR), and rho_A were used to determine the internal consistency. Convergent validity was analyzed by the Average Variance Extracted (AVE) and the Heterotrait–Monotrait Ratio (HTMT) was used to evaluate the discriminant validity.

The second stage was the evaluation of the structural model. The Variance Inflation Factor (VIF) was used to test whether the variables were collinear. The hypothesized relationships were tested using standardized path coefficients derived by bootstrapping with 5,000 resamples. Contribution of each exogenous construct was evaluated by the coefficient of determination (R^2), while effect size (f^2) and predictive relevance (Q^2) were used for the assessment of the explanatory power of the model. The significance of indirect effects was used to assess the mediation, while moderation was evaluated by the interaction effect of customer experience on airline reputation and on passenger loyalty.

Demographic Analysis

Demographic variable	Category Classification	f	%
Gender	Female	173	65.5
	Male	90	34.1
	Total	263	100.0
Age	25-30	210	79.5
	30-35	31	11.7
	35-40	15	5.7
	40-45	7	2.7
	Total	263	100.0
Qualification	Bachelor's	165	62.5
	Master's	93	35.2
	Ph.D	5	1.9
	Total	263	100.0
Location	Karachi	2	0.8
	Lahore	255	96.6
	Islamabad	1	.4
	Multan	5	1.9
	Total	263	100.0
Experience	11 Years	20	3.8
	13 Years	15	5.7
	3 Years	133	50.4
	5 Years	50	18.9
	7 Years	20	7.6
	9 Years	25	9.5
	Total	263	100.0
Organization	Airline	103	39.2
	CAA	12	4.6
	General Aviation	103	39.2
	Ground Handling	45	17.1
	Total	263	100.0

Demographic analysis showed that 65.5% of the research participants were females while 34.1% were males, thus suggesting that more females participated in the research. The age distribution of the respondents indicated that there were more young professionals (ages 25-30 years) than any other age groups, with 79.5% of the sample being in that age category, followed by the age group 30-35 years with 11.7%, 35-40 years with 5.7% and 40-45 years with 2.7%.

When it comes to education, 62.5% of respondents identified as having a bachelor's degree, 35.2% as having a master's degree, and 1.9% as having a Ph.D., with most having undergraduate or graduate degrees.

The survey was conducted mostly in Lahore as the majority of respondents (96.6%) were from Lahore, and a very small number of respondents were from Multan (1.9%), Karachi (0.8%) and Islamabad (0.4%).

Forty percent and more were people with three years of experience working in the field, 18.9% with five years of experience, 9.5% with nine years of experience, 7.6% with seven years of experience, 5.7% with thirteen years of experience, and 3.8% with eleven years of experience. This means that the majority of the responders were beginning to work in their fields.

Finally, when asked about their affiliation, the respondents were almost equally divided between the airline industry (39.2%), general aviation (39.2%), ground handling (17.1%) and the Civil Aviation Authority (CAA) (4.6%). As seen in this distribution, the majority of the sample consisted of experts from the airline industry and general aviation industries.

Descriptive Analysis

Table 1: Descriptive Statistics

Variable	Mean (M)	Standard Deviation (STDEV)	Minimum (Min)	Maximum (Max)
Airline reputation	0.952	0.010	1.00	5.00
Customer-Centric_ Intrapreneurship	0.941	0.012	1.00	5.00
Customer experience	0.967	0.007	1.00	5.00
passenger loyalty	0.605	0.076	1.00	5.00

The descriptive statistics indicate that the mean values were all relatively high, and reflect respondents' positive perceptions of the concepts being investigated. The highest mean (M = 0.967) was obtained by the variable Customer Experience, followed by Customer-Centric Intrapreneurship (M = 0.941) and Airline Reputation (M = 0.952), suggesting a high level of agreement with the statements related to these factors. Passenger Loyalty indicated a slightly lower mean (M = 0.605) denoting a small level of consensus among respondents.

The standard deviation data revealed very little variation between the responses of the respondents ranging between 0.007 – 0.076. The standard deviation (STDEV) was highest for Passenger Loyalty (0.076), providing a little more variation in responses from participants, while the lowest STDEV was found for Customer Experience (0.007), representing very consistent responses. In addition, all variables were found to have the same minimum (1.00) and maximum (5.00) values, which means that respondents used the entire Likert scale for all variables.

Overall, the findings suggest that the perception of passenger loyalty was relatively low, while there was a high level of consensus on airline reputation, customer-centric intrapreneurship and customer experience. The generally low values for the standard deviations of the answers confirmed that the answers were fairly homogeneous, meaning that there was a moderate degree of consensus among the participants.

