

Service Quality in Thai Domestic Airlines

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ABSTRACT

The airlines sector faces many choices to measure customer perception of Service Quality. The concept of quality and its relationship with the service industry has become a major concern within the hospitality sector. The purpose of the study aims to examine the gap between expected and perceived service quality for passengers of full service airlines and low-cost airlines in Thailand. The SERVQUAL with 22 items of service perception representing 5 dimensions of service are designed to use for measuring the expected and perceived service quality. Passengers from domestic routes at Bangkok Suvarnabhumi international airport and Bangkok Don Muang international airport will be surveyed regarding the experiences of airlines service. A perceptual map and statistical methods will be used to process data. The results of this study will help Thai domestic airlines to evaluate the service quality as well as to identify the priorities of service quality improvement in the airlines industry.

Keywords: Expected Service Quality, Perceived Service quality, SERVQUAL, Full Service Airlines, Low-cost Airlines, Thai Domestic Airlines

Introduction

The airlines business in Thailand is part of the hospitality industry which is very important because it expedites the tourism consumption. Nowadays, the number of low-cost airlines in Thailand has been raised and entered the airlines business and the market share of low-cost airlines has increased rapidly and continues to grow.

The perceived service quality of Low-Cost Airlines is currently lower than the Full Services Airlines in South Korea although the trend of choosing the airlines for traveling is similar. Simultaneously, the market share of Low-cost airlines in South Korean has been rising because of the nature of passengers to focus more on price than service. But the competition based on prices is adverse in long-term (Chang and Yeh, 2012). Apart from finding strategy of price to gain more passengers for airlines, it is necessary to focus on the quality of service provided to their customers to succeed in the business.

The objectives of this study are to access customers' expectation and their perception of service quality, and to examine the gap between expected and perceived service quality of Thai domestic airlines. It is expected that the findings of this study will provide a guideline to help domestic airlines in Thailand implement effective marketing strategies to their customers.

Literature Review

Definition of Service Quality

There have been numerous efforts have been discovered to define service quality and the related concept of customer satisfaction. The search for a working definition of service quality is further complicated by the highly transitory and intangible nature of most services. Generally, quality has been defined as "confronting to requirement" (Crosby, 1984). The second definition stated that quality is all about fitness for use, a definition based on satisfying customers' needs (Juran, 1982). These two definitions can be merged into the concept of perceived quality, where quality can be defined only by customers and occurs where an organization supplies goods or services to a specification that satisfies their needs.

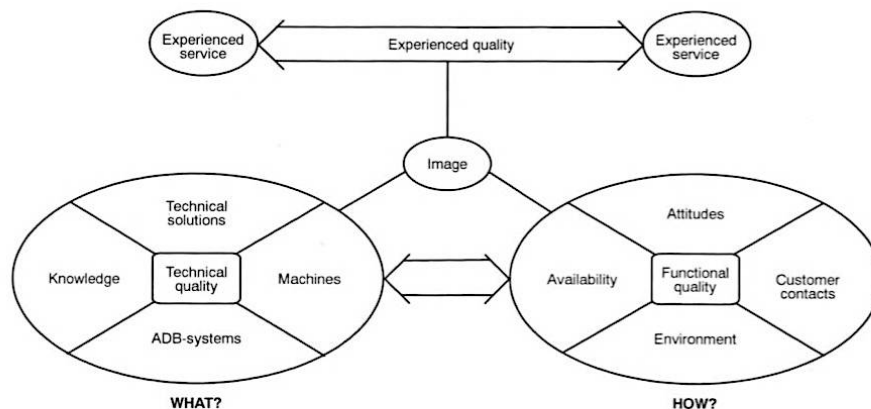


Figure 1 Service Quality model. Adapted from "Strategic Management and Marketing in the Service Sector" by Grönroos, C., 1983, Swedish School of Economics and Business Administration, report no. 83-104.

