

# The determinants of customer satisfaction in airline industry tourism essay

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



## **Introduction**

Customer satisfaction has been established as a psychological concept that involves the feeling of customer's well-being and pleasure which results from obtaining what he or she hopes for and expects from consuming an appealing product and/or service (Florian and Maren, 2007; Christian, 2005; Abraham and Taylor, 1999). While different scholarly write-ups have confirmed variety of approaches to the explanation of customer satisfaction/dissatisfaction in marketing, in a comprehensive work done by Abraham and Taylor (1999), they developed nine distinct theories of customer satisfaction: namely expectancy disconfirmation; assimilation or cognitive dissonance; contrast; assimilation-contrast; equity; attribution; comparison-level; generalized negativity; and value-precept (Oh and Park, 1997). Customer satisfaction and service quality have also been confirmed to be critical issues in most service industries, and are even highly important for Airline service providers that offer generally undifferentiated products. For example, in the airline industry, the main approach to differentiation and the principal means by which one Airline can distinguish itself from another is service before and after sales services (Stafford et al, 1998).

Otherwise, companies will be generally unable to differentiate their services based on market offerings because Airlines offer state-mandated standardized products/services. The recent emphasis on service quality and customer satisfaction in the Airline industry illustrates the increased importance Airlines are placing on customer quality and satisfaction (Halil et al, 2008). As such, service quality measurement and customer satisfaction

are increasingly becoming important for service firms to stay in the business (Parasuraman et al. 1988). And these service quality measurements processes differs across different industrial domains, because the service manager will account for the unique nature of services, while different service attributes in each organizations are acting as determinants of customer satisfaction because of the complex interrelationship and dependability that exist between them (Fochen and Robert, 2003).

Customer satisfaction, one of the central marketing objectives, is closely linked to customer loyalty, the likelihood of recommendation to others, cross-buying behavior; up-grading and lower price sensitivity (Anderson, 1994; Matzler, 2005; Reichheld and Sasser, 1990; Zeithaml, 2000).

Literatures like Kurt et al (2006), have explore the dimensionality of price satisfaction as a means to determine customer satisfaction. In their paper, they empirically find that price satisfaction is a complex construct consisting of several dimensions, i. e. price-quality ratio, price fairness, price transparency, price reliability and relative price. Their analyses of these dimensions are given as thus; price transparency is defined as increasing access to information, access to more alternatives, more simplified transactions, increasing communication between customers and a general distrust and resentment among customers. They argued that as a consequence, customers will increasingly demand open, honest and complete information on products and prices.

Thus, price transparency can be considered as an important aspect of pricing policy. They concluded that price transparency exists when the customer can

easily get a clear, comprehensive, current and effortless overview about a company's quoted prices (Matzler et al, 2006). They also explained that price-quality ratio is when the consumers ascribe value to a product or service subject to their perception of two factors: perceived price and perceived quality, or, in other words, the price-quality ratio. They defined customer value as a cognition-based construct that captures any benefit-sacrifice discrepancy. They said if perceived quality exceeds perceived costs, customer value is high, if cost exceeds quality, customer value is low. In their conclusion, they explained that the buyers' perceptions of value represent a trade-off between the qualities of benefits they perceive in the product relative to the sacrifice they perceive by paying the price.

## **1. 1 Background of the study**

The history of Saudi Airline could be traced to 1945 when the then US President Franklin Delano Roosevelt gave a Douglas DC-3 plane as a token gift to the then Saudi Arabia King Abdul Aziz Ibn Saud. This event actually marked the Muslim Kingdom's gradual development in the civil aviation industry. The Kingdom's main carrier Saudi Arabian Airlines was founded in September 1946, which is fully owned and controlled by Saudi government under the control of the Ministry of Defense.

In addition to the above development, the airline took extra two delivery of Boeing 720s in 1962, giving it an opportunity to officially register its operations on 19 February 1963. This continuous development has led into establishing the Kingdom's airline as one of the leading in the industry, especially Asia in particular (). In fact, Saudi Airline has been confirmed as

the region's second-largest airline by turnover after the giant Emirates airline (). This is because Saudi airline has continuously remained larger than the Qatar Airways in terms of its revenue, and also rated larger than the current fast growing airline popularly called Etihad (). But if measured by the numbers of traffics in the region, the Saudi Arabian airline will still be number three behind the Qatar Airways and the Emirates ().

Part of the arguments in favour of Saudi airline is that it is strategically located at the crossroads between Africa, Asia, and Europe and also serving as the largest country within the Arabian Peninsula (). But very important concerns among its transportation stakeholders is how to maximize this external opportunity in conjunction with its current population of about 28 million people that are still depending on few rail network and air travels, an issue that have been argued as a critical component to the economic development of Saudi Arabia ().

Following this trend was why the Kingdom's government encouraged the idea of strategically allowing the privately owned low cost airline competitors to rival with the Saudi Arabian Airlines both in the domestic and international markets (). This initiative from the government was subsequently reciprocated by the private investors first through the establishment of NAS airline in February 2007, and Sama airline in Marh, 2007 both initially focusing on various trucks routes within the country ().

