The Factors Influencing Low-Cost Airline Passenger Satisfaction and Loyalty in Bangkok, Thailand

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Abstract

Purpose – The aims of paper is study the factors effect low-cost airline passenger satisfaction and loyalty in Thailand to improve service quality and marketing mix strategy for low-cost airlines to improve passenger satisfaction and loyalty.

Design/methodology/approach–This study investigates how is the marketing mix, service quality and passenger satisfaction effect on low-cost airline passenger loyalty. And the survey research will be through distributed questionnaire to low-cost airline passenger in Don Mueang international airport to collect data. After that use the multiple regression analysis to analysis the result and examine the relationship among above factors.

Findings—Results showed that marketing mix factors has positive effect on passenger satisfaction, service quality factors also has positive effect on passenger satisfaction, both of service quality and passenger satisfaction were found had positive effect on passenger loyalty.

Research Implications—The findings provide the understanding of the factors affect passenger satisfaction and loyalty. Thus, it gives recommendations for managers to improve service quality and marketing mix to improve passenger satisfaction and loyalty.

Keywords: marketing mix, service quality, passenger satisfaction and loyalty

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Introduction

Low Cost Airline (or Low Fare Airline or Budget Airline) is a new business model in the airline industry. It was first introduced by Southwest Airline (SWA) in the United States in 1971. The success of SWA led to the spread of the model to Europe and then to Asia. LCAs compete by offering lower fares than those of full-service airlines. To make up for revenue lost in decreased ticket prices, the airline may charge for extras like food, priority boarding, seat allocating, and baggage, etc. Most airlines have only a single passenger class and usually feature the Airbus 320's or Boeing 737's in their fleet of aircraft. Efficiency is the major consideration in LCAs' operation and several strategies in cutting the cost down are employed.

The domestic airline business in Thailand has been shaken by six low cost airlines (LCAs) since December 2003. They are Orient Thai Airline, Thai Air Asia, Nok Air, Solar Air, Happy Air and Thai Smile Air .When the ASEAN Open Sky policy comes into force and airlines will be free to set up operations in any country within the 10-member group in 2015. More and more low-cost airlines company will come to Thailand. The policy is likely to create greater competition and even more financial challenges for local airlines. Now the low-costs airlines major issues hampering progress include rising fuel costs, increasing competition particularly from low cost carriers and slowing economic growth in Thailand.

In a highly competitive circumstance like the Low-Cost Airlines marketplace, how to provide high quality service to satisfy passengers is the core competitive advantage for an airline's profitability and sustained development. Previous studies in the marketing field have pointed out that service quality is one main key to determine corporate success (Lu and Ling, 2008). Under the conditions of this fierce competition and how to improve customer satisfaction, thereby increasing customer loyalty has become of any airline unavoidable marketing theme

and the frequent flyer program is an important part. Because according to relevant statistical research, to attract a new customer is roughly equivalent to the cost of maintaining an existing old customers five times, 20% old customers often bring 80% of the profits. In general, increases profit and growth in many ways (Chow and Reed 1997; Heskett et al. 1994) to the extent that increasing the percentage of loyal customers by as little as 5% can increase profitability by as much as 30% to 85%, depending upon the industry involved (Reichheld and Sasser 1990).

Literature review

This chapter provides the literature concern to marketing mix, service quality, customer satisfaction and customer loyalty.

Marketing mix

Marketing mix is the efforts made by management in order to synergize a number of activities, such as services design, pricing, communication or promotion and providing the service (Hartono, B. 2010). Low-cost Airlines as a typical service industry is expected to apply the concept of the seven aspect of service marketing mix to arrange proper marketing strategies. The service marketing mix consists of 7 P's (Product, Price, Place, Promotion, People, Physical Evidence, Process) compared to the 4 P's (Product, Price, Place, Promotion) of a product marketing mix (Rafiq, M., & Ahmed, P. K. 1992). And according previous research, Yelkur (2000) found that the critical elements in the services marketing mix influence and positively effects customer satisfaction. Cengiz and Yayla (2007) find marketing mix to have a positive effect on satisfaction and loyalty on word of mouth communication from accounting offices in Turkey.

