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Factors Affecting Loyalty of Low-Cost Airline Passengers

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ABSTRACT

The objective of this research was to study the effect of electronic service quality and service quality on loyalty of low-cost airline passengers. The sample used for this study was passengers traveling with domestic low-cost airlines. A sample of 440 was taken from infinite population and questionnaires were used for data collection. Data analysis was carried out by using descriptive statistics, percentage, frequency, mean, maximum, minimum, and standard deviation. The hypothesis testing was conducted by using inferential statistics and multiple regression analysis.

From hypothesis testing, it was found that quality of all service dimensions, which included tangibles, reliability, responsiveness, assurance, and empathy; and quality of electronic services, which included efficiency, fulfillment, system availability, and privacy had an effect on loyalty of low-cost airline passengers. Three factors with the highest positively influence included fulfillment, assurance, and privacy at coefficients of 0.517, 0.476 and 0.454, respectively. The equation used for estimation has the predictability of 80.80%.

Keywords: Electronic service quality, service quality, passenger loyalty, low-cost airlines.

1. INTRODUCTION

At present, more low-cost airlines are available to facilitate an increased development of the commerce and tourism sectors, which serve as the strengths of ASEAN. Since low-cost airlines make it easier for tourists to travel from one tourist attraction to another, tourists greatly benefit from those airlines and increasingly choose to come to Southeast Asia on vacation (Boeing *et. al.*, 2012). An increase in market shares of low-cost airlines is affected by several factors, such as attractive price, new routes to increase travel demand,

etc. Moreover, low-cost airlines have improved their operation systems and costs in order to prepare for an increasing competition and growth of the aviation industry.

However, Kim and Lee (2011) found that price was not the main factor for passengers to choose the airline to travel with, especially in the low-cost airline business. This corresponds with Park, Robertson and Wu (2004) and Yang, Hsieh and Yang (2012) who found that passengers' perception of service quality was the factor directly affecting consumer behaviors, including revisit, positive word of mouth, etc. Therefore, it can be said that perception of low-cost airline service quality is a factor affecting passenger desire to use low-cost airlines.

In 2016, there are 2 types of low-cost airlines which are premium low cost and ultra low cost airlines in Thailand. The former is the low-cost airlines which still allow passengers to load at least 15-kilogram baggage under cargo compartments for free, choose the seats without charge, and receive limited snacks and drinks while being on board. Thailand's Nok Air is an example of this type of airline. On the other hand, ultra low cost airlines are those with additional charges. Without extra payment, the only service the passengers will get is being transported to their destinations safely. Oversized luggage can be loaded under cargo compartments with additional charges, but some airlines allow 15-kilogram luggage to be loaded for free. In addition, there are charges for seat selection and meals on board. The ticket prices of these airlines are lower than those of premium low cost airlines. An example of ultra low cost airlines is Air Asia. From the types of domestic low-cost airline services illustrated above, we can say that service quality in different aspects is what passengers take into consideration.

Furthermore, airlines should build passenger loyalty which will form passenger attachment resulted from their satisfaction, impressive experiences, and acceptance. Consumer loyalty then leads to close relationships through communication between service providers and passengers. That finally creates brand loyalty. Such measure will help airline business operators to tackle an increasingly intense price competition which affects business sustainability in the long run.

Airlines must take service quality into consideration such as politeness, honor, manner, and responsiveness to customers' demand, etc. Airlines also need to focus on electronic service quality such as online check-in systems or online advance ticket selling. These enable service providers to easily manage flights and reduce the risk of less-than-cabin-load issue, etc. Such attempts to fulfill customers' expectations influence their decision to buy the service. When customers see that the service they receive from the airline is worth the money they pay, they will be impressed and have positive attitudes toward the airline.

Therefore, the objective of this study is to analyze the relationship between electronic service quality and personnel service quality affecting loyalty of low-

cost airline passengers. It also enables the operators to realize the needs of passengers and improve the quality of service and electronic service.

2. LITERATURE REVIEW AND RESEARCH MODEL

2.1. Concepts and Theories of Quality and Service

Service quality means an excellent service that meets or is beyond customer needs, leading to customer satisfaction and customer loyalty. (Johnston, 1995; Lloyd-Walker and Cheung, 1998). There are 5 elements

that customers use to measure service quality (Parasuraman *et. al.*, 1985; Zeithaml *et. al.*, 1996). These include (1) tangibles, (2) reliability, (3) responsiveness, (4) assurance, and (5) empathy.

In evaluation of service quality and product or service consumption, each consumer has an expectation of a product or service at a certain level. However, the service provider, in fact, may produce products or provide services that are different from the consumers' expectations. In case of meeting or being beyond expectation, the consumers would consider such products or services as being of high quality. On the other hand, if the products or services they receive are below their expectation, they will consider those products or services as being of low quality. (Kohlmeyer and Blanton,2000)

2.2. Concepts and Theories of Electronic Service Quality (E-S-QUAL)

Electronic service quality means customers' perceived level of impression on the electronic service by comparing the expected service to the actual one. To be recognized as good service providers, companies need to consistently provide service that meets or is beyond the level of customer perception. Thus, the service quality measuring instrument named SERVQUAL (Service Quality) was invented. However, later a new electronic service quality measuring instrument called E-S-QUAL was developed (Parasuraman *et. al.*, 2005). That is, the concept of SERVQUAL has been applied to electronic business and a new instrument named E-S-QUAL has been developed for website service evaluation. The website service evaluation is divided into 4 dimensions.

