Impact of service quality on customer satisfaction in Malaysia airlines: A PLS-SEM approach

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ABSTRACT

This study is aimed to assess the quality of service provided by Malaysia Airlines and its impact on overall customer satisfaction. This study employed a convenience sampling method for collecting data from 460 respondents using a self-administered questionnaire, designed on five dimensions of AIRQUAL scale. Moreover, variance based structural equation modelling (PLS-SEM) was used for testing the proposed structural model. Findings of this study revealed that all five dimensions of AIRQUAL scale i.e. airline tangibles; terminal tangibles; personnel services; empathy and image have a positive, direct and significant impact on customer satisfaction of Malaysia Airlines. This study investigated the impact of service quality dimensions on customer satisfaction in Malaysia Airlines. Due to limited resources and time constraints this study involves respondents from Malaysia Airlines only; for that reason a comparative analysis of findings with other airlines was not possible; therefore it is considered a limitation of this study. Moreover, importance-performance map analysis (IPMA) was also performed for exploring the importance of various dimensions of service quality. Findings indicate that airlines should focus on all dimensions of service quality, with special focus on personnel services and image for enhancing their customer satisfaction. It is expected that findings of this study will help airlines to understand the role of various dimensions of service quality for enhancing their customer satisfaction.

1. Introduction

With the rapid advancements in competitive business environment, customer expectations and demands are also increasing, leading to a situation where many companies – especially airlines – find it difficult to retain their customers (Ali et al., 2015). Moreover failure to recognize true needs and wants of customers is also a barrier to providing high quality services (Izogo and Ogba, 2015). Today’s competitive market situation have forced airlines to focus on cost reduction for achieving efficient business operations; however while doing so the element of service quality and customer satisfaction is often compromised (Boetsch et al., 2011).

Malaysia Airlines which was formerly known as Malaysian Airlines System (MAS) enjoys the prestige of being Malaysia’s only national flag carrier. Company began as Malayan Airways Limited and flew its first commercial flight in 1947 (Zaid, 1995). However after Singapore’s expulsion from Malaysia in 1972, airline’s assets were divided in Singapore Airlines and Malaysian Airline System (MAS), which is now known as Malaysia Airlines (Clarke, 2004; O’Connell and Williams, 2005). As the nation’s only flag-ship carrier Malaysia Airlines enjoyed the monopoly status in domestic market since 1974–2000. However, with the liberalization of Malaysian domestic airline industry in early 2000, Air Asia and other low-cost airlines have changed the face of Malaysian air travel industry (Hankins, 2016; Radovic-Markovic et al., 2017). Resulting in an intense competition between its incumbent Malaysia Airlines and other budget airlines such as Air Asia and Malindo Air (Ong and Tan, 2010).

Despite holding the recognition of being a leading airline in and to Asia from World Travel Awards (2010-11, 2013) these days Malaysia Airlines struggles to cut cost to compete with its rival low-cost airlines (Hankins, 2016; Ong and Tan, 2010; Radovic-Markovic et al., 2017). Since decades airline industry is facing challenges in terms of profitability and customer satisfaction all over the world (Forgas et al., 2012). However, Malaysia Airlines’ financial troubles started exacerbating in 2014, after the loss of flight MH-370 and flight MH-17. Both
accidents were less than five months apart, and left a terrible impact on the overall goodwill of company, which led to its renationalization (Hankins, 2016; LeHardy and Moore, 2014). An unbiased analysis of current situation reveals a harsh fact that, after these two accidents many passengers still lack confidence in Malaysia Airlines in terms of its service quality, reliability and value for money (Smith and Marks, 2014).

Better service quality is a critical factor which can be useful for distinguishing and improving organization's performance in the era of intense competition (Namukasa, 2013; Ong and Tan, 2010). Pertaining to the subjective nature of service quality, its dimensions and measurement issues have been investigated by various recent studies (e.g. Farooq et al., 2009; Izogo and Ogba, 2015; Shabbir et al., 2016). Conceptual and empirical relationship between service quality and customer satisfaction have received substantial attention from researchers, turning it into one of the core marketing instruments (Gustafsson et al., 1999; Zaid, 1995). Although measurement of service quality has received a great deal of attention, yet service quality of airline industry is still unexplored and requires a thorough investigation (Ali et al., 2015; Farooq et al., 2017; Park et al., 2005). Unique nature of airline service industry, which is substantially different from other service industries, warrants further studies to explore the service quality of Malaysia Airlines and its impact on overall customer satisfaction (Farooq et al., 2017; Radovic-Markovic et al., 2017). Therefore, this study is aimed to assess the perceptions of Malaysia Airlines’ passengers, regarding the service quality and resulting customer satisfaction using the AIRQUAL scale.

For the ease of readers this paper is organized in five sections, starting with the introduction and background of this study. Section two provides a precise yet comprehensive insight of literature on service quality and customer satisfaction, along with its application in various airlines and description of scales used to measure service quality in airline industry. Next section three explains the research methodology and section four elaborates the survey results and findings of this study. Last section concludes this study followed by discussion of practical implications and limitations of this study.

