

Low Cost Airline Service Quality Impact on Customer Satisfaction
Empirical Study on KSA Market

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Abstract

Purpose: Airlines industry growth is essential for any country strives for economic development. Many Arab countries are now using low- cost airline as main pillars to its economic development such as United Arab Emirates, Kingdom of Saudi Arabia and Egypt. In Kingdom of Saudi Arabia the growth of the airlines has great opportunity to be flourishing especially under the 2030 Saudi Arabia new vision. This study Investigate the effect of low cost airline service quality on customers' (passengers) satisfaction.

Design/Methodology/Approach: This study adopted convenience sampling and collected 86 passengers located in departure and arrival terminals at King Khaled airport in Riyadh, Kingdom of Saudi Arabia. This study employed the SPSS for data analysis.

Findings: The result revealed that service quality dimensions (reliability, responsiveness, and assurance) have a significant impact on customers' satisfaction of low-cost airlines while tangibility and empathy have no impact.

Practical Implications: The study adds to the body of knowledge about service marketing and quality research.

Key words: service quality, customer satisfaction, low cost airline, KSA2030

ملخص البحث

تعتمد العديد من الدول على قطاع الطيران كركيزة للتنمية الاقتصادية كدولة الامارات العربية المتحدة وجمهورية مصر العربية، والمملكة العربية السعودية، وفي إطار رؤية المملكة العربية السعودية الجديدة ٢٠٣٠ تسعى الحكومة إلى تنشيط قطاع السياحة الداخلية والدولية للمملكة العربية السعودية؛ وعليه كان لزاماً التحقق من تأثير عناصر جودة خدمة في مجال الطيران منخفض التكلفة على رضا العملاء (الركاب) لما لهذا النوع من خطوط الطيران من جاذبية للأسر متوسطة الدخل.

منهجية البحث: اعتمدت هذه الدراسة على أسلوب العينة الميسرة ، وعدد مفردات العينة القابلة للتحليل الإحصائي ٨٦ راكبا من صالات الوصول والسفر في مطار الملك خالد بالرياض بالمملكة العربية السعودية. استخدمت هذه الدراسة برنامج SPSS لتحليل البيانات.

النتائج: كشفت نتائج الدراسة أن أبعاد جودة الخدمة في الطيران منخفض التكلفة والتي تؤثر على رضا المسافرين على متن هذه الرحلات هي (الموثوقية، والاستجابة، وضمان).

الآثار العملية: تضيف الدراسة إلى مجموعة المعارف حول تسويق الخدمات وبحوث الجودة في قطاع الطيران منخفض التكلفة، بالإضافة إلى تسليط الضوء على أهمية توجيه الاستثمارات في مثل هذه النوع من الشركات.

الكلمات المفتاحية: جودة الخدمة، رضا العملاء، الطيران منخفضة التكلفة، KSA2030

Introduction

Airlines industry growth is essential for any country strives for economic development. In Kingdom of Saudi Arabia, the growth of the airlines has great opportunity to be flourishing especially under the 2030 Saudi Arabia new vision. According to last published report from General Authority of Civil Aviation concerning Air Traffic synopsis at Kingdom's Airports during 2015 which shows that the number of passengers at Saudi Arabian airports reached more than 81 million passengers with an increase of 9.5 % over 2014. In addition, the aircraft operations at Kingdom's Airports have increased by 9.8% over 2014 and reached 646,693 operations. From Schmenner (1986), the airline transportation industry included service factory which had a low degree of interaction and customization, as well as a low degree of labor intensity. On the other hand, this aviation industry in Kingdom of Saudi Arabia government counts on it in its economic reform 2020. KSA aviation industry development one of the main strategic actions on the way to a comprehensive restructuring of the tourism and entertainment sector. Thus, all airlines service providers facing an opportunity to develop its position in the Saudi aviation market.

In Jou et al. (2008) study, he claimed that airline companies adopting service quality for can last for long more than the companies that count on its competitive advantage.

Research Problem

This research adopted Parasuraman et al. (1988) SERVQUAL dimensions (reliability, tangibility, empathy, responsiveness, and assurance) of low-cost airline services to investigate their impact on passengers' satisfaction in kingdom of Saudi Arabia aviation sector.

Importance of the study

The importance of this study can be viewed from two perspectives: the academic perspective, and practitioners 'perspective.

