



An Analysis of the Impact of Service Quality and Passenger Satisfaction on Passenger Preferences for Airlines: A Study of the Indian Aviation Sector

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ABSTRACT

The primary objective of this paper is to examine the relationship between airline service quality, passenger satisfaction and preference. This study identifies the main factors of airline service quality, passenger satisfaction and preference and proposes a model examining the directional relationship among these three constructs. It is based on an empirical influence of the data collected from 200 passengers with Indian airlines during July and August 2015. The data are analyzed using a variety of statistical techniques. Factor analysis is used to identify the main factors of airline service quality and passenger satisfaction and preference. The segmentation of airline passengers according to their preference levels and psychographic characteristics is performed using cluster analysis techniques. LISREL 8 and path analysis techniques are used to investigate the relationships among the three constructs namely: Service quality, passenger satisfaction and passenger preference. The key findings of the study indicate that overall service quality is highly related to both passenger satisfaction and preference. The relationship between passenger and preference toward a specific airline is less clear.

Keywords: Service Quality, Passenger's Satisfaction, Passenger's Preference

JEL Classifications: M30, M31

1. INTRODUCTION

The aviation sector is one of the major economic drivers for prosperity, development and employment in any country. India is the 9th largest aviation market in the world with a size of around US \$16 billion and is poised to be the 3rd biggest by 2020. Indian aviation industry promises huge growth potential due to large and growing middle class population, rapid economic growth, higher disposable incomes, rising aspirations of the middle class and overall low penetration levels. Civil aviation industry in India is experiencing a new era of expansion driven by factors such as low cost carriers, modern airports, and foreign direct investments (FDI) in domestic airlines, cutting edge information technology interventions and growing emphasis on regional connectivity. Civil aviation sector has been growing steadily registering a growth of 13.8% in the last 10 years. The air transport in India has attracted FDI of over US \$569 million from April 2000 to February 2015. Indian airports have a combined capacity to cater to 220 million passengers and 5 million tonnes of cargo per annum and handled 169 million passengers and 2.8 million tonnes of cargo in 2014-15.

As per estimates, passenger traffic at Indian airports is expected to increase to 450 million passengers by 2020. Over the next few decades, India undoubtedly has the potential to become a significant part of the global aerospace supply chain as India offers cost advantages of between 15% and 25% in manufacturing, together with its large procurement appetite. Robust technical and engineering capabilities backed by top - Notch scientific and technical institutes are other positive offerings on the table.

In any business satisfying the customer is the ultimate goal or objective of any marketer. Excellent passenger satisfaction is one of the greatest assets for air business in today's competitive environment. The airline passenger of today is a very finicky customer with very high expectations and demands. Passenger satisfaction service arises when a company can provide passengers with benefits that exceed passengers "expectation and this is considered value-added." If customers are satisfied with the product or service which the company is providing then they will buy more, and do so more often (Kumar et al, 2012). Passenger gratification is an essential goal for each airline providing

passenger services. The on board experience is still something special for the customer. The customers have a wide choice to select the suitable airline product according to their requirements. Therefore, airlines Companies are continuously working on the in-flight product development and innovation to differentiate themselves from their competitors and passenger service and satisfaction can be a determining factor in the success of an entire operation.

2. LITERATURE AND RESEARCH REVIEWS

2.1. Service Quality

This concept states that that the quality should start from the needs of customers and ends at the customer’s perception. This means that good quality perception is not based on services provider, but is based on the point of view or perception of the customer. Customer perception of service quality is a comprehensive assessment of a service benefits.

Benefits gained from creating and maintaining quality of service are greater than the cost to reach or as a result of poor quality. Superior service quality is a tool to achieve competitive advantage of company (Parasuraman et al, 1988). Superior service quality and consistency can lead to customer satisfaction which in turn will provide various benefits, such as: (1) The relationship between the company and its customers will become more harmonious, (2) provide a good basis for re-purchase activities, (3) encourage customer loyalty, (4) creating a recommendation by word of mouth (word of mouth) that benefit the company, (5) to be a good corporate reputation in the customer’s mind, and (6) company’s profit will be increased. The implications of these benefits are that each company must realize the strategic importance of quality. Continuous quality improvement is not a cost but an investment to generate greater profits.

There are two main aspects that describe and affect both service quality; the actual service customers expected (expected service) and services perceived (perceived service). Figure 1 below explains these constructs. Bitner (2013) explains that the creation of customer satisfaction for a service can be identified through a comparison between service perceptions with service expectation.