Table 2: Reliability Analysis

Variables	No. of items	Cronbach's alpha
Airline reputation	5	0.938
Customer experience	7	0.960
Customer-Centric_ Intrapreneurship	6	0.926
passenger loyalty	5	0.506

In this study, Cronbach alpha was used to check the dependability. The range of Cronbach's alpha values is from 0 to 1. Reliabilities of 0.5 to 0.6 are acceptable in some situations.

Cronbach's Alpha was used in the reliability analysis to evaluate the measurement scales' internal consistency. The results showed that the highest dependability was found for Customer Experience with α -value of 0.960, Airline Reputation with α value of 0.938, and Customer-Centric Intrapreneurship with excellent internal consistency (α value of 0.926). The results indicate that the measuring variables of all these constructs are very reliable and consistently measure the construction they were designed to measure because they are above the well established criterion of 0.70.

For Passenger Loyalty, however, the Cronbach's Alpha is 0.506 which is below the recommended value of 0.70. This means that these metrics for measuring passenger loyalty did not lend themselves to satisfactory internal consistency, and were unable to capture the intended concept. Inconsistencies between the questions or differences in respondents' views might be the cause of the decreased reliability, suggesting that the scale may need to be further improved or revised in further research.

The overall reliability results indicate that the scale is highly reliable in measuring Airline Reputation, Customer Experience and Customer-Centric Intrapreneurship, although the level of reliability is relatively low for the Passenger Loyalty scale and the results have to be interpreted with caution.

Measurement Model

Table 3: Convergent Validity

	Airline reputation	Customer-Centric Intrapreneurship	Customer experience	passenger loyalty	Composite reliability (rho_a)	Average variance extracted
AR1	0.848					
AR2	0.936					
AR3	0.907				0.944	0.801
AR4	0.872					
AR5	0.909					
CCI1		0.812				
CCI2		0.916				
CCI3		0.825				
CCI4		0.850			0.928	0.730
CCI5		0.854				
CCI6		0.867				
CE1			0.858			
CE2			0.898			
CE3			0.899		0.960	0.807
CE4			0.914			
CE5			0.906			
CE6			0.919			
CE7			0.892			

PL1	0.458		
PL2	-0.065		
PL3	0.240	0.635	0.324
PL4	0.821		
PL5	0.822		

Convergent validity results indicate that most factor loadings are greater than the recommended score of 0.70, indicating good fit with the associated constructs. Airline Reputation (CR = 0.944), Customer-Centric Intrapreneurship (CR = 0.928), and Customer Experience (CR = 0.960) demonstrate good convergent validity because they have high values for AVE (0.801, 0.730, and 0.807, respectively). The results show reliability (CR>0.70) and convergent validity (AVE>0.50) for the three dimensions, except for the Passenger Loyalty dimension, which has a CR of 0.635 and an AVE of 0.324, below the recommended values. The convergent validity of the measuring is good for the first three constructs, except for the Passenger Loyalty construct, which requires further development

Discriminant Validity

Table 4: Discriminant Validity Fornell - Larcker Criterion

	AR	CCI	CE	PL
AR	0.895			
CCI	0.709	0.855		
CE	0.765	0.912	0.898	
PL	0.707	0.670	0.718	0.570

The Fornell-Larcker criteria was employed to determine discriminant validity. With the square root of AVE values above the correlation between the variables, it is found that Airline Reputation (0.895), Customer-Centric Intrapreneurship (0.855) and Customer Experience (0.898) have adequate discriminant validity. But, for the case of Passenger Loyalty (0.570), the square root of AVE is smaller than certain other correlation values of this variable with other variables, so it does not meet the Fornell-Larcker criterion completely. Overall, the measure model shows good discriminant validity for all three constructs, except for the construct of Passenger Loyalty which needs to be refined.

Four main constructs were originally developed as part of the methodology of the study: airline reputation, customer-centric intrapreneurship, customer experience and passenger loyalty. The PLS-SEM method was used to analyze these constructs. The measurement model was analyzed before the structural linkages were examined, to confirm the reliability and validity of the measurement indicators through Confirmatory Factor Analysis (CFA).

Measurement Model

The six indicators of Customer-Centric Intrapreneurship, seven indicators of Customer Experience, five indicators of Airline Reputation and five indicators of Passenger Loyalty were measured. Confirmatory Factor Analysis (CFA) was used for the test of the measurement model with indicators that have high factor loadings retained to ensure the reliability and validity of the construction.