(Figure 1) The service quality model described by Grönroos (1983) relates the level of experienced quality to both technical and functional dimensions of service provision, which are (1) Technical quality refers to the result of the service and/or the question: what has been provided? and (2) Functional quality refers to the way the service has been delivered and relates to the question: how has the service been provided?

Berry, Parasuraman, and Zeithaml, (1985) support the concept by arguing that Crosby’s (1984) definition of quality as “Confronting to requirements” should be reworded as “conformance to customer specifications”. In addressing the evaluation process used by customers to estimate service quality, they conclude that service quality may be defined as the gap between customers’ expectations and perceptions (Figure 2). If expectations are met, service quality is perceived to be satisfactory.

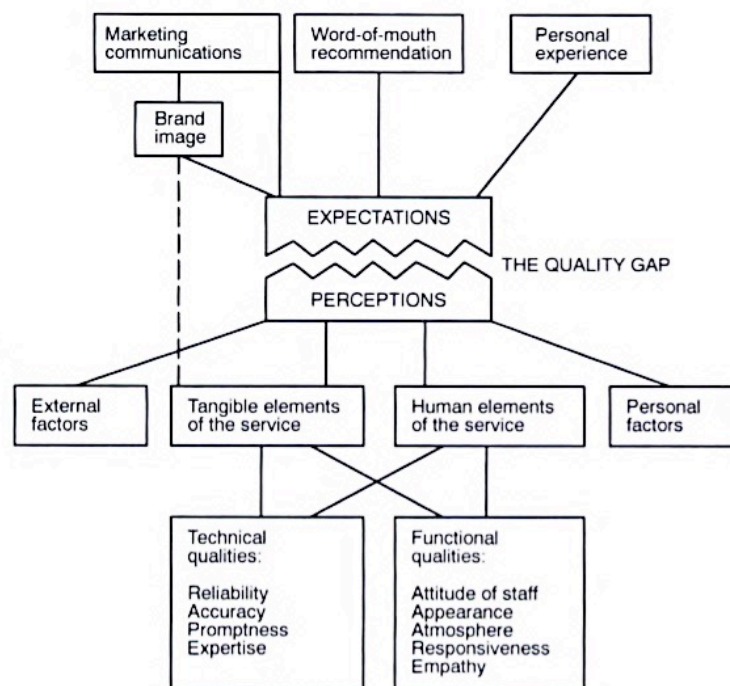


Figure 2 The fit between customer expectations and perceptions. Adapted from Marketing for Leisure and Tourism by Morgan, M. 1996.

The most instances, the customer receives a combination of both material and personal service, the material service refers to the more tangible, technical, and objectively measurable elements of the product or service being supplied. Whereas, personal service refers to what might be better described as more tangible, functional, subjective, and/or relational elements of the service encounter. Therefore, for providing a better service, a balance is needed between both personal and material needs.

The rapid development and competition of service quality, in both developed and developing countries has made it important for companies to measure and evaluate the quality of service encounters (Brown and Bitner, 2007). Different researchers for measuring service quality have developed several conceptual models. It is envisaged that conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program, thereby improving the efficiency,

profitability and overall performance (Seth and Deshmukh, 2005). There are two main aspects that describe and affect both service quality; the actual service customers expected (expected service) and services perceived (perceived service). Fitzsimmons & Fitzsimmons (2001) explains that the creation of customer satisfaction for a service can be identified through a comparison between service perceptions with service expectation, see Figure 3