Service quality

In service quality literature the first model to measure service quality was presented by Gronroos (1984). Gronroos (1984) stated that a service is an activity or

series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and /or systems of the service provider which are provided as solutions to customer problems. A few years later, Parasuraman et al (1985) defined service quality as: customer perceived service quality as a global judgment or attitude related to the superiority of a service relative to competing offerings. Based on this conceptualization they proposed a model for measuring the quality of services, which is called the SERVQUAL model. Parasuraman (1988) defines these five dimensions as the following: reliability, responsiveness, assurance, empathic, tangibility.

From the previous research, Kao (2009) suggested that service quality and its dimensions have a direct bearing on customers' evaluation of an organization and the intentions to choose the service provider. Lai (2004) stated that there is a significantly positive relationship between the quality of the service and customer satisfaction, as well as with future purchase intentions of customer.

Customer Satisfaction

Marketing literature has focus on improvement of customer satisfaction. Satisfaction is defined by different studies in different ways. Customer satisfaction is defined as "overall affective response to a perceived discrepancy between prior expectation and perceived performance after consumption" (Oliver, 1980). Parasuraman et al. (1991) say that satisfaction is a decision made after experience while quality is not the same. Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or service performance compared with repurchase expectations over time. Rust (1994) defined satisfaction as the customer's fulfillment response which is an evaluation as well as an emotion-based response to a service.

Research indeed shows that in many traditional companies, perceived service quality as measured by adapted SERVQUAL scales, strongly and directly influences customer loyalty (Zeithaml et al. 1996). One way of increasing customer loyalty, suggested by case studies (Heskett et al. 1994) and by survey research (e.g., Shankar et al. 2000) is through superior service quality. Therefore the result of previous study supported the argument that service quality factors influences on customer loyalty.

Customer loyalty

For airlines, Customer loyalty is the most important goal of implementing relationship marketing activities. Customer loyalty has been largely studied in consumer and service market context. Oliver (1997) defined customer loyalty as a "deeply held commitment to rebury or repatronize a preferred product or service consistently in the future. But a common used definition is given by customer loyalty pioneers (Dick & Basu, 1994). They pointed out that customer loyalty is not only a behavioral phenomenon, besides the behavior aspects, loyalty refers to the attitude of a customer. Garland and Gendall (2004) tested the framework of Dick and Basu and they confirmed their typologies. They stated that both attitude and behavior are important determinants of customer loyalty. In line with Dick and Basu (1994), Rauyruen, Miller and Barrett (2007) stated that there are two fields of research in customer loyalty: behavioral loyalty and attitudinal loyalty. Where behavior loyalty is focusing on the patterns of repeat purchasing and attitudinal loyalty is focusing on the willingness to recommend a product or service and the positive word of mouth.

Rust and Zahorik (1993) customer satisfaction has direct impact on loyalty. Auh and Johnson (2005) Argued that there are strong relationships between satisfaction and loyalty. Similarly, Bodet (2008) confirmed the relationship between

customer satisfaction and customer loyalty. Shankar, Smith and Rangaswamy (2000) also provide evidence that there is positively relationship between satisfaction and loyalty.
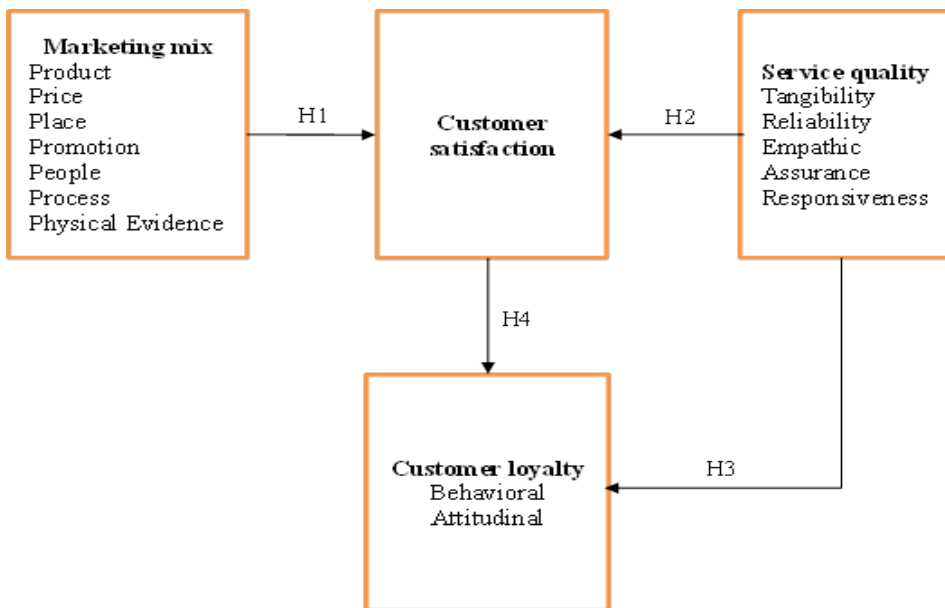
Conceptual framework

