

## A Moderator's Perspective From Service Quality and Purchase Intentions Relationship: A Case Study of AirAsia Airlines

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**Abstract:** In this study, it was aimed to examine the relationships between service quality, brand loyalty and intention to buy among AirAsia passengers in Malaysia. The results obtained indicate that there is a positive relationship between service quality, brand loyalty and purchase intentions, while there is a moderator effect of ticket price affecting the relationship between service quality and intention to buy among customers. With more scrutinizing, it was revealed that the effect of service quality on intention to buy is not significant for passengers when there is a higher ticket price.

**Keywords:** Airlines, brand loyalty, intention to buy, service quality, ticket price

### INTRODUCTION

Most organizations nowadays are looking for efficient approaches due to economic stagnation. Service quality is one of the rudimentary strategies for operational efficiency and business profitability (Haque *et al.*, 2010). Besides, it can be viewed as one of the prominent elements in business management, which has been extensively debated and accentuated within both the educational and commercial fields (Chen and Chen, 2010). Additionally, customer loyalty can be achieved through enhancing service quality, it becomes vital for companies when they want to survive in this increasingly competitive global environment (Liu and Tsai, 2010).

There are many definitions for service quality which are mostly incomplete or inaccurate one of the most comprehensive studies, considers it as an overall impression or assessment of customers concern regarding to the relative organization's services inferiority or superiority (Zeithaml, 1988; Bitner and Hubbert, 1994). It is also known as GPA 5 and it can be derived from the result of a differentiation between customers' expectations and perceptions of actual service performance (Parasuraman *et al.*, 1985). Despite the clear measurement, in terms of the airline industry there are some ambiguous points. These points occur due to some moderator factors, which companies have to try to solve them, if they want to maintain their good service.

One of these moderating factors is ticket price, which needs to be considered when examining relationships between service quality and brand loyalty. This study

looks at relationships between airline service quality, brand loyalty and intention to buy for AirAsia passengers. Additionally, potential moderating effects of ticket prices, by using a sample of Malaysian air passengers who took AirAsia flights was considered.

### CONCEPTUAL BACKGROUND

**Service quality:** There are multitudes of research in concern with service quality in the airline industry (Ling *et al.*, 2005; Cunningham *et al.*, 2002). The airline industry is attention-grabbing industry that captures the interest of a variety range of audience (Frost and Kumar, 2001). Its impact is due to increasingly growing number of air passengers globally (Chan, 2000). According to Zaid (1995) the different methods of measuring service quality can be ranged from frequent service ratings by air travellers through in-flight questionnaires to monitoring complaint.

From the customers perspective, they make their expectations before confronting with the services. During the process of service delivery they develop their perceptions and then they make a comparison between their perceptions and their expectations regarding the service outcomes (Tan *et al.*, 2010). Woodside *et al.* (1989) proposed service quality as an evaluation of how well the service level delivered complies with customers' expectations. In concern with airline industry, the gap between traveller's perceptions and expectations can be considered as a service quality. Expectations are defined as what the passengers think or expect to be offered in the

airline services while, their perceptions can be viewed as the measurement of travellers with respect to certain airline service attributes relative to their expectations (Sultan and Simpson, 2000). Practically, the service quality of airline is pertinent to the balance of perceptions and expectations of air passengers. Besides, Lytle and Mokva (1992) proposed that service quality satisfies the needs of passengers and passengers evaluate an airline's service quality from its service output, service process and physical environment.

The service quality construct measure involves many more variables; it starts with seat reservation and ends at complaint response including eight stages: seat reservation, ground service, flight operation, cabin facility, meal service, cabin service, baggage delivery and complaint response (Elliott and Roach, 1993; Bowen and Headley, 2000; Chen and Chang, 2005; Liou and Tzeng, 2007). Passengers have expectations and perceptions particular to different stages of the airline service (Park *et al.*, 2004; Chen and Chang, 2005). According to Yu-Cheng *et al.* (2009), service quality can lead to customers' satisfaction and then brand loyalty. It provides a consumer's willingness for paying in premium prices as well as sustainable competitive advantage and marketing success for its company (Chao-Chan, 2011).

**Loyalty:** According to Cronin *et al.* (2000), previous studies mentioned that loyalty is significantly influenced by service quality. Since services enhance the customers' expectation, they will be encouraged to purchase more (Boulding *et al.*, 1993). The perfect service quality leads to customer loyalty (Potluri and Zeleke, 2009). In concern with the Airline context, Boshoff and Gray (2004) confirmed a positive relationship between service quality and loyalty as measured by intention to buy. Besides, on the light of current background, a number of empirical studies have demonstrated that brand loyalty directly affects purchase intentions (Mittal *et al.*, 1998). As a result, service quality perceived by a passenger will affect passenger's loyalty and Intentions to buy among customers and finally their brand choice. Consequently, the causal relationship is identified: service quality => loyalties => intention to buy. Ticket price between different services can act as moderating variable (Hennig-Thurau *et al.*, 2002).