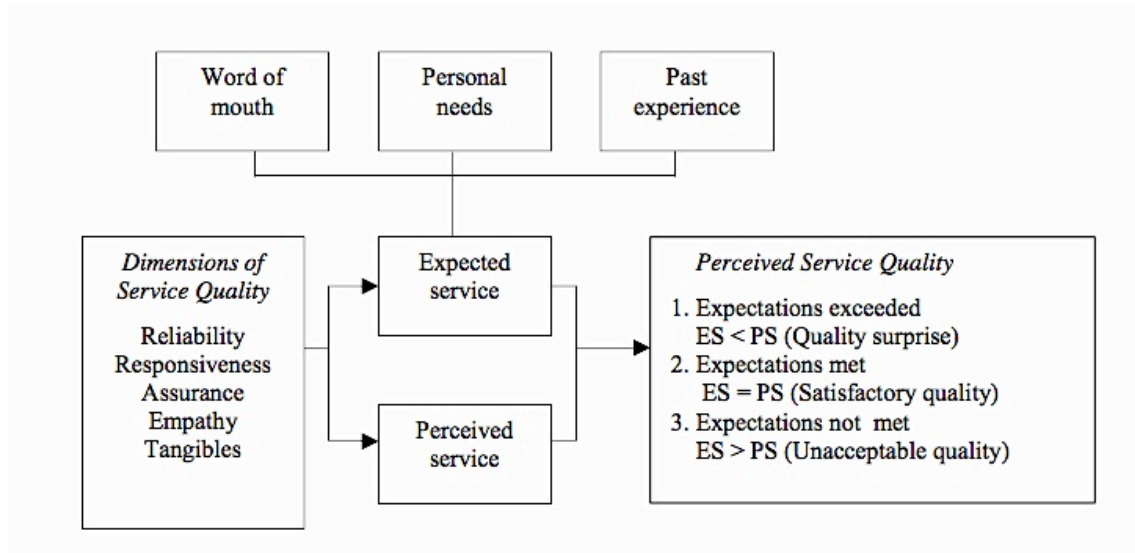


Figure 3 The Perceived Service Quality Model. Adapted from Service Management: Operations, strategy, and information technology by Fitzsimmons & Fitzsimmons. 2001.

Perceived service quality by customer has been proposed as the main factor in maintaining an advantage of strong competitive environment. Airline’s competitive advantages are determined by the passengers’ perception of service quality, moreover, an airlines provides superior quality service as compared to the perceived airlines service from competitors would be a market leader (Chang and Yeh, 2002).

Determinant of Service Quality

Regularly, the identification of service quality dimension helps the measurement and understanding of customer needs and wants. Parasuraman, Zeithaml and Berry (1988) constructed the SERVQUAL model with five dimensions of service quality, each of which relates to the customers’ confidence in providing the service. The five dimensions of SERVQUAL that can more easily be remembered through the abbreviation “RATER” (Tenner and DeTorro, 1992). (1) Reliability-ability to perform the promised service dependably and accurately (2) Assurance-knowledge, and courtesy of employees and their ability to inspire trust and confidence (3) Tangibles-physical facilities, equipment, and appearance of personal (4) Empathy-caring, individualized attention, and appearance of personal and (5) Responsiveness-willingness to help customers and provide prompt service.

Customer satisfaction

Recent interpretations in the consumer domain now couch satisfaction as a fulfillment response. Fulfillment implies that a consumption goal is known, as in basic motives of hunger, thirst, and safety. However, observers of human behavior understand that these and other goals can be and frequently are modified and updated in various ways. Thus, consumer researchers have moved away from the literal meaning of satisfaction and now pursue this concept as the consumer experiences and describe it. In Oliver (1997), satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over-fulfillment. Satisfaction is an "overall customer attitude towards a service provider" or according to Zineldin (2000) an emotional reaction to the difference between what customers anticipate and what they receive. When customers are satisfied, they are more likely to return, while dissatisfied customers are more likely to go elsewhere (Heskett et al., 1994; Strauss et al., 2001; Zairi, 2000).

