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## CUSTOMER SATISFACTION IN THE AIRLINES INDUSTRY: COMPARISON BETWEEN LOW-COST AND FULL SERVICE AIRLINES

*The aim of this study was to study customer satisfaction in the airlines industry of Thailand in order to compare low-cost and full service airlines. The total of 100 international passengers were selected from 4 low-cost airlines and 100 international passengers were selected from 4 major full services airlines. The objective was to compare the satisfaction level in 10 different areas – location, price, channel of purchasing, service in flight, safety, check-in, promotion, brand, on-time performance, and image. The findings reveal that low-cost airline passengers rated price, channel of purchasing, and location as highest. On the other hand, full service airlines' clients rated brand, promotion, and service in flight as highest.*

*Keywords:* customer satisfaction; low-cost airline; international passengers; Thailand.

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Кевін Вонгліді

## ЗАДОВОЛЕНІСТЬ КЛІЄНТІВ АВІАЛІНІЙ: ПОРІВНЯННЯ БЮДЖЕТНИХ ТА ТРАДИЦІЙНИХ АВІАКОМПАНІЙ

*У статті досліджено задоволеність клієнтів авіалініями Таїланду, проведено порівняння між клієнтами бюджетних та традиційних авіакомпаній. Усього опитано 100 пасажирів 4 бюджетних та 100 пасажирів стандартних авіаліній. Порівняння проведене за 10 факторами (сферами), а саме: місце розташування, ціна, канал придбання квитка, обслуговування під час польоту, безпека, реєстрація на рейс, просування, бренд, пунктуальність роботи та імідж. Результати аналізу опитування показали, що для клієнтів бюджетних авіаліній трьома найголовнішими факторами вибору авіакомпанії є ціна, канал купівлі квитка та місце розташування терміналу. Для клієнтів же традиційних авіакомпаній трьома головними факторами вибору стали бренд, просування та обслуговування під час перельоту.*

*Ключові слова:* задоволеність клієнтів; бюджетна авіалінія; міжнародні пасажирів; Таїланд.

*Літ. 12.*

Кевин Вонглиди

## УДОВЛЕТВОРЁННОСТЬ КЛИЕНТОВ АВИАЛИНИЙ: СРАВНЕНИЕ БЮДЖЕТНЫХ И ТРАДИЦИОННЫХ АВИАКОМПАНИЙ

*В статье исследована удовлетворённость клиентов авиалиниями Таиланда, проведено сравнение между клиентами бюджетных и традиционных авиакомпаний. Всего опрошено 100 пассажиров 4 бюджетных и 100 пассажиров стандартных авиалиний. Сравнение проведено по 10 факторам (сферам), а именно: расположение, цена, канал покупки, обслуживание в полёте, безопасность, регистрация на рейс, продвижение, бренд, пунктуальность работы и имидж. Результаты анализа опроса показали, что для клиентов бюджетных авиалиний тремя главнейшими факторами выбора стали цена, канал покупки билета и расположение терминала. Для клиентов же традиционных авиакомпаний тремя главными факторами выбора стали бренд, продвижение и обслуживание вовремя полёта.*

*Ключевые слова:* удовлетворённость клиентов; бюджетная авиалиния; международные пассажиры; Таиланд.

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**Introduction.** What are the differences between low-cost and full service airlines? The first answer which comes to our mind is low prices. But offering low prices often leads to low quality, little benefits, low level of comfort etc. Do low prices mean lower level of satisfaction? This is an important question. In general, it is possible that a person can pay low prices to enjoy street food with high level of satisfaction or pay high prices for food in a fancy restaurant and does not enjoy it very much or have a low level of satisfaction with it. There are many factors contributing to satisfaction. It is important to understand these factors for the airline market. First, air transportation has cyclical demand which means the demand is connected with economic cycles (Hatty and Hollmeir, 2003). Therefore, in an expanding economy, airline industry often makes high profits, whereas under recession, airline industry rarely makes profit. Secondly, the overall cost of doing airline business is significantly higher than in many other industries. Therefore, it is essential for an airline company to maximize their flying time to lower their costs (Sorenson, 1991). Third, there are many rules and regulations governing the airline industry. While some sort of allowed deregulation leads to new kinds of airline services such as low-cost airline.

