

A STUDY ON SERVICE QUALITY ON CUSTOMER SATISFACTION IN LOW COST AIRLINE INDUSTRIES

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Abstract: The aim of this study is to determine the factors that influence in service quality on customer satisfaction in low-cost airline industries. Various variables which influences on passenger such as service environment, employee approaches, efficiency of services and consumer behavioral intention were studied. A total of 300 respondents were from Kedah and Penang. The results obtained were analyzed using descriptive statistics and regression. The result indicates that service environment is the main factor contributes to determine the customer satisfaction. The study recommends how the low-cost airline can improve their service quality by providing great service in order to maintain their sustainability in long-term perspective and also keep high level of customer loyalty.

Keywords: Customer satisfaction, service quality, service environment, employee approaches, efficiency of services, consumer behavioral intention.

1.0 Introduction

The aviation sector has become the most important segment in the economic development of a nation. It plays a vital role in moving people or products from one place to another, either being domestic or international, especially when the distances involved are long. Currently, anyone can easily access the aviation service from their respective air terminals. In a highly competitive environment the provision of high quality services to passengers is the core competitive advantage for an airline's profitability and sustained growth. In the past decade, as the air transportation market has become even more challenging, many airlines have turned to focus on airline service quality to increase passenger satisfaction.

Low cost carriers have reshaped the airline industry competitive environment within liberalized markets and have made significant impacts in the world's domestic passenger markets, which had previously been largely controlled by full service network carriers [1].

Challenge in the airline markets in Malaysia is becoming globally tough as the passengers' needs and wants are growing in variety. In such an occasion, airline companies need to be aware of the latest shift and trend to be able to react on time. Thus, precise and timely information on a wide range of customer needs and expectations become critically important

nowadays. Airlines services categorized as low cost carriers (LCC) emerged in the airline industry in the South-East Asia region following deregulation in the early 2000, with AirAsia leading the service.

Understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in the today world of globalization. It is imperative that service companies' measure and monitor service quality and satisfaction [2]. The speed and intensity of change in service offerings has accelerated in recent years within the airline industry [3].

Service quality conditions influences a firms competitive advantage by retaining customer support, and with this comes market share. Delivering high-quality service to passengers is essential for airline survival, so airlines need to understand what passengers expect from their services. Service quality is one of the best models for evaluating customer's expectations and perceptions. Service quality can also be defined as a customer's overall impression of the relative efficiency of the organization and its services. Understanding exactly what customers expect is the most crucial step in defining and delivering high-quality service.

In these challenging circumstances, Airline services regardless of whether they are full service or low cost carriers are made up of a very complex mix of intangibles. Thus, measuring customers' expectations, as well as their service quality is a real challenge because customer satisfaction is determined by many intangible factors such as atmosphere and ambiance of the cabin, crews behaviors, etc [4]. Airlines companies need to review its service strategy to increase customer satisfaction and subsequently customer loyalty. They should have strong commitment to service excellence as they also act as the ambassadors that carry the image of the nation.