Figure 1: Conceptual framework of the research

Methodology

Population and sample

The population was distributed by the researchers personally to 384 low-cost airline passengers in Don Mueang international airport. After that use the multiple regression analysis to analysis the result and examine the relationship among above factors.

Research Instrument

In this study, the questionnaire is designed in English and Thai as the research instrument to accomplish the research's objective combine from conceptual framework is demographic, marketing mix factors, service quality factors, customer

satisfaction and customer loyalty. All the questionnaires were measured used five point Likert scale and multiple regression analysis and hypothesis testing.

In addition, the other important measure is reliability analysis from use Cronbach's alpha model for this study. The ideal reliability value general requirements of new measuring tool reliability value in the 0.7 above; many science researchers have use the comparative mature tools in more than 0.8 (Ebel, 1951).

Data analysis

Analysis the collection data by used the statistic analysis to explain the frequency and percentage of the demographic factors of the respondent. And Multiple Regression was used to explain relationship between the social factors, internal factors, food risk and customer's attitudes.

Result

The result of study showed that gender was including male and female. There are total 206 respondents (53.6%) are male and 178 respondents (46.4%) were female, the proportion of each group is almost balance; the majority of nationality respondents are Thai (83.9%); the most of educations respondents are bachelor degree has 245 respondents (63.8%); most occupation of respondents is General employee 35.7%; respondent majority in the group of respondent is between20,001-50,000 Baht (50.3%); for the flight frequency most of respondent are fly more than 5 times about 38% and the group 1-2 times and 3-5 times have the same respondent's about 119 respondent's and the large group majority of airlines are Nor air(41.7%) and Air Asia(52.6%).

Table 1 Result of hypothesis the relationship between marketing mix factors and customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	.201	.171		1.176	.240
Product	.205	.048	.193	4.245	.000
Price	.171	.042	.184	4.100	.000
Place	.028	.039	.030	.707	.480
Promotion	.133	.036	.150	3.663	.000
People	.182	.052	.183	3.507	.001
Process	.112	.052	.114	2.161	.031
Physical Evidence	.128	.047	.138	2.726	.007

a. Dependent Variable: Customer satisfaction

Significant level = 0.05

From the Table 1, The Sig. value of Product, Price, Promotion, People, Process, and Physical Evidence is lower than the level of significant or the alpha level (α=0.05) for the hypothesis test. And consider with the value of Coefficients Beta. The product factor has the most strongly relationship with customer satisfaction about 19.3%. The second is price factor about 18.4%, and the third factor is 18.3%. The promotion factor is 15% relationship with customer satisfaction, and β=0.138 is from the physical evidence factor. The process factor also has 11.4% relationship with customer satisfaction. Thus, there are 6 factors (Product, Price, Promotion, People, Process, and Physical Evidence) influence to customer satisfaction.