Quality of services will create customer loyalty. Customers must be satisfied, because if they were not satisfied to leave the company and will become customers of competitors, this will decrease sales and in turn will lower corporate profits. The results of research conducted showed that the regression coefficient of interaction with the service quality to customer satisfaction park services, airline and distance telecommunications services, significant buying interest returned.

Some researchers did test the influence of service quality, customer satisfaction and repurchase interest and proposed an assessment model that specializes relationship between perceptions of service quality, customer satisfaction and interest to buy (Basu, 2014). Results show that customer satisfaction is an intervening variable between service quality and interest back. Affect service quality satisfaction, and satisfaction affect the interest purchased.

2.2. Passenger Satisfaction

Passenger satisfaction or dissatisfaction is a response to the evaluation of the perceived discrepancy between expectations and service performance. Passenger satisfaction is a function of expectations and service quality performance. Evaluating passenger satisfaction can use five approaches, namely: (1) Paradigm of disconfirmation expectations, (2) The theory of comparative level, (3) equity theory, (4) Norms as a benchmark standard, (5) theory of perceptual disparity.

Positive disconfirmation will occur if the perceived performance of passenger service is better than what was expected to create satisfaction, confirmation occurs when the service performance as perceived by passengers expected to create a feeling neutral, negative disconfirmation occurs when the performance of services that are not perceived better than expected, leading to passenger dissatisfaction (Anderson et al., 2013). The concept of satisfaction and the quality is often equated even though these two concepts have a different understanding. In general, satisfaction is considered to have a broader concept than service quality assessment, which specifically focuses only on the service dimension. Quality of service is the focus of the assessment that reflects the passenger’s perception of the five specific dimensions of service (Figure 2). Conversely, satisfaction is more inclusive, that is, satisfaction is determined by the perception of service quality, product quality, price, situation factors, and personal factors.

Passengers consider price as an indicator of the quality of a service, especially for services whose quality is difficult to detect prior to services in consumption. This is related to the fact that the nature

Figure 1: Perceived service quality model

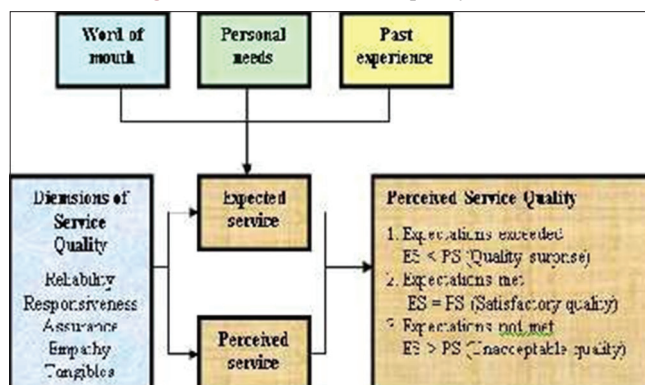
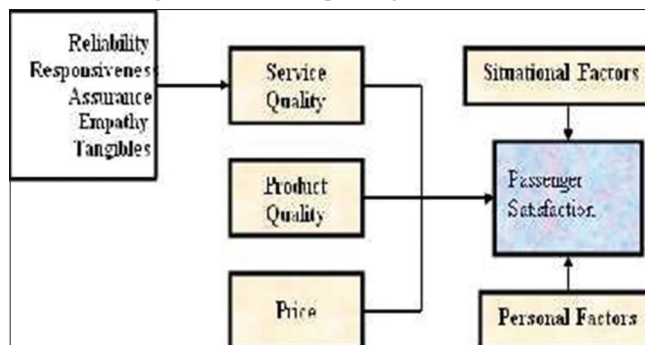


Figure 2: Model of passenger satisfaction



of the services that have a risk level is high enough compared to the product form of goods and services to be purchased, the passenger tends to use price as the basis for expected quality of a product/service. Passengers usually tend to assume that higher prices would reflect the high quality. Environmental or situation factors affecting the level of personal satisfaction with the services consumed. Situation factors, such as; conditions and circumstances will lead the consumer experience to come to a service provider, this will affect the expectations or the expectations of the goods or services to be consumed. The same effect occurs because the influence of personal factors such as emotional consumer.

2.3. Passenger Preference

Preference is more aimed at non-random behavior shown by the purchase routine. Behavior or non-random events that is if passengers know the benefits of certain goods or services and in accordance with the requirements, then the passenger will tend to be loyal (Figure 3). The characteristics of loyal passengers are: (1) Undertake regular re-purchase, (2) Buying outside the line of products/services available, (3) to recommend the products/services to others (4) showing no resistance so the power attraction similar products from competitors.