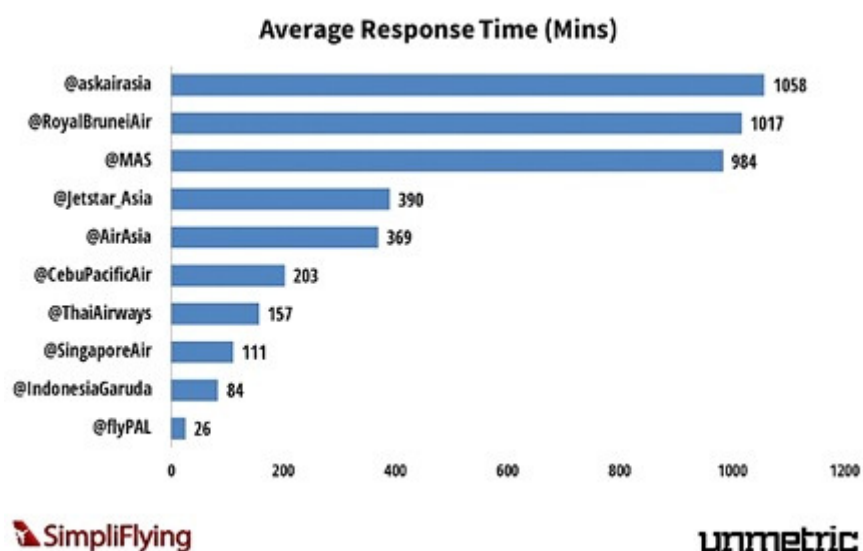
The performance of a company leads to passenger satisfaction with a product or service. Passenger satisfaction is fundamental to the practice of consumer sovereignty. Passenger satisfaction can be defined as a judgment made on the basis of a specific service encounter. Satisfaction and loyalty are not surrogates for each other. It is possible for customers to be loyal without being highly satisfied and to be highly satisfied and yet not loyal. Firms are needed to gain a better understanding of the relationship between satisfaction and behavioral intention in the online environment and to allocate the online marketing efforts between satisfaction initiatives and behavioral intention program. Moreover, the results from this research would assist airline managers to better serve their customers, monitor and develop service quality to achieve the highest level of their passenger's satisfaction.

The main purpose of this study is to identify the underlying service quality dimensions for the low cost carriers. This study is also seeks to determine the dimension(s) or factor(s) that significantly influenced the satisfaction level of low cost carriers' passengers. The service dimensions to be explored in this study are based on passengers' level of expectations towards the airline services. Delivering a high service quality may be a competitive strategy in addition to enhancing customer satisfaction and improving airline image in minds of customers. Through providing passengers with superior service, companies can succeed in gaining a competitive advantage over competitors.

1.1 Problem Statement

Malaysia's aviation industry is expected to undergo rapid growth and KLIA will become an important air transport hub for Asia by 2020. The airport is expected to handle 67 million passengers by that 2020. Thus airline industries need to satisfy their customer services with high quality with low fees.

According to Ladhari, the increase in competition and price pressure affect in the airlines service quality [5]. In 2013, Malaysia's Transport Minister, Datuk Abdul Rahim Bakri, mentioned Service quality issue mentioned on Star online newspaper, 13-6-2012, the Consumer Tribunal in Putrajaya has made a landmark decision involving a case of flight delay by AirAsia. It has set a new legal precedent that all passengers of AirAsia have new found legal right.



Shashank Nigamin in his studies mentioned that Malaysian low cost airline industry needs to improve their services efficiency. The figure below shows employee efficiency and Time

Response of Malaysian low cost airline is still poor compared to other lower cost airlines such as Pal- Philippines, Tiger-Singapore, Thai airways-Thailand and Jet Star-Asia.

1.2 Research Objective:

The specific aims of this study were as follows:

- To identify the important factor contributing on service quality low cost airlines towards customer satisfaction.
- To determine the relationship between service quality customer satisfaction and service environment, employee approaches, efficiency of the services and demographic factor.

1.3 Scope of the study

The research scope was limited to a certain demographical group and only flights within Geographical Kedah & Penang were addressed in the survey. Next, only flights with low cost airlines have been taken into consideration in the survey.

1.4 Significant of the study

This study may motivate lower cost airline service providers and future researchers to persist improve of their knowledge on the service quality developments. It may help to lead the airline industries to renew their service quality policies and providing good quality services to defense with the competitors.

2.0 Literature Review

2.1 Customers Satisfaction

Satisfaction is related to the customer's evaluation of a product or service that determined whether it meets the customer's expectancies [6]. Having purchased a product previously, the consumer has more than likely developed an attitude towards it [7]. It is likely that the attitude is tied fairly strongly to the consumer's intention to repurchase the product or patronize the service in the future. Satisfaction can be defined as judgment made on the basis of a specific service encounter [6]. Whenever satisfaction fails, dissatisfaction is the result when the needs and expectations are in failure. From the mentioned definitions it can be concluded that satisfaction is related on how customer had the feeling to repurchase certain products or services.