They include (1) efficiency which means ease of use and quick access to information on websites, (2) fulfillment which means the ability to operate according to the agreed objectives (on websites) relating to product delivery and readiness of products to be delivered, (3) system availability which means readiness of the website for use, and (4) privacy which means the level of safety and the protection of data on customer usage behavior.

2.3. Concepts and Theories of Loyalty

Loyalty is the relationship between customers and airlines. If customers are loyal to our airline, they will choose to use our service without reluctance, no matter if our rival airlines offer better products or services or not. The fact that customers have a good rapport with us is because they believe that we can constantly offer satisfying services and products to them without asking. This makes customers feel that we know who they are, what they want and do not want. Sometimes, good customers have better knowledge about the products than our salespersons and serve as indirect supporters through word of mouth. Reinartz and Kumar (2000) stated that loyal customers are those who trust and strongly believe that the company will satisfy their needs both at present and in the future and they don't take the rival airlines into consideration. Also, the customers will be willing to keep using the services in the future and act as the company representatives to invite their acquaintances or relatives to be company customers. This loyalty is created through long-term positive attitudes and deep attachment to the company. Gronroos (2000) concluded that customer loyalty is support or long-term interests which customers willingly give to the company by repeatedly buying or using the company services, or by recommending the company to others. This is based on the feelings that customers prefer the selected company to other companies. Therefore, loyalty means not only the loyal behaviors expressed by customers but also other positive feelings. Loyalty will last as long as customers feel that they gain better advantages from the company than from other.

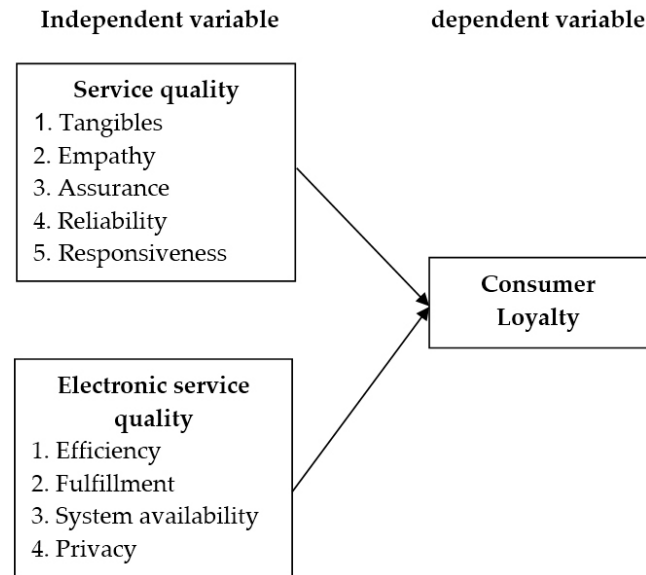


Figure 2: Conceptual frameworks for Factors Affecting Loyalty of Low-Cost Airline Passengers

3. OBJECTIVES

To study the effect of electronic service quality and service quality on loyalty of low-cost airline passengers.

4. HYPOTHESIS

The electronic service quality and service quality factors have an effect on loyalty of low-cost airline passengers.

5. RESEARCH METHODS

5.1. Research Sample and Data Collection

The sample of this research included 400 passengers who traveled with 4 major low-cost airlines including Thai AirAsia, Nok Air, Thai Lion Air, and Thai Smile Airways at Suvarnabhumi Airport and Don Mueang Airport, using Yamane's formula of sample size. The data collection was conducted by distributing questionnaires to target respondents.

5.2. Instrument

This research has adopted a questionnaire as an instrument for data collection. The questionnaire was divided into service quality, electronic service quality, and passenger loyalty. The questions were developed from the research of Ko *et. al.*, (2007); Park and Lee (2009), which consisted of 40 items with a 7-level rating scale and reliability level of .958.

5.3. Data Analysis

Data was analyzed by using descriptive statistics and multiple regression through statistical software SPSS.