3. RESEARCH METHODS

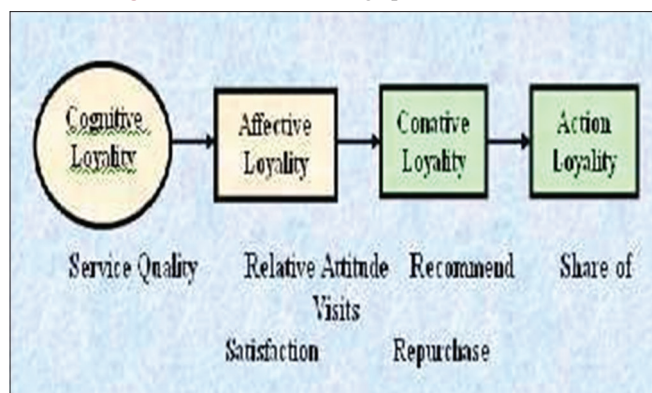
Based on this research problem, the study design appropriate to the object of this research is ex post facto because this research belongs to a non-experimental design. A sample size of 200 airline passengers was chosen using convenience sampling. Descriptive studies are aimed at obtaining a description of the customer characteristics while explanatory research is intended to test the hypothesis of the influence of service quality and passenger satisfaction on passenger preference of Indian domestic passengers.

H_0 = Service quality and passenger satisfaction have no significant impact on passenger preference for airlines.

4. RESEARCH FINDINGS

Parameter Estimation Results Parameter estimation results from the variables service quality, passenger satisfaction and passenger preference are seen as follows:

Figure 3: Oliver’s four stage preference model



In the Table 1, visible from the five indicators of latent variables forming service quality, indicators of empathy has a weight greater factor/dominant than the other four indicators.

In the Table 2, visible from the five indicators of latent variables forming passenger satisfaction, indicators of Situational Factors have a larger weight/are more dominant than the other four indicators and are followed by product quality.

Table 3 shows that the indicator weight Affective Preference has greater factor/is more dominant than the other two indicators.

The analysis of variance table shows that tabular significant value at 5% level (0.05) is greater than the calculated significant value 0.002. So it rejects the null hypothesis at 5% level of significance. This means there is a significant correlation between dependent variable and independent variables. Therefore passengers’ preference for airline is dependent on service quality and passenger satisfaction. The overall predictability of the model is shown in the Table 4.

Table 1: Parameter estimation of service quality

Parameters	Parameter estimation	Loading factor	R ²	Error variance
Reliability	0.4645	0.9219	0.8499	0.1501
Responsiveness	0.4718	0.8661	0.7501	0.2499
Assurance	0.4696	0.9362	0.8765	0.1235
Empathy	0.4737	0.9709	0.9426	0.0574
Tangibles	0.4518	0.8749	0.7655	0.2345

Source: Primary data analysis

Table 2: Parameter estimation of passenger satisfaction

Parameters	Parameter estimation	Loading factor	R ²	Error variance
Service quality	0.5084	0.9429	0.8891	0.1109
Product quality	0.6491	0.9612	0.9239	0.0761
Price	0.5544	0.9466	0.8961	0.1039
Personal factors	0.5314	0.9574	0.9166	0.0834
Situational factors	0.5197	0.9713	0.9434	0.0566

Source: Primary data analysis

Table 3: Parameter estimation of passenger preference

Parameters	Estimate parameter	Loading factor	R ²	Error variance
Cognitive preference	0.4855	0.8821	0.7781	0.2219
Affective preference	0.5435	0.8972	0.8050	0.1950
Connective preference	0.5638	0.7571	0.5732	0.4268
Action preference	0.5875	0.7430	0.5520	0.4480

Source: Primary data analysis

Table 4: ANOVA

Model	Sum of square	df	Mean square	F	Significant
1					
Regression	7530.154	8	952.35	384.4	0.002 ^b
Residual	126.331	41	2.246		
Total	N-1=50-1	49			

Significant level at 0.05, ^aDependent variable: Passenger preference,

^bPredictors: (Constant) service quality, passenger satisfaction, ANOVA: Analysis of variance

5. CONCLUSION

The study shows that the service quality and passenger satisfaction has a direct impact on the passengers' preference for a particular airline. These findings carry significance for the managements of airlines as they have to focus on improving the service quality and passenger satisfaction parameters in order to increase customer inflow. Empathy and responsiveness to customer queries and complaints were found to be the most significant factors in service quality. Product quality, price and personal factors are the three most significant factors in passenger satisfaction while action preference and connective preference were found to be the most important factors in passengers' preference for an airline. Based on these findings, the null hypothesis that service quality and passenger satisfaction have no impact on passengers' preference for an airline was rejected. The findings of this study have operational significance in the management of airlines and provide a pointer as to which areas

need more focus from the management in order to increase the market share.

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