There are several determination of customer satisfaction such as service features, perceptions of service quality and price. In addition, personal factors and situational factors may influence customer satisfaction as well. Feeling of satisfaction on certain products or services related to other types of feelings. Satisfactions can be viewed as contentment. More than that,

satisfaction can be also being viewed as feelings of pleasure. Satisfaction is the important factor to attract more customers. Understanding and meeting customers' expectations and subsequently being different from competitors are important in order to survive in the today world of globalization. It is imperative that service companies measure and monitor service quality and satisfaction with a view to influencing the behavioral intentions of their customers [2].

Service quality is an important subject in both the public and private sectors, in business and service industries. It is the extent to which a service meets or exceeds customer needs and expectations [8]. During the past two decades, service quality has become a major area of attention to practitioners, managers and researchers because of its strong impact on business performance, lower costs, return on investment, customer satisfaction, customer loyalty and gaining higher profit [9].

According to Atilgan et al. (2008), in most of the service settings customers may not received the level of service they expected before the actual service experience [3]. The performance of the service falls either under customers' expectations or above expectation. When expectations are exceeded, service is perceived to be of high quality and also to be a surprise. When expectations are not met, service quality is deemed unacceptable. When expectations are confirmed by perceived service, quality is satisfactory. However, quality, which falls short of expectations, has a greater effect on customer satisfaction than quality which exceeds satisfaction [8] pointed out that the emergence of low cost airlines has raised concerns on how satisfied are the customers with the services provided maintaining quality are the main concerns of business today.

In general, service quality literature recognizes expectations as an instrumental influence in consumer evaluations of service quality [13]. The notion that service quality and customer satisfaction are distinctive variables has achieved some degree of consensus among researchers [2] there is a continuous increase in customers' expectations and subsequent demands for improved service quality [14].

2.2 Service environment (in-flight & frontline)

Airline service includes multiple service quality dimensions of core service - transportation, of facilitating service – check-in procedures and of supporting services in-flight meals concluded that reservation; ticketing and airport services dimensions are insignificant to satisfaction. [15] highlighted the importance of in-flight dimensions and their power to frustrate or appease customers.

2.3 Employee approaches

Empirical airline service studies [2] mentioned the employee behavior is the key factor to attract more passengers in the airline service. One of the ways used to minimize the impact of the growing number of passengers in airline performances is to hear employees and customers. In accordance with the two most significant drivers of passenger's satisfaction are on-board service and employee service. Staff ability, was highlighted by Brady and Cronin Jr.[15] about its predictive power in creating emotional responses in customers and satisfying them.

2.4 Efficiency of service

A service cannot be stored (no inventory of services can be accumulated and it has to be consumed immediately. This applies to an airline seat, which perishes as soon as a plane takes off that services are intangible and require extensive customer contact [13]. Moreover, they add that customer contact is an important determinant of service quality and it should be a key consideration in design and delivery of service.

Cross sea passenger transport was chosen as the research context, as this segment of the travel industry market offers essentially undifferentiated core service benefits (transport between ports at similar prices) with no contractual or incentive obligation such as frequent flyer points, for customers to remain with the service provider. Consequently, variations in repeat purchase are expected to arise from relationship quality rather than price competition, or contractual obligation. A positive relationship has also been reported between satisfaction and commitment [7]. That is, those consumers who are satisfied with their interactions with the organization are provided with repeated positive enforcement, thus creating positive emotional commitment bonds with the organization.

2.5 Consumer behavioral intention

Customer behavioral intention been associated with profitability and the market share of a firm; these customer behaviors are:

- (1) word-of-mouth
- (2) Repurchase intention
- (3) Feedback to the service provider.

Word-of-mouth refers to a flow of information about products, services, or companies from one customer to another. As such, word-of-mouth represents a trusted external source of information by which customers can evaluate a product or service. Some researchers have found a direct positive relationship – with satisfied customers engaging in more word-of-

mouth [17]. Others have found a negative relationship – with dissatisfied customers engaging in more word-of-mouth.

