

Key players in malaysia airline industry tourism essay

[Environment](#), [Air](#)



This chapter includes research background, problem statement, research objectives, research questions, and hypotheses of the study, significance of the study and chapter layout. Research background provides the overall phenomena and background of the study. Problem statement consists of the issues that should be emphasized and more deeply develop in the research questions and hypotheses. After clearly point out the research problem of the study, the research objectives to be accomplish and the research questions to be answered are discuss in the following as well. Hypotheses are developed from the proposed theoretical framework. Next section will be significance of study which briefly explain the importance and the contributions of this study. Last section will be briefly outlines each chapter of the research report.

The state of the airline industry is truculent currently and the demand has decrease sharply caused by many factors which is affected to the Airline Company. Besides that, the global airline industry has forecast of deeper loss according to the international air transport association. In recent year's airline industry has been suffering from severe turbulence and faced its longest deepest crisis. However, at the macro-economic level Asia Pacific growth is impressive because Asian carriers led profitability with US\$1. 5 billion while other region are struggling such as US or European carrier lost in US billion. In the region operating margins averaged less than 2%, still the best performance in the world but most are below the 7% to 8% needed to cover the cost of capital and give investors an acceptable return. Initially, the crisis caused by the downturn of economic crisis, the external shocks such as the 11 September 2001 terrorist attacks, and the SARS epidemic. The

industry economic impact is estimated at RM 11. 9 trillion, which is about 7. 5% of the world gross domestic product annum. However, according to the the total passenger traffic in airline industry has expanded rapidly with increasingly by 5% between 2000 and 2005, with an actual drop in 2001. (WTO, 2007). The development of air transport is an important foreign exchange earner in the service sector and developing comprehensive network of airport to facilitate trade, tourism and speed up socio-economic development.

In Malaysia, the Malaysia Airport Berhad was incorporated in year 1991 focuses on operation and management. Malaysia airport has continually restructured and able to operate the airport with expensively business direction recently. In addition, the airline service in Malaysia consists of the domestic and international. The international airport in Malaysia only located in certain states which are in Kuala Lumpur (KLIA), Penang, Langkawi, Kota Kinabalu, and Kuching. Some of the domestic airports are located in every other state such as Perak, Kedah, Melaka, Sabah and Sarawak. There are four different types of the airline companies in Malaysia such as Malaysia Airline System which is MAS, Air Asia, Firefly and Berjaya-Air. Furthermore, these airline companies are in different position and they are using different strategy to target different group of customer.

There are three different type of Airline Business Model in Malaysia such as full-service carriers, low-cost carriers and charter carriers. Full-service carrier like MAS is defined as an airline company developed from the former state-owned flag carrier, through the market deregulation process into an airline

company. On the other hand, low-cost carrier like Air Asia and Fire-Fly is defined as a low fare or no-frills airline, and they are designed to have a competitive advantage in term of costs over a full-service carrier. Lastly, charter carrier like Berjaya-Air is defined as the airline company that operates flights outside normal schedules, by a hiring arrangement with a particular customer. The only function is to transport holidaymakers to tourist destinations.

Due to the decrease of growth rate and revenue, airline companies in Malaysia are having a high competition in order to acquire and retain the customers. Therefore, the primary competitive weapon that Airline Company used is the price. Besides that, they need to search more other ways to increase their service quality and product differentiation to obtain the market advantage. The strategies that Airline Company adopted are the implementation of capacity controls, differentiated pricing by market segment, frequently flyer programs, and improving on-time performance to induce passenger's repurchase intention.

Hence, the airline industry's competition is very fierce. In order to gain competitive advantage, the important factor is improving the airline service quality to the passengers. According to the Ostrowski et al (1993) shows that airline could acquire and retain their customer loyalty if they are continuing to provide perceived high quality services. As the conclusion, Airline Company provides the superior service quality is important and it is the main agenda for all airlines in order to remain competitive.