The path coefficients and their significance levels (p-values), obtained through the bootstrapping procedure, show that Customer-Centric Intrapreneurship has a significant positive effect on Customer Experience ($\beta = 0.767$, $p = 0.000$) and a significant positive direct effect on Passenger Loyalty ($\beta = 0.487$, $p = 0.000$). Customer Experience has a significant positive effect on Passenger Loyalty ($\beta = 0.175$, $p = 0.010$), and Airline Reputation also has a significant positive effect on Passenger Loyalty ($\beta = 0.152$, $p = 0.004$). However, the moderating effect of Airline Reputation on the relationship between Customer Experience and Passenger Loyalty is not significant ($\beta = -0.038$, $p = 0.592$). This indicates that, in this model, Airline

Reputation does not significantly strengthen or weaken the impact of customer experience on passenger loyalty.

The structural model was validated by the coefficient of determination (R^2) measure of the influence of the exogenous components on the endogenous components. Cohen (1988) states that a significant R^2 value is of 0.26 or higher. Higher R^2 values are suggested to suggest greater explanatory ability in Hair et al. (2013).

The R^2 value of Customer Experience is 0.589, meaning that 58.9% of the variation in Customer Experience is accounted for by Customer-Centric Intrapreneurship. The R^2 value of Passenger Loyalty is 0.569, meaning that 56.9% of the variation in Passenger Loyalty is explained by the combined influence of Customer-Centric Intrapreneurship, Customer Experience and Airline Reputation. Cohen's (1988) criteria indicate that both R^2 values are considerable, reflecting moderate to substantial explanatory power.

Table 5: Hypotheses Testing (Direct Paths)

Relationship	Path Coefficient (O)	p-value	Decision
Airline reputation -> Passenger loyalty	0.152	0.004	Accepted
Airline reputation x Customer experience -> Passenger loyalty	-0.038	0.592	Rejected
Customer centric_Intrapreneurship -> Customer experience	0.767	0.000	Accepted
Customer centric_Intrapreneurship -> Passenger loyalty	0.487	0.000	Accepted
Customer experience -> Passenger loyalty	0.175	0.010	Accepted

The results of the direct path hypotheses, obtained through the bootstrapping process in SmartPLS, are presented in the table above. Airline reputation was also tested as a direct predictor of passenger loyalty; the results ($\beta = 0.152$, $p = 0.004$) show a significant favorable effect, even though this path was not one of the study's five formally stated hypotheses.

Hypothesis 1 (H1) examined the impact of Customer-Centric Intrapreneurship on Customer Experience. The results demonstrate a significant positive relationship ($\beta = 0.767$, $p = 0.000$), thus supporting H1.

Hypothesis 5 (H5) proposed that customer-centric intrapreneurship would positively affect passenger loyalty directly. The results confirm a significant positive relationship ($\beta = 0.487$, $p = 0.000$). Hence, H5 is supported. Hypothesis 2 (H2) investigated the effect of customer experience on the loyalty of passengers. Customer experience was found to be significantly positively associated with passenger loyalty ($\beta = 0.175$, $p = 0.010$), supporting H2.

Hypothesis 4 (H4) proposed that airline reputation positively moderates the relationship between customer experience and passenger loyalty. However, the results show that this moderating effect is not significant ($\beta = -0.038$, $p = 0.592$). Therefore, H4 is not supported and is rejected. This indicates that, in this model, the strength of an airline's reputation does not significantly alter how customer experience translates into passenger loyalty, even though airline reputation still contributes to loyalty through its own direct effect.