U-shaped pattern, according to which extremely satisfied customers and extremely dissatisfied customers generate more word-of-mouth, whereas moderately satisfied customers generate less word-of-mouth. In contrast to these mixed findings about the details of the relationship, there is general agreement about the valence (positive or negative) of the word-of-mouth: satisfied customers generate positive word-of-mouth [18], whereas dissatisfied customers generate negative word-of-mouth. Although some studies have concluded that satisfaction is a necessary but not sufficient condition for positive word-of-mouth, it is agreed that positive feedback is always driven by satisfaction.

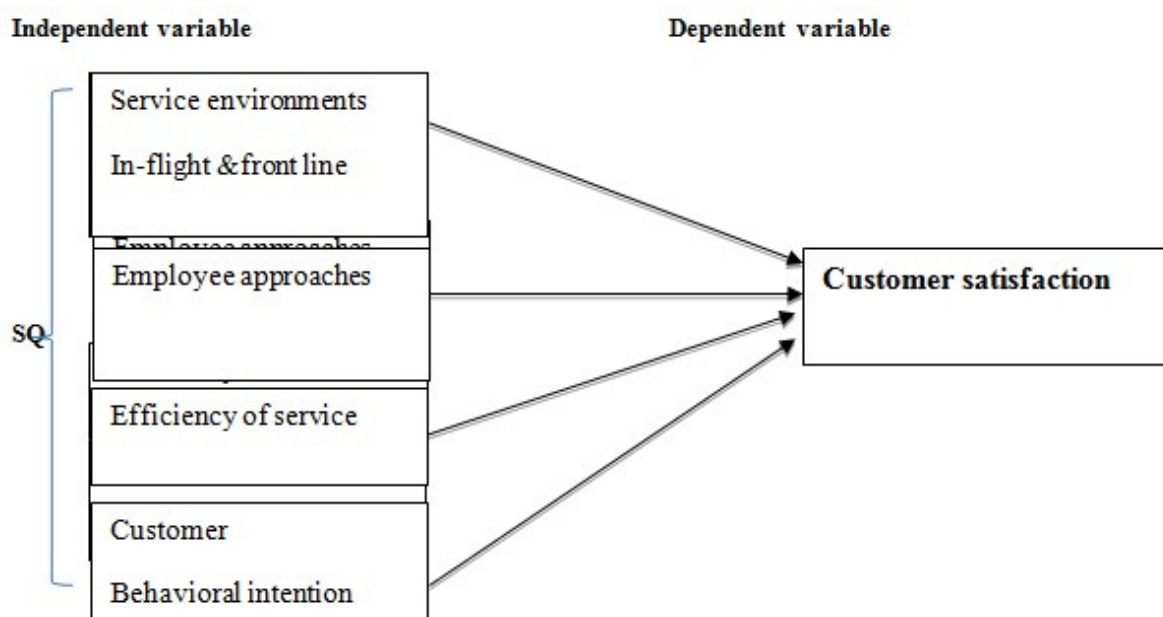
However, both the level and the valence of word-of-mouth are dependent on a range of other factors, including culture, incentives, emotion, and perception of the fairness of the encounter. With regard to the second behavior noted above, many researchers have found a positive association between satisfactions and repurchase intention [19]. However, other empirical studies have not confirmed such a direct relationship [20]. In attempting to explain these conflicting findings [21] suggested that a satisfied customer might switch to an alternative supplier with a view to increasing the present satisfaction level whereas a dissatisfied customer might remain with the existing supplier because no better alternatives are available.

The third behaviour noted above – customer feedback – refers to the transmission of negative information (complaints) or positive information (compliments) to providers about the services used. Such information can be useful for providers in identifying areas in which adjustments of performance are required. The performance of a company leads to customer satisfaction with a product or service [18]. Customer satisfaction is fundamental to the practice of consumer sovereignty. In recent research, customer satisfaction (or dissatisfaction) has become an important issue for marketing practitioners because of the rapid business environment. Customer satisfaction can be defined as a judgment made on the basis of a specific service encounter. Satisfaction and loyalty are not surrogates for each other [7]. Firms are needed to gain a better understanding of the relationship between satisfaction and behavioral intention in the online environment and to provide online service to get more intention to the rapid purchasing.

