

Service Quality and Satisfaction for Low Cost Carriers

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This study attempts to examine the underlying dimensions of service quality for low cost carrier and subsequently to determine the relationships between the dimensions of service quality and passengers' satisfaction on the airline services. A total of 100 low cost carriers' passengers were involved in this study. The results revealed that "caring and tangible" was the most important dimension of service quality for low cost carriers, followed by "reliability", "responsiveness", "affordability" and "visual attractiveness". However, only "caring and tangible" dimension contribute significantly to the prediction of satisfaction on the services of low cost carriers.

Field of Research: Services Marketing.

1.0 Introduction

Low cost carriers have reshaped the airline industry competitive environment within liberalised markets and have made significant impacts in the world's domestic passenger markets, which had previously been largely controlled by full service network carriers (O'Connell and Williams, 2005). 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 (Saha and Theingi, 2009).

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The speed and intensity of change in service offerings has accelerated in recent years within the airline industry (Atilgan et al., 2008). 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 or LCCs emerged in the airline industry in the South-East Asia region following deregulation in the early 2000s. AirAsia pioneered low cost traveling in Malaysia as well as Asia in general. The airline was established in 1993. The second Malaysian low cost carrier is Firefly, a full subsidiary of Malaysian Airlines which is the full service national carrier. Firefly was founded only in the year 2007. The development strategy of low cost carriers can be summed up as "low costs, low fares, and no frills":

As the number of low cost carriers has grown, these airlines have begun to compete with one another in addition to the full service airlines. In these challenging circumstances, a comparative study on the similarities as well as differences between low cost carriers and full service airlines is obviously pertinent and important. Airline services regardless of whether they are full service or low cost carriers are made up of a very complex mix of intangibles (Gursoy et al., 2005). 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.(Fitzsimmons and Fitzsimmons, 1994). 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 Malaysia. 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.

2.0 Literature Review

Among the key variables normally considered when examining passengers' decision-making include service expectation and passenger satisfaction (Park et al., 2004). Traditionally, these service variables have been employed to predict consumer choice in the full-service airline. The growth of low cost carriers has shown that they can successfully compete with full-service carriers, particularly in the price-sensitive leisure market, on these variables (Fourie and Lubbe, 2006). Despite the considerable amount of research under service quality that has accumulated over the years, only few studies have examined customer expectations of service quality in airline industry (Cuningham

et al., 2002). Most of the literature suggests that airline passengers look at service quality as a multi-dimensional variable, which is consistent with the Parasuraman's et al. (1988) conception of service quality popularly known as SERVQUAL. SERVQUAL measures service quality based on five dimensions namely reliability, assurance, tangibles, empathy, and responsiveness. The instrument is based on the premise that customers' assessments of overall service quality are determined by the "gap" between their level of expectations and their perceptions of actual performance. The instrument has been used by researchers to measure airline service quality such as Fick and Ritchie (1991), Sultan and Simpson (2000) and Young et al.(1994). In general, service quality literature recognizes expectations as an instrumental influence in consumer evaluations of service quality (Parasuraman et al., 1985 as cited in Sultan & Simpson, 2000).

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. 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 (Zeithalm and Bitner, 2000). The notion that service quality and customer satisfaction are distinctive variables has achieved some degree of consensus among researchers (Saha and Theingi, 2009). The construct of service quality is evaluated by the actual service performance in terms of particular service attributes in the specific context, whereas satisfaction is measured by the customers' overall service experiences (Oliver, 1993). Customer satisfaction depends on a variety of factors, including perceived service quality, customers' mood, emotions, social interactions, and other experience-specific subjective factors (Rust and Oliver, 1994). According to Crompton and Love (1995), the two constructs are likely to be positively correlated, but unlikely to be linear. Although researchers have generally agreed on the conceptions and distinctiveness of service quality and satisfaction, their causal relationship is yet to be resolved including in the airline service consumption.

3.0 Methodology

In order to qualify as a respondent in this study, the passenger must had flown on low cost carriers for a domestic route of within three hours flight time. The passengers for the sample were selected using convenience sampling technique. Questionnaires were distributed among passengers waiting in the departure lounges of Low Cost Carrier Terminal (LCCT) at Kuala Lumpur International Airport. A total of 125 questionnaires had being distributed but only 100 completed questionnaires were usable for further analysis. This sample size should be considered adequate for exploratory analysis in discovering travelling behaviour and a larger sample would be needed to validate the study (Bejou et al. 1998). A total of 27 questions were used to measure passengers' expectations of service quality in this study.