From the Academic perspective: although the SERVQUAL variables investigated widely in many service domains (hotels, banks, regular airlines services...) few studies investigated the SERVQUAL variables effect on the satisfaction of low-cost airlines passengers in Saudi Arabia.

From practitioner's perspective:Results of this study will help Low-cost airlines service providers to determine the factors that affect passengers satisfaction based on the quality of services dimensions investigated by this study. In addition, this will assist Low cost airlines companies to improve their customer retention.

Theoretical framework and literature review

In order for service companies to enhance their effectiveness and productivity, a lot of attention dedicated to managing service quality. Therefore, service quality is a crucial factor in such turbulent and competitive market (Gilbert & Wong, 2003). Parasuraman et al. (1985) highlighted the gap between perception and expectation of consumers, by developing 10 components of the service quality (SERVQUAL). In 1988 Parasuraman and his colleagues combined these 10 components of the service quality into five dimensions namely: reliability, assurance, tangibles, empathy, and responsiveness. On the other hand, Cronin and Taylor (1994) criticized the SERVQUAL developed by Parasuraman from the point of the quality of the services received was due to attitudes of the consumers towards the performance of the service. Accordingly, they modified SERVQUAL to SERVPREF. Moreover, a study by Saha and Theingi (2009) showed a significant relationship between air transport passengers' satisfaction and level of the quality of service provided. Um et al. (2006) defined satisfaction as a subjective matter which can be felt as a result of consumer post-purchase evaluation. Researchers Zeithaml et al. (2006), Lovelock et al. (2011), and others suggested that in the airlines' services, the physical evidence (servicescape) has a direct effect on consumer satisfaction and consumer repurchase. Heavily introducing low cost airlines service providers in one country affect the overall airline industry in that country.

Murali noted, (2016) that in perfect competition markets organizations not only focused on its sales process and achieving the planned sales target but became more keen to achieve the targets through achievement of customer satisfaction. This is in order to ensure the long-run relationship with customers, especially in the service sector.

Little studies aimed to build a clear vision on the low cost aviation sector and the quality of the services provided to the customers, through measuring consumer behavior towards quality level of the service to be obtained (Rajaguru, 2016). The study explored whether the prices of services provided by the low-price airlines are the best prices or not. The study concluded that customers of this type of airlines services were price sensitive and quality of the service is considered a strong indication of customer satisfaction. This study pointed out that the global financial crisis at the beginning of 2000 led to many of the enterprises, especially medium and small enterprises to reduce travel costs, which considered positive transition act and recovery to the low-cost airlines.

Akan (1995) study on international context has identified seven dimensions to measure the service quality "courtesy and staff efficiency", "communications and transactions", "tangible objects", "knowledge and understanding of customers", "accuracy and speed in the provision of the service" and "resolve problems". Results of the study indicated that "courtesy" and "staff efficiency" were the most important variables affecting customers' evaluation of service quality.

Stauss and Weinlich, (1997) defined the quality of service in different areas, but they agreed with Parasuraman that quality of service resulted from consumer comparison between service quality already received from the service provider and the quality of service expected before getting the service. On the other hand, Venkatesh & Nargundkar (2006) argued that quality of service is considered a major factor in the survival and growth of airline sector. Airline companies operations include a range of activities that focus on solving clients problems and develop better services. In contrast, Chang & Yeh (2002) highlighted the difficulty of measuring the quality of services in the aviation sector due to the heterogeneity of the services provided; therefore they recommended that airlines companies must exert more efforts to build long-term relationships with customers.

Sultan and Simpson (2000) study showed that service quality in aviation sector can be measured by identify the difference between customers' expectations and perceived value from the service providers. Another study conducted by Cunnigham (2002) to measure airlines service quality from passengers' point of view by adopted Parasuraman et al. (1988) SERVQUAL. Five dimensions of SERVQUAL (reliability, tangibility, empathy, responsiveness, and assurance) was adopted to measure the "gap" between customer level of expectations of the service and their opinions of actual received performance.

Ariffin (2010) measured the impact of quality on passengers' satisfaction. The study concluded that dimensions such as tangibility and responsiveness have the greatest impact on the passengers' satisfaction.