3.0 Methodology

3.1 Research Framework

The following research framework was employed:



This research fully relied on convenience sampling method. Primary data's was collected using questionnaires from each sample of lower cost air lines such as Airasia, Airasia X, Firefly, Malindo air. The target population for this study were the passengers who are living in Kedah and Penang. Total of 300 Questionnaires were distributed directly and also online via to the targeted respondent through Google drive.

We have used 7 point Likert Scale to measure the independent and dependent variables. In this study, two major techniques were used;

- I. Descriptive statistics to identify the independent variables mean mode, standard deviation and variance.
- II. Inferential statistics using liner regressions to identify the relationship between service quality and customer satisfaction.

3.2 Measurement Scale on Reliability Analysis

The reliability test for this study is as the table below:

| Variables | Number of items | Reliability |
|--------------------------------|-----------------|-------------|
| Service quality | 5 | 0.865 |
| Service environment | 5 | 0.932 |
| Employee approach | 5 | 0.893 |
| Efficiency of service | 5 | 0.747 |
| Customer behavioural intention | 5 | 0.921 |

Descriptive analysis for this research was descriptive analysis and regression. Table 1&2 indicates Demographic factors and Table 3 indicate regression analysis.

Table: 1

| Gender | | Respondents | Percentage of respondents (%) |
|----------------------------|-----------------------------|--------------------|--------------------------------------|
| 1. | Male | 138 | 60 |
| 2. | Female | 92 | 40 |
| Nationality | | Respondents | Percentage of respondents (%) |
| 1. | Malaysians | 175 | 76 |
| 2. | Non-Malaysians | 55 | 24 |
| Age | | Respondents | Percentage of respondents (%) |
| 1. | 20 or Below 20 | 11 | 4.8 |
| 2. | 21 -40 | 168 | 73 |
| 3. | 41-60 | 31 | 13.5 |
| 4. | 61above | 20 | 8.7 |
| Occupation | | Respondents | Percentage of respondents (%) |
| 1. | Student | 122 | 53 |
| 2. | Government Job | 23 | 10 |
| 3. | Business | 39 | 17 |
| 4. | Other | 46 | 20 |
| Level of Income | | Respondents | Percentage of respondents (%) |
| 1. | Lower income | 26 | 11.3 |
| 2. | Middle income | 141 | 61.30 |
| 3. | Higher income | 63 | 27.4 |
| Type of Flights | | Respondents | Percentage of respondents (%) |
| 1. | Air Asia | 138 | 60 |
| 2. | Air Asia x | 27 | 11.7 |
| 3. | Firefly | 46 | 20 |
| 4. | Malindo | 19 | 8.3 |
| Purpose of Trip | | Respondents | Percentage of respondents (%) |
| 1. | Business | 64 | 27.82 |
| 2. | Holiday | 133 | 57.82 |
| 3. | Education | 3 | 1.3 |
| 4. | Others | 30 | 13.06 |
| Frequency of travel | | Respondents | Percentage of respondents (%) |
| 1. | 1 st time | 20 | 9 |
| 2. | 2-3 time | 161 | 70 |
| 3. | 4 th time & more | 49 | 21 |
| Total Respondents | | 230 | 100 |

Based on the table 1,60% of respondents were males and 40% were females. Most respondents were Malaysians (76%). 73% of total respondents were aged of 21-40 years. while 13.5% were I the aged group of 41-60.Students were the largest respondents which is 53% while those working were 27%.In this study middle income group are the major users of lower cost airlines. They were 61% respondents while lower income and higher income

group of 11.3% and 27.4% respectively. Furthermore, 60% of total respondents choice was Air Asia among other lower cost one.

