

The Influence of Service Quality on Passengers' Satisfaction and Loyalty. A Study on Air Malta

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Abstract:

This research examines and investigates the impact of service quality on airline customer satisfaction and loyalty. The researchers analyzed the secondary data and exercised personal observation to identify the nature of the relationship between service quality and customer satisfaction, loyalty, and to study further the impact of service quality on both market share and profitability of Air Malta. In addition, the result showed an effective marketing strategy that can be offered and implemented based on further investigation and analysis of the relationship between service quality, customer satisfaction, and loyalty.

Some recommendations for the management at Air Malta were suggested to help them to make better choices with special emphasis on the reliability of their services. The limitations of the research were also discussed.

Key words: Service quality, airline customer satisfaction, customer loyalty, market share, profitability

1. Introduction:

The status of the airline industry is characterized by a dynamic and a fierce competition with heavy regulations. Running airlines profitable has always been a great challenge (Doganis, 2006). In addition to intense competition diminishing airlines' profits, airlines are exposed to market volatility, legal regulations restricting operations, and a disadvantageous cost structure with high fixed costs (Delfmann, 2005 and Shaw, 2007). Therefore, in a highly competitive industry, managers must find ways to make their services stand out amongst the other competitors with the aim of providing high level of service quality, promoting customer satisfaction and then obtaining customer loyalty. Hence, frequent customers (frequent flyers) are the heart of any airline business process. The customers are subsequently, the main concern in this process. Reichheld & Sasser, 1990 and Reinartz & Kumar(2002) point out that in such a highly competitive environment, customer loyalty becomes an increase effective means for securing a firm's profitability. Moreover, Wilson et al. (2008) stress the fact that there are other factors such as price, product quality other than service quality that determine customer satisfaction but our interest on service quality alone for this research is because service quality has been proven to be the best determinant of

customer satisfaction when it comes to service sectors, such as airline industry.

Research on customer satisfaction and loyalty in other service industries has been flourishing and prosper. Hence, because of the limitation of scientific research on the topic in the airline industry, this research was carried out. This fact motivated the researchers to further examine and investigate the impact of service quality on airline customer satisfaction and loyalty. This research conducted referred to its relevance to Air Malta.

2. Literature Review

Service quality, customer satisfaction, customer loyalty and their linkage with profitability and market share of any organization have been studied over the years. Generally speaking, it has been proven that an organization that consistently satisfies its customers, enjoy higher retention levels and greater profitability due to increase customer loyalty (Wicks &Roethlein, 2009). For this reason, service organizations work hard day after day to win the hearts and minds of their customers by satisfying them in order they become loyal clients to their brands, which will ultimately increase sales and profit.

Quality is one of the things that consumers look for in an offer, which service happens to be one (Solomon 2009,). While, Kotler et al. (2002) define quality as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs. Service quality, on the other hand is defined as the ability of a servicing company to deliver what their customers are expecting to get in

an engaged businesses, a failure to do so will result in losing customers. Parasuraman (1988) also defines service quality as the differences between customer expectations and perceptions of service. Whereas, customer loyalty refers to a customer's repeated same brand purchase within given category, based on a favorable attitude towards and preference for the particular brand.

The literature reviewed on the airline industry demonstrated that air carriers' organizations set out a systematic planning and applied strategies to accomplish desires of their customers, thus, their objectives were to provide good value to customers for their purchasing, and building a strong tie with their customers, through a continues improvement of their services and products aiming for more satisfied customers. Therefore, customers are expecting safe and secure flights, which ultimately increase their customer satisfaction and purchase intensions. According to Nadiri and Hussain (2005, cited in Nadiri, et al., 2008), service quality promotes satisfaction, stimulates intention to return, and encourages recommendations. Several studies have examined the customer behaviors with the quality of the service. Boulding, et al., (1993, cited in Zeithaml, 2000) indicate that researchers found a positive and a significant relationship between customers perceptions of service quality and their willingness to recommend the company. Researchers indicate that companies who invested in their service quality have managed to reduce the gap between their services being provided and their customer's expectations leads to more satisfying customers. Although research on service quality model has been used by a variety of businesses, there is a strong tendency to apply the model also on the

airline business. The validity of the service quality five dimensions cannot be applied without any modifications. The performance based measure of service quality considered beneficial to traditional service quality model. A research carried out by An and Noh (2009) pointed out that the recognition of airline service quality is much harder than that of other service companies such as, financial institutions whose work processes consist of separate but interrelated tasks of one organization. However, airline services require coordination among variety of activities carried out by number of organizations to deliver and improve service quality.