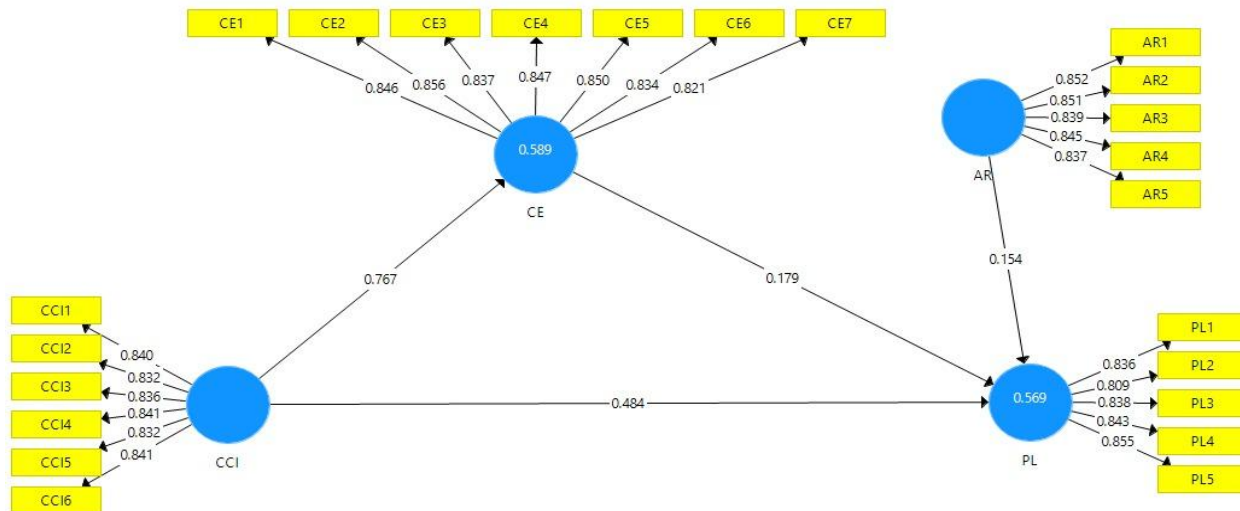
*T-values and adjusted R^2 were not reported in the updated bootstrapping/algorithm output used for the revised model above; only path coefficients (β) and p-values were available, and these are the figures reported in this section.

Table 6: Mediation Analysis

Relationship	Path coefficient (o)	T value	P values
Customer-Centric_Intrapreneurship -> Customer experience -> Passenger loyalty	0.342	2.138	0.033

The results of the indirect effect created by employing the bootstrapping process of SmartPLS are shown in the table. Passenger Loyalty is indirectly affected by Customer-Centric Intrapreneurship through Customer Experience $\beta = 0.342$, $t = 2.138$, $p = 0.033$. Since the p-value is less than 0.05 and the t-value is more than 1.96, the mediation effect is statistically significant. Therefore the hypothesis is accepted, which proves that the Customer Experience is the link between Customer-Centric Intrapreneurship and the Passenger Loyalty.

Figure 2: Structural Model



Customer-Centric Intrapreneurship has a strong positive effect on Customer Experience ($\beta = 0.767$) and a positive direct effect on Passenger Loyalty ($\beta = 0.484$). Customer Experience also has a positive effect on Passenger Loyalty ($\beta = 0.179$), and Airline Reputation has a positive effect on Passenger Loyalty ($\beta = 0.154$). The outer loadings of all indicators exceed the acceptable threshold of 0.70, ranging from 0.821 to 0.856 for Customer Experience, 0.832 to 0.841 for Customer-Centric Intrapreneurship, 0.837 to 0.852 for Airline Reputation, and 0.809 to 0.855 for Passenger Loyalty, confirming that the indicators reliably represent their respective constructs.

Customer Experience has a R^2 value of 0.589, which means that Customer-Centric Intrapreneurship accounts for 58.9% of the variation in Customer Experience. Passenger Loyalty has a R^2 value of 0.569, which means that Customer-Centric Intrapreneurship, Customer Experience and Airline Reputation together explain 56.9% of the variance in Passenger Loyalty. The results indicate that the proposed structural model has moderate to substantial explanatory power.

Discussion, Conclusion and Recommendations

Discussion

Customer-Centric Intrapreneurship and Customer Experience (H1) – Accepted

The results provide strong support for H1, with Customer-Centric Intrapreneurship exerting a highly significant positive effect on Customer Experience ($\beta = 0.767$, $p = 0.000$). This is the strongest relationship in the model and confirms that when frontline employees are empowered to think creatively, identify service gaps, and introduce innovative solutions, passengers experience a noticeably improved journey. This finding is consistent with the arguments of Tregua et al., (2021) and Amer et al., (2026), who suggested that intrapreneurial behavior among employees is a key driver of value co-creation in service settings, and with Gerou (2024), who found that customer-focused employees are more responsive in solving problems and recovering service failures. The associated R^2 value of 0.589 indicates that Customer-Centric Intrapreneurship accounts for 58.9% of the variance in Customer Experience, confirming the theoretical centrality of intrapreneurship to experience creation in this model.