Thai passenger airline industry is one of major industries in the country because it is related to tourism. Both low-cost and full service airlines serve millions of passengers every year. Both serve to provide their services to very different passengers. In general, passengers of low-cost airlines often have low expectations in term of services than that of traditional airlines. Thai airline business has been struggling with many challenges such as high fuel prices, high costs, fluctuating demand, low supply of pilots etc. In fact, the emergence of low-cost airlines was a sort of revolution in the world due to their difference from traditional airlines. Low-cost airlines are attractive to customers who are price sensitive, especially young customers and leisure travelers (Morrell, 2005). Low-cost airlines have the advantages of low costs in three main aspects: service saving, operational saving, and overhead savings (Snyder, 2014). Marketing costs for low-cost airlines are actually higher due to their intensive sales promotion. However, since most of customers are aware of the fact that they buy for low price, their expectations of services are quite lower than with other airlines in which they have to pay a full price. Does this mean the level of satisfaction for low-cost airlines can be reached easier than that of a full-service airline? That is a good question. This research study attempts to compare different group of customers taking into account different prices and services they receive. By using a Likert five-point scale, the research study compares how each group of customers, low-cost airlines and full service airline, rated 10 different areas of products and services, thus leading to the general conclusion on their level of satisfaction.

These 10 factors are location, price, channel of purchase, service in flight, safety, check-in, promotion, brand, on-time performance, and image. Therefore, it is important to compare how low-cost customers and full service customers rate their level of satisfaction with these 10 factors in order to see which factors are more important and which are the least important ones.

**Literature review.** There had been many studies on customer satisfaction worldwide. This is because customer satisfaction has its strong influence on customer retention rate and profitable rate. In fact, one of the most important factors that can lead to customer loyalty is customer satisfaction (Baker, 2013). Customer satisfaction

can be defined as customer's fulfillment response which means a judgement that a product or service provides a pleasurable level of consumption (Oliver, 1997). Other researchers also provided the meaning of satisfaction, for instance, satisfaction as an overall attitude to goods and services provided (Levesque and McDougall, 1996). The meaning of customer satisfaction can also be defined as the gap between expectations and real experience in consumption of a particular good or a service (Wongleedee, 2013). In other words, satisfaction is the difference between what is anticipated and what is really received. When customers are satisfied with goods and services, they are more likely to return to buy particular goods and services and say good things about these goods and services or recommend them to other people. However, when customers are not satisfied with goods and services, they are less likely to return to buy particular goods and services and might complain about these goods and services to others. Therefore, customer satisfaction impacts not only customers themselves but also a closer or wider circle of customers' friends and family. Therefore, customer satisfaction became the key marketing campaign to achieve.

One of the important facts is that customer satisfaction helps a firm retain its customers. In other words, customer loyalty is the key benefit from customer satisfaction. It is imperative in today's business that in order to make profit, a business enterprise must make sure customers are satisfied because a business enterprise can improve their market share as well as profit in the long run (Shin and Elliot, 2001). Airline business is the same in this regard to only other service business, meaning, it also needs customer loyalty. Since customer satisfaction is one of the major factors contributing to customer loyalty, it is important for airline business to focus on customer satisfaction.

**Methodology.** This research involves a quantitative method in studying the level of satisfaction for international passengers of both low-cost and full service airlines. An English questionnaire was designed to measure their level of satisfaction by using Likert five-point scales. The first part of this questionnaire was aimed to present demographic data such as gender, age, education, country of origin, income, and main motive to travel by a particular airline. The second part of the questionnaire addressed the level of satisfaction by 10 different areas. The last part was devoted to their comments and other feedback about the airlines. Sample size was determined according to (Yamane, 1973). The total of 400 samples was needed. However, due to time and budget constraints, only 200 samples were actually collected. To measure the level of satisfaction, the total of 100 international passengers from 4 low-cost airlines were chosen and 100 international passengers from 4 full service airlines were also chosen. The survey was carried out at Don Muang International Airport premises.

