

Service Quality towards Customer Loyalty in Malaysia's Domestic Low Cost Airline Services

Nor Sara Nadia Muhamad Yunus, Jamil Bojei, and Wan Edura Wan Rashid

Abstract—Delivering high quality service to the passengers is imperative so that airline companies can survive and strengthen their competitiveness. Even though there have been extensive research on service quality and customer loyalty in the past, little study has been conducted in this specific area. Hence, this paper aims to propose a conceptual framework on service quality and its relationship towards customer loyalty among Malaysia's domestic low cost airline services passengers. Reliability, tangibles, responsiveness, assurance and empathy are considered as critical dimensions of service quality that possibly provide empirical evidence in relation to customer loyalty. Subsequently, the consequences of the customer loyalty are further elaborated in this paper too. It is expected that the findings of this study can assist the organization to deliver high service quality to the customers and enhancing customers' satisfaction in fulfilling their needs and wants. More importantly, improving service quality in such an organization may result in long-term increase in customer's loyalty; this in turn leads to cost savings and improved profitability and market share.

Index Terms—Service quality, service quality dimensions, customer satisfaction, customer loyalty.

I. INTRODUCTION

The longevity of a particular business is supported by loyal customers who keep stay with the company. In ensuring customers' loyalty, the issue of the company's effort in retaining the existing customers is a vital concern. Most Malaysians tend to associate low-cost airlines with a stereotype thinking of point which is; low-cost means low-quality. However it is not fair to consistently associate low-cost airline industry with 'no-frills' at all times. 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 [1].

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 have previously been largely controlled by full service network carriers [2]. In a more complex and technological era of doing business, measuring service quality with regards a low-price service provider is a challenging task to be done as the value of the service is very limited as it is to be associated with the low price that

has been offered to customers. Thus in the context of increasing access to information and tougher competition, the customer will be more demanding for a high quality service and technology, which will then enable them to make comparisons quickly and accurately [3]. It is imperative that service company measures and monitors service quality and satisfaction with a view to influence the behavioral intentions of their customers [4].

However, most of the studies conducted by past researchers have been focusing on measuring customer satisfaction in national and full-service airline solely and rarely found on the low cost airline carrier [5], [6]. In addition, past research failed to use clear measurement of service quality pertaining to evaluating customer satisfaction in the low cost airline industry [7]. In some cases, each dimension is not tested and the relationship is examined in an overall and general manner [8], [9]. As an effect, the importance of measuring which dimensions contribute most in satisfying customer and that influence customer to keep on doing business with the company has failed to be investigated. Consistent with the importance of good service quality practices, [10] stated that an airline's competitive advantage is the perceived service quality of the passenger, although a low fare is the primary competitive weapon.

II. LITERATURE REVIEW

A. Service Quality

Traditionally, service quality has been conceptualized as the difference between customer expectations regarding a service to be received and perceptions of the service being received [11], [12]. In some earlier studies, service quality has been referred as the extent to which a service meets customers' needs or expectations [13]. It is also conceptualized as the consumer's overall impression of the relative inferiority or superiority of the services [14]. In recent years, it is commonly agreed that service quality is the outcome of evaluations made by the customers. The general logic is obvious, since the customer's own evaluation influences his/her future behavior such as returning next time or positive accounts to relatives [14]-[16]. This fact indicates that service companies cannot solely deliver service according to internal standards which might not match the customers' expectations.

B. Service Quality Dimensions

Five dimensions of service quality that link specific service characteristics to consumers' expectations are identified and applicable in assessing airline service quality [12]. All of the dimensions are used as a main construct in

Manuscript received May 1, 2013; revised July 4, 2013.

Nor Sara Nadia Muhamad Yunus and Jamil Bojei are with the Faculty of Business Management, Universiti Teknologi MARA (e-mail: norsara2711@salam.uitm.edu.my, jamil@putra.upm.edu.my).

Wan Edura Wan Rashid is with the Institute of Business Excellence, Universiti Teknologi MARA (e-mail: wanedura@yahoo.com).

measuring service quality for this study. The items for each constructs are based on the mix study of past research on airline's service quality.