**Purchase intention:** Cronin *et al.* (2000) proposed the recent progresses in services quality and introduce conceptualization of service quality and value on consumers' intention to buy relationship across number of service industries.

**Hypothesis:** Five hypotheses are examined.

**H1:** A customer's intention to buy is positively influenced by service quality.

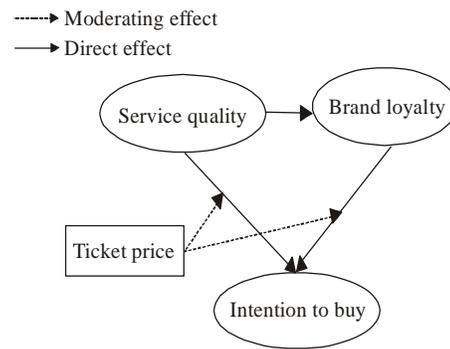


Fig. 1: The theoretical frame work

- H2:** A customer's intention to buy is positively influenced by the customer's brand loyalty.
- H3:** A customer's brand loyalty is positively influenced by service quality.
- H4:** The higher level of ticket price is increasing the chance that a service quality leads to a customer's more intention to buy.
- H5:** The higher the level of ticket price is increasing the chance that a customer's brand loyalty leads to a more intention to buy.

## METHODOLOGY

The framework embraces information on service quality, brand loyalty and intention to buy and ticket price as a moderator factor (Fig. 1). To examine the validity of the proposed hypothetical models, an empirical case study of AirAsia airlines, a Malaysian low cost carrier, was conducted.

In this study, service quality was measured based upon a modification of the SERVQUAL instrument which developed by Parasuraman *et al.* (1988). The SERVQUAL tool was commonly used to measure service quality (Boshoff and Gray, 2004; De Jager *et al.*, 2010). Practically, a short version SERVQUAL scale proposed by Lai *et al.* (2009) was modified in this study. As a result, it reflects better the service received by air passengers. The eight elements of modified SERVQUAL, such as seat reservation, ground service, flight operation, cabin facility, meal service, cabin service, baggage delivery, complaint response, were used to measure service quality perceived by passengers.

Questionnaire items came from related studies (Park *et al.*, 2004; Chen and Chang, 2005) and were modified for this population of AirAsia passengers. Besides, according to Chen and Chang (2005), airline service can be evaluated from a process perspective. The questionnaire used by Park *et al.* (2004) was partially adopted to collect detailed information about the services provided by specific airline crew members during embarking and disembarking. Overall 19 items were measured by using a five-point Likert-type scale.

Table 1: Measurement scales and summary statistics

		Measurement index	Cronbach's ( $\alpha$ )
<b>Service quality</b> Mean = 3.8 ave.% = 0.539	Seat reservation	Easiness of reservation lines connection. disparities in method of reservation as well as providing many options. friendliness of ticket reservation staff.	0.814
	Ground service	Quickness of check-in and ticketing service. providing clear boarding announcement. friendliness of check-in staff.	
	Flight operation	Punctuality and on time schedule. providing a reasonable safety.	
	Cabin facility	Cleanness of cabin environment. convenience of passenger seats. clearance of signs and mark within cabin.	
	Meal service	Reasonable price for food and drink inside the cabin. providing variety of options for serving meal.	
	Cabin service	Friendliness of cabin crews. good quality of entertainment service and broadcasting system.	
	Baggage delivery	Well managing and rapid luggage reclaim. friendliness of luggage-handling crews.	
	Complaint response	Responsiveness to passenger's complaint. fast and appropriate response to complaint.	
<b>Brand loyalty</b> Mean = 3.7 ave.% = 0.617		Attractiveness of airline brand. preference of this airline to others. preference of this airline in case of similar situation to others.	0.871
	<b>Intention to buy</b> Mean = 3.6 ave.% = 0.693	Willingness for to buy airline's products in the future. willingness for recommendation of airline to others.	0.832

N: 374;  $\chi^2$ : 70.85 (p = 0.000); df: 24;  $\chi^2$ /df: 2.95; CFI: 0.943; GFI: 0.921; RMSEA: 0.066

The revised questionnaire evaluated appearance and attitude of customers toward rapid response to reservation lines (for reservation staff) and ground service, (for check-in staff). Besides, it measured perception of customers toward clarity of broadcasting boarding instructions and cabin crew broadcasts as well as clean environment (for cabin facility) and timeliness of response to passenger requests (for the cabin crew), as well as appearance and attitude toward baggage handling staff and efficiency and management of baggage claim service (for staff handling baggage).