2. Literature review

2.1. Service quality

According to Parasuraman et al. (1988, p. 13) service quality refers to the “function of [the] difference between [the] service expected and [the] customer's perceptions of the actual service delivered”. In recent past service quality have received an intense attention from researchers in the field of service marketing and business development (e.g. Aagja and Garg, 2010; Farooq et al., 2009; Qin et al., 2010; Samen et al., 2013; Shabbir et al., 2016). Moreover, a considerable attention has been given to its conceptualization and measurement scales as well (Akter et al., 2013; Cristobal et al., 2007; Farooq et al., 2009). Specifically, element of service quality has been extensively explored in various industries such as mobile banking, health management, telecommunication, online education, hoteling and tourism etc. (Abdullah et al., 2011; Farooq et al., 2017; Izogo and Ogba, 2015; Samen et al., 2013). According to Tsoukas and Mastrojanni (2010) customers compare actual service delivery with their own expectations, which are shaped by their prior experience, memories and/or word of mouth. This comparison helps to determine customers' perceived service quality (Parasuraman et al., 1988). Moreover in this regard Zeithaml et al. (1996) assert that better understanding of customers' perceived service quality is significantly important for enhancing customer satisfaction by delivering quality services.

In order to measure service quality, Parasuraman et al. (1985) proposed a comprehensive model comprising ten dimensions of service quality i.e. (1) tangibles, (2) reliability, (3) responsiveness, (4) understanding the customers, (5) access, (6) communication, (7) credibility, (8) security, (9) competence and (10) courtesy. Same model was latter simplified and named as SERVQUAL by Parasuraman et al. (1988) reducing it to five dimensions i.e. (1) tangibles, (2) reliability, (3) responsiveness, (4) assurance and (5) empathy. The SERVQUAL scale has been widely recognized by academicians, researchers and practitioners in various fields and different countries (Butt and Run, 2010; Farooq, 2016; Lee-Ross, 2008). SERVQUAL offers a comprehensive measurement scale with practical implications for customers' perceived service quality (Parasuraman et al., 1994). It is worth mentioning that, although SERVQUAL has been widely accepted and adopted by various scholars (e.g. Gilbert and Wong, 2003; Lee-Ross, 2008; Samen et al., 2013); yet it has also faced criticism by some scholars (e.g. Buttle, 1996; Cronin and Taylor, 1992; Robledo, 2001) because it only involves comparison of perceived quality of service received and customers' expected service quality.

In this regard Wu and Ko (2013) assert that SERVQUAL offers some general guidelines for assessment of service quality by incorporating its few dimensions and contexts; however service quality dimensions are ought to be scrutinized and examined discretely for incorporating various industry-specific issues. Moreover Park et al. (2005) argue that particular industry-specific operations and issues which are exclusive for airline industry (e.g. online ticketing, check-in, luggage allowance, boarding service and on-board facilities) distinguish airline industry from those of other service oriented industries. Various scholars (e.g. Chang and Yeh, 2002; Cunningham et al., 2004; Farooq et al., 2017; Namukasa, 2013; Radovic-Markovic et al., 2017; Wu and Cheng, 2013) have suggested that customers’ expectations in the field of airline industry are formed at the “moment-of-truth” by interacting with the reservation department, telephonic communication, ticketing experience, baggage handling system, flight schedule and service of cabin crew members. Therefore Park et al. (2005) assert that only five dimensions of SERVQUAL scale are not suitable for measuring all dimensions of service quality in airline industry as they do not involve industry specific (i.e. airline industry) aspects of service quality.

Due to massive criticism on the application of SERVQUAL scale, various scholars have used and recommended another service quality measurement scale, which is developed by Cronin and Taylor (1992) and is named as SERVPERF. According to Cronin and Taylor (1994) SERVPERF scale is mainly designed to focus on customers’ perceptions about performance of service providers, to assess the actual service quality received. Although some researchers have used this scale for assessing service quality in airline industry; yet there are number of critiques reporting its inability to capture dimensions of airlines’ service quality (Ali et al., 2015; Farooq et al., 2017; Ostrowski et al., 1993). Moreover some scholars (e.g. Cunningham et al., 2004) have also criticised the generic nature of SERVPERF and argue that, too much generic nature of this scale makes it difficult to capture industry-specific dimensions of airline industry, which is crucial for understanding passenger's perception of service quality.

Therefore, various scholars have proposed different models for exploring the dimensions of service quality with specific reference to airline industry (e.g. Chang and Yeh, 2002; Gourdin, 1988; Ostrowski et al., 1993; Truitt and Haynes, 1994). One of the models presented by Gourdin (1988) describes airline service quality with three distinct dimensions; i.e. price, safety, and timeliness of flights. Likewise, airline service quality model presented by Ostrowski et al. (1993) involves comfort of seats, food, and timeliness of flights. Whereas Truitt and Haynes (1994) suggested to use cleanliness of seats, check-in process, timeliness of flights, food and beverages, and customer complaints handling system, as dimensions of airline service quality. However Chang and Yeh (2002) suggested a revised version of five dimensions of service quality presented by Parasuraman et al. (1988) which include tangibility, responsiveness, reliability, empathy and assurance. Further Park et al. (2005) also analysed airline service quality by involving only few dimensions of service quality, which are reliability of customer service, convenience of accessibility, and quality of in-flight services.
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