Recent studies also highlighted number of factors that will affect customer's satisfaction of airline companies. These factors include product feature, personnel performance, service quality, environment, location and prices. Moreover, according to (Sukati et al., 2015), factors including on-line purchasing flight tickets, check-in counter services, flight attendant, aircraft condition and food service, these considered as main parts in determining customer satisfaction. Customer satisfaction can differ from customer to customer and product to product based on number of factors, for example: Demographic, as people age and life style will influence customer satisfaction and loyalty, elderly customers tend to be more loyal once they are satisfied with the service quality of a particular airline. Equally, it is very important to satisfy young travelers who are familiar with the present technological trends, well-educated and more demanding in services and products they request. According to LaBarbera and Mazursky (1983) as cited in Mamukasa (2013), in order to achieve customer satisfaction, organizations must be able to build and

maintain long lasting relationships with customers through satisfying various customer needs and demands, which leads to a fruitful association. (Nadir et al., 2008) indicate that managers must understand their customers' needs-and then to set out to meet or perhaps exceed these needs. While, Dean (2007) points out that customer focus is directly related to customer loyalty, with some of the effect transmitted by perceived service quality. Implementing proper strategies that focuses mainly on their customers, shall inspire customers to stay loyal and to attract new customers. According to Nuseir and Madanat (2015), Customer' satisfaction generates positive and productive impact on business growth. Having significant number of customers means that the organization has a strong competitive position over other businesses rivals. Thus, delivering of high quality services becomes highly important to guarantee customer loyalty, profitability and solid market share to the airline. In addition, customer loyalty and satisfaction is also used as a benchmark criterion against which an organization can measure itself, customers can provide feedback regarding the quality and services, and this information can be used to design strategic interventions to improve the level of customer loyalty and satisfaction, customer loyalty and satisfaction can also serve as criteria which to judge the efficacy of these interventions (Widzer, 2001).

According to Kotler& Keller (2012) product and service quality, customer satisfaction, and company profitability are intimately connected. Cutting corners on quality causes organizations to lose customers to their competitors. Hence, increasing customer satisfaction by reducing prices or expanding the services may result in lower profits.

Furthermore, a company has to balance between market share and customer satisfaction, as it may fall as market share increase. Fornell (1992) argues that it is far from certain that market share and customer satisfaction are positively correlated. In fact, the opposite could be the case. In view of these facts, it is clear, delivering high service quality shall influence the company profitability through customer satisfaction. However, a recent research in the airline industry carried out by Archana and Subha (2012) on service quality and passenger satisfaction argue that satisfaction and loyalty are not surrogates for each other. It is possible for customers to be loyal without being highly satisfied and to be highly satisfied and yet not loyal.

3. Problem Statement:

Malta's air transport industry is experiencing rapid growth and Luqa International Airport (the airport of the Maltese Islands) is becoming an important hub in Europe in the next few years, particularly for low cost carriers (LCC). Therefore, airlines in general, need to satisfy their customer services with no extra fees. Air Malta is no exception, Excellent passenger satisfaction is one of the greatest assets for air Malta in today's competitive environment because the delivery of high service quality is essential for the airline's survival and competitiveness. In addition, the findings would encourage the airline to improve its customer relations management as well as its brand loyalty.

4. Methodology and Data Collection:

A descriptive approach was used to provide an assessment and analysis of the subject of service quality influencing customer satisfaction

and loyalty and company profitability. Using a qualitative data to examine and evaluate the relationship between certain variables.

The organization that the researchers investigated was Air Malta. A multiple data sources were used for collecting data. Direct observations and a set of data of multiple archival sources were exercised to test the hypotheses of the influence service quality and customer satisfaction on customer loyalty of Air Malta's passengers. The data have measures for customer satisfaction and loyalty, with the consideration of proper linkage to company performance, profitability, and increase in market share.

5. Findings:

The findings of this study revealed that proper service quality was very important for customers' satisfaction and loyalty, which supports the idea that a company with sustainable market share through their service quality will result of having more loyal and satisfied customers that, in return, attributes to a profitability margin.

In the case of Air Malta, the dimensions of a service quality model: Reliability, Tangibility, Responsiveness, Assurance, and Empathy were not validated in measuring service quality and customer satisfaction because secondary data used for this research based on manipulating data available from a number of official websites and personal observation. While customers' perception of airline service quality is only one of several variables, such as a flight destination, seating comfort, easy online booking, in- flight services, staff handling, complaints handling, airplanes internal & external cleanliness, food varieties and services, lounges and

check-in procedures, that contributed to the overall airline company attractiveness. In our case, we noted that passengers' satisfaction is varied from person to another, as some were more interested in off-board facilities, others were concerned about on-board services. Some passengers are interested in the quality of food, while others wanted more extra luggage weight and others are more interested in the legroom in the aircraft. We also observed that Air Malta has implemented a new marketing strategy and business model, which is similar to low-cost carriers (LCC), by adapting few techniques used by the LCC, for example, increasing the seating capacity in the economy class, selling beverages on board, limited food services and trying to compete on prices only. Where in fact, Air Malta is still struggling with high-cost structure compared to those of low-cost carriers.

6. Summary and Conclusion:

In a highly competitive environment such as, the airline industry, airlines are forced to continuously develop and improve their service quality as well as a better understanding of their customers' needs and expectation, "customer focused services". Meeting these challenges would raise the level of the customer's satisfactions and loyalty in return of that profitability can be achieved as consistency of service quality maintained high. This research disclosed that the relationship of customer retention is also very important for the company market sustainability. In addition, this research has shown that there were significant relationships between company profitability, customer satisfaction and loyalty as they are secured through high service quality.

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