The objective of this study was to compare the level of satisfaction in 10 different areas which were location, price, channel of purchasing, service in flight, safety, check-in, promotion, brand, on-time performance and image. A pilot study of 20 samples was tested prior the survey itself in order to make some adjustments to our questionnaire. Moreover, validity was tested by requesting 3 experts to read and comment on the questions in our questionnaire using the Item Objective Congruency (IOC) Index.

**Findings.** Two main purposes of this paper were to investigate demographic information as well as the level of satisfaction of both low-cost and full service passenger airline. The sample showed that the majority of low-cost airline clients were in the age group between 20–35 y.o. While the majority of full service airline clients were in the age group between 30–50 y.o. Half of the sample for low-cost airlines were international passengers and same half of the sample for full service airlines were also international passengers. The majority of travellers in both groups were either European nationalities or Asian. Only a few were from North America or Australia. The majority in the overall samples (about 65% had income in between 40,000–60,000 USD, therefore, we can assume they belong to middle class. The majority of the sample (or about 61%) had undergraduates degree or higher.

When asked about their buying both low-cost and full service in the past, 62% of the respondents reported they buy either low-cost or full service depending on a particular situation such as time constraints, money constraints, available seats, promotion and other factors. When asked about the main motive to choose a low-cost airline, their responses concerned mostly price. When asked about the main motive to buy full service airline ticket, their responses mentioned mostly the importance of a brand name. Based on different expectations of goods and service, the majority of low-cost airlines travellers rated price, channel of purchasing, and location as the top-3 factors of satisfaction whereas the majority in the second group rated brand, promotion and service in flight as the top-3 factors of satisfaction. When ranked using the mean as rated by low-cost airlines passengers, the results were as follow: price, channel of purchasing, location, promotion, on-time performance, image, brand, safety, and service in flight, and finally check-in. But when ranked using the mean rated by full service passengers, the results were as follow: brand, promotion, service in flight, image, check-in, safety, prices, channel of purchasing, on-time performance, and location.

**Discussion.** From our findings, it can be concluded that up to 62% of the passengers are the so-called "overlapping passengers". In other words, they could be either low-cost passengers, or full service clients depending on their private situations. Since the majority of participants in the low-cost group were between 20–35 y.o. and they at the same time rated low price as the most important factor while choosing low-cost airline, the findings concurred with those of P. Morrell (2005) who reported that low-cost airlines are attractive to the majority of customers who are price sensitive, especially young customers and leisure travelers.

S. Forbes (2008) explained, prior to our study, that the expectation of a service might be low when it comes to low-cost service and this usually results in lower quantity of complaints. In other words, the level of satisfaction of dissatisfaction is very much related to expectation level. If customers have high expectations, but the actual experience is low, then the gap will be wider thus resulting in dissatisfaction. However, if customers have low expectations from the beginning, and the actual experience is also moderate or poor, then the gap between them will be as narrow. The gap can be even minimal, thus not leading to dissatisfaction. On the other hand, in the case of full service airlines, customers pay full (and rather high) price. Therefore, their expectations are accordingly high and if the actual experience is poor, then the gap will be wider resulting in serious dissatisfaction. This is true for many full service air-

lines of the last decade, and as a result the situation caused low customer loyalty for full service airlines in general. It can be sum up that price-based expectation have its effects on both low-cost and full service airlines but in different ways. Low price means low expectations while high price means high expectations. Low expectations often lead to lower dissatisfaction therefore.

**Limitations and future research.** 200 surveys utilized in this paper are the major limitation in our study. Future research would need at least 400 samples to obtain more reliable conclusions. Certainly, the comparison between different group of passengers with rather different products and service level may be not that appropriate but the real motive of this paper was to show how different group of passengers rate their level of satisfaction in the context of their own expectation. Future research might need to use the same group of passengers, who travel both low-cost and full-service airlines, to determine their level of satisfaction with both. The link between customer satisfaction and customer loyalty is also need to be explored more deeply in the future.

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