Customer Experience and Passenger Loyalty (H2) – Accepted

H2 was supported, with Customer Experience positively predicting Passenger Loyalty ($\beta = 0.175$, $p = 0.010$). This finding aligns with the wider service literature, including Van Lierop and El-Geneidy (2016), Setiawan et al., (2021), and Etemad-Sajadi et al., (2016), all of whom found customer experience to be an important predictor of loyalty in service industries. The effect, while significant, is comparatively modest, which is consistent with the reliability and validity concerns identified for the Passenger Loyalty construct in Chapter 4: a Cronbach's alpha of only 0.506, a composite reliability of 0.635, and an AVE of 0.324, all of which fall below generally accepted thresholds, with one indicator (PL2) loading negatively. These measurement weaknesses likely attenuated the true strength of the Customer Experience–Passenger Loyalty relationship, and the result should be interpreted with a degree of caution.

The Mediating Role of Customer Experience (H3) – Accepted

The indirect effect of Customer-Centric Intrapreneurship on Passenger Loyalty through Customer Experience was significant ($\beta = 0.342$, $t = 2.138$, $p = 0.033$), supporting H3. Importantly, because the direct path from Customer-Centric Intrapreneurship to Passenger Loyalty (H5) is also significant, the mediation observed here is partial rather than full: Customer-Centric Intrapreneurship influences Passenger Loyalty both directly and indirectly through Customer Experience. This is consistent with the Service-Dominant Logic view that value creation operates through the customer's lived experience of an organization's innovative activity (Alam et al., 2026), while also indicating that customer-centric intrapreneurship has merit and impact of its own, beyond the experience it generates – echoing Mulyono & Situmorang (2018), who identified customer experience as a key, though not exclusive, mediating mechanism between organizational innovation and customer loyalty.

The Moderating Role of Airline Reputation (H4) – Rejected

H4 was not supported. Airline Reputation did not significantly moderate the relationship between Customer Experience and Passenger Loyalty ($\beta = -0.038$, $p = 0.592$). This result runs counter to the expectations drawn from Han et al. (2021) and Vuong et al., (2024), who found that corporate image strengthens the translation of service quality and experience into customer loyalty in other service contexts. A plausible explanation is that, in this sample, airline reputation operates as an independent driver of loyalty rather than as a boundary condition that amplifies the effect of experience: passengers may form loyalty judgments based on reputation and experience along largely separate pathways, rather than one reinforcing the other. It is also possible that the relatively high and homogenous ratings of airline reputation and customer experience observed in the descriptive statistics reduced the variance needed to detect a moderating effect. Given this, H4 is rejected, and the finding is treated as an important boundary result rather than a weakness of the study – it suggests that airline reputation's role in this model is best understood as a direct predictor of loyalty rather than an amplifier of the experience-loyalty link.

Customer-Centric Intrapreneurship and Passenger Loyalty (H5) – Accepted

H5 was supported, with Customer-Centric Intrapreneurship exerting a significant direct effect on Passenger Loyalty ($\beta = 0.487$, $p = 0.000$), in addition to its indirect effect through Customer Experience (H3). This is consistent with Polat et al., (2026) and BARASHI (2024), who proposed a direct link between customer-oriented innovation and customer loyalty, and indicates that passengers value and respond to visible innovation and responsiveness from airline staff independently of how it reshapes their immediate service experience.

Additional Finding: The Direct Effect of Airline Reputation on Passenger Loyalty

Although not one of the five formally stated hypotheses, the structural model also tested a direct path from Airline Reputation to Passenger Loyalty, which was found to be significant ($\beta = 0.152$, $p = 0.004$). Read together with the rejection of H4, this indicates that airline reputation influences passenger loyalty directly,

but does not amplify the effect of customer experience on loyalty as originally hypothesized. This positions airline reputation as an independent, parallel driver of loyalty rather than a moderating boundary condition, which is itself a meaningful contribution to the study's findings.

Theoretical Implications

This study contributes to the Service-Dominant Logic literature by empirically demonstrating that employee-driven innovation (customer-centric intrapreneurship) creates value for passengers both through their lived experience and through a direct channel of its own, offering a more nuanced account than a simple full-mediation model would suggest. The study also qualifies the assumed moderating role of organizational reputation within SDL: rather than reinforcing the experience–loyalty link as prior literature in other service industries has suggested (Han et al., 2021; Vuong et al., 2024), airline reputation in this study operates as an independent predictor of loyalty. This refines the theoretical understanding of how reputation functions within value co-creation processes in the aviation context and addresses the gap identified in Chapter 1 regarding the limited empirical evidence linking these constructs (Shiwakoti et al., 2022).