## 1. 2 Research problem

Due to excessive subsidy of the transport system in Saudi Arabia, both the air and land transport marketers are strategically challenged on best approach to apply in order to efficiently acquire, service and retain profitable customers both within and outside the country (). This issue of subsidized fuel prices does not exclude the Saudi Arabian airline, but practitioners have continuously argued in favour of the need to remove the fare cap so that marketers can conveniently compete without any fear of fare restrictions (). This and many more are the reasons that experts believe serves as the primary cause of Saudi Arabia airline inability to strategically compete with other international airlines like the Emirates and the Qatar Airlines ().

Sequel to the above practical issues in Saudi Arabia airline, several authors have argued that service quality can be a strong differentiating factor for any Airline that wants to boost up their market shares and profit position (Halil et al, 2008; Fochen and Robert, 2003; Dennis et al, 1993). Also very recent among the scholarly write-up on Airline Customer Satisfaction is Ekiz et al. (2006), that developed an alternative to SERVQUAL and called it AIRQUAL. They emphasized that this scale is to overcome the psychometrical application of existing problems in Airline Service Quality scales, as initially guided by Churchill (1979) and Parasuraman et al. (1985, 1988).

The findings of Ekiz et al (2006), through their AIRQUAL identified a scale of five distinct dimensions, i. e. (airline tangibles, terminal tangibles, personnel, empathy, and image) as a means to successfully manage and measure the quality perceptions of airline customers.

Although, it is confirmed that they successfully developed the AIRQUAL scale, but evidences from other scholars shows that their findings failed to identified the impact of Airline price, solution quality, and employee job satisfaction on customer satisfaction, because these variables have been proven to be very significant in determining customer loyalty (Dean, 2007; Kau and Loh, 2006; Schiffman and Kanuk, 2004). Considering Ekiz et al (2006) and other authors' limitation and given the importance of these dimensions to the Airline industry, this proposed study wishes to develop on the findings of Ekiz et al.'s (2006) and other related literatures on Airline service quality and customer satisfaction. And studies like this will assist in determining the true behavioral intentions of airline customers in Saudi Arabia and the world at large. This proposed research work has develop an additional variable (Price) with specific reference to literatures like Kurt et al (2006), which has explore the dimensionality of price satisfaction as a means to determine customer satisfaction. In their paper, they empirically find that price satisfaction is a complex construct consisting of several dimensions, i. e. price-quality ratio, price fairness, price transparency, price reliability and relative price. Besides service quality and employee satisfaction, another strong factor that has a direct bearing on a customer's satisfaction with a service provider is the quality of the solution that the service provider provides for the customer's business problem (Whyte, Bytheway, and Edwards, 1997). To achieve the intended purpose of this proposed study, below is a proposed conceptual framework for this research:

Price

Customer Loyalty

Loyalty

Customer Satisfaction

Satisfaction

Service/Product Quality

Quality

Solution Quality

Employee Satisfaction

Satisfaction

+

+

+

+

### **1. 3 Research Questions**

The following questions are based on the issues discussed in the research problem by analyzing the practices of Airline industry in order to find out the impact of Price, Product/Service Quality, and Solution Quality on Customer satisfaction. These research questions are meant to get a feedback from Airline customers that patronize Saudi Airline and a comparable industry



leader such as Singapore Airline on what actually constitute their Satisfaction and loyalty.

**How does Price/Fare affect Customer satisfaction in Airline Industry?**

**How does Product/Service Quality affect Customer satisfaction in Airline Industry?**

**How does Employee Job Satisfaction affect Product/Service Quality in Airline Industry?**

**How does Employee Job Satisfaction affect Solution Quality in Airline Industry?**

**How does Solution Quality affect Customer satisfaction in Airline Industry?**

**How does Customer satisfaction affect Customer Retention in Airline Industry?**

#### **1. 4 Research Objectives**

This primary objective of this study is to establish the interdependence of Price perception, Service Quality, Employee Job Satisfaction and Solution Quality on customer satisfaction and customer loyalty. To achieve this, this study plans to measure the impact of metrics such as Price perception, Service Quality, Employee Job Satisfaction and Solution Quality on customer's satisfaction and loyalty in the Airline industry. Equally included in the study objective is to test the mediating impact of customer satisfaction on customer loyalty, an issue the researcher believes will strong assist in better understanding the mechanism that are behind the relationships between the antecedents and outcome of customer satisfactions within the

airline industry. The theoretical framework is based on market orientation approach as a means to exploring and establishing the relationship between Efficient Airline projects as the independent variable and customer's loyalty as the dependent variable.

To simplify this, the researcher has designed the following objectives to capture the research problem and provide answers to the research questions.