6. ANALYSIS RESULTS AND CONCLUSION

Table 1
Personal data of the respondents

<i>Personal Data</i>	<i>Number</i>	<i>%</i>
1. Sex		
Male	223	50.70
Female	217	49.30
Total	440	100.00
2. Age		
Under 20 years old	29	6.60
21-30 years old	203	46.10
31-40 years old	93	21.10
41-50 years old	82	18.60
Over 50 years old	33	7.50
Total	440	100.00
3. Marital status		
Single	262	59.50
Married	112	25.50
Separated/Divorced/Widowed	66	15.00
Total	440	100.00
4. Education		
Secondary school or lower	68	15.40
Diploma/ High Vocational Certificate	103	23.40
Bachelor's degree	152	34.50
Higher than bachelor's degree	117	26.60
Total	440	100.00
5. Monthly income		
10,000 Baht or lower	82	18.60
10,001 - 20,000 Baht	120	27.30
20,001 - 30,000 Baht	147	33.40
Over 30,001 Baht	91	20.70
Total	440	100.00
6. Purposes of travelling		
Leisure	196	44.50
Business	112	25.50
Visiting family/relatives/friends	95	21.60
Others	37	8.40
Total	440	100.00
7. Occupation		
Student	24	5.50
Government official	45	10.20
Business person/Business owner	129	29.30
Private company employee	205	46.60
Others	37	8.40
Total	440	100.00

From Table 1, it was found that most of the respondents were male (50.7%), aged 21-30 (46.1%), single (59.5%), have a bachelor's degree, (34.5%), and have a monthly income of 20,001-30,000 Baht (33.4%). The purposes of travelling were mostly for leisure (44.5%) and most of them were company employees (46.6).

Table 2
Multiple linear regression analysis of the relationship between the electronic service quality and service quality affecting loyalty of low-cost airline passengers

<i>Variables</i>	<i>b_j</i>	<i>t</i>	<i>p-value</i>	<i>Tolerance</i>	<i>VIF</i>
Constant	0.161	0.970	0.372		
Tangibles	0.184	3.701	0.000**	0.677	1.456
Empathy	0.142	3.172	0.002**	0.784	1.486
Assurance	0.476	8.346	0.000**	0.895	1.736
Reliability	0.232	3.272	0.001**	0.564	1.244
Responsiveness	0.153	-2.668	0.008**	0.746	1.383
Efficiency	0.121	2.656	0.041*	0.563	1.472
Fulfillment	0.517	6.698	0.000**	0.682	1.749
System Availability	-0.145	-1.489	0.062	0.542	1.227
Privacy	0.454	6.321	0.000**	0.748	1.528

R = 0.899; R² = 0.808; SEE = 0.352; F = 104.046;

p-value = 0.000**

Notes: * A significance level of 0.05

** A significance level of 0.01

From Table 2, it was found that among the first three factors that mostly affected loyalty of low-cost airline passengers, two of them were electronic service quality, which included fulfillment ($b_7 = 0.517$) and privacy ($b_9 = 0.454$), and one factor was service quality, which was assurance ($b_3 = 0.476$).

In addition, for service quality, reliability, ($b_4 = 0.232$), tangibles ($b_1 = 0.184$), responsiveness ($b_5 = 0.153$), and empathy ($b_2 = 0.142$) had an effect on loyalty of low-cost airline passengers at a significance level of 0.01.

For electronic service quality, fulfillment had a positive relationship with consumer loyalty, and efficiency ($b_6 = 0.121$) had an effect on loyalty of low-cost airline passengers at a significance level of 0.05. Thus, it can be concluded that every independent variable can describe the variation of consumer loyalty at 80.8% as in the equation below:

$$\hat{Y} = 0.161 + 0.184**X_1 + 0.142**X_2 + 0.476**X_3 + 0.232**X_4 + 0.153**X_5 + 0.121*X_6 + 0.517**X_7 - 0.145X_8 + 0.454**X_9$$

7. DISCUSSION

From the research, it was found that tangibles, empathy, assurance, reliability, and responsiveness affected loyalty of low-cost airline consumers in Thailand. This corresponds with the research of An and Noh (2009) which studied service quality of airlines influencing consumer loyalty. It was found service quality factors including responsiveness, empathy, and reliability of airlines were the main factors affecting loyalty of airline passengers. This is in line with Yunus *et. al.* (2013) who studied service quality of low-cost airlines

in 5 dimensions. They included tangibles, empathy, assurance, reliability and responsiveness which affected consumer loyalty and satisfaction to low-cost airlines in Malaysia. Furthermore it also accords with the work of Alotaibi (2015) which found that service quality had a direct effect on passenger loyalty.

For electronic service quality, the study found that efficiency, fulfillment, system availability, and privacy had a significantly positive relationship with loyalty of low-cost airline consumers in Thailand. It corresponds with the research of Zehir *et. al.*, (2014) which stated that for electronic service quality, efficiency, fulfillment, and privacy had a significantly positive relationship with consumer loyalty. This is also in line with the research of Zehir and Narcikara (2016) which stated that efficiency, fulfillment, system availability, and privacy had a significantly positive relationship with consumer loyalty. The privacy dimension had the highest relationship with consumer loyalty.

The research found that consumers still valued service quality of airlines by focusing on assurance. Assurance is displayed through reduction of purchase-related risks, application of employees' knowledge and skills for communication, efficient system, no mistakes in flight booking and cancellation. The focus on assurance is due to the consumers' concern that when the air fare was low, the low-cost airline operators would tend to provide service with inferior quality. Therefore, airline operators should assure customers of airlines' service quality and system efficiency. The operators should study the problems and needs of the airline customers by conducting qualitative research to directly learn and analyze the needs of service users. The result can then be used to improve electronic service quality and service quality of employees to better meet the customer satisfaction.

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