Service Quality, Customer Satisfaction, Value and Loyalty
An Empirical Investigation In A Service Failure Context

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ABSTRACT

It is widely acknowledged that well-designed customer-service programs enhance customer satisfaction, customer retention, market share, revenue, and profits. 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. 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 perceived 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 vital for successful services (Boshoff, 1997, 1999; Johnston, 1995a). Given this gap in the literature and practice, this study will attempt to: (1) develop an integrated model of customer satisfaction, value and loyalty in the context of airline service failure; (2) undertake empirical testing of the position and effect of perceived value in such a model; (3) identify a set of pertinent service-quality dimensions for airline services; and (4) provide evidence for the causal relationships among the components of airline service quality, perceived value, overall customer satisfaction, and loyalty.

From a theoretical perspective, the most important finding of the study is the mediating role of satisfaction and perceived value on the relationship between three of the dimensions of service quality (check-in process, boarding and smooth arrival) and loyalty. It should also be noted that the direct influence of service quality on loyalty was found for two of the three 'on board' dimensions of service quality (quality of the food and interior comfort). Moreover a direct and positive impact of value on satisfaction in a service failure setting was evident demonstrating clearly the importance of value as a variable that affects levels of satisfaction in problematic service encounters.

Several managerial implications arise from the findings of the present study. In general, airlines that wish to enhance the loyalty of their customers should seek to reduce core service failures as much as possible; however, given that service failures always occur, effective service-recovery strategies need to be designed and implemented on an incident-by-incident basis (Smith et al., 1999; Webster and Sundaram, 1998). The results of the present study indicate that effective service recovery provides an opportunity to reverse the adverse effects of service failure because satisfaction with the service-recovery effort leads to overall satisfaction and loyalty.

References available upon request