**To test a model that can explain the impact of Price, Service Quality, Employee Job Satisfaction and Service Quality on Customer Satisfaction and Customer Loyalty.**

**Research objective 2:**

**To determine the mediating effects of Customer Satisfaction on Customer Retention/Loyalty.**

### **1. 5 Scope of the study**

The focus of this study is to understand what aspect of Airline operations determines Customer satisfaction. This research is limited to the Airline industry, where Saudi Arabia Airline and a leading Airline such as Singapore Airline will be selected for investigation with a set of sampling technique to explore the determinants of customer satisfaction and loyalty.

The focus of this research is limited to the airline industry, where selected customers from the airline industry will be investigated with a set of sampling technique to explore their perceptions of the airline services within tourism industry as a strategic part of tourism marketing.

The theoretical background of the research is based on market orientation approach and customer satisfaction theories, while airline Tourism will be studied from the perspective of the customers. The researcher is planning to structure this research study as a triangulated exploratory investigation that will integrate both qualitative and quantitative techniques, which will be primarily based on an in-depth interview with managers and professionals from the Saudi Arabia airline industry.

## **1. 6 Significance of the research**

Airline Industry has been chosen as the subject of this study because it will assist in identifying those variables that determine customer satisfaction and loyalty. To the Airline industry, this proposed research work will assist in establishing industry standard and assist the academics in developing alternative theories and models that will facilitate the general operations of the Airline Industry (Halil et al, 2008; Fochen and Robert, 2003; Dennis et al, 1993).

### **Significance to the Academics**

Very important to the academics on this research is the detail explorations of the linkages that are between airline operational processes, service quality and contemporary customer satisfaction theories. Arguably, the existing literatures have implied that there exist a relationship between airline operation processes and customer satisfaction (), but till date there is very little published empirical research in this area that is looking at the impact of price, solution quality and employee satisfaction on customer satisfaction and loyalty. In addition to this, existing theoretical gaps have indicated that

there is need for the academics to further explore, analyze, explain and expand the links between customer satisfaction theories and airline operation processes.

Given the aforementioned, this research will be primarily contributing to the academics through its conceptualization and empirically testing the impacts of airline operational processes like price, service/product quality, employee job satisfaction and solution quality on customer satisfaction and loyalty within the airline industry. Through the developments of a measure that can determine the impact of airline operational processes on customer satisfaction and loyalty will provide the empirical methods for the academics in better understanding and able to predict the actual relationship that is existing between service quality and customer satisfaction theories within the airline industry. Measuring the impact of price will provide the knowledge to determine if increase or decrease in the prices of airline services will lead to better customer satisfaction and improved customer relationship performance or not.

### **Significance to the Practitioners**

Airline management and managers will benefit by better understanding those factors that actually influence the relationships that exist between their operation processes and customer satisfaction and intention to repurchase. In particular, airline mangers will benefit from their understanding of how solution quality and price can affects their relationship with the customer, and how key attributes in airline services can be developed and supported by operational processes.

Both the HR and Production managers will benefit how employee satisfaction can be of significant impact to their service quality and solution quality, specifically through their understanding of the key relationships that exist between airline operational processes and their customer relationship performances. The enhanced knowledge through this research would a long way assist the airline management decision-making processes when they are evaluating their customer relationship performances.

In the final analysis, it is worth mentioning here that service quality cannot be separated from the concept of customer satisfaction. This is because the nature or characteristics of the service has also been found to influence the relative importance of the drivers of customer satisfaction (Zeithaml and Bitner, 2000).

## **1. 7 Proposed Methodology and data collection process**

Though there are many methods of collecting data via survey. In this proposed research work, primary data for the intending statistical analysis will be collected through questionnaire design among the selected Airline customers in Saudi Arabia. The researcher is planning to adopt a second qualitative measurement to affirm research findings and assist in the interpretations of the research results with the help of the Airline Experts/Managers. The Unit of Analysis is who or what that is being studied in a given research. Evidences from the social science research have established a unit of analysis as an organization, an individual, a social interaction or a group of organization/individual. Relating the above into this research, the unit of analysis are the Airline customers that will be surveyed.

## **1. 8 STRUCTURE OF THIS STUDY**

Chapter one introduces the research topic “ determinants of customer satisfaction in airline industry” and argues on the reasons for using price, service quality and solution quality, also included in it were statement of the research problem, the research questions, the research objectives, scope and limitations of the study and significance of the research.

Chapter two will define the dimensions of service quality and offer the theoretical background of airline marketing through a series of literature reviews on tourism marketing and customer satisfaction. The theoretical background upon which the researcher plans to develop a theoretical framework and hypothesis in form of summary will equally be contained in chapter two.

Chapter three will introduce the research methodology to be employed in this research, by providing a detailed qualitative and quantitative approach to be applied on each case study; and also contain the procedures for the selection of each case, data collection and discussion of data quality that will assist to determine the validity of the research.

Chapter four will consist of the descriptions and analyzes of the practices of the airline projects in Saudi airline. The outcomes of the findings on Saudi airline will be presented for discussion in chapter five. While chapter six will analyze, discuss and make conclusions regarding the research questions and points to the theoretical contribution along with the managerial implications

contained in the research. Also to be included in chapter six are the alternative recommendations as a direction for future research.