To accommodate Buttle (1996) who criticized on the measurement of service quality that totally ignored the aspect of operation, this present study has been designed to include 17 items related to the expectation on airlines service operation. An initial pool of items were generated from extensive literature search supported by in-depth interviews with a few airline passengers of both types of airlines as well as operational staffs working with airline companies in Malaysia. The initial items were then refined using panel of experts in the services marketing research stream. The next seven questions were adopted from the original SERVQUAL instrument while the remaining three questions were developed to capture the specific service quality in the airline industry. Passenger satisfaction was measured using three item based on Caruana (2002). The items were related to “repetitive purchase intention”, “service loyalty” and “benefit-cost judgment”.

Principal component factor analysis was conducted on the 27 items of service expectation of service quality to identify their underlying dimensions of service quality. In order to derive appropriate factors, only those with Eigenvalue of at least 1 were accepted. All items whose factor loadings less than 0.5 were also discarded from further analyses. A series of stepwise multiple regression analyses were also performed to simultaneously investigate the influence of the various dimensions of passengers' expectations on satisfaction.

4.0 Findings

4.1 Profiles of Respondents

The respondent's profiles are summarised in Table 1. The male respondents represented 55 percents of the samples. Majority of the respondents were Malay (49%) followed by non-Malaysian (23%). 49 percents travel for holiday purposes while 34 percents for education purposes. Large majority or 44 percents of the respondents were found to be students.

TABLE 1. Profile of the respondents

Items	(N=100) %
Gender:	
Male	55
Female	45
Nationality:	
Malay	49
Indian	13
Chinese	10
Others (Malaysian)	5
Non-Malaysian	23
Occupation:	
Management/Administration	25
Professional/Technical	25
Students	44
Others	6
Purpose of Travel:	
Business	14
Holiday	49
Education	34
Others	3

4.2 Dimensions of Airline Service Quality

Principal component factor analysis did not produce a clean factor structure in the first run. Seven items recorded factor loadings of less than 0.50 and have been eliminated from further analysis. The deletion of these seven items had increased the Kaiser-Meyer-Olkin measures of sampling adequacy from 0.72 to 0.81. Five factors emerged from the final factor analysis which explained 67.2 percents of the total variances. The factor loadings for the second run on the remaining of 20 items were between 0.54 and 0.85.

The first factor was labelled as Caring and Tangible. It explained 27.66 percent from the total variances. The Eigenvalue and Cronbach's alpha for this factor were 5.53 and 0.90 respectively. The results showed that low cost carriers' passengers also displayed high levels of expectations for tangible elements of the airline service offerings as well as the caring services. The second most important dimension for the low cost carriers was Reliability. This factor explained 17.10 percent of the total variance with Eigenvalue and Cronbach's alpha of 3.42 and 0.76 respectively. The remaining three factors were labelled as Responsiveness (explained 10.05% from total variances), Affordability

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(7.07%), and Visual Attractiveness (5.28%). The following table summarized the results of factor analysis on the low cost airlines.

TABLE 2. Results of factor analysis

Dimensions and Items	Factor Loading	Eigen-value	% of Variance	Cum. Variance (%)	Cronbach's alphas
Caring and Tangible <ul style="list-style-type: none"> • Level of knowledge of employees in responding to passenger's questions • The comfort of the airline's seat • Level of communication regarding unusual circumstances • Degree of kindness of employees • Flexibility of the tickets purchased • Professionalism in handling the luggage • Degree of trust transmitted to the passengers • Employee's overall appearance • The behaviour of fellow travellers 	0.85 0.84 0.78 0.78 0.77 0.67 0.62 0.60 0.58	5.53	27.66	27.66	0.90
Reliability <ul style="list-style-type: none"> • Delay to arrive • Delay to depart • Waiting time to claim luggage • Queuing for passengers until seated in the plane 	0.85 0.84 0.65 0.62	3.42	17.10	44.76	0.76
Responsiveness <ul style="list-style-type: none"> • Booking ticket through call centres • Booking ticket at the counters • Booking ticket through websites • Response of the cabin crews to passenger's requests 	0.79 0.78 0.72 0.60	2.01	10.05	54.81	0.74
Affordability <ul style="list-style-type: none"> • Ticket price from KL to Jakarta/Bali • Ticket price from KL to Kota Kinabalu 	0.84 0.77	1.42	7.07	61.88	0.69
Visual Attractiveness <ul style="list-style-type: none"> • Visual attractiveness of the materials 	0.54	1.06	5.28	67.16	-

4.3 Influence of Passengers' Expectations on Satisfaction

The independent variables in the regression model were the five factors of service expectations namely i) Caring and Tangible, ii) Reliability, iii) Responsiveness, iv) Affordability, and v) Visual Attractiveness. Table 3 reports the final results of the stepwise multiple regression analysis. Overall, the regression equation was significant at 0.05 level indicating 95 percent confidence in explaining passengers' level of satisfaction. The resulting multicollinearity diagnostics also revealed that the multicollinearity was not a problem in

this regression model. The regression analysis showed that only the dimension of “Caring and Tangible” (beta coefficient of 0.215 and p value equal to .032) contributes significantly to the prediction of passengers’ satisfaction level for low cost airlines. This result showed that low cost airlines must also pay attention to their tangible aspects as well as passengers’ care to enhance the satisfaction level of their passengers.