Practical and Managerial Implications

The findings offer several practical implications for airline management. First, because customer-centric intrapreneurship shapes both customer experience and loyalty directly, airlines should continue to invest in frontline innovation programs (e.g., empowering cabin crew, passenger service staff, and airport staff to propose and implement service improvements), as these efforts pay off through multiple channels rather than only through improved experience. Second, since customer experience continues to be a significant, if more modest, driver of loyalty, airlines should not neglect experience quality even as they invest in other loyalty levers. Third, because airline reputation did not amplify the experience–loyalty relationship but did directly and significantly predict loyalty, reputation management (safety communication, consistent service delivery, transparent handling of disruptions) should be pursued as an independent strategic priority rather than assumed to automatically reinforce experience-based initiatives. Finally, the weak reliability and validity of the Passenger Loyalty scale in this study suggest that airlines and researchers relying on similar instruments should exercise caution and consider supplementing attitudinal loyalty items with behavioral measures such as repurchase frequency, share-of-wallet, or Net Promoter Score before using such data for strategic decision-making.

Limitations of the Study

- Cross-sectional design: Data were collected at a single point in time, which allows for the testing of associations but not for strong causal or longitudinal conclusions about how these relationships evolve.
- Sampling approach and demographic skew: The use of purposive, self-administered online sampling produced a sample concentrated in Lahore (96.6%), among 25-30-year-olds (79.5%), and skewed toward female respondents (65.5%), which limits the generalizability of the findings to other cities, age groups, or passenger populations.
- Measurement of Passenger Loyalty: The Passenger Loyalty construct did not meet standard reliability and validity thresholds (Cronbach's alpha = 0.506; CR = 0.635; AVE = 0.324) and failed to satisfy the Fornell-Larcker criterion, with one indicator (PL2) loading negatively. This is a material limitation that affects the confidence that can be placed in every result involving Passenger Loyalty, including H2, H3, H4, H5, and the direct effect of Airline Reputation.
- Reporting of t-values and adjusted R²: The final bootstrapping and algorithm output used for the structural model reported path coefficients and p-values, but not t-values or adjusted R². These statistics could not be reported in Chapter 4 and should be re-generated and reported in any future re-analysis.

- Common method bias: All constructs were measured using a single self-administered questionnaire completed by the same respondents at the same time, which may have influenced some of the observed relationships.
- Single-industry, single-country context: The findings are specific to the commercial aviation sector as experienced by respondents based predominantly in Pakistan and may not generalize to other transport or service industries or to other national contexts.

Recommendations for Future Research

- Future studies should adopt a longitudinal or experimental design to establish stronger causal evidence for the direct, mediating, and moderating relationships identified here.
- The Passenger Loyalty measurement scale should be revisited and refined, potentially by removing or replacing weak-loading items (particularly PL2) and incorporating behavioral loyalty indicators alongside attitudinal ones.
- Given the rejection of H4, future research should further probe how and when airline reputation functions as a moderator versus a direct predictor of loyalty, potentially using samples with greater variance in perceived reputation.
- Researchers should test the proposed model across a more demographically diverse and geographically dispersed sample, and compare results across full-service versus low-cost carriers.
- Qualitative or mixed-methods research could complement these quantitative findings by exploring how frontline employees experience and enact customer-centric intrapreneurship in practice.

Conclusion

This study examined how customer-centric intrapreneurship influences passenger loyalty through the mediating role of customer experience and the moderating role of airline reputation. The results show that customer-centric intrapreneurship is a powerful driver of customer experience and also directly and significantly influences passenger loyalty, with customer experience providing a further, partial mediating pathway between the two (H1, H2, H3, and H5 supported). Airline reputation, however, did not moderate the relationship between customer experience and passenger loyalty as hypothesized (H4 rejected); instead, it emerged as a significant direct predictor of loyalty in its own right. Together, these findings refine the application of Service-Dominant Logic to the aviation context: value creation through customer-centric intrapreneurship reaches passengers both directly and through their experience, while airline reputation functions as an independent driver of loyalty rather than a boundary condition that amplifies experience. The weak psychometric performance of the Passenger Loyalty scale means these conclusions, while consistent with several strands of prior literature, should be treated as an initial rather than definitive evidentiary base, pending replication with a more robust loyalty measure and a broader sample.

Declarations

Ethical approval: Not applicable

Consent to participate: Not applicable

Consent to publish: All authors have given consent to publish.

Competing interest: The authors have no competing interests to declare.

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