Asymmetric response model for evaluating airline service quality: An empirical study in cross-strait direct flights

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**Abstract**

In this paper we propose a framework to investigate service quality asymmetrically. An asymmetric response model within structural equation framework is developed to study the relationship between service quality and the passenger's behavioral intention in the cross-strait direct flight (Taiwan–Shanghai). The results reveal that service quality in the loss region has more impact on behavioral intention than service quality in the gain region. Hence, attention should be paid to the service quality of important attributes in the loss region and strategies should ensure service quality of those important attributes that meet passenger’s expectations.

**1. Introduction**

Having implemented economic reformation and openness since the late 1970s, China’s economic development has poured into the vitality and vigor. Due to China’s fast-changing economic situation and the wave of globalization as the impetus, the civilian exchanges across the Taiwan Strait have mushroomed. On 14 June 2010, there were 370 flights per week. Initially, mainland China permitted flights from Beijing, Shanghai (Pudong Airport), Guangzhou, Xiamen, and Nanjing, while Taiwan’s government permitted flights from Taiwan Taoyuan Airport, Taipei Songshan Airport, Kaohsiung, Taichung, Makung, Hualien, Kinmen, and Taitung. Today, there are five Taiwanese carriers (China, Eva, TransAsia, Mandarin, and Uni Air), and nine Chinese operators (Air China, China Eastern, China Southern, Hainan, Xiamen, Shandong, Sichuan, and Shenzhen) running these trips. Among these 27 round-trip flights, the Shanghai Pudong Airport route was the most competitive, having seven operators to run this route. Furthermore, according to statistics released by the Civil Aeronautics Administration (2011), cross-strait services provided by Taiwan’s carriers run at an 80.4% capacity, compared to 77.3% for their Chinese counterparts. More than 5 million air passengers took cross-strait direct flights in 2010, an 87% increase over 2009.

These data indicate that the cross-strait direct flights are the driving force for sustained cross-strait relations. Furthermore, due to the ongoing open-door policies (i.e., semi-independent travel), tourism and foreign direct investment of Chinese in Taiwan’s real estate marketplace, has contributed to a massive air passenger demand on the cross-strait direct flight routes. As a result, the provision of high quality service is the core competitive advantage for airlines serving these routes. Related research (i.e., Zeithaml et al., 1996) suggests that higher service quality can lead to customer loyalty. However, traditional assumptions that customers respond to service quality causing similar impact on gains or losses might be ill founded. The slope of passengers’ service quality gains and losses has been confirmed as non-smooth functions (Suzuki et al.,...
2. Literature review and hypotheses

If air carriers want to become more competitive, they have to realize major sources of competitive advantage. Service quality is often seen as a prime determinant. Furthermore, passengers’ behavioral intentions during the decision making process and influential factors acting on decisions are important to understand. Although researchers have made considerable progress in this area, most studies assume the relationship between service quality and demand is the same (symmetrical). However, based on the human choice behavior model, Suzuki and Tyworth (1998) proposed loss aversion, indicating consumers have stronger reactions on losses (i.e., negative feelings) than on gains (i.e., expectation and satisfaction). Hence, we extend Suzuki and Tyworth’s (1998) work by developing the asymmetrical response to air carriers’ service quality. In the following section the definitions of these proposed variables are discussed and the relationships between variables in the current study hypothesized.

2.1. Service quality, perceived value, satisfaction and behavioral intention

In a highly competitive circumstance like the cross-strait direct flight market, how to provide high quality service to satisfy passengers is an important source of competitive advantage for an airline. Previous studies in the marketing field have pointed out that service quality is significant to corporate success (Lu and Ling, 2008). The concept of service quality as a comparison between customers’ expectations and actual service performance has obtained wide acceptance following Parasuraman et al. (1985). In 1988, they simplified their conceptual model into 22 items/five dimensions: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988). Their measurement regarding service quality was known as the Service Quality Scale (SERVQUAL Scale); it has been widely applied to various industries, including airline service providers (Jou et al., 2008a, 2008b; Chou and Kim, 2009). However, these five dimensions and 22 items have been, in practice, appropriately modified in order to reflect the specific characteristics of the service context being studied.

Higher perceived value for service quality represents a core influencing factor on industry profitability. Perceived value is defined as the break-even point between perceived benefits and perceived sacrifices (Zeithaml et al., 1988). More specifically, perceived value is a consumer’s overall assessment of the utility of a product (or service) based on perceptions of what to receive and what to give. The concept of, sacrifice, can be analyzed as a monetary measurement or on a multidimensional scale (i.e., time spent and search cost) (Zeithaml et al., 1988; Cronin et al., 2000). The former can be defined as the difference between the money paid for a certain product and the quality of the product. However, the definition is questioned because of validity issues. The latter can be operationalized. Hence, by adapting the concept of perceived value (Zeithaml et al., 1988), it can be defined as a passenger’s overall assessment of the utility of the air service based on perceptions of what is received (services) and what is paid (money).

Oliver (1981) defined satisfaction as an emotional post-consumption response for comparing expected and actual performance (disconfirmation) and Nishii et al. (2008) investigated the effect of satisfaction in various contexts. For example, they investigated relationships among employee satisfaction, employee loyalty, and customer satisfaction, and suggested that customer satisfaction is the result of cognitive and affective evaluation regarding employees and products. Since satisfaction is a crucial factor, Babakus et al. (2004) propose that customer satisfaction is the customer’s overall subjective post-consumption evaluation judgment based on post-consumption experience with a particular organization.

Behavioral intentions, as an affirmed likelihood to engage in a certain behavior, are important indicators of customers’ future behaviors (intention to repurchase, word-of-mouth intentions, willingness of using, willingness of promoting, and the attitudinal loyalty of ignoring competitor promotions) (Griffin, 1996; Han and Ryu, 2009; Han et al., 2009; Kuo et al., 2009). Thus, behavioral intentions lead to loyalty. In practice, loyalty is difficult to measure and thus most researchers employ behavioral intentions instead. Behavioral intentions frequently represent customer’s loyalty. For this reason, most researchers utilized the behavioral intention to measure customer loyalty (Choi et al., 2004; Chen, 2008; Chen and Chen, 2010: Kuo and Tang, 2011). Understanding customer behavior intention is advantageous to managers of airlines to develop appropriate marketing strategies and strengthen the company–customer relations. In other words, it is an antecedent of long-term validity (e.g., profitability and competitive advantage).

Behavioral intention in this paper was measured by the repurchase intention and the willingness of recommending the brand or certain airline products or services.

2.2. Applying the loss aversion concept to service quality

Customer evaluation of service quality resulting in gains and losses are usually assumed to be symmetrical. However, Suzuki et al. (2001) question the validity of these assumptions and argue that a decision maker should have a stronger
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