Table 2 Result of hypothesis the relationship between service quality factors and customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	.389	.165		2.361	.019
Tangible	.187	.047	.176	3.986	.000
Assurance	.074	.050	.080	1.479	.140
Empathy	.107	.052	.105	2.053	.041
Responsiveness	.201	.052	.206	3.876	.000
Reliability	.335	.047	.337	7.103	.000

a. Dependent Variable: Customer satisfaction

Significant level = 0.05

      For the Table 2**,** The Sig. value of factors tangible, empathy, responsiveness and Reliability is lower than the level of significant for the hypothesis test. And consider with the value of Coefficients Beta. The tangible Reliability factor is the most strongly relationship with customer satisfaction about 33.7%. The second is responsiveness factor about 20.6%, and the third factor is 17.6%. The empathy factor is 20.6% relationship with customer satisfaction. Thus, there are 4 factors (tangible, empathy, responsiveness and Reliability) influence to customer satisfaction.

Table 3 Result of hypothesis the relationship between service quality factors and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	.445	.177		2.509	.013
Tangible	.093	.050	.085	1.834	.067
Assurance	.050	.054	.053	.936	.350
Empathy	.208	.056	.200	3.725	.000
Responsiveness	.234	.056	.234	4.200	.000
Reliability	.291	.051	.284	5.724	.000

a. Dependent Variable: Customer loyalty

Significant level = 0.05

      For the Table 3, The Sig. value of factors empathy, responsiveness and Reliability is lower than the level of significant for the hypothesis test. And consider with the value of Coefficients Beta. The Reliability factor is the most strongly relationship with customer satisfaction about 28.4%. The second is responsiveness factor about 23.4%, and the last factor is 20%. Thus, there are 3 factors (empathy, responsiveness and Reliability) influence to customer satisfaction.

Table 4 Result of hypothesis the relationship between customer satisfaction factor and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.463	.110		4.209	.000
Customer satisfaction	.864	.028	.841	30.385	.000

a. Dependent Variable: Customer loyalty

Significant level = 0.05

For the Table 4, The Sig. value of factor satisfaction is lower than the level of significant for the hypothesis test. And consider with the value of Coefficients Beta. The customer satisfaction has influence on customer loyalty.

Conclusion

In this study, all hypotheses are accepted. The findings confirm that marketing mix has positive direct effect on customer satisfaction, it consistent in the literature review of Yelkur (2000). Service quality has positive direct effect on customer satisfaction consistent with Lai (2004) and has positive direct effect on customer loyalty (Zeithaml et al. 1996). Customer satisfaction has been point out that it has positive affect customer loyalty the same result with Shankar, Smith and Rangaswamy (2000). Thus, each variable has significant in structural model and anastomosis with hypothesis which put forward from literature combined with the actual situation.

Discussion

The research finding marketing mix factors influence to the customer satisfaction. For the airline company, In order to better satisfy their customers, this airline company should give importance to improve its service marketing mix such as quality of in-flight services; on-time performance; information about

cancelled/delayed flights; frequent flyer incentives; knowledge of the staff and personal attention to customers., trained and highly qualified personnel in order to better understand and serve the customers..

The research finding service quality factors influence to the customer satisfaction and loyalty. It was found that prompt respond of staff to passengers' requests / complaints, spontaneous care and concern for passenger's needs in all services and visually attractive, modern and clean physical on board facilities were most important factors determining service quality level.

In this study, the customer satisfaction and customer loyalty has strong relationship about 70.7%. Thus, the customer satisfaction has influence on customer loyalty. Improve service quality and marketing strategy for airlines to improve customer satisfaction is an important part. On the other hand, increasing the customer satisfaction level can increase the customer loyalty.

Limitation and future research

The first, sampling group of this study focused on three low-cost airline companies (Thai air Asia, Nok air and Orient Thai airline) in Thailand. The second, questionnaire of this study was designed in English and Thai language due to the target sampling group are foreign and Thai passenger and the fact that English is the language most commonly understand among foreign passenger. The last, questionnaire was too long. Therefore, the sampling group had to spend their time to fill out the questionnaire. Sometime, the respondents were in a hurry, the answers may not correspond to their feeling, so that some of questionnaires from the respondents cannot use.

For the future research, this research model can be used in other countries. In China, the low-cost airline industry is growing very fast. So, In the future research can use this model in China low-cost airline industry. And the future

research should provide the questionnaire in other languages such as Chinese, Vietnamese, Japanese, Korean and so on to ensure the respondents can understand the questionnaire meaning as well.

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