Brand loyalty, with three elements, using a five-point semantic differential scale considers passengers brand loyalty. Purchase intentions, with two elements, consider respondents' likelihood of purchasing the brand in question by using a seven-point Likert-type scale. Ticket price with two elements look at respondents' perceived costs when they are considering other airlines cost. A partially self-administered questionnaire was used to collect data from international airline passengers. The questions were based on a review of the literature and specific airline service contexts and the questionnaire was pre-tested and revised. The questionnaires were distributed based on a "convenience" sampling method and sample for this study was obtained from Kuala

Lumpur International Airport (KLIA) in Malaysia during the month of January 2012. Overall, 550 questionnaires were distributed and 413 useable samples were received approximately with 75% response rate, after excluding the incompletes ones ultimately 374 samples obtained and their information were used for further statistical analysis. Among the respondents, 42.4% were Malay, 37.2% were Chinese while 20.4% were Indian.

A confirmatory factor analysis was used to validate the service quality scale of eight underlying dimensions. One item relating to ground service and one in concern with meal service were removed to obtain construct validity. Table 1 lists the remaining elements.

## RESULTS

The overall fit of the model is reasonable because the ratio of the  $\chi^2$  value to degrees of freedom is less than the critical cut-off point of 3, while the  $\chi^2$  statistic is significant (Table 1). Moreover, the Goodness-of-Fit Index (GFI) and Comparative Fit Index (CFI) are more than the recommended value of 0.9 for a good model. The Root-Mean-Square Error of Approximation (RMSEA) is 0.066 which is less than 0.08 for a good model. Additionally, the reliabilities of the three constructs range

Table 2: Structural parameter estimates and goodness-of-fit indices

Hypothesized paths	Standardized estimate		
	Total sample	High-ticket price	Low-ticket price
Service quality-> brand loyalty (H1)	0.64 (12.08**) <sup>a</sup>	0.71 (6.21**)	0.63 (6.72**)
Service quality-> intention to buy (H2)	0.32 (4.98**)	0.12 (1.12)	0.34 (4.43**)
Brand loyalty->intention to buy (H3)	0.59 (9.21**)	0.75 (5.29**)	0.59 (6.12**)
Fit statistics (N = 374)	$\chi^2 = 72.48$ (p = 0.000, df = 24) $\chi^2/df = 3.02$ GFI = 0.945, CFI = 0.976 RMSEA = 0.0641	$\chi^2 = 54.33$ , p<0.01, df = 24 $\chi^2/df = 1.81$ GFI = 0.932, CFI = 0.927 RMSEA = 0.0602	$\chi^2 = 35.28$ , p<0.01, df = 24 $\chi^2/df = 1.47$ GFI = 0.944, CFI = 0.989 RMSEA = 0.0588

\*\* p<0.05, <sup>a</sup>: The value in the parenthesis is t-value

from 0.81 to 0.87, well above the recommended value of 0.7 and the average percentage of variance extracted of each measure ranges are all over 0.5.

Coincidentally Maximum-Likelihood-Estimation (MLE) procedures are used to examine relationships among service quality, brand loyalty and intention to buy (Table 2). The three hypothesized relationships are supported in the MLE model (Table 2). Service quality has significantly positive effects on both brand loyalty and intention to buy, supporting H1 and H2. Moreover, the effect of brand loyalty on intention to buy is also significant, supporting H3.

For the purpose of testing the moderating effect of ticket price, the sample is divided using the quartiles of the level of these costs. The first and last quartiles are defined as the high and low ticket price groups and are subsequently used for testing the casual relationships.

As seen in Table 2, for the low ticket price group, all three hypothetical relationships are significantly positive. For the high ticket price group, the effect of service quality on intention to buy is not significant, while both the effects of service quality on brand loyalty and brand loyalty on intention to buy are positively significant. Consequently, H1 and H3 are supported for both groups, but H2 is only supported for the low ticket price group. The results mention that the moderation effect of ticket price on the path of Brand Loyalty => Intention to buy does not exist-that is, H5 is not supported. However, the moderation effect of involvement on the path of Service Quality => Intention to buy does exist, supporting H4.

### CONCLUSION

The findings of this study not only provide evidences that support the effects of service quality on brand loyalty and intention to buy, but also show moderating effects of ticket price on the relationship between service quality and intention to buy. In addition, to recognizing the importance of service quality on airline profitability, the findings provide an implication on quality strategies for airlines to establish their sustainable competitive advantages. Finally, ticket price practically should be considered as a means for keeping customers in relationships.

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