1) Reliability

Reliability refers to the ability to perform the promised service dependably and accurately. According to [17] the in-flight passenger perspective, the dimension of reliability refers to on-time departure, consistent service delivery, doing things right the first time and consistent inspections and cabin announcements. With regards to [18] study, on-time departure and the lucidness and punctuality in inspections and announcements have been considered important as compared to other dimensions.

2) Tangibles

Tangibles can be referred to as the appearance of physical facilities, equipment, personnel and communication materials in the service process, such as cleanliness, appearance of staff and appropriate technical equipment for support and entertainment. According to [17], in-flight services include seats comfort, cleanliness of the aircraft interior, the appearance of the flight crew and the in-flight equipment and entertainment facilities. From a similar GAP analysis on the Taiwan airline passenger market by [18], it was found that seats comfort, equipment facilities and cleanliness of aircraft interior are important factors.

3) Responsiveness

Responsiveness refers to general willingness to help customers and provide prompt service, which refers to the ability of responding to individual customer requirements and showing sincere interest in problem solving. [17] mentioned that the responsiveness dimension considers factors of efficiency in passenger guidance such as smooth seating, safety instructions, to name a few. Moreover, willingness to help and prompt handling of requests, complaints and inquiries are measured within this dimension. It should be noted that [18] has found that prompt handling of requests is more important.

4) Assurance

Assurance includes the competence and courtesy of employees and their ability to convey trust and credibility. The dimension would include staff training for competent and courteous charisma among employees, and the feeling of safety in the transactions with the customers. According to [17], the dimension of assurance is connected to underlying attributes such as trustworthiness among flight crew, knowledge and competence to answer questions and inquiries, and the level of courteousness among the flight crew. According to [18], [19], the most important element within this quality dimension is the level of courteousness, since this element receives the most severe penalty from passengers if not performed desirably. Still, knowledge and competences in regards to answering inquiries are considered important.

5) Empathy

Empathy encompasses the access to customers, communication to customers and understanding of customers resulting in individualized attention to customers. This is considered a very important element of in-flight service process and covers the level of individual and

personal attention and the understanding of specific customer needs. Furthermore, courteousness is closely related to this dimension and can be considered as an important element in performing successful customized people management [20].

C. Customer Satisfaction

In the basic conceptualization, [21] has stressed that satisfaction is based on a feeling developed from an evaluation of the user experience during consumption. On the other hand, [22] stated that satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. According to [23] satisfaction is a positive, affective state resulting from the appraisal of all aspects of a party's working relationship with another. Aligned with the statement, [24] stated that satisfaction is based on an overall post-purchase evaluation. Unfortunately this will only be applicable in assessing satisfaction towards product only. Due to that, [25] has overcome those weaknesses through his study. He found that measuring satisfaction can be done by evaluating an overall aspects of services delivered to the customer. His conceptual definition is focusing assessing both product and services. Since the nature of the inseparable and perishable elements of services itself, the evaluation by the customer is made during consumption.

D. Customer Loyalty

Customers' attitudinal component represents notions like: repurchase intention or purchasing additional products or services from the same company, willingness of recommending the company to others, demonstration of such commitment to the company by exhibiting a resistance to switching to another competitor [26]-[28] and willingness to pay a price premium [29]. On the other hand, the behavioral aspect of customer loyalty represents the actual repeat purchase of products or services that includes purchasing more and different products or services from the same company and recommending the company to others through a positive word-of-mouth communication [30]. It can be concluded that customer loyalty expresses an intended behaviour related to the product or service or to the company.

Customer loyalty is defined as the mindset of the customers who hold favorable attitudes toward a company, commit to repurchase the company's product/service, and recommend the product/service to others [31]. Furthermore, the customer will be less sensitive to the price of service. Apart from that, in measuring loyalty, customer may express the unfavorable behavioral through complaints [32]. Complaining behaviour can emerge as an adjustment of the input and output relationship as a means of an intervention to achieve desired outcome following the customer's evaluation of their service experience [33]. The definition of [31], [32] will be used for this study.