3.3 Mean and Standards Deviation of items

Table 2:

| Item | Mean | Std. Deviation |
|--|------|----------------|
| Secure and comfortable service environment | 6.22 | 1.072 |
| Employee approach towards passenger | 6.09 | 1.230 |
| Efficiency of service | 6.02 | 1.302 |
| Consumer behavioral intention | 5.97 | 1.370 |

Based on the table 2, the passengers preferred to the secure and comfortable service environment which is consist 6.22. The second quality factor is employee approach and behavior towards passengers. It is 6.09. Efficiency of services which the industry provides also influence customer satisfaction of service quality it is carried 6.02 weightage. Consumer behavioral intention towards the organization is 5.97.

3.4 Regression analysis summary

Table 3:

| Variable | R ² | Beta | Significant |
|-----------------------|----------------|-------|-------------|
| Service environment | 0.766 | 0.875 | 0.000 |
| Employee approach | 0.655 | 0.809 | 0.000 |
| Efficiency of service | 0.520 | 0.721 | 0.000 |
| Consumer intention | 0.729 | 0.854 | 0.000 |

Based on the table 3, the service environment is significantly influence the customer satisfaction of service quality with a R² of 0.766. The Beta coefficient of 0.875 also support that.R²of employee approaches 0.655 which means that approximately 65.5% of employee approached influence the service quality with significant at 0.000 (p= <0.05) level. This is supported by the Beta coefficient of 0.809. As the variable of efficiency of services R² is 0.520 and significant at 0.000 (p= <0.05) level. Lastly, for consumer behavioral intention R² is 0.729 and significant at 0.000 (p= <0.05) level. While Beta coefficient of both variables efficiency 0.721 and customer intention 0.854 respectively.

Table 3.6.6 Summary of Overall result of hypothesis testing

| Hypothesis | R² | Relationship status | Significant |
|---|----------------------|----------------------------|--------------------|
| H₁ : There is a significant relationship between service environment and service quality on customer satisfaction in lower cost airlines. | 0.766 | Strong | 0.000* |
| H₂ : There is a significant relationship between employee approaches and service quality on customer satisfaction in lower cost airlines | 0.655 | Good | 0.000* |
| H₃ : There is a significant relationship between efficiency of services and service quality on customer satisfaction in lower cost airlines | 0.520 | Good | 0.000* |
| H₄ : there is a significant relationship between consumer behavioral intention and service quality on customer satisfaction in lower cost airline | 0.729 | Strong | 0.000* |

All alternative hypotheses for this study are accepted. The customer satisfaction on service quality towards service environment resulted is strong ($R^2=0.766$). It is the most impact dimension in service quality. According to Park (2006), An and Noh (2009) the service environment in the airline industry need to focus their external and in-flight.

Employee approaches resulted is good relation with customer satisfaction on service quality. The resulted indicates that respondent still expect more from employee approaches. In a research done by Saha and Theingi, (2009) mentioned the employee approaches is the key factor to attract more passengers in the airline service, as employees carry the whole industry image and as a representative of the industry.

R^2 of 0.520 indicates that most of the respondent not satisfied with current efficiency of services. In the research of Babbar & Koufteros (2008), it was hard to satisfy and fulfilled the passenger expectation, because different people have different level of expectation and level of satisfaction.

4.0 Conclusion

The study has shown that effective factors on the service quality are service environment, employee approach, efficiency of services and consumer behavioral intention. All the hypothesis were significant. The results were analyzed by using correlation, coefficient and regression. Dependent variable and independent variable are related with each other with service environment which is the main factor that influencing service quality in low cost

airlines. Low cost airlines should emphasis on service environment in order to attract more customers in future.

4.1 Limitation and Future Recommendation

This study was applied in a smaller scope which is lower cost airline passengers which located in Kedah and Penang. Due to that, there are insufficient information collected from the respondents. Thus, in future, more comprehensive survey can be developed in service quality and focus on other dimension on service quality in a broader level.

Besides that, a longitudinal study should be examined in order to gain more data and output about this study, a longitudinal study should be examined for the future research. Furthermore, to extend or make the research interesting, other service quality dimension such as accuracy, responsiveness, and courtesy and consistency can be included.

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