

# SERVICE QUALITY, CUSTOMER SATISFACTION, VALUE AND LOYALTY: AN EMPIRICAL INVESTIGATION OF THE AIRLINE SERVICES INDUSTRY

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## ABSTRACT

Successful businesses are increasingly aware of the importance of service delivery in generating competitive advantages, loyal customers, and long-term economic success (Wagner 1994; Jones and Sasser 1995; Liu *et al.*, 2000). It is widely acknowledged that well-designed customer-service programs enhance customer satisfaction, customer retention, market share, revenue, and profits (Reichheld and Sasser, 1990; Rust and Zahorik, 1993, 1995; Anderson *et al.*, 1994; Jones and Sasser, 1995; Anderson *et al.*, 1997; Loveman, 1998; Hoffman and Kelley, 2000; Johnston, 2001). These issues are of particular importance in the airline industry, in which the delivery of high-quality service to passengers has been shown to be essential (Sultan and Simpson, 2000; Aksoy *et al.*, 2003; Park *et al.*, 2004; Chen and Chang, 2005; Chen, 2008). However, although the link between airline service quality and passenger satisfaction has been established empirically, the exact nature of the relationships that exist among the constructs of airline service quality, passenger satisfaction, and loyalty remains unclear (Park *et al.*, 2004). The role of value in the airline industry is also unclear. Because service failures can occur in airline services as they can occur in the best-run companies in any business setting, improved complaint management and service recovery are obviously important (Boshoff, 1997, 1999; Johnston, 1995). The providers of airline services, like all service providers, need to implement effective complaint-management and service-recovery strategies to ensure (or at least enhance) consumer retention (Liu *et al.*, 2000). However, there is lack of a reliable measurement tool to capture the impact of particular airline service-quality attributes and service-recovery actions on passengers' behavioural intentions. The purposes of this study are, therefore: (i) to develop an integrated model of customer satisfaction and loyalty in the context of airline service failure; (ii) to undertake empirical testing of the position and effect of perceived value in such a model; (iii) to identify a set of pertinent service-quality dimensions for airline services; and (iv) to provide evidence for the causal relationships among the constructs of service quality, perceived value, overall customer satisfaction, and loyalty. The questionnaire contained items extracted from the existing literature on airline service quality (Park *et al.*, 2004; Chen, 2008; Chen and Chang, 2005).

The data were collected from 327 American travellers in various European airports. The qualifier for inclusion was that they had had a service failure on an airplane and that this failure had happened in the recent past. The passengers that participated reflected both business-class and tourist-class travellers as well as both those travelling for their businesses as well as those travelling for personal reasons. The participants were asked to take and fill out the questionnaire on their upcoming flight and to return the questionnaire to the authors. The reliability of each of the multi-item scales was estimated with Cronbach's alpha. All alphas ranged from 0.7189 to 0.9027, which exceeded the threshold of 0.70 suggested by Nunnally (1978). All scales thus demonstrated good internal consistency. CFA using AMOS 19.0 demonstrated appropriate fit for testing of the structural model. The overall fit of the model was adequate with a  $\chi^2$  of 80.1 (df 47), a goodness-of-fit indices from .900 to .974, and RMSEA of .046. As evidence of convergent validity, the measurement factor loadings were all significant (*t*-values between 15.62 and 76.57). In addition, the average variance extracted (AVE) indicated that in each case the variance captured by the construct was greater than the variance due to measurement error (AVEs ranging between 0.575 and 0.773 (Fornell and Larcker, 1981). As an indication of discriminant validity, the AVE for each construct should be greater than the squared correlation between that construct and any other construct (Fornell and Larcker, 1981). This test showed that in no cases was there a squared correlation between two constructs greater than either of the construct's AVE. AMOS 19.0 was used to run the structural model. Of the nine hypotheses developed from the literature, all but one were supported by the data. What appears quite clear from this model for these respondents is that service quality perceptions regarding check-in, on-board service, interior comfort, and food quality have an impact upon customer satisfaction and perceived customer value. What we did not find was the link from customer perceived value to loyalty. This path was not significant. Overall customer satisfaction did lead to loyalty (the reverse valence on the path was due to the coding for the loyalty measure). A more complete picture of airline service delivery and loyalty has emerged from this research.

References Available on Request.