Accordingly the research proposed model is as follows:

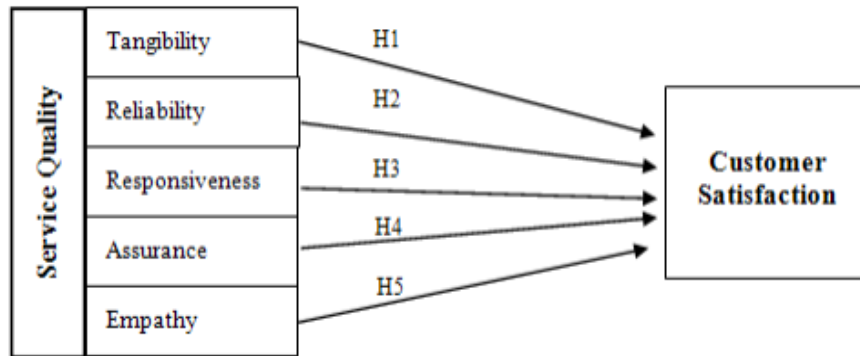


Figure (1) Research proposed model

Methodology

This study used two samples, one consisted of 35 respondents from the pilot phase and the second sample of the main study consisted of 86 respondents out of 140 with response rate 61%. Both samples were conducted at the King Khaled International Airport during March 2017. Data collection duration was for two weeks. The first week data were collected from 11:00 am to 03:00 PM every day. As for the second week, data were collected from 6:00 pm-9:00 pm. Meeting with passengers through arrivals and departure halls was not easy. Passengers were either in hurry to catch their flights or arriving and have no time to respond to the survey. The researcher tried to overcome this problem and to increase the response rate by adopting an online survey and posted it on Twitter but it was not effective. Accordingly, this affected the response rate. Convenience Sampling was employed for both samples by randomly selected passengers arrived on “Flynas” (domestic or international flights) as considered one of the major low-cost airlines in the Kingdom. This type of sampling was used to address this study for its advantage of being helpful for pilot studies, for hypothesis generation and facilitate data collection in short duration of time (Saunders, M., Lewis, P. & Thornhill, A. (2012). A self-administrative questionnaire was used for data collection. The questionnaire was divided into six parts to investigate the research problem and

hypotheses testing. The questions were phrased in the form of statements scored on a 5-point Likert scale as shown in table (1).

Research hypotheses

There are five hypotheses investigated to address the research problem which are as follows:

H1: Tangibility has a significant impact on customer satisfaction of low-cost airline service.

H2: Reliability has a significant impact on customer satisfaction of low-cost airline service.

H3: Responsiveness has a significant impact on customer satisfaction of low-cost airline service.

H4: Assurance has a significant impact on customer satisfaction of low-cost airline service.

H5: Empathy has a significant impact on customer satisfaction of low-cost airline service.

Table (1): Variables Conceptual & Operational Definitions

Conceptual	Reliability: Defined as the ability to perform service dependably and accurately, such as punctuality, efficiency of the check-in process, and convenience, accuracy of reservations and ticketing (Kim & Lee, 2011).	
Operational Definition	A 5 Point Likert scale ranging from (1) strongly disagree to (5) strongly agree adapted from (Kang & James, 2004)	Statements
		I consider the airline provided services as promised. The airline was dependable in handling customers' service. I got the services right from the first time. I got the services at the promised time Airlines give error-free information.

Conceptual Definition	Responsiveness: is defined as the willingness to help passengers solve service problems (flight cancellation and baggage loss), response to emergency situations, as well as prompt and accurate baggage delivery (Kim & Lee, 2011).	
Op	A 5 Point Likert	Statements

	scale ranging from (1) strongly disagree to (5) strongly agree adapted from (Kang & James, 2004)	Low-cost airline company kept me informed about when services will be performed. The service I need provided promptly. Employees were willing to help customers. Employees were ready to respond to customers' requests.
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Conceptual Definition	Assurance: is associated with the ability to inspire trust and confidence in knowledge to answer questions and ensure safe performance, as well as show courtesy toward passengers (Kim & Lee, 2011).	
Operational Definition	A 5 Point Likert scale ranging from (1) strongly disagree to (5) strongly agree adapted from (Kang & James, 2004)	Statements
		Employees instilled confidence into me. Employees made me feel safe. Employees were consistently courteous. Employees were competent to answer customer questions.

Conceptual Definition	Empathy: Defined as personal attention to customers, understanding specific needs of customers, employees and attention provided to them. (Tahmouri, 2010).	
Operational Definition	A 5 Point Likert scale ranging from (1) strongly disagree to (5) strongly agree adapted from (Kang & James, 2004)	Statements
		Employees gave customers individual attention. Employees deal with customers in a caring fashion. Employees deal with customers sincerely. Employees understand the needs of their customers. Flight hours were convenient.