The relationship between service quality and satisfaction

To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Cronin, Brady, and Hult, 2000; Anderson et al., 1994; Cronin and Taylor, 1992). However, the exact relationship between satisfaction and service quality has been described as a complex issue, characterized by debate regarding the distinction between the two constructs and the casual direction of their relationship (Brady, Cronin and Brand, 2002). Parasuraman, Zeithaml, and Berry (1994) concluded that the confusion surrounding the distinction between the two constructs was partly attributed to practitioners and the popular press using the terms interchangeable, which make theoretical distinctions difficult. Interpretations of the role of service quality and satisfaction have varied considerably (Brady et al., 2002; Cronin and Taylor, 1992; Parasuraman, Zeithaml, and Berry, 1988), they confined satisfaction to relate to a specific transaction as service quality was defined as an attitude. This meant that perceived service quality was a global judgment, or attitude, relating to the superiority of the service. Cronin and Taylor (1992) argued against Parasuraman et al.'s (1988) categorization. Cronin and Taylor (1992) found empirical support for the idea that perceived service quality led to satisfaction and argued that service quality was actually an antecedent of consumer satisfaction. Cronin and Taylor (1992) asserted that consumer satisfaction appeared to exert a stronger influence on purchase intention than service quality, and concluded that the strategic emphasis of service organizations should focus on total customer satisfaction programs. The authors reasoned that consumers may not buy the highest quality service because of factors such as convenience, price, or availability and that these constructs may enhance satisfaction while not actually affecting consumers' perceptions of service quality. Cronin and Taylor (1994) later conceded that the directionality of the service quality - satisfaction relationship was still in question and that future research on the subject should incorporate multi-item measures.

A reverse casual relationship has also been hypothesized between the two constructs. Rust and Oliver (1994) maintained that while quality was only one of many dimensions on which satisfaction was based, satisfaction was also one potential influence on future quality perceptions. In recent years, organizations are obliged to render more services in addition to their offers. The quality of service has become an aspect of customer satisfaction. It has been proven by some researchers that service quality is related to customer satisfaction. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of both satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service. Amidst these debates, it is clear that there is a strong relationship between service quality and customer satisfaction, it can be concluded that service quality had significant impacts on customer satisfaction. Sureshchandear et al. (2002) found that service quality and customer satisfaction were highly related.

Full-service airlines and Low-cost airlines in Thailand

Air travel has always been classified as one of the more intangible service industries (Shostack, 1977). This classification has been attributed to the industry exhibiting the 5 distinguishing characteristics of services as summarized by Clemes, Mollenkopf, and Burn (2000). The air travel industry is part of a steadily growing service sector (Lovelock, Patterson, and Walker, 2004). Ostrowski, O'Brien, and Gordon (1993) suggest that the growth of the service sector not only offers business opportunities but also poses competitive threats for many service marketers, and this is particularly the case for the air travel industry. Traditionally, governments on where heavily regulated the airline industry and how airlines could operate (Piercy, 2001) but the Airline Deregulation Act 1978 changed the competitive structure of the airline industry (Levin, 1987; Bailey, Graham, and Kaplan, 1985). Now, airline companies were allowed to set prices as well as enter and exit the industry upon meeting insurance and safety requirements. This limited revolution in the freedom for airlines to compete led to many new entries to the industry, and some considerable carnage. Deregulation brought substantial effects on the structure of airlines in USA, Canada and Europe. Low Cost carriers have grown and develop as a result.

Customer satisfaction in airline operations has become critically important and Dennett, Ineson, Stone, and Colgate (2000) suggest that as competition created by deregulation has become more intense, service quality in the airline industry has also received more attention. The delivery of a high level of service quality by airline companies became a marketing requisite in the early 1990s, as competitive pressures continued to increase. Most airlines began to offer various incentives, such as the frequent flyer programs, in an effort to build and maintain the loyalty of customers (Miller, 1993). Airline companies also attempted to differentiate their services through the use of computerized reservation systems, which were also designed to create customer loyalty in the distribution channels (Lee and Cunningham, 1996). However, despite the airlines' efforts to differentiate their services, an extensive survey of frequent fliers conducted by Ott (1993) revealed that consumers did not perceive any difference from one carrier to another. Ostrowski et al. (1993) noted that when all airline companies have comparable fares and matching frequent flyer programs, the company with better-perceived service would draw passengers from other carriers, see Table 1

Table 1 The differences between the two business concepts.