Key Players in Malaysia Airline Industry

International Airline Company

Local Airline Company

Jetstar Asia Airways

Malaysia Airline System

Cathay Pacific

Air Asia

Bangkok Airways

Fire-Fly

China Airlines

Berjaya-Air

Air Japan

Airfast Indonesia

Vietnam Airlines

Korean Air

1. 2 Problem Statement

Travel is the dream for every people as it can let people to achieve a relaxing mood and explore to the world wide. With the needs of people to

travel around the world, it helps airline industry to continue expand their business.

However, many external factors have been affecting the airline industry hard to perform well. At year 2009, economic crisis lowered the purchasing power of traveler. People try to save their money and reduce the frequency of travelling. This has cause the sales performance of airline industry decrease dramatically. Besides, the diseases such as SARS and H1N1 have been frightening the people to travel to another country. People rather stay at home for their health purpose. Political stability of one country also becomes an important factor lead to the willingness of people to travel. The unstable political condition such as Thailand will cause people not to travel to that certain country. The external factors are giving a big impact on the sales performance of an airline company.

The highly competitive of airline industry after the entrance of AirAsia Airline in year 2001 caused the airline company need to use more strategies to attract the customer. At the first, Malaysia Airline monopoly the airline industry which there is no other airline company competes with it. Since AirAsia Airline enter into the market offering the low cost air flight to the customer has been making the airline industry become more competitive. In order to retain the customer Malaysia Airline also tries to promote their air flight ticket at lower price at non peak season to attract the customer.

Nevertheless, customer still switches between Malaysia Airline and AirAsia Airline often. This in turn means low cost air fares does not increase the

customer satisfaction to continue patronage to the particular airline company. We need to discover the factor which to enhance the customer satisfaction in order loyal to only one airline company. There is lack of research from the past studies towards the factor which can increase the satisfaction of air flight passengers. Therefore, we need to do this research in order to figure out the factor that cause the customers satisfy with the service quality of airline service.

Research Objective

The purpose of the investigation of this study can be divided into two categories which are general objective and specific objectives as below:

General Objective

The objective of this study is to determine the relative impact of three dimensions of service quality (reliability and customer service, convenience and accessibility, and in-flight service); airline image and passengers' satisfaction on repurchase intention among Malaysian airline passengers.

Specific Objective

To examine the impact of service quality in term of reliability and customer service, convenience and accessibility, and in-flight service toward passenger's satisfaction and airline image.

To examine the impact of service quality in term of reliability and customer service, convenience and accessibility, and in-flight service toward passenger's satisfaction.

To examine the impact of service quality in term of reliability and customer service, convenience and accessibility, and in-flight service toward airline image.

To examine the impact of passengers' satisfactions toward airline image.

To examine the impact of passenger's satisfaction toward repurchase intention.

To examine the relative influences of passengers' satisfaction, airline image on repurchase intention.

Research Questions

We tend to improve our understanding whether there are any interrelated of each dimensions of the service quality, airline passengers' satisfaction, airline image towards future passengers' repurchase intention by answer as below questions:

Does Airline service quality (reliability and customer service, convenience and accessibility, and in-flight service) have positive effect on passenger's satisfaction and airline image?

Which of the dimension of the service quality contribute the most to the customer satisfaction?

Which of the dimension of the service quality contribute the most to the airline image?

Will passenger's satisfaction enhance airline image?

Will satisfied passengers lead to their repurchase intention?

Will passenger's satisfaction and airline image influence passenger's future repurchase intention?

Hypothesis

Below are the hypotheses that covered in this study:

Hypothesis 1a

H0: There is a positive relationship between reliability and customer service with passengers' satisfaction

H1: There is a negative relationship between reliability and customer with passengers' satisfaction

Hypothesis 1b

H0: There is a positive relationship between convenience and accessibility with passengers' satisfaction

H1: There is a negative relationship between convenience and accessibility with passengers' satisfaction

Hypothesis 1c

H0: There is a positive relationship between in-flight services with passengers' satisfaction

H1: There is a negative relationship between in-flight services with passengers' satisfaction

Hypothesis 2a

H0: There is a positive relationship between reliability and customer service with Airline Image.