Conceptual Definition	Tangibles: Defined as the physical facilities of the aircraft: seating comfort, seat space and legroom, in-flight entertainment service (books, newspapers, movies, games, and magazines), the appearance of the employees, and meal service (freshness, quantity, and appearance) (Kim&Lee, 2011).	
Operational Definition	A 5 Point Likert scale ranging from (1) strongly disagree to (5) strongly agree adapted from (Kang & James, 2004)	Statements
		Facilities were visually appealing. Employees had a neat, professional appearance. Materials were visually appealing.

Conceptual Definition	Satisfaction: Customer satisfaction is a judgment made by consumers after the service has been consumed (Panda and Das, 2015).	
Operational Definition	A 5 Point Likert scale ranging from (1) strongly disagree to (5) strongly agree adapted from (Panda and Das, 2015)	Statements
		I am satisfied with how the airline had taken care of me. I am satisfied with this airline. I enjoyed the travel Overall I am satisfied with the travel experience through low- cost airlines.

Data Analysis

The pilot testing included 35 respondents has been carried out to ensure the reliability of the scale. Cronbach's alpha reliability analysis was conducted to determine the reliability of the measures adopted. Nunnally (1978) has suggested 0.70 as the acceptable level of reliability measure. Alpha values ranged from 0.745 to 0.895, thus indicating an acceptable level of reliability and the overall reliability of the scale was 0.936 as shown in table(2).

Table (3) Reliability Analysis

Variable name	Scale statements	Cronbach's Alpha
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Reliability	<ul style="list-style-type: none"> • I consider the airline provided services as promised. • The airline was dependable in handling customers' service. • I got the services right from the first time. • I got the services at the promised time • Airlines give error-free information. 	0.745
Responsiveness	<ul style="list-style-type: none"> • Airline kept me informed about when services will be performed. • The service I need provided promptly. • Employees were willing to help customers. • Employees were ready to respond to customers' requests. 	0.895
Assurance	<ul style="list-style-type: none"> • Employees instilled confidence into me. • Employees made me feel safe. • Employees were consistently courteous. • Employees were competent to answer customer questions. 	0.889
Empathy	<ul style="list-style-type: none"> • Employees gave customers individual attention. • Employees deal with customers in a caring fashion. • Employees deal with customers sincerely. • Employees understand the needs of their customers. • Flight hours were convenient. 	0.701
Tangibles	<ul style="list-style-type: none"> • Facilities were visually appealing. • Employees had a neat, professional appearance. • Materials were visually appealing. 	0.821
Satisfaction	<ul style="list-style-type: none"> • I am satisfied with how the airline had taken care of me. • I am satisfied with this airline. • I enjoyed the travel • Overall I was satisfied with the travel experience through low-cost airline. 	0.895
Overall Reliability		0.944

Demographic Profile

The response rate of the questionnaire was 70% resulted from 84 respondents accept to fill the distributed surveys. 14 Female respondents were included compared to 70 male respondents average mean age was 30 years old. Whereas 13% of them were Saudis working in public sector jobs and the 87% were working in private sector. This 87% consisted of 35% Saudis and 65% non-Saudis. Cross tabulation analysis was adopted to enhance the understanding of research sample as follows:

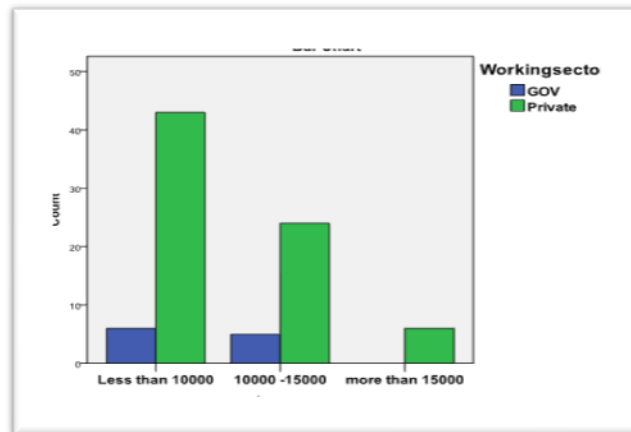


Figure (2) Passenger monthly income and type of working sector

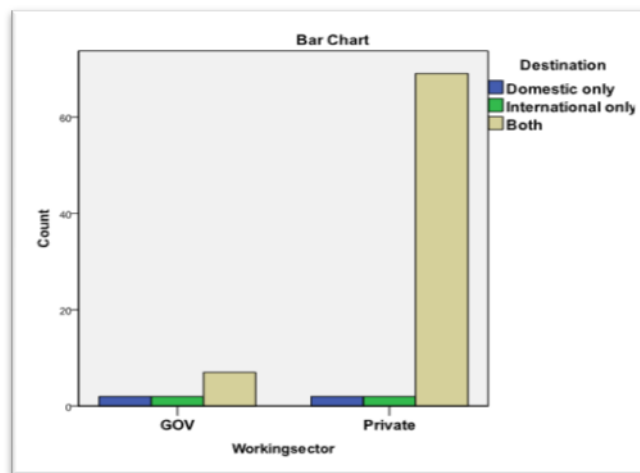


Figure (3) Passenger Working sectors and Travelling Destination

Figure (2) shows that Public sector according to the sample analysis has lower monthly income compared to the private sector monthly income. Additionally, Figure (3) shows that the private sector counting more on the low-cost airlines in its international and domestic flights compared to the government sector.

Research Hypotheses Testing

The regression results reported in Table (4) showed that three of the service quality dimensions explained 46 % of the customer satisfaction towards the low cost airline services ($F=13,739$ $p<0.000$), thereby confirming the fitness of the model. Data analysis shows that empathy has the strongest effect on the customer satisfaction ($\beta=0.889$, $p<0.000$), followed by staff responsiveness ($\beta=0.481$, $p<0.03$) and assurance ($\beta=0.461$, $p<0.04$). However, Tangibles and Reliability dimensions were found to be insignificant towards low-cost airline customer satisfaction.

Table (4): Coefficients

Hypothesis	B	SE	β	p-value
H ₁	.911	.168	.191	.154
H ₂	2.877	1.690	.134	.264
H ₃	.126	.112	.481	.033
H ₄	.492	.227	.461	.041
H ₅	.424	.204	.889	.000

Discussion and Conclusion

This research attempts to examine Parasuraman quality dimensions and their effect on customer satisfaction of low-cost airlines. In order to achieve the research aim, hypotheses were tested. Based on the previous studies quality dimensions have an impact on customers satisfaction. The results revealed that empathy, responsiveness and assurance were the main determinants of customer satisfaction of low-cost airlines. Findings showed that the ability to satisfy customers were driven more by empathy as in personal attention given to customers and understanding their specific needs. This is in line with several studies applied to different services such as Ariffin et al. (2010), Suhartanto et al. (2012) and Khan (2014).

Though low-cost airlines succeeded in attracting customers who are characterized by being price sensitive they found difficulties in building customer satisfaction. Especially the fact that price sensitive consumers can easily switch from one airlines to the others for better prices (Periera et al., 2011). Identifying the factors that affect customers' satisfaction of low-cost airline are crucial because in travel industry, satisfied customers are more likely to travel on the same airlines in the future and willing to participate in loyalty programs. Moreover, they will more likely recommend the airlines to others and will engage in more positive WOM compared to dissatisfied customers (Carpenter, 2008; Hui et al., 2007). Service quality not only contributes to the success of firms but also their continuing in the industry while holding a good reputation.

Managerial implication

According to the literature, the growth of low-cost airlines in a country depends on key success factors such as the quality of the service being provided, loyalty programs, the availability and the variety of the schedules being offered on the airlines. The results of the study provide managers information about what they should consider while designing or developing their business especially in Saudi Arabia where the competition between different low-cost airlines is high. In order for low-cost airlines to stay in the business, they reduced their operational cost so that they would be able to charge customers with low prices but they cannot reduce the quality level. This is due to the existence of high competition not only from full cost airlines but also with other similar low-cost airlines operating in the country. Therefore the aviation companies should ensure the modernization of their equipment, plane interior design, the appearance of the crew and the quality of meals and refreshments. In addition, aviation companies should respond to the passengers' needs instantly. According to the study, it was shown that the public sector salaries are less compared to private one which is considered an opportunity for low-cost airlines to promote their services to the public sector. This can be an opportunity for low cost airlines to target the government sector which is under the economic reform 2020 plan.

Limitations and direction for future research

The sample size is small although it is considered close to the sample size of other SERVQUAL studies this affect generalization of the results. This study also considered only domestic flights as well as small number of international trips.

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