E. The Consequences of Service Quality towards Customer Loyalty

There are various studies that have been previously conducted in examining the relationship between service quality and customer preference of loyalty. The study by [26] focused solely on repurchase intentions. In their study, service quality did not appear to have a significant effect on

repurchase intentions. On the other hand, study conducted by [34] has found positive relationships between service quality and repurchase intentions and willingness to recommend. Besides that, the relationship between service quality and loyalty had led to a suggestion that the gap between performance and expectations moderates the relationship between performance and behavioral outcomes [29]. As a result, a positive relationship existed between the perceptions of service quality and behavioral outcomes as customer loyalty, reluctance to switch, willingness to pay a premium and increased probability of purchase.

Consistent with the research objective for this study, besides identifying a direct relationship between service quality and customer loyalty, the researchers have also tried to measure the relationship and the contribution of each dimension of service quality towards customer loyalty. The results of each dimension are very useful for the industry to be used in service strategy. A part from that, many researchers use SERVQUAL to measure the service quality [6], [17], [18], [30], [35].

Much debate and confusion have been assigned to the interrelatedness of service quality and satisfaction and in what sense the concepts differ from each other. In simple terms quality refers to some attribute of what is offered whereas satisfaction or dissatisfaction refers to a customer's emotive reaction to that offer [20]. In this logic they are separated, where quality is something the company is responsible for and satisfaction is an experience in the customer's domain. However, the concepts are clearly related since we might use customer reaction either they satisfied or dissatisfied as means of evaluating whether the right quality has been delivered. However in some other marketing literature, service quality and customer satisfaction have been conceptualized as a distinct, but closely related constructs. However, there is still a positive relationship between the two constructs [4]. On the other hand, service quality and customer satisfaction have been found to be related to customer loyalty through repurchase intentions [9].

III. CONCEPTUAL FRAMEWORK

In order to conduct this study, service quality is served as independent variable or input which comprises five major constructs: reliability, tangibles, responsiveness, assurance and empathy. On the other hand, customer loyalty is labeled as the dependant variable. The past literature has proven the emergence of customer satisfaction in mediating the link between service quality and customer loyalty. Thus in this framework, customer satisfaction is included as a mediator between independent variable and dependent variable. Therefore, this study proposes the following framework that is illustrated in Fig. 1.

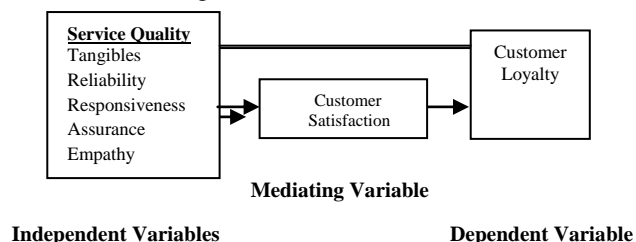


Fig. 1. Proposed conceptual framework.

Based on the framework above, several hypotheses will be tested as the following:

H1: Service quality significantly influences customer's loyalty

- H1a: Reliability significantly influences customer loyalty
- H1b: Tangibles significantly influences customer loyalty
- H1c: Responsiveness significantly influences customer loyalty
- H1d: Assurance significantly influences customer loyalty
- H1e: Empathy significantly influences customer loyalty

H2: Service quality significantly influences customer loyalty

H3: Customer satisfaction significantly influences customer loyalty

IV. CONCLUSION AND IMPLICATION

In short, service quality has also influenced customer's loyalty towards low cost airlines provider. Different dimensions have been examined by past researchers to determine the relationship between service quality and customer loyalty. In fact, the dimensions used are almost consistent with one another. Those dimensions are reliability, tangibles, responsiveness, assurance and empathy. On the other hand, the emergence of customer satisfaction in assessing the relationship between service quality and customer loyalty has captured interesting aspects of the study. Past research can then help in developing the hypothesis for this study. In order to prove the hypothesis, further analysis will be done in order to support the reliability and the applicability of the past findings.

As an implication, this study will provide valuable and important information for low cost airline industry in managing their customers. It will also facilitate service providers to identify areas of improvements as expected by the customers. Therefore, in order to enhance a low cost airlines company's capabilities in serving their customers well, concentration on service quality aspect is vitally important. When customers are only paying for a very low amount of air fare, it does not mean that the quality of services have to be left behind. This is because improper management of services quality may lead a customer to switch to the competitor's offer. As a result, the company's ability to retain and building customer's loyalty may become vulnerable.

