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Assessing how service quality, airline image and customer value affect the intentions of passengers regarding low cost carriers

Keng-Chieh Yang^{a,*}, Tsui-Chuan Hsieh^b, Hendrik Li^b, Chyan Yang^b

^aHwa Hsia Institute of Technology, 111 Gong Jhuan Rd., Chung Ho, New Taipei City, 235, Taiwan, ROC

^bInstitute of Information Management, National Chiao Tung University, Taiwan, ROC

A B S T R A C T

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This paper uses simple structural equation modelling to investigate relationships between service quality, airline image, customer value and behavioural intentions for passengers to fly on low cost carriers. In particular it focuses on flier's expectations of the types of services that they can enjoy. The analysis indicates that service quality has a significant positive effect on customer value, airline image and behavioural intentions, but that airline image does not itself significantly influence behavioural intentions.

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1. Introduction

Service quality is a measure of how well the service level delivered matches customer expectations; Gronroos (1984), for example, developed a model where customers compare the service they expect with perceptions of the service they receive to evaluate service quality. Furthermore, (Hensher et al., 2003) has shown that service quality focuses not only on outcomes but also on service processes. Compared to goods, however, service quality is more difficult to measure because there are fewer cues for consumers to assess *ex ante*. This is why companies such as airlines seek to direct potential passengers to their services by providing cues that favour them, and these are the generally physical attributes of the carrier.

In this context, an airline has the possibility of attracting new customers and build a positive corporate image through its physical and behavioural attributes, such as reputation, type of aircraft, variety of services, and business ideology as well as the impression of quality communicated by its personnel interacting with its potential customers (Dodds et al., 1991). Corporate image in this sense has been found as an important factor in an evaluation of a company (Fombrun, 1996), influencing customers' perceptions of the services offered and the companies they choose.

2. The approach

Here we look at the ways in which service quality may be perceived and acted upon by potential air travellers paying

particular attention to attitudes towards low cost carriers (LCC). There are a number of behavioural responses, for example that provide indications of whether consumers are becoming tied to a firm they are using, or "bonding" with its image. For example, when consumers express a preference for one firm over others, or when they praise the firm or recommend it to others, they are becoming bonded to the firm (Park et al., 2004). Based on these ideas, a conceptual model (Fig. 1) is used to test five hypotheses:

- H1. Service quality has a positive impact on customer value.
- H2. Service quality has a positive impact on airline image.
- H3. Customer value has a positive impact on behavioural intentions.
- H4. Airline image has a positive impact on behavioural intentions.
- H5. Service quality has a positive impact on behavioural intentions.

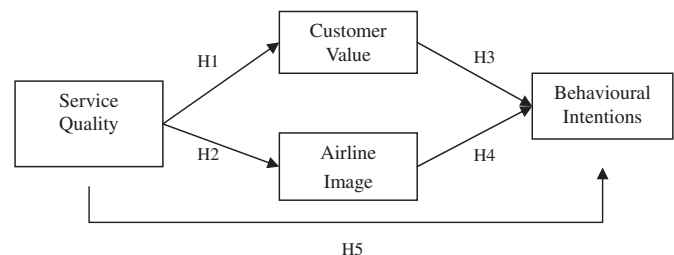


Fig. 1. The conceptual model.

* Corresponding author. Tel.: +886 922741977.

E-mail address: andesyoung.tw@gmail.com (K.-C. Yang).

Table 1
Respondents' profiles.

Demographic characteristics		Sample number	Frequency (%)
Gender	Male	231	50.4
	Female	227	49.6
Age	20 or younger	35	7.6
	21–40	399	87.2
	41–60	24	5.2
Education	High school or below	10	2.2
	College	255	55.7
	Graduate degree	193	42.1
Occupation	Private sector	122	26.6
	Government employee	23	5
	Student	266	58.1
	Other	47	10.3
Status	Single	402	87.8
	Married no child	42	9.2
	Married w/child	14	3.1
Income	20,000 or below	289	63.1
	20,001–40,000	77	16.8
	40,001–60,000	56	12.2
	60,001 or above	36	7.9

To this end we examine the attitudes of a group of Taiwanese air travellers towards service quality. We first conducted a pilot test to ensure that our survey is reflective of relevant issues and is easily understood by respondents. We asked MBA students about their experiences of international travel and online ticket shopping, and to relate this to the length and sequence of items, format, scaling and wording of the questionnaire. Then, for the study proper, 482 people responded between 13 April 2009 and 7 May 2009 to a revised questionnaire administered through web sites used by business travellers, students and backpackers.¹ There were 458 valid responses (Table 1). There were 30 questions based on Likert five-point scales, grouped to give 15 possible service effects (the manifest variables).

3. Results

Table 2 provides the result of the structural equation modelling analysis deploying path analysis using the LISREL 8.5 structure equation-modelling package (Joreskog and Sorbom, 1993).² We test the hypothesised relationships among the variables. In addition, to their direct effects, we include indirect effects representing those factors mediated by the intervening variables between the cause and effect of interest in a model (Alwin and Hauser, 1975). LISREL allows both the direct and indirect effects to be estimated simultaneously. Technically, the model offers a good fit to the data.

Table 3 provides the results regarding the direct and indirect effects. We see that service quality has a direct effect on behavioural intentions to use of 0.56 and its indirect effects of 0.197 and 0.84. The resulting effect of expected service quality on behavioural intentions is thus 0.84.

We see from Table 2 that of the five hypothesis postulated, “H3. Customer value has a positive impact on behavioural intentions”, however, is also at the margin of acceptable significance. The effect on service quality to customer value was $\beta = 0.73$ which supports Hypothesis 1. The path from service quality to customer value accounts for 43% of the variance in customer value. Hypothesis 2 is

¹ Convenience sampling was used, which means our results must be treated with extreme caution.

² To conform to the needs of structure equation modelling, we checked for composite reliability to ensure the internal consistency of the measurement model. The loadings in Table 2 show the coefficients of all items are above the recommended threshold of 0.7 (Fornell and Larcker, 1981).

Table 2
Structural modelling analysis.

Hypothesis	Path	Path coefficient
H1	ESQ → CV	0.73***
H2	ESQ → AI	0.67***
H3	CV → BI	0.27*
H4	AI → BI	0.12
H5	ESQ → BI	0.56**

Note: *denotes $P < 0.05$; **denotes $P < 0.01$; ***denotes $P < 0.001$.

Table 3
Effects on behavioural intentions.

Construct	Direct effects	Indirect effects	Total effects
Expected Service Quality	0.56**	0.197, 0.084	0.84
Customer Value	0.27*		0.27
Airline Image	0.12		0.12

Note: *denotes $P < 0.05$; **denotes $P < 0.01$.

supported indicating service quality affected airline image and the path accounts for 47% of the variance in airline image. Hypotheses 3 (although less strongly) and 5 are also supported with customer value and service quality having significant effects on behavioural intentions with both paths accounting for 46% of the variance in behavioural intentions. Only H4 “Airline image has a positive impact on behavioural intentions” has no statistical support.

The results thus indicate that service quality has the greatest effect on behavioural intentions, especially in terms of reliability, tangibles, responsiveness and assurance, suggesting that customers care not only about low prices, but also about other service quality issues. But there is a caveat, customers' repurchase intentions are essentially determined by perceived value and thus their sources of information and prior experiences are important. It may well be, for example, that airline image has limited effect on the intention to use LCC because the majority of the Taiwanese market has only a few such carriers, and respondents are therefore not very familiar with them or their attributes.

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