Characteristic	Full Service Airlines	Low-cost Airlines
1. Brand	Extended Brand	One Brand
2. Price	Complex pricing structure	Simple pricing structure
3. Distribution	Internet, Direct booking, Travel Agency	Internet and Direct booking
4. Checking-in	Paper ticket, E-ticket, Kiosk	Kiosk, E-ticket
5. Network	Hub and spoke	Point-to-point
6. Service classes	Multiple class	One class
7. During flight	Frills	No frills (Purchase options)
8. Aircraft usage (Load factor)	Average – Intensive	Very intensive
9. Aircraft type	Multiple types/fleet	One type/fleet
10. Turnaround times	Slow/ Congestion, Complexity	30 minutes or less
11. Customer services	Full service, Offer reliability	Generally underperforms
12 Airport	Primary airport	Secondary airport
13. Operation activity	Flying, cargo	Focus on core - flying
14. Target group	Business and Leisure travelers	Leisure, Price sensitive travelers
15. Services	-Frequently flyer program - Passenger lounge	- No frequently flyer program - No lounge

Source: Adapted from “Passengers’ perceptions of low cost airlines and full service carriers by O’Connell, J.F., & Williams, G. 2005.

Although, there are confusing aspects in the criteria to separate full-service airlines from low-cost airlines, the biggest difference has been the cost of operation and service provided by each airlines. Full-service airlines provide in-flight entertainment, meals and other complimentary services which these services already included in the air-ticket price, generally higher, for travel convenience while the low-cost airlines has been set up for cheaper air-travel to support the increasing demand. Comparing to full-service airlines, low-cost airlines service includes a single passenger class, no seat assignment, single type of aircraft and there are additional service that passengers could pay more as they want such as checked baggage, in-flight entertainment, food and drinks. All these features are designed to lower the ticket price and operated cost.

The Suvarnabhumi Airport officially opened for domestic and international flight service in 2006. It has been the main hub for full-service airlines such as Thai Airways International, Bangkok Airways, and Thai Smile Airways serving for domestic routes. (Airport of Thailand, 2015) In 2005, the Suvarnabhumi Airport handled 8,436,898 domestic passengers for full-service airlines operating from this airport. In the meantime, Don Mueang Airport is an official main hub for low-cost airlines that fly to many domestic smaller and larger cities within Thailand. There are four major airlines currently offering services for domestic destinations, which are Thai Air Asia, Nok Air, Thai Lion Air, and Orient Thai Airlines. (Airport of Thailand, 2015) (Don Mueang Airport handled 20,098,906 domestic passengers in 2015 with the increasing of flight service from these low-cost airlines.

Methodology

Sample and Data collection

According to the Air traffic report 2015 of Airport of Thailand Public Company Limited (AOT), both airports in Bangkok had 28,535,804 passengers. Based on Yamane's formula (1967), a sample of 400 is required. 400 questionnaires will be distributed to airline passengers of full-service airlines at the departure and arrival hall of Bangkok Suvarnabhumi Airport and another 400 questionnaires will be delivered to passengers of low-cost airlines at Bangkok Don Mueang Airport.

The questionnaire of this study is consisted of two parts. Part one is the measurement of service quality using a modified SERVQUAL developed by Kim et al. (2011). It contains 22 items representing five dimensions of service quality for expectation and perception. Each item will be rated on a 7-point Likert scale anchored 1 being extremely unimportant to 7 being extremely important for expectation. For perception, each item will be rated by a 7-point Likert scale anchored 1 being extremely disagree to 7 being extremely agree. Part two of questionnaire contains questions of demographic characteristics of the respondents.

Data Analysis

The collected data will be analyzed by using the SPSS Version 20 Software. Descriptive statistics will be used to compute the means of each item for expectation and perception of service quality, respectively. The analyzed data will be placed on the importance and performance analysis matrix (IPA) which is a tool for visualizing the expectation – perception gap to provide valuable information of quality performance and the priority actions for a service improvement according to the five dimensions of service quality. A reliability analysis (Cronbach's alpha) will be performed to test the reliability of each dimension of service quality for both expectation and perception.

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