ACKNOWLEDGMENT

The authors gratefully acknowledge contribution by the Dean of Faculty Business Management, Universiti Teknologi MARA, Malaysia and their colleagues for the support and guidance which have significantly contributed to the quality of this study.

REFERENCES

- [1] M. A. A. Azmi, M. S. Aliah Hanim, A. A. Norzalita, and A. A. Astuti, "Service Quality and Satisfaction for Low Cost Carriers," *International Review of Business Research Papers*, vol. 6, no. 1, pp. 47-56, February 2010.
- [2] J. F. O'Connell and G. Williams, "Passengers' perceptions of low cost airlines and full service carriers: A case study involving Ryanair, Aer Lingus, Air Asia and Malaysia Airlines," *Journal of Air Transport Management*, vol. 11, pp. 259-272, 2005.
- [3] S. B. Sachdev and H. V. Verma, "Relative importance of service quality dimensions: a multisectoral study," *Journal of Services Research*, vol. 4, no. 1, pp. 93-116, 2004.
- [4] G. C. Saha and Theingi, "Service quality, satisfaction, and behavioural intentions: A study of low-cost airline carriers in Thailand," *Managing Service Quality*, vol. 19, no. 3, pp. 350-372, 2004.
- [5] K. Abdullah and N. H. A. Manaf, "Measuring The Service Quality of Airlines Services in Malaysia," *IJUM Journal of Economics and Management*, vol. 15, no. 1, pp 1-29, 2007.
- [6] F. Sultan and M. C. Simpson, "International Service Variants: Airline Passenger Expectations and Perceptions of Service Quality," *Journal of Services Marketing*, vol. 14, no. 2, pp. 188-216, 2000.
- [7] M. An, Y. Noh, "Airline customer satisfaction and loyalty: impact of in-flight service quality," *Service Business*, vol. 3, no. 3, pp. 293-307, 2009.
- [8] J. W. Park, R. Robertson, and L. W. Cheng, "The Effect of Airline Service Quality on Passenger's Behavioral Intentions: A Korean case study," *Journal of Air Transport Management*, vol. 10, no. 6, pp. 435-439, 2004.
- [9] A. Caruana, "Service loyalty: The effects of service quality and the mediating role of customer satisfaction," *European Journal of Marketing*, vol. 36, no. 7, pp. 811-828, 2002.
- [10] Y. H. Chang, and C. H. Yeh, "A Survey Analysis of Service Quality for Domestic Airlines," *European Journal of Operational Research*, Vol. 139, no. 1, pp. 166-177, 2002.
- [11] C. Grönroos, *Service Management and Marketing. A customer relationship management approach*, 2nd ed, West Sussex, England: John Wiley & Sons Ltd, 2000.
- [12] A. Parasuraman, V. A. Zeithaml, and L. L. Berry, "Servqual: A multiple-item scale for measuring consumer perceptions of service quality," *Journal of Retailing*, vol. 64, no. 1, pp 12-40, 1988.
- [13] A. D. John and S. O. John, "Total Quality Management in Services: Part 3: Distinguishing Perceptions of Service Quality," *International Journal of Quality & Reliability Management*, vol. 11, no. 4, pp. 6 – 28, 1994.
- [14] V. A. Zeithaml, A. Parasuraman, and L. L. Berry, *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, New York: The Free Press, 1990.
- [15] C. Grönroos, "A service quality model and its marketing implications," *European Journal of Marketing*, vol. 18, pp. 36-43, 1984.
- [16] S. W. Brown, E. Gummesson, B. Edvardsson, and B. O. Gustavsson, *Quality in Services. Multidisciplinary and Multinational Perspectives*, Lexington MA: Lexington Books, 1991.
- [17] R. Lindstrom, "Delivering Excellent Service Quality in Low Cost Aviation," M.S. thesis of International Marketing Management, Copenhagen Business School, Copenhagen, Denmark, 2009.
- [18] T. Y. Chen and H. S. Chang, "Reducing consumers' perceived risk through banking service quality cues in Taiwan," *Journal of Business and Psychology*, vol. 19, no. 4, pp. 521-540, 2005.
- [19] J. Mikulic and D. Prebezac, "Prioritizing improvement of service attributes using impact range performance analysis and impact-asymmetry analysis," *Managing Service Quality*, vol. 18, no. 6, pp. 559-576, 2008.
- [20] H. Kasper, P. Helsdingen, and, M. Gabbott, *Services Marketing Management – A Strategic Perspective*, 2nd ed. West Sussex, England: John Wiley & Sons Ltd, 2006, p 554.
- [21] C. R. Ernest, B. W. Robert, and L. J. Roger, "Expectations and Norms in Models of Consumer Satisfaction," *Journal of Marketing Research*, vol. 24, pp. 305-314, Aug 1987.
- [22] V. A. Zeithaml and L. L. Berry, *Services Marketing*, 3rd ed., New York: McGraw Hill, 2003.
- [23] P. Boeslie, M. Hesselink, and T. V. Wiele, "Empirical evidence for the relationship between customer satisfaction and business performance," *Managing Service Quality*, vol. 1, no. 3, pp. 184-193, 2
- [24] C. Fornell, "A National Customer Satisfaction Barometer: The Swedish Experience," *Journal of Marketing*, vol. 56, pp. 6-21, Jan 1992.
- [25] Oliver, *Satisfaction: A Behavioral Perspective on the Consumer*, New York: The McGraw-Hill Companies Inc, 1997.
- [26] J. J. Cronin Jr and S. A. Taylor, "Measuring Service Quality: A Re-examination and Extension," *Journal of Marketing*, vol. 56, pp. 55-68, 1992.
- [27] N. Narayandas, "The Link between Customer Satisfaction and Customer Loyalty: An Empirical Investigation," Working paper, pp. 97-017, Harvard Business School, 1996.
- [28] A. Prus, D. R. Brandt, "Understanding Your Customers," *Market Tools*, vol. 2, no. 5, pp. 10-14, 1995.
- [29] V. A. Zeithaml, A. Parasuraman, and L. L. Berry, "The Behavioral Consequences of Service Quality," *The Journal of Marketing*, vol. 60, no. 2, pp. 31-46, 1996.
- [30] J. Lee, J. Lee, and L. Feick, "The impact of switching costs on the customer satisfaction-loyalty link: mobile phone service in France," *Journal of Services Marketing*, vol. 15, no. 1, pp. 35 – 48, 2001.
- [31] N. Pearson, "Building brands directly: creating business value from customer Relationships," *Macmillan Business*, vol. 20, no. 6, pp. 68-82, 1996.
- [32] J. Bloemer, K. de Ruyter, and M. Wetzels, "Linking perceived service quality and service loyalty: a multi-dimensional perspective," *European Journal of Marketing*, vol. 33, pp. 1082-1106, 1999.
- [33] A. M. Susskind, "A Content Analysis of Consumer Complaints, Remedies, and Repatronage Intentions Regarding Dissatisfying Service Experiences," *Journal of Hospitality and Tourism Research*, vol. 29, no. 2, pp. 150-169, 2005.
- [34] W. Boulding, A. Kalra, R. Staelin, and V. A. Zeithaml, "A dynamic process model of service quality: form expectations to behavioral intentions," *Journal of Marketing Research*, vol. 30, pp. 7-27, 1993.
- [35] C. Young, L. Cunningham, and M. Lee, "Assessing service quality as an effective management tool: The case of the airline industry," *Journal of Marketing*, spring, vol. 2, no. 2, pp. 76-96, 1994.



Nor Sara Nadia Muhamad Yunus was born in Kuala Lumpur on 25 November 1983. She holds a Master in Business Administration majoring in marketing from Graduate School of Management (GSM), Universiti Putra Malaysia, Serdang, Selangor, Malaysia.

She is a lecturer from Customer Service Department, Centre of Applied Management Studies (Cfams), Faculty of Business Management, Universiti Teknologi MARA, Malaysia. Sara Nadia teaches subjects for Degree in Customer Service. Her research focuses and specializes on services marketing as a major interest.