TABLE 3: Result of Stepwise Multiple Regression

Independent Variables	Standardized Beta Coeff.	T	Sig. (p-value)
Caring and Tangible	.215	2.178	.032
Reliability	.075	.759	.450
Responsiveness	-.044	.446	.657
Affordability	-.060	-.602	.549
Visual Attractiveness	.103	.839	.404
R:	.215	.	
R Square:	.046		

*Dependent Variable: Passengers’ Expectation * Significant at 0.05 level*

5.0 Discussions and Implications

5.1 Dimensions of Passengers’ Expectation

The three most important dimensions that emerged from the factors analysis namely, Caring and Tangible, Reliability and Responsiveness are considered as standard or “must-have” dimensions for service quality in the airline industry. They are the “point-of-parity” dimensions that each of every airline company must offers in order to be relevant in the marketplace. Those airlines that failed to satisfactorily provide these dimensions would not be able to survive in the long run. The results of factor analysis revealed that the remaining factors (the third and fourth dimensions in particulars) were actually the one that determined the “point-of-difference” or the distinctive dimension for low cost carriers.

Two dimensions found to be unique only to the low cost carriers were Affordability and Visual Attractiveness. The former can be seen as the “point-of-difference” that clearly differentiated the service of low cost carriers with those of full service airlines. Affordability was found to be the dimension unique to the low cost carriers. Thus, the core marketing strategy for a low cost carrier must not astray away from the “low price” aspect of their offerings.

Since affordability is the most important positioning attribute for low cost airlines, their pricing strategies and techniques must be innovative to provide more value for money to their customers. Marketers of low cost airlines therefore need to think through how they can help lower down the related passengers costs from ticket reservation stage up to arrival at their destinations. Yield or revenue management is therefore very crucial to be mastered by the management of low cost carriers. At the same time, visual

attractiveness of their operation materials such the exterior and interior design of the aircrafts, the seats design and patterns, ticketing counters as well as other in-flight materials was also found to be important for the passengers of low cost carriers. Visual attractiveness of materials was also the attribute that can act as competitive advantage for a particular airline within the low cost carrier sector itself.

5.2 Influence of Passengers' Expectations on Satisfaction for Low Cost Airlines

This study revealed that Caring and Tangible was the only dimension that help explained passengers' satisfaction for low cost carriers. Although airlines need to focus on the attributes that create competitive advantage such as affordability for low cost carriers, at the same time they must also ensure that their tangible, physical evidences or service environments of their offerings are being taken care of as perfectly as possible. They must be visually appealing and neat in appearance at all time.

The layout and design of the aircraft's cabin, employee's appearance, in-flight meals and refreshments, and even the air tickets should be developed in accordance to the expectations, wants or requirement specified by the target market of a particular airline. In addition to that, the tangible offerings must also be supported with professional and caring services which were basically characterized as being a responsive and empathetic kind of service. For that to happen, the employees must be knowledgeable and equipped with the relevant communication and interpersonal skills to effectively interact with the passengers.

6.0 Limitations, Future Research And Conclusion

The findings of this exploratory study must be interpreted in the light of several limitations. An inherent limitation of this study pertains to its sampling frame. As the samples of this study were considered small, the results should be generalized with some caution to the entire low cost carriers. This study also considered only domestic flights as well as short-haul trips and therefore the resulted underlying dimensions of service quality might not be applicable to the long-haul trips or international flights. Covering both short-haul and long-haul flights will allow stronger generalizations of the results. This study also has not definitively established causality among the dimensions of service quality, and satisfaction level. Future research should examine the causality among these constructs to better understand the relationship between the two constructs.

This study allows the airline companies to see the expectancy level of customers for the low cost carrier service attributes, and to prioritize different service attributes based on customer expectations. This study found that the order of importance of the service quality dimensions for low cost carriers were tangible, reliability, responsiveness, affordability and visual attractiveness. Tangible and caring standard dimension was shown to be very important in explaining passengers' satisfaction for low cost carriers. The findings from this study are considered to be conclusive in nature in that they are used as input into managerial decision-making.

7.0 References

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