H1: There is a negative relationship between reliability and customer with Airline Image.

Hypothesis 2b

H0: There is a positive relationship between convenience and accessibility with Airline Image

H1: There is a negative relationship between convenience and accessibility with Airline Image

Hypothesis 2c

H0: There is a positive relationship between in-flight services with Airline Image

H1: There is a negative relationship between in-flight services with Airline Image

Hypothesis 3

H0: There is a positive relationship between passengers' satisfaction and airline image.

H1: There is a negative relationship between passengers' satisfaction and airline image.

Hypothesis 4

H0: There is a positive relationship between passengers' satisfaction and repurchase intention.

H1: There is a negative relationship between passengers' satisfaction and repurchase intention.

Hypothesis 5

H0: There is a positive relationship between Airline Image and repurchase intention.

H1: There is a negative relationship between Airline Image and repurchase intention.

1. 6 Significance of Research

This study is crucial to the services provider or the airline company as well as the airline industry. Customer repurchase intention is one of the factors that will affect airline company business. Hence, this research will provides a better understanding on how airline service quality apply in service industry and how its dimension identifies the customer perception of airline service quality in airline industry customer perspective as well as their satisfaction and airline image affect repurchase intention.

The airlines that focusing on retaining customers and influence their repurchase intention as the main source of competitive advantage. The airlines respond rapidly to increase pressure to restructure, consolidate and segment the airline industry will achieve competitive advantages in which

airline service providers improve and tailoring their services and winning consumer preference and substantial customer base. In this context, this study aim to give a clear picture to airline service provider about the main driver affecting passengers' satisfaction, airline image and passengers' repurchase intention.

Besides, customer repurchase intention affected by passengers' satisfaction that the customer purchases are potential repeat purchases when they satisfied with the airline services provided by service provider. By understand the significant of the repurchase intention and the determinanat factors drive repurchase intention lead the following study more comprehensive, future supplement and prove the proposed framework.

In addition, researchers wish to identify the factors affecting Airline consumer toward the perception of service quality provided by several airline company in Malaysia. Moreover, this will create a good reference for those Airline Industries Company, marketer and academic people to make a further discovery and improvement of the airline service in order to attract and retain more Malaysian using local airline services. Due to competitiveness in airline service industry, gathering of this data will lead to a better understanding of the influencing level of the attributes on customer satisfaction. In return, researchers look forward to the opportunities for Malaysia Airline market share will expanding and increasing the usage rate of Airline services in Malaysia Country services.

1. 7 Chapter Layout

Chapter 1 is the description of this research overview. This chapter outlines the research background, research problem statement, research objectives, hypotheses and the significance of the study to the development of management theory and practice.

Chapter 2 is the description of the literature review. This chapter is to build a theoretical foundation for the research by reviewing relevant journals and articles to identify research issues which are worth researching. Besides that, this chapter also provides a theoretical framework to proceed with further investigation.

Chapter 3 of the research project is the description of the methodology. Thus, it describes how the research is carried out in terms of research design, data collection method, sampling design, operational definitions of constructs, measurement scales and methods of data analysis.

Chapter 4 is the description of data analysis. The chapter presents the results of the research after analyzed feedback from respondents. It includes several sections such as descriptive analysis, scale measurement, and inferential analyses.

Chapter 5 involves discussion, conclusion and implication of this study. This chapter attempted to provide a summary of statistical analyses, discuss the limitations of the study as well as provide recommendations for further research and overall conclusion of the entire research objective set.

1. 8 Conclusion

As conclusion, this chapter provides a brief overview of the research. The direction, insight, and scope of the research will be presented to support the following chapters. Therefore each variable will be discussed in detail and the proposed conceptual framework